



# POWERFUL PRACTICES: NEW DIRECTIONS IN MANAGEMENT AND BUSINESS RESEARCH FOR THE ASIA PACIFIC REGION

Proceedings of the 1st Asia-Pacific Management  
and Business Application International  
Conference on Management and Business Science

Editor: Dodi W. Irawanto



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# Foreword

University of Brawijaya hosted the 1st AP MBA (Asia Pacific Management and Business Application) International Conference on Management and Business Science (1st AICMBS 2013) in Batu-Malang on 5-6 September 2013. The papers selected to appear in this proceeding were first presented at the conference. This year conference theme was initiated by one of the international advisory board members of AP MBA Journal, Dr. Phil Ramsey, namely “Powerful Practices: New directions in Management and Business research for the Asia-Pacific Region”.

The response to the conference call was great and the conference featured about 57 participants who presented their current research work in the management and business science. Ten best papers were selected to appear in the 2014 AP MBA Journal edition in order to give broader impact to the academic society.

The editor appreciated the work of all reviewers of the received submissions particularly for their thorough and constructive comments and for their willingness to review the papers. The conference featured two keynote speakers. The first keynote speaker echoing a title of “Low Level Inference and Management Research: Leveraging the consultant’s perspective” was presented by Dr. Phil Ramsey (Massey University, New Zealand). The following day, the 2nd keynote speaker addressed by Professor Robert Jones (Swinburne University, Australia) addressing the title of “Globalization and The Nature of Justice: An analysis with regard to the philosophy of lean thinking”.

On behalf of all staff who helped the conference to run successfully and more importantly in making this proceeding available in the e-book and printed format, I as the Editor wish all readers of this proceeding to have pleasant reading and use it for strengthening the research in the Asia-Pacific region.

Editor and Conference Program Chair

**Dodi W. Irawanto, PhD**

# The Role of Leadership and Entrepreneurial Characteristic of Kyai in Developing Entrepreneurship (An Ethnography Study at Pesantren Sunan Drajat Lamongan)

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**ABSTRACT** - Purpose-this research aims to reveal the role of leadership and entrepreneurial characteristic of *Kyai* in developing entrepreneurial spirit comprehensively at *Pondok Pesantren* (Islam Boarding School) that the *Kyai* leads. The values that are intended to be revealed are leadership style, entrepreneurial characteristic, and utilized strategy to develop entrepreneurial spirit. It is expected that *Kyai* will be able to answer the challenge in creating young muslim entrepreneurs that affect the economy growth and shrink the number of unemployment.

Design/ methodology/approach-it utilizes ethnography approach to observe the history of the role of *Kyai's* leadership and entrepreneurial characteristic in developing entrepreneurship starting from the Sunan Drajat era up to the recent day (*Kyai* Abdul Ghofur).

Findings -There is a (huge) opportunity to develop entrepreneurship at *Pondok Pesantren* Sunan Drajat Lamongan that is able to encourage young muslim entrepreneur in the futures. Through the role of *Kyai's* leadership and entrepreneurial characteristic (recently), this expectation can be achieved by utilizing the existing business units as the learning process on entrepreneurship.

Originality- Exploration to comprehend and reveal a big question about the role of a *Kyai* figure to develop and encourage entrepreneurial spirit at *Pondok Pesantren* Sunan Drajat.

**Key words:** – leadership role, entrepreneurial characteristic, entrepreneurial spirit, young muslim entrepreneur

Type: Conceptual paper

**INTRODUCTION** - *Pondok Pesantren* Sunan Drajat (abbreviated as PPSD, an Islam Boarding School of Sunan Drajat) located in northern coastal region of Java Island, is a well-known Islam Boarding School, particularly for the local citizens of Lamongan Regency, East Java. The boarding school led by *Kyai* Abdul Ghofur has more than 7,000 students (santri) (Hasan, 2012) and fourteen business units that continue to develop. The fast development of the Islam Boarding School perceived from the number of students and the developed business units is inseparable from the role of *Kyai* related to his leadership and entrepreneurial characteristics.

Sunan Drajat, adopted as the name of the Islam Boarding School located in Banjarwati, was one of the wali songo (nine saints) members that was famous at that age. The heritage of Sunan Drajat is still well maintained until today, including the philosophy he taught in verse below:

*“...asid(e) qahabaparinawengi,  
anandur sadengan gawe amal agawe  
wot marga gedhe, lan agaweya sumur  
pinggir marga, lan aweh b(m)ukti  
ing wong kaluwen ika,lan aweha  
payung,mangke punang kepanasan.*

meaning:

“...bersedekahlah bapak siang dan malam,

mnanam apa saja sebagai amal,

membuat jembatan di jalan besar,  
dan membuat sumur di pinggir jalan,

dan berilah kenikmatan (mukti)  
kepada orang yang lapar,

dan berilah payung, kepada orang yang kepanasan

To adapt to the environment condition at that time, Sunan Drajat compressed his lesson into four lessons:

*Paring teken marang kang kalunyon lan wuta*

(Give stick/direction to them who step on slippery road and blind)

*Paring pangan marang kang kaliren*

(Give some foods for those who are famished)

*Paring sandang marang kang kawudan*

(Give clothes for those who are naked)

*Paring payung kang kodanan*

(Give an umbrella for those who are soaking wet because of rain)

Local society recognizes his lesson as catur piwulang (four lessons). The verses of Sunan Drajat became the philosophy of life among the local citizens during his era (Roesminingsih, 2012). Catur piwulang itself is the part of pepali pitu (seven basic lessons); it is the seventh lesson (Sunyoto, 2012). In addition, the spirit of Sunan Drajat's lesson still becomes the philosophical foundation of the PPSD until recent time.

The *Kyai* of PPSD is known as entrepreneurial *kyai* (Rofiq:2011). The *Kyai* often spends his own money to fund those poor santri in quite huge amount (Salim, 2007). It is due to the *Kyai* has businesses or profit generator

units in the form of business units owned by PPSD such as a 10 acres of mengkudu (*Morinda Citrifolia*) yard, mengkudu juice development labeled as Sunan Drajat, compound fertilizer production labeled as Guano Phospat, cattle feed production made of fish, bottled drinking water production branded as Aidrat, cow and goat/sheep feeding, Persada 97.2 FM preachradio, Sunan Drajat Persada Television channel, Sunan Drajat trading business, Cooperative and Baitul Mal wa Tanwil (BMT) of Sunan Drajat, Hajj and Umroh Travel Agency, and Car Rent (PPSD Profile, 2012). With the determination to prevent unemployment santri (students), PPSD continues to develop its business units as a place to learn for those santri to achieve particular competence before leaving *pondok pesantren*. Besides, PPSD *Kyai* also well-known as a healer that can cure several diseases and illnesses. There are a lot of visitors who want to be healed by the *Kyai*, not only common local population but also important figure and government officials. The *kyai* figure is recognized by the surrounding environment and the Lamongan Regency population; even, in national scale, the *kyai* once took his position as the chairman in Himpunan Pesantren Agrobisnis Indonesia (Indonesian Agriculture Pesantren Association)

The development of PPSD as an organization is inseparable from the role of *Kyai* and his leadership. Empirical evidence proves that the development of pesantren depends on the role of its *Kyai* in quickly adapting to environment change. It is mentioned by Suryadi and P3M as cited by Fatchan

(2011:214) as they said that there is a shift on the discourse of pesantren in East Java. The percentage to learn and study knowledge and skill increases. This phenomenon indicates that there is a shift on the discourse of pesantren to be more practical and worldliness. This statement is also supported by Sukamto's finding (1999:17) as he said that change and adaptation occurring in pesantren are the proof that a *Kyai* is able to adapt to development of the society, particularly related to the national education system development. It also implies that pesantren is able to make a renewal on its education system even though it has been implemented in years. *Kyai* is also willing to review their comprehension on religion matters including in social realms; besides, a *Kyai* is willing to search new pattern in leadership regeneration for the pesantren.

In the context of organization, the role of a leader in an organization influences the progress of the organization itself. The finding of Elenkov (2002) demonstrates that transformational leadership directly and positively affects organizational performance of a business; it also influences manager's performance in achieving the objectives of the organization; furthermore, it also provides a support on innovation and team solidity. Kim (2007) also found leadership with "fatherly" style is able to cultivate communication and strong relationship between the business owner and his employees in a small business enterprise. It has motivated the employees to be more productive.

As an organization, the business units owned by PPSD have grown and developed due to the role of its leader and the leadership of the *Kyai*. Entrepreneurship development at PPSD is important since it is able to encourage new entrepreneurs which are often tied to the issue of economy awakening of a nation or a country.

Entrepreneurship is a function of entrepreneur; in other word, entrepreneur growth is due to entrepreneurship (Lichtenstein, Dooley, and Lumpkin, 2006). Greater number of entrepreneur in a nation results in better economy growth of the nation (Carsrud and Brannback, 2007:5). Entrepreneurship is called as the driver of a nation's economy growth (Fayolle, 2007:14-15). In addition, entrepreneurship is also the trigger to create economy growth (Hodgetts and Kuratko, 1995; Li et.al., 2012:948-961; Casson and Wadeson, 2007:239-262), competitiveness and job vacancy (Thurik and Wennekers, 2004: 140-149). An important thing to notice is that even small business enterprises, if it is in abundant amount, are not doubtful for their role to build world's economy (Bygrave, 1994; Timmons, 1994). From economics perspective, entrepreneurship is the function of economy driver (Schaper and Volery, 2004). The linear logic pattern becomes a reference to conclude the reason why a nation always encourages its number of entrepreneurs to get elevated. Thus, it needs a convergence of vision among the overall elements of a nation to improve the number of entrepreneurs through education realm. Education under the regulation

of Ministry of Education and Culture as well as Ministry of Religious Affairs should be the leading sector to spread out entrepreneurship. Creativity, innovation, and courage to take a risk are the core of entrepreneurship that should be shared to youth generation as earlier as possible.

Meanwhile, the fact demonstrates that the unemployment rate in Indonesia increases from year to year; there are 1.3 million of new unemployments annually (www.republika.co.id.:2012). In February 2012, the number of unemployment reaches 7.6 million people by which 6.5% among the number are open-unemployment (www.beritasatu.com/ 2012). To reduce the number, growing and developing the number of entrepreneurs are the answers on that problem. Mentioned by Van Praag and Versloot (2007), entrepreneur has very important and very specific contribution toward economy. That answers create more job vacancy and contribute to productivity growth, production and commercialization of innovation, and conducive environment creation.

As a nation, Indonesia has more than 237 million population (www.bps.go.id, 2011) which most of them are muslim (86%) that has potential to encourage economy growth as the number of entrepreneurs is elevated. The number of entrepreneurs is only 0.18% from its total population (www.ciputraentrepreneurship.com, 2011). Ideally, Indonesia should have 2% entrepreneurs from its total population to achieve good economy growth and reduce unemployment rate (Ciputra, 2011). Thus, the discrepancy or gap

can be shranked (Khairi,2013:www.suarapengusaha.com)

The distribution of population which dominantly is muslim (86%) mostly live at rural area (50.21%, BPS data, Population Census in 2010). In East Java, the total population almost reaches 37.5 million people; 52 percent among them live at rural area (based on the population census in 2010). The data show that population in East Java is centralized at rural areas; and this is correlated to education at pesantren as the root of the genuine education in this country as the origin of the Nusantara Malay civilization (Dhofier, 2011). The number of *pondok pesantren* in East Java spreads over several regencies and rural areas. Based on the data of Ministry of Religious Affairs in 2011, there are more or less 4,404 *pondok pesantren* in East Java (www.kemenag.go.id., 2011). *Pondok Pesantren* has become the choice for school-age children as a place to learn.

Other obstacle to encourage entrepreneur growth massively is about mental state to be an entrepreneur. Furthermore, there is a debate on whether an entrepreneur is born or created (Akola and Heinonen, 2006). The argument group tends to question whether entrepreneurship is a science or an art (Sae, 1996; Shepherd and Douglas, 1996; Jack and Anderson, 1998; in Henry, Hill and Leitch, 2005). On the other hand, group which supports the concept of entrepreneurship comments that entrepreneurship can be developed and advanced through education and training (Vesper, 1982; Clark, et.al., 1984; Kantor, 1988; Sae, 1996; Henry

et.al., 2003 in Henry, Hill and Leitch, 2005). The other research finding shows that 81% of graduate students in Malaysia dream about having their own business. The dominant barrier to be an entrepreneur is lack of social network (Sandhu, Sidique, and Riaz, 2011). Conversely, Oosterbeek, Praag, and Aukeljselstein (2010) mentioned that entrepreneurship education does not deliver expected impact and greatly depends on the student's interest. Among the debate between those two groups, the opportunity to encourage the interest to be an entrepreneur through education is still open, though it indeed depends on the interest of each student himself.

Though it is still on debate, entrepreneurship course for the students of non-business program is important as a trigger to create new entrepreneurs in streaming the ideas and creating entrepreneur community (Otto, 1999 in Fayolle, 2007: 54). Entrepreneurial spirit becomes the trend in 21<sup>st</sup> century (Kuratko, 2007) that can be learned and introduced since early age. Just like reported in World Economic Forum in Switzerland in 2009, the target of entrepreneurship learning group for youth will be better for 6-22 years old (Anonymous, 2009:26). That age is the age of youths as they enter elementary school until college. The report from the World Economic Forum in Switzerland has been acknowledged by The United States as a country since this country has presented entrepreneurship in more than 1,600 schools and more than 2,200 programs (Katz, 2003 in Landstorm, 2005:4).

Another phenomenon, the establishment of entrepreneurship-based pesantren nowadays continues to grow, such as Nurul Hayat Foundation (East Java) which plans to establish entrepreneurial pesantren and Holy Qur'an recite (www.surabayapagi.com:2010). It is followed by Ad Duha entrepreneurial pesantren at Blosing Pajangan Village, in Bantul, Special District of Yogyakarta (www.ansor.org, 2012). In East Java itself, there are some well-known entrepreneurial pesantren such as Sidogiri pesantren in Bangil-Pasuruan, Modern Pesantren of Darussalam Gontor in Ponorogo, and etc. The determination to establish entrepreneurship-based pesantren is aimed only to create independent characteristic among youths and expect them to be entrepreneurs like exemplified by Muhammad saw. (Kamaludin, 2007; Kelana, 2008) and his wife, Siti Khadiyah ra. (Zain, 2010). It is not only needed by developing country, it is also becomes an important global economic phenomenon (Lingelbach, De La Vina, and Asel, 2005).

The education model at pesantren actually teaches autonomy or independence, full of entrepreneurship. Entrepreneurship issue at pesantren is not a new thing since pesantren itself initially was an entrepreneurial institution as presented by Haedari (2012):

### **How is the relationship between pesantren and entrepreneurial spirit?**

“Actually, the true characteristic of a pesantren is autonomous or independent, full of entrepreneurship. Thus, entrepreneurship issue is not a new thing in pesantren since pesantren itself was an entrepreneurial institution. Formerly, there were several pesantrens in some areas of this region; then, the *Kyai* had some acres of land and made the santri indirectly involved to manage the land, cultivate some plants.

That is the way the *Kyai* educates his santri. Thus, when they return to the society, they can do gardening, farming, breeding livestock/cattle, and etc. It was due to the *Kyai* had some acres of land. I remember when I was little, those santri went to farmland, cultivating plants, fish pond for cultivating fish so that when they returned to the society they would be able to cultivate crops and nurture fish.

Based on its origin, pesantren was indeed a place for entrepreneurs and entrepreneurship. I do not know why it changes. If it is restored to the original function, pesantren is a place for entrepreneurs. Santri mostly were not a government officer or public servant. The *Kyai* always stayed at that place: reading the holy book and utilizing the land he had. Even, during the early time Islam entered Indonesia, as it established several pesantren, there were several trading activities at



the coastal region; it was all also a business.”

**Why does it change?** - “Recently, pesantren gets more and more in its number. Pesantren used to have a wide area of land; as the family members got wider, the land was then splitted to each of the descendant (family). The land used to be farm land, but not now. They are not able to run farming business. It changes. Actually they should be able to run business other than farming as entrepreneurship is not only about farming or agriculture.

In other field of skills, the chance is still widely open. Like in industrial field, skill in mechanical engineering, welding, or other skill which does not require wide area of land is still possible. Service industry also has an opportunity to be entered. High technology agriculture such as using hydroponic agriculture also requires small area of land as the technology even gets more advanced. Pesantren should follow such advancement.”

The quotation from interview above describes that entrepreneur is not a new thing for pesantren; furthermore, it is a challenge for Islamic Boarding School (pesantren) to encourage entrepreneurial spirit. In fact, Islam has Muhammad saw. as the role model of entrepreneur and in entrepreneurship. In his life stage, Muhammad saw. had built and determined business world since he was 12 years old. Moreover, his apostolic task was shorter (23 years) than his age to run and conduct

business (25 years) (Antonio, 2011:12). Therefore, it implies that we need to deliver entrepreneurial motivation to the muslim generation as young as possible in this recent time.

To enable their role in entrepreneurship realm, the santri (students) who enroll in Islam Boarding School should have entrepreneurship education session. Entrepreneurship will not be constructed easily if the pesantren leader and managers do not take their role in facing competition era in the near future. Considering that *Kyai* is the role model in every single activities the santri have, strong leadership and entrepreneurial characteristics should also be attached to the *Kyai* in order to make the santri have reliable mentor. As the final consequence, after they graduate from the pesantren, santri have sufficient skill and ability to start up new life as true entrepreneurs.

**The Role of Leadership in Entrepreneurship** - Leadership in entrepreneurship becomes pivotal spot of the organization development during the process of entrepreneurial spirit distribution. Creative and innovative leader will deliver and drive his organization progressively; since a leader is in fact the driver of the organization itself, even for a religion-based organization.

Research result demonstrates that operation advantage in a business organization is not only affected by managerial leadership but also by other factors such as empathy toward customers, continuous innovation,



and the commitment of organization members (Darling, Gabrielsson and Seristo, 2007).

In the context of Islam, leadership has two roles: as a “servant” and as a “guardian.” Leader as a servant is called as servant leadership who serves his followers and directs his followers to the right direction as well as elevates their welfare. Leader as a guardian is a leader who protects their community from a tyrant and oppression, as well as fight for justice (Beekun and Badawi, 1999).

**The Role of Characteristic in Entrepreneurship** - Characteristic is defined as a combination of emotion, intellectuality, and moral quality which differentiate between a person from another. In other words, characteristic is a trait embedded within someone-self and appeared in his natural behavior, not fake behavior. Hence, characteristic is able to bring positive influence on other aspects which results in reputation and goodwill (Klann, 2007).

Characteristic possessed by a leader also has strong relationship with the organization’s journey and the achievement of its planned program. Creativity, innovation, precision in making a decision, dare to take a risk, and others are the characteristics which have to be owned by a leader and an entrepreneur.

According to Meredith, cited by Suryana (2008), entrepreneurial characteristic consists of self-confidence, optimistic, task-and-goal

oriented, dare to take risk, and prefer to a challenge, leadership, originality, and future-oriented. Zimemer and Scarborough (1996) in their study found that values characteristic which underlied proactive, initiative, work-oriented, efficient, quality priority, and high commitment are the success keys of business.

In the context of Islam, Muhammad saw.had provided a role model for an entrepreneur into four stages of characteristic described as follow:

Figure 1  
Four Stage of Entrepreneur Characteristic



Source: Adopted from Kelana (2008)

Integrity is the main standard and foundation characteristic of an entrepreneur which is an honesty that fully covers other positive characteristics. Muhammad saw. since his childhood had developed his honest characteristic, known as al-amin or the trusted person. The prophet kept his

behavior, speech, and commitment on honesty so that he radiated charm and strength. Loyalty is a supporting characteristic which strengthens other's trust. Loyalty is related to long term commitment. In business, Muhammad saw. always practiced loyalty to his customers by providing excellent service to everybody that caused the customers be loyal to him. Professionalism is a capacity to run a profession based on standardized measurement and best quality. Muhammad saw. entered his professionalism stage when he was hired by Khadijahra. as her business partner. After getting married with Khadijah ra., Muhammad saw. became the manager of their business organization. Spirituality is reflected on his empathy on akhlaq (moral) issues (Kelana, 2008).

**STRATEGY** - The term of "strategy" comes from Greek "strategos", referring to "art" in general. Strategy is strongly rooted from military term in 500 years B.C., introduced by Sun Tzu, a Chinese military strategy expert. Sun Tzu's well-known lesson in war strategy is "know your-self, know your enemy, do a hundred of battles and win a hundred of glories." The military strategy is then adopted in business competition which is known as management strategy or called as strategy (Peng, 2009).

Some definitions of strategy as summarized by Peng (2009) are divided into three parts: strategy as plan, strategy as action, and strategy as inegration.

Table 1.  
Strategy Definition

Source	Definition
Von Clausewitz, 1976	Strategy as Plan: Concerned with drafting the plan of war and shaping the individual campaigns and within these, deciding on the individual engagements
Oster, 1994	A set of concrete plans to help the organization accomplish its goal
Liddle Hart, 1967	Strategy as Action: The art of distributing and applying military means to fulfill the ends of policy
Mintzberg, 1978	A pattern in a stream of actions or decisions
Porter, 1996	The creation of a unique and valuable position, involving a different set of activities ... making trade-offs in competing ... creating fit among a company's activities
Chandler, 1962	Strategy as Integration: The determination of the basic long-term goals and objectives of an enterprise, and the adoption of course of action and the allocation of resources necessary for carrying out these goals
Hitt, Ireland, and Hoskisson, 2003	An integrated and coordinated set of commitments and actions designed to exploit core competencies and gain competitive advantage
Dess, Lumpkin and Eisner, 2008	The analyses, decisions, and actions and organization undertakes in order to create and sustain competitive advantages

Source: Adopted from Peng (2009)

To grow and develop, both profit-based and non-profit based organizations need strategic management. Strategic management is tightly related to organization resources in managing challenge and utilizing chance. Strategic management involves strategy development and policy formulation to achieve the goal and objective of an

organization. In its process, it should consider two strategies: external strategy and internal ability. Strategic management also offers framework to where an organization should adapt to the uncertainty of the environment and future (Steiss, 2003).

In global context, Peng (2009) provided five strategies for entrepreneurship: growth, innovation, network, financing/governance, and harvest/exit. During the growth stage, organization should observe the amount of resources they can utilize. At the growth stage, the resources can be vision, motivation, and leadership of the organization. At this stage, commonly, strategy is often emphasized on more action but less analysis. Organization grows due to utilizing chance with less analysis. Innovation is the core of entrepreneurship thought. Innovation strategy has become a specific part in differentiation strategy since it is able to create competitive advantage. By innovation, organization can be widely well-known by its uniqueness. The empirical evidence proves that owner, manager, and employees in small and medium enterprises tend to be more innovative than those larger enterprises. More importantly, there is a positive relationship between innovation and greater profit. Network in the context of strategic management refers to building, connecting, and binding individuals or organizations in an attached-unity. There are two kinds of network: individual network and organization network which are both equally important. The true essence is on the process of interpreting the network that is built individually becomes a value-added

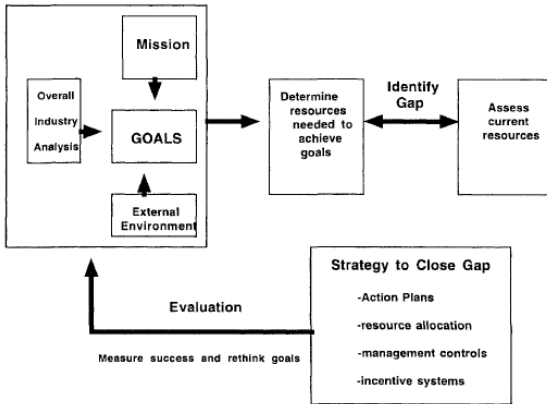
for organization. Other important attributes in the context of building network are on its urgency, intensity, and its role on organization since a successful on building a network will be able to enhance the performance of an organization (Peng, 2009).

**The Role of Leadership in Strategy** - Leadership and strategy are inseparable; as we discuss a change, we actually talk about strategy and leadership (Abell, 2006). EFQM, quality assurance institution in Europe, gave its comment as follow: “the behaviour of an organization’s leaders (should) create ... clarity and unity of purpose within the organization, and an environment in which the organization and its people can excel’ (EFQM, 1999)”. It indicates that leadership is the key in strategy, source of value, and source of competitive advantage. It has been agreed that leadership role is to build and retain organization vision and keep the commitment to attain achievement (Morden, 2007). Leadership becomes long term leading issue in strategy, stability retention, and survival in the business that is managed. Also, leadership is responsible for the focus strategy in the future and developing values, culture, as well as knowledge-based ideology, form and relationship, core competence, finance and resource, value-added, and competitive advantage including strategic management process (Morden, 2007: 331).

To achieve organization’s objective by utilizing strategy surely requires a process. Oster (1995:12) presented a scheme of strategic management

process that can be used to understand non-profit organization as follow:

Figure 2. Strategy Process for Non-Profit Organization



Source: Adopted from Oster (1995)

According to Oster (1995), for most of the non-profit organization, the question started from “what business” and ended up on the mission statement of the organization. For a non-profit organization, a question related to the values commonly is only at the level of management which is much different from a world-class organization. Like Drucker said, a non-profit organization starts from showing its performance through its mission.

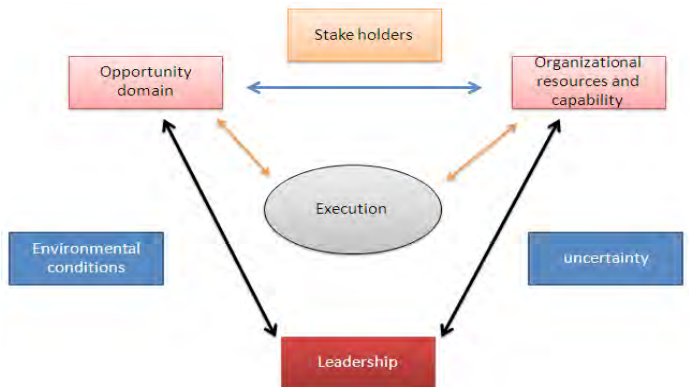
In global context, it is difficult to retain a non-profit organization which only relies on funding organization to finance its programs. It is the time for a non-profit

organization to think about and act for making its own money generator to finance the programs that the organization offers. Studying and developing strategy are aimed to maintain organization sustainability as well as to build the business and develop its own money generator in running humanity mission. The shift on the perspective of the non-profit organization is due to the willingness to make a leap progressively and the strong intention to be independent.

### Entrepreneur and Leadership

- In the start-up process, an organization, which continuously grows and develops, needs balance pillars such as entrepreneur, opportunity, and resources. During the growth process, there are three driving forces including leadership, the opportunity domain, and organizational resources and capability. It can be described as follow:

Figure 3. Driving Force of Growth



Source: Adopted from Bygrave and Zacharakis (2011)

The synergy between entrepreneur and leadership is greatly needed during the introduction and growth stage, since those stages are the important moments for a business to keep sustainable in the future. It can be analoged by business cycle and the devoted time of an entrepreneur; at that stage, abundant devoted time to the business that has just been started is greatly needed. Leadership will take important role in keeping and developing the sustainability of a business.

**Entrepreneurship in Islam** - Islam had introduced entrepreneurial spirit before Muhammad saw. was raised as the messenger. In his childhood, Muhammad saw. had worked hard since he was 12 years old. The independence of Muhammad as a child is perceived as the root of entrepreneurship in Islam perspective. In his encyclopedia, Antonio (2011) described that apostolic age of Muhammad is even shorter than his time to determine entrepreneurship. It is presented in the following table.

Table 2. Age and the Life Stage of Muhammad saw.

Life Stage of Muhammad saw.	The Age of Muhammad saw.
23 years carrying apostolic task	40 – 63
Contemplation age	37 – 40
25 years bind up in business	12 – 37
Childhood	1 – 12

Source: Antonio (2011)

The description above implies that Islam actually has provided basic entrepreneurship for the followers. Hard working, independent, do not rely on other people, and good and right way of trading exhibited by the prophet is the true entrepreneurship. Islam provided role model of entrepreneurship on the way of trading and distributing goods from one to another region. The history notes that the merchants (Al-Faruqi and Al-Faruqi, 1986; Madjid, 2012) were also one of the factors that spreaded Islam around the globe. It is in resemblance with the citation of Surah Al-Ahzab verse 21 mentions “Indeed in the Messenger of Allah (Muhammad saw.) you have a good example to follow for him who hopes in (the Meeting with) Allah and the Last Day and remembers Allah much” The verse implies to the Islam followers that in entrepreneurship, Muhammad SAW. had provided a good role model as he was an honest and trustable merchant.

**Entrepreneurship spirit in pesantren**

- Entrepreneurial spirit refers more to human activities, spirit, and enthusiasm like the attributes described by business practitioners or entrepreneurs (Nandram and Samson, 2006). Entrepreneur is a figure which is able to quickly adapt to change and a fast learner (Pitts, 2008). According to Klein, cited by Strong (2009), the term of “spirit” in entrepreneur is a soul, a strength energy or animation that activate human potentials to create, innovate, search, endeavour, in enthusiasm for achieving vision even they have to face challenges, obstacles, and risks.

Bygrave and Zacharakis (2011) mentioned that organization greatly needs entrepreneurial spirit to grow.

In Islam, entrepreneurial spirit is demonstrated in Muhammad hadith, narrated by Bukhari and IbnuMajah:

“Someonewhotakes a string, and thencut thetree branchandtie it-withthe rope, and thensell itforthe necessities of lifeandcharityisbetter thanbeggingon others. Neitherthe person heasked for wasto giveorrefuse.”(HR. BukhariandIbnuMajah).

The hadith describes that entrepreneurial spirit in Islam perspective is much valued. Islam firmly asks the followers to independently endeavor for their life; and, it is more respectable. It is a proof of recognition to the entrepreneurship in Islam.

In its historical path, *pondok pesantren* was actually independent, full of entrepreneurship. Issue on entrepreneurship in pesantren is not a new thing since the origin of pesantren was entrepreneurial institution. Years ago, pesantren institution in several regions used to have some acres of land. Pesantren indirectly involved its santri (students) in agriculture, farming some plants. In that way, *Kyai* educated his

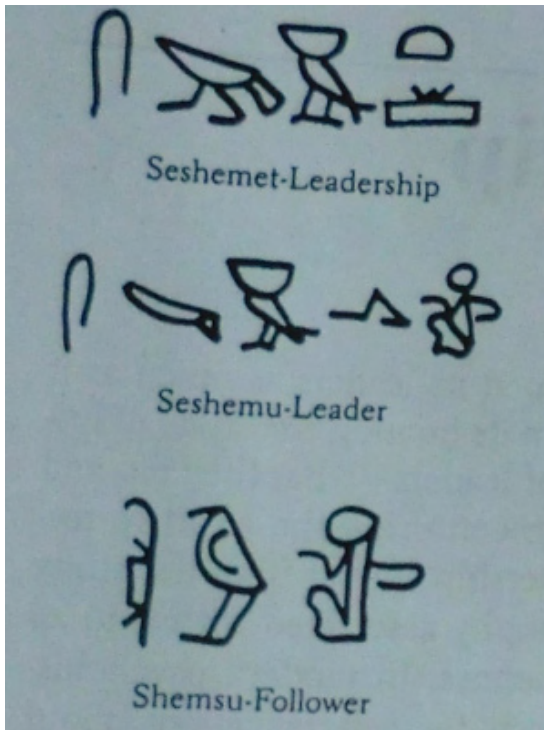
santri; so that as the santri returned in the society, they were able to gardening, farming, livestock/cattle breeding, etc. The condition changes as not all of *Kyai* have wide acres of land as they used to. Nowadays, entrepreneurship is not only in agriculture but also in service sector which does not require wide area of land (Haedari, 2012).

In some *pondok pesantren*, the spirit has clearly appeared; whereas, it does not appear yet in several others of *pondok pesantren*. The knowledge and understanding transfer as well as its teaching and learning pattern on the entrepreneurship context is still narrow and need to be examined. Meanwhile, the potential of a *pondok pesantren* to develop by using its own economics potentials is huge just like what has been discussed earlier.

**DISCUSSION** - Leadership is one of the oldest concepts in the globe. It is as old as the existence of human being. Philosophically, leadership has been described in hieroglyph during Egypt era, 5,000 years ago. There are leadership (seshemet), leader (seshemu), and follower (shemsu) concepts which are described as follow:



Figure 4. Leadership in Hieroglyph during Egypt Era



Source: Adopted from Bass (1990)

There was a Pharaoh concept during 2,300 years B.C; Confucius and Tao concept during the early 6 century B.C.; and Plato concept during the golden age of Greece. Ibn Khaldun (Sidani, 2008) in 1377 wrote about leadership in bedouin ethnic. During Europe renaissance era, Machiavelli wrote The Prince (Bass, 1990). There are several information related to leadership study. Leadership term itself initially appeared in Webster's dictionary in 1927 (Burns 1978, in Eckmann, 2013). Leadership study actually has

been started since 1990's or 70 years before the famous Great Man Theory (Bolden et.al., 2003). The role of leadership in organization is not doubtful. Its role is crucial for an organization. The growth and decay of an organization and the successfulness to achieve the planned program greatly require the role of leadership and heavily depend on the leadership of the organization leader (Klann, 2007) no matter the organization is, including manufacturer, service, education, formal and non-formal education, and etc.

A leader with entrepreneurial leadership and characteristic such as in PPSD is one in unity of an individual which is inseparable. If he is a spiritual leadership such as a *Kyai*, then the role will overlap. It describes that between leadership and entrepreneurial characteristic are one in unity. According to Goldberg and Martin (2008), to be a successful entrepreneurial leadership, there are seven elements to consider: communication, controlling growth, setting goals/ solving problems, time/ schedule management, team building, delegation and motivation. What Goldberg and Martin said must be further examined in the field, whether a *Kyai* possesses all of those elements.

During the preliminary interview, it revealed that leadership capability

and entrepreneurial characteristic of a *Kyai* is very strong. He is so enthusiastic in discussing business. He is high nationalism and wants his santri to be empowered in economic. Thus, the *Kyai* always gives his advice and suggestion about how great an entrepreneur is to his santri. Furthermore, he also exemplifies by showing his hard-working ethic which can be seen from his busy activities; the *Kyai* also provides chance for his santri to do internship at the business units owned by PPSD (Ghofur, 2012).

Indeed, to encourage the number of entrepreneurs massively is not easy; however, it can be achieved and has widely open opportunity. At PPSD the spirit to develop entrepreneurship is observable from the growth of business unit. It is inseparable from the entrepreneurial spirit of the *Kyai* who leads the *pondok pesantren*. Soriano and Martinez (2007) research had examined the important role of entrepreneurship and leader behavior in Spain at small and medium business; they found that team leader is able to influence the attitude and behavior of the team members, create a condition or a situation of common relationship in making an effort, and spread entrepreneurial spirit to the team.

The role of leadership in developing entrepreneurship between business enterprise and Islamic boarding school (*pondok pesantren*) is certainly different. Not all of the leaders in Islamic boarding school, with their entrepreneurship, are able to predict change due to differences in their orientation. Business organization indeed has profit orientation to retain

its sustainability; whereas, *pondok pesantren* tends to be more religious. Therefore, it is often found that most of the *pondok pesantren* heavily rely on donation of the santri's parents in covering up its operating costs. Thus, those kind of *pondok pesantren* merely stand behind the great charm of its leader or its *Kyai*.

Another finding, the role of parents in encouraging entrepreneurial spirit of their children also influences the decision of the children whether they want to be entrepreneur or not. There are two main differences noted from the role of parents toward their children. First, it is related to how a child is differently affected by either his mother or father. Father takes the leading role in decision making to start a new business. Second, the difference between son and daughter in describing how their parents influence them. Mostly, female entrepreneurs ask their parents for suggestion, support, and encouragement; meanwhile, male entrepreneurs require greater independence from their parents (mainly from their father) to run a business or compete. Kirkwood's (2007) research had provided a description that decision to start a business is very complex and various. However, the finding showed that the role of parents is very strong. Yet, parent's role is not the only factor influencing to startup a business, there are other factors that affect entrepreneurs' motivation; however, family is the factor that is still considered.

What Kirkwood mentioned is different from what Arcand found in his research in Montreal-Canada.



Arcand interviewed immigrant children who were 18-35 years and their parents were entrepreneurs. Arcand focused his research on how the entrepreneurship perception of those immigrant children is. According to Arcand, parents do not have direct influence on the entrepreneurial spirit development of those children; but open culture has greater role than identity and ethnic background on entrepreneurial spirit (Arcand, 2012). Even the results proposed by Kirkwood and Arcand are contradictory; the role of environment is significant on the entrepreneurial spirit spreading. The geographical condition of the research location among those two researches can be the cause of the contradictory conclusion. Kirkwood made his research in New Zealand; meanwhile, Arcand was in Montreal Canada.

At *pondok pesantren* with its unique culture, it will result in different finding with what Kirkwood and Arcand found. At *pondok pesantren*, boarded santri come from several ethnic background. Santri at Pondok Sunan Drajat do not only come from the surrounding region such as Lamongan, Gresik, Bojonegoro, Tuban, and other cities in Java Island; they also come from Kalimantan, Sumatera, Sulawesi, Papua, and even Malaysia. The diversity on the ethnic background may result in new understanding among those santri related to their culture and their daily interaction. However, no matter what their ethnicity is, all of the santri comply with their *Kyai*; and, this factor can be considered in accelerating the process of entrepreneurial spirit spreading. At *pondok pesantren*, *Kyai* becomes the representative of the

boarded santri's parents. It is not a false if the concept studied by Kirkwood (2007) may be able to be developed at *Pondok Pesantren*. The obstacle that may be found is the *Kyai* as the representative of the santri's parents cannot intensely and continuously communicate to those huge numbers of santri. However, santri can see the spirit from their role model in developing business which can alter their motivation to do business.

Islam, as the religion that is taken by most of the population in Indonesia, the spreading is mediated by entrepreneurs (merchant); it does not reflect the number of entrepreneurs in Indonesia recently. Dewi and Dhewanto (2012) research, which wanted to fill the gap in family business from Islam perspective, had concluded that the success key in muslim family business is guided by The Holy Quran and Hadith including Islam values such as honesty in business, charity, good intention, and positive thinking toward the appeared business problem. Even the described data indicate the gender of the organization's manager, the researcher does not discuss the difference between the role of leadership that is led by male and female managers. This research does not discuss the leadership style of the manager, how the transformation process from former generation to the next generation, and how the transfer of the entrepreneurial spirit.

*Pondok Pesantren Sunan Drajat* (PPSD) is one of the *pondok pesantren* which has a progressive and visionary leader. Pesantren environment which is identical with Islam values and santri compliance toward their *Kyai*

has a potential to born new muslim entrepreneurs in the future. The business unit that has been developed by the *Kyai* at pesantren can be a medium to motivate the entrepreneurial spirit of the santri. Santri will also be able to directly eyewitness how a business grows; they also experience the growth of the business. A religious preach and advice about the importance of entrepreneurial spirit, entrepreneurial development can be one of the advantages if the santri environment is filled with the exemplary of the *Kyai* in developing the business, other than religious knowledge. It does not matter whether they are Malay or Javanese, or etc.; it also motivates the researcher to explore how the role of a *Kyai* with his leadership and entrepreneurial characteristic is in spreading and developing entrepreneurial spirit.

**RESEARCH DESIGN IMPLICATION** - To answer the curiosity on the questions of how is the role and style of *Kyai* leadership in spreading and developing the entrepreneurial spirit at PondokPesantrenand its surrounding environment? And, how is the role of the entrepreneurial characteristic of the *Kyai* in affecting entrepreneurial spirit spread and development at PondokPesantren and its surrounding environment?, Even, how the strategy adopted in spreading and developing entrepreneurial spirit at *Pondok Pesantren* and its surrounding environment?The researcher chooses ethnography approach.

In a usual use, ethnography term refers to a research method in cultural anthropology and written text. Ethnography is indeed often referred as cultural anthropology (Patton, 2002:132). Ethnography approach is not only about observation, but more than that, it is also about participation level during daily activities (Silverman, 2000; in Neergaard and Ulhhoi, 2007:97) which takes six month up to three years (Fetterman, 2010:8; Muhadjir, 1996:98). Since the utilized theory is general and open, then other social science adopts it as the research medium (Sarwono, 2011:18).

The reasons to uses ethnography (case study) design are:

1. *Kyaiat* PPSD has been widely well-known as a “unique” and multi-talented figure. He is not only a business/entrepreneur *Kyai* but also a “healer” as the leader of the PPSD.
2. He is much enthusiastic when he involves in discussion about business (preliminary research interview with the caretaker of the pesantren in November, 12<sup>th</sup> 2012); moreover, the PPSDhas more than ten business units.
3. PPSD has more than 7,000 santri (students) which makes it strategic to develop and spread entrepreneurship “virus.”
4. A research about leadership which develops and spreads entrepreneurial spirit at pesantren has not yet much developed so far.

Besides, ethnography approach is holistic and contextual since there is an involvement or participation during data observation and interview in greater perspective (Morse, 1994:162; Lyons & Doueck, 2010:100) and effort to explain and reveal individual behavior based on conscience and rationale in society living (Miles and Huberman, 1994:6). Sparingga (2000) in Fatchan (2011:49). Ethnography is able to describe culture through the mentioned statement, both implicitly or explicitly, through short and long statement since language is the main instrument to spread culture from one generation the next generation; mostly, it is written in linguistic form (Spradley, 2007:12; Murchison, 2010:4; Alwasilah, 2011). Furthermore, the researcher also gets involved observation and recording data in the forms of dialogue, ritual, performance, ceremonial, artifact, humor, and narrative (Vanderstoep and Johnston, 2009). Ethnography is also perceived as a unique way to observe something (Wolcott, 1999). Ethnography research sometimes is compared to fieldwork terminology; it also sometimes is compared to cultural studies (Willis, 2007:235). Hence, it can be concluded that this research design enables a researcher to explore and study culture and society as the important parts of human experience.

The next reason to employ ethnography research and choose PPSD case is the willingness to reveal the ways or the models of entrepreneurship which has existed since SunanDrajat era until nowadays (*Kyai* Ghofur). Thus, this approach is perceived to be more appropriate.

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