

CONVENTIONAL AND ISLAMIC BUSINESS
COACHING: IMPACT ON SMALL BUSINESSES
PERFORMANCE IN INDONESIA

BY

MUHAMMAD SHOLAHUDDIN

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ABSTRACT

In the last decade, many small-scale Muslim entrepreneurs in Indonesia incorporated sharia guidance into their business practices. Although business coaching is recognised to contribute to a successful business, no empirical evidence has been reported between the conventional and sharia business coaching and its implications on business performance in Indonesia. This study aims to investigate four objectives. They are to determine the characteristics of conventional and Islamic business coaching, to analyse and compare the impacts of conventional and Islamic business coaching on the performance of small businesses in Indonesia and to provide suggestions and recommendations regarding the practice of IBC to increase their impacts on the performance of small businesses. Prior to initiating the assessment of the objectives, we interviewed 10 Islamic business coaches to determine the characteristics of Islamic business coaching which exists in several constructs. The responses were then used to refine the questionnaire implemented during the pilot project. The questionnaires were distributed to 300 respondents who have engaged in conventional and Islamic coaching (150 respondents each). The quantitative analysis was performed using structural equation modelling (SEM). Based on the analysis, the characteristics of the conventional business coaching included the role of a business coach, subjects focused during business coaching sessions, results, satisfaction and self-efficacy variables. Meanwhile, the characteristics of Islamic business coaching was similar to that of the conventional coaching with additional Islamic values namely business coaching (Islamic) value, spirituality and business ethics in both session and result variables. All of the variables were identified to hold significantly positive effects on the small business performances comprising of financial, organisational and strategic performances. Moreover, these variables demonstrated high positive impacts on Islamic business coaching compared to conventional coaching based on the performance of small businesses. The results from this research have provided more insight to academicians and practitioners on the definition of conventional and Islamic business coaching, its application and its impact on the performances of small businesses in Indonesia. Hence, we recommend small businesses in Indonesia to strengthen the foundation of Islamic value and spirituality by incorporating Islamic business coaching to improve their business performance.

Keywords: Islamic business coaching, value, ethics, session focus, performance

ملخص البحث

خلال العقد الماضي، نفذ العديد من رواد الأعمال المسلمين الصغار المساعدة الشرعية في ممارساتهم التجارية. على الرغم من أنه من المعروف أن تدريب الأعمال لها مساهمة إيجابية في نجاح الأعمال. ولكن لم يتم الإبلاغ عن أي الأدلة التجريبية. فيما يتعلق بالفرق بين تدريب الأعمال الشرعية الإسلامية والتقليدية وآثارها على أداء الأعمال في إندونيسيا. تهدف هذه البحث إلى فحص الأهداف الأربعة التالية. تهدف هذه الأهداف إلى اكتشاف خصائص تدريب الأعمال الإسلامية والتقليدية، وتحليل ومقارنة تأثير تدريب الأعمال الإسلامية والتقليدية على أداء الشركات الصغيرة في إندونيسيا، وتقديم التوصيات و الاقتراحات بشأن ممارسات IBC لزيادة تأثيرها على أداء الأعمال الصغيرة. قبل البدء في تقييم هذه الأهداف الأربعة، أجرينا مقابلات مع 10 من المدربين / المساعدين في مجال الأعمال الشرعية للعثور على خصائص IBC الموجودة في بعض المتغيرات التي تمت دراستها. ثم يتم استخدام إجابات المدربين لإكمال الاستبيان المستخدم في المشروع التجريبي. تم توزيع الاستبيانات على 300 مشارك شاركوا في تدريب الأعمال التقليدية والإسلامية (150 المستجيبين لكل منهم). يتم تقديم التحليل الكمي باستخدام نمذجة المعادلات الهيكلية (SEM). بناءً على التحليل، تشتمل خصائص تدريب الأعمال التقليدية على دور المدرب / رفيق العمل، والمواد التي تركز على جلسة عمل التدريب، ومتغيرات النتائج، ومتغيرات الرضا والفعالية / الثقة. وفي الوقت نفسه، فإن خصائص التدريب على الأعمال الشرعية هي نفسها تقريباً خصائص أعمال التدريب التقليدية ذات القيم الإسلامية الإضافية، وهي قيم تدريب الأعمال الإسلامية والروحانية وأخلاقيات الأعمال الإسلامية من حيث تركيز جلسة التدريب ومتغيرات النتائج. جميع المتغيرات المحددة لها تأثير إيجابي على أداء الشركات الصغيرة والتي تشمل الأداء المالي والتنظيم والأداء الاستراتيجي. بالإضافة إلى ذلك، تُظهر هذه المتغيرات تأثيراً إيجابياً كبيراً على IBC مقارنة بالتدريب التقليدي على أساس أداء الأعمال الصغيرة. تقدم نتائج هذه البحث رؤى جديدة للأكاديميين والممارسين فيما يتعلق بتعريف أعمال التدريب التقليدية والإسلامية، وآثارها، وكذلك تأثيرها على أداء الشركات الصغيرة في إندونيسيا. لذلك، يقترح الباحث قيام الشركات الصغيرة في إندونيسيا بتعزيز أسس القيم الإسلامية والروحانية من خلال استخدام تدريب الأعمال الشرعية لتحسين أداء أعمالهم.

الكلمات الإشارية : تدريب الأعمال الإسلامية، القيم، الأخلاق، جلسة التركيز، الأداء

APPROVAL PAGE

The dissertation of Muhammad Sholahuddin has been approved by the following:

Moha Asri Abdullah
Supervisor

Mohd. Nizam Barom
Co-Supervisor

Ibrahim Nuhu Tahir
Co-Supervisor

Suhaimi Mhd. Sharif
Internal Examiner

Abdul Hair Awang
External Examiner

Ilhaamie bt Abdul Ghani
External Examiner

Radwan Jamal Elatrash
Chairman

DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Muhammad Sholahuddin

Signature: Date:

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

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This dissertation is dedicated to Hj. Thohiroh Diniyah, S.Psi (my wife), my parents and family for their continuous support, patience and prayer.

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LIST OF ABBREVIATIONS

AEC	ASEAN Economic Community
AGFI	Adjusted Goodness-of-Fit Index
AMOS	Analysis of Moment Structure
BCR	Business Coach's Role
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
DF	Degree of Freedom
EFA	Exploratory Factor Analysis
F	Frequency
FS	Focus Session
GDP	Gross Domestic Product
GFI	Goodness-of-Fit Index
IBC	Islamic Business Coaching
IFI	Incremental Fit Index
KMO	Kaiser-Meyer-Olkin (Measure of Sampling Adequacy)
NFI	Normed Fit Index
PF	Performance
RFI	Relative Fit Index
RMR	Root Mean Square Residual
RMSEA	The Root Mean Square Error of Approximation
RS	Result
SD	Standard Deviation
SE	Self-Efficacy
SEM	Structural Equation Modelling
Sig	Significant
SMEs	Small-Medium Enterprises
ST	Satisfaction
USD	United State Dollar

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In the past 20 years, business coach relationships alongside clients' performance have gained increasingly wide attention among researchers as business coaches are known to guide and motivate business owners in improving their skills and building their business empire. Business coaching is generally recognised as a significant factor in determining business success (Wiginton & Cartwright, 2020). The role of business coaching is especially prominent in the start-ups of small enterprises (Audet & Couteret, 2012). Additionally, it is also expected to be able to increase business performance and aid in business expansion in the long run (Crompton, 2012a).

In a recent DBA dissertation, Wiginton (2018) offered a comprehensive definition of business coaching that serves as an operational definition understood for the purpose of this study. Business coaching is the art of providing precise diagnosis and guidance to the organisation and/or its leaders by a trusted experienced advisor who actively contributes to developing situational clarity, specific action steps, and accountability for measurable outcomes in a confidential, honest, thoughtful-rhythmic and progress-focused environment for clients individually and the overall business (Wiginton, 2018). In other words, business coaching involves coaching practices which focuses on empowering the client's potential to increase the client's business performance.

However, many have emphasised on the inability of existing training methods in dealing with the evolving issues and challenges faced by entrepreneurs on a daily

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basis (Bennis & O'Toole, 2005). Entrepreneurial leaders may require daily advice and guidance due to the dynamicity of business situations. Unfortunately, the capacity of education and training provided to entrepreneurs often does not seem to be able to meet this challenge (Swanson & Holton, 1997). This limitation has led business coaching practices to be placed under the spotlight especially among small enterprises where the exposure to a highly challenging and competitive market environment is constant.

In Indonesia, only a few studies were done concerning business coaching practices with the most prominent one by Anjaningrum and Sapetra (2018). The authors discovered the importance of entrepreneurial coaching in Indonesia where the implementation of business coaching possessed the strongest influence on creative small business performance in Indonesia as compared to other variables. In another study by Fitriany (2019), it was found that coaching improves supervisors' performance in the sales division. This is in contrast with Setyawati (2016) which reported that mentoring and coaching have little influence on the success of start-up-business among students from Surabaya University, Indonesia. Furthermore, the results of Rahmah (2017) also indicated that there business coaching has no impact on the problem-solving ability of PT X supervisors in the Kalimantan Timur province of Indonesia.

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According to Schick et al. (2019), studies on the influence of business coaching on small business performances raises four major themes. Firstly, coaching is not identified as an academic discipline on its own as it has multidisciplinary roots in management consulting, training and development, and consulting psychology, i.e., business and social sciences studies. Secondly, the scope related to business coaching remains unclear. Thirdly, the inconsistency of the definition of "coaching" by coaches, trainers, or other stakeholders implies that the lack of respect for this field and the clients. Finally, the impact of coaching has always been evaluated subjectively instead

of basing it upon empirical evidence in many business coaching engagements. Consequently, the efforts of evaluating the impact of coaching business using a more practical level prove to uncommon and difficult. Hence, the aim of this research is to shed some light on the characteristics of coaching on the implementation and effectiveness of both conventional and sharia businesses.

1.2 PROBLEM STATEMENT

Islamic business coaching (IBC) is becoming an increasingly popular business coaching alternative among entrepreneurs as it differs philosophically from conventional coaching. The past decade in Indonesia has witnessed an increasing number of Muslim coaches and clients in this field. Although limited statistics are available, the rising number of Muslim coaches and their clients can be confirmed by the increasing Islamic business coaching's monthly events and programmes (Arifin, 2015). These programmes include exhibitions, seminars and Islamic business knowledge sessions on radios, websites and social media.

Despite the longstanding existence of IBC practices in Indonesia, there are limited studies dedicated to this area of research. This study seeks to explore several important aspects of IBC practices in Indonesia. These aspects involve the nature and characteristics of IBC and how it is different from a conventional business coaching approach. Moreover, the study will also examine the impact of IBC on small business performance in comparison with the impact of conventional business coaching approaches, indirectly benefitting various stakeholders in the area of small businesses.

The need to explore, evaluate and verify the impact of both conventional and IBC on small businesses' performance proves to be of importance as the implications of the study also extend to policy recommendations (Bartley, 2011). This study will

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offer recommendations to enhance policies related to business coaching, thus, strengthening small businesses to better support the nation's economy. Robu (2013) argued that small business represents the differences between the return of utilised capital and its cost incurred where small businesses are claimed to have a direct effect on GDP growth. In terms of improving a country's population standard of living, small business is considered as one of the most significant contributors to the gross domestic product with an average of 60% in China, Japan, the USA, the UAE, and the ASEAN nations including Indonesia.

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1.3 MOTIVATION OF THE STUDY

The strength of the Indonesian economy lies in the operation of small and medium enterprises (Liana, 2008). Based on the comments made by the Ministry for Cooperatives Small And Medium Enterprises of the Republic of Indonesia (2015), SMEs contributed approximately 60.34% to the country's gross domestic product and employed 96.99% from the total labour force in 2013. Some studies have shown that the presence of a strong SME industry contributes to higher economic resilience (Shinozaki, 2012). Therefore, policies that are can strengthen small and medium businesses are necessary for maintaining the stability and sustainability of the country's growth and development (Kawai & Lee, 2015).

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Previous studies have also shown that business coaching has a positive impact on the performance of small businesses. Additionally, coaching is also claimed to have a direct, significant and positive influence on employees' performance (Nugroho, Hasanuddin & Brasit, 2012). A study by Pristiani (2014), who evaluated the process of business coaching programme on new entrepreneurs organised by the Central Bank of Indonesia, demonstrated that 94.44% of entrepreneurs who were engaged in coaching programmes recorded significantly increased revenues.

Federation (2009) reported that most Muslim business coaches are business practitioners with at least a master's degree qualification and are mostly internationally certified business coaches. Since these coaches' understands the Islamic worldview and mindset, they can filter, insert and synchronise the knowledge of modern business coaching alongside Islamic business principles. Furthermore, this may also imply that these Muslim coaches believe that a business is not only a matter of profit maximisation and loss minimisation but a practice that needs to be oriented to social and ethical goals. Despite living in conventional economic culture, most small business practitioners are Muslim. Hence, it is only natural that they intend to include values of the Islamic economic culture (Arifin, 2015)

Thus, this study attempts to develop a comprehensive understanding on the practice of IBC which includes the unique proposition of IBC in terms of its approach, contents and orientation, examining an entirely different set of behaviours among owners of small businesses and business goal orientations. The impact of Islamic coaching approaches on small businesses performance can then be tested against conventional coaching. By doing so, this study extends the existing literature by exploring comprehensive models of IBC and its contribution to enhancing the performance of small businesses in the Indonesian context.

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1.4 RESEARCH QUESTIONS

The main purpose of this study is to explore the features of both conventional and Islamic business coaching and their impacts on small business performance in Indonesia. The following research questions are raised in the current study:

1. What are the characteristics of conventional and Islamic business coaching?