LEADERSHIP, CAPACITY OF INNOVATION, AND PERFORMANCES OF THE PESANTREN

Jafar Syahbuddin Ritonga, DBA
Direktur Pesantren Modern Unggulan Terpadu Darul Mursyid (PDM)
Kabupaten Tapanuli Selatan dan Dosen Program Magister Manajemen
Sekolah Tinggi Ilmu Ekonomi Harapan, Medan.
Email: jsr_jasari@yahoo.com

Abstract

This paper aims to explore performances of the Pesantren: to what extent leadership, as an internal strategic activity, has an effect to improve such performances. The paper will be directed to discuss everything related to theory of Social Entrepreneurship (SE) which aims to explain phenomenon of the Pesantren, as arguably a form of the SEs. In addition, the concept of SE is approached by Contingency Theory as a basis for building the theoretical framework. Finally, the findings of the research reveal that performances of the Pesantren are influenced by leadership, as a Pesantren’s Internal Strategy Activity. It is also concluded that the Pesantren’s Performances will be varied at different levels of Capacity of Innovation.

Keywords: Leadership, Capacity of Innovation, Performance, Social Entrepreneurship

Introduction

In the history of education in Indonesia, the Pesantren is the oldest form of educational institution (Departemen Agama RI, 2004). According to Imam Zarkasyi, founder of Pesantren Gontor, a Pesantren is an Islamic educational organization with a boarding system, where Kyai (leader) functions as the central figure, Masjid (mosque) functions as the centre of activities, with studying of Islamic knowledge by Santris (students) under the guidance of the Kyai as the main activity. The Pesantren has contributed much to the development of the Indonesian state, with many leaders in the Indonesian Government and private sector being alumni of Pesantren. One of them was Abdurrahman Wahid, the fourth President of Indonesia.

Due to its unique characteristics, the Pesantren cannot be substituted in an effective way by any other educational institution. As time progress, not only as an educational institution, but the Pesantren functions also as a social and Islamic dissemination organization (Mastuhu, 1994). The sad thing, the Pesantren has
become more and more marginalized over the time. It cannot compete with the secular schools and other modern education institutions existing today. For the case in North Sumatera, a growing number of Pesantrens has been stagnant and even closed in the last few years because of their poor performances.

The phenomena of the Pesantrens in North Sumatera can be explained by Theory of Social Entrepreneurship (SE) and Contingency Theory. Theory of SE functions to explain phenomena of the Pesantren, which is arguably a form of SEs, meanwhile Contingency Theory is used as a basis for building the theoretical framework of this study. This theory always attempts to relate many variables and is actually used to identify and measure the situations under which things are likely to happen.

In the process of influencing the Pesantren’s performances, there is a factor of capacity of innovation required to improve performances of the Pesantren. Further informed by Contingency theory, the influences to the Pesantren’s performances are expected to be varied according to the levels of capacity of innovation exists at the Pesantren.

Theory of Social Entrepreneurship

The term of Social Entrepreneurship (SE) has become an important phenomenon in economic and business on a global scale. This is due to the difficulties of separating the business and social functions of an activity. The term of ‘social entrepreneur’ was first mentioned in 1972 by Joseph Banks in his seminal work, ‘The Sociology of Social Movements’, where he used that term to describe the need to use managerial skills to address social problems, as well as to address business challenges. SE practices emerged in the 1980s with the establishment of Ashoka, the first organization in the world to support social entrepreneurs (Elbrashi, 2013).

In general, SE means the activities of an entrepreneur to meet social needs. SE is used to overcome social problems, as Bornstein (2004) states that this is where social opportunities emerge for SE. It is an effective way of solving the abilities of the public sector to meet changing and growing social needs (Fernandez et al., 2012). SE is establishing a prioritization of the social issues above the economic ones (Nicholls, 2006; Thompson et al., 2010; Dey & Steyaert,
It broadly describes ventures that strive to create social value rather than placing their priority on generating superior profit (Weerawerdana & Mort, 2001). In SE, social value creation appears to be the primary objective, while economic value creation is often a by-product that allows the organization to achieve sustainability and self-sufficiency (Venkatraman, 1997). SE activities can be done in several forms of venture. According to Mair & Marti, 2004, whether social entrepreneurs choose a non-profit or for-profit vehicle depends on the particular business model and the specific social need addressed.

Another significant factor that clearly differentiates between social and business entrepreneurs is their motivation. The motive directs the behavior of someone when doing something. The interest of social entrepreneurs stems from their role in addressing critical social problems and the dedication they show in improving the well-being of society (Zahra et al., 2008). Social entrepreneurs carry out their social activities on an entirely voluntary basis or, as Levie and Hart (2011) state, in ‘the spirit of their activity’. The essence of SE is voluntary innovation and a kind of friendship with a combination of goodwill (Salarzehi et al., 2010). The public often holds social entrepreneurs in high regard because of the multitude of social needs they satisfy and the improved quality they bring to affected societies (Abu-Saifan, 2012).

**Theoretical Framework**

According to Austin et al. (2006), SE is entrepreneurial activity with an embedded social purpose. Based on the theories of Contingency and Social Entrepreneurship (SE), the conceptualization of the factors can be developed. The concepts are quantified into:

1. **Dependent Variable (DV)** is the performances of the Pesantren which consists of three sub-variables: Santris’ Academic Achievement, Surplus or Deficit of Funds from Operations, and Percentage of Santris from Non-Local Areas.
2. **Independent Variable (IV)** is the leadership as a Pesantren’s Internal Strategic Activity.
3. **Moderating Variable (MV)** is the Capacity of Innovation.
Theory of Contingency shows a relationship between two phenomena: 1) the Leadership with the Performances of the Pesantren, and 2) the Capacity of Innovation as a moderator of the relationship between the leadership and performances of the Pesantren. The leadership functions as an activity or process that will influence the performances of the Pesantren. Therefore, the leadership aims to resolve the social issue of poor performances that are being experienced by the Pesantrens in North Sumatra.

SE involves efforts to resolve social issues through social innovation and the creation of social values. Innovation is a key characteristic of social entrepreneurs (Shaw & Carter, 2007). Therefore, the Capacity of Innovation, as Moderating Variable (MV), is expected to give more positive effects on the relationship between the Leadership and the Pesantren’s performances.

**Performances of Pesantren**

An organization must use performance indicators to measure or evaluate the value it makes or the success of a particular activity in which it is engaged. Choosing the appropriate performance indicators for an organization will depend much on a good understanding of something that is important and significant for that organization. However, due to the specific and unique characteristics of an organization, sometimes specific and non-common indicators must be created.

What distinguishes SE from commercial entrepreneurship is a predominant focus on value creation as opposed to value capture (Santos, 2012). There are several methods in measuring the values that are created (value creation) by social organizations. Measuring social effects is harder and more
difficult than measuring business returns. Social benefits are often intangible, hard to quantify, difficult to attribute to the single organization, best evaluated in the future and open to dispute (Dees & Anderson, 2003). Even though the final outcome of SE activities is social benefits, it does not mean that social entrepreneurs must neglect the principles of efficiency and effectiveness in considering the execution of their activities. The central criterion of social entrepreneurs is mission-related impacts. The wealth criterion is just a means of achieving the final objective: social missions.

Due to the unique characteristics and conditions of the Pesantren, the specific indicators that function as the Key Performance or Success Indicators (KPIs or KCIs) of a Pesantren must be chosen to differentiate it from other SEs or educational institutions. There are three indicators that can be used to measure performances of the Pesantren, both as their outcomes / impacts and as their value creation / value capture:

1. **Santris’ Academic Achievements**

   Ebrashi (2011) emphasizes that the most important criterion for “qualifying” as a social venture is establishing the organization to create a certain social impact and measuring the success of the organization based on the achievement of the social impact. SEs should not focus on outputs, rather on service provision, and creating sustainable change. For social entrepreneurs, the ultimate result of the social enterprise is to create sustainable change in the lives of people, and this change should be on a community level rather than on an individual level: social impact rather than outcomes (Ebrashi, 2013). However, SEs also have clear outcomes that lead to social impacts, which define the organization’s success; the outcomes and social impacts of the social ventures together differentiate social ventures from business ventures (Ebrashi, 2011).

   Social impact and social change are the sensible outcomes produced by social enterprises (Young, 2006; Austin, 2006).

   One of the main indicators to measure performances of educational institutions, including the Pesantren, is academic performance of the students. Academic performance is an outcome of the education process: the extent to
which a student has achieved his/her educational goals. In general, the academic performance of a student will reflect his/her abilities. Academic performance of the santris is a clear outcome of a Pesantren that can lead to social impacts.

2. Surplus or Deficit of Funds from Operations

What distinguishes SE from commercial entrepreneurship is a predominant focus on value creation as opposed to value capture (Santos, 2012). However, the value creation of a SE, which is a consequence of its social missions, must be balanced by value capture from its operations in order to ensure its sustainability. Social mission organizations usually maximize value creation and satisfy value capture by aiming to capture just enough value to sustain operations and re-invest in growth. According to Dees & Anderson (2003; cited from Haugh, 2007), the benefits of combining social purpose with enterprise have been found to include greater market responsiveness, efficiency, innovation, and leveraging of resources. Social enterprises aim to achieve financial sustainability by combining financial, physical and human resources (Haugh, 2007). The financial resources might be derived from market sources (revenue from the sale of goods and services), non-market sources (Government grants and program funding, independent grants, donations and philanthropy), and non-monitory resources (volunteer labor and social capital) (OECD, 1999; cited from Haugh, 2010).

One of the possible sources of funds for SE is from earned incomes. Abu-Saifan (2012) mentions that one of the four factors, that differentiate social entrepreneurs from the other forms of entrepreneur, is that the social entrepreneur acts within financially independent organizations that plan and execute earned-income strategies. SE generates earned income from ventures in the pursuit of social outcomes (Boschee, 2001). The objective of SE is to deliver the intended social value while remaining financially self-sufficient, reducing the reliance on donations and Government funding, and increasing the potential for expanding the delivery of the proposed social value (Bacq et al., 2011).

Even though it might not be a defining of its characteristic, SE is allowed to create profit from its activities. SE is purely not-for-profit and about creating a “surplus” to maintain organization sustainability (Fowler, 2000). Profit that comes
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from earned incomes is crucial for social entrepreneurs to sustain their ventures (Boschee & McClurg, 2003; Anderson & Dees, 2006). However, social enterprises are prevented from distributing profits to those who exercise control over them. Any surplus must be retained in the organization and/or community, either as direct services or as grants to the service-targeted population (Wallace, 1999). For the Pesantren and the other forms of SE, generating surplus of fund from its operation is very important to maintain their sustainability.

3. Percentage of Santris From Non-Local Areas

Activities of SE are usually started as potential solutions to overcome small social problems in the local area. However, in order to be sustainable social entrepreneurs must try to create wider social impacts. The innovative solution that social entrepreneurs validate in their local context often gets replicated in other places and can end up being a global industry (Zahra et al., 2008). Aravind Eye Hospital, established in 1976 by Dr. Venkataswamy in India, is a sample of successful SEs by widening its covered patients and areas. It has offered eye-care services and cataract surgery to cure blindness at a very small fraction of the usual cost of such services. Aravind has succeeded in making a profit and performs 220,000 eye operations per year. The effect of the hospital’s existence to the community is astonishing: 85% of male and 60% of female patients, who had lost their jobs as a result of blindness, regained their jobs after surgery. The activities of Aravind have catalyzed social transformation not only in India but also in wider areas, such as: Nepal, Egypt, Malawi, Kenya, Guatemala, El Salvador, and other countries where the initiative has been replicated (Mair and Marti, 2005).

In general, a Pesantren is started in the local context, with a Kyai running his Pesantren to educate Moslem children in the surrounding (local) areas. Most Pesantrens are situated in remote urban areas; the santris only come from the surrounding area, close to the Pesantren. If the community can accept the Pesantren’s existence due to its educational quality, system, and other related factors, its santris will come not only from the surrounding (local) areas, but also from far (non-local areas). So, the percentage of santris from non-local areas can
be considered as one of the performance indicators of a Pesantren: the bigger the percentage, the more successful the Pesantren.

**Leadership as Pesantren’s Internal Strategic Activity**

In general, Social Entrepreneurship (SE) consists of activities that aim to fulfill social needs in order to enhance social wealth. The activities, run by a social entrepreneur, must function to explore opportunities for creating added and worthwhile social value to the community by stimulating needed changes and innovation. As arguably a form of SEs, the Pesantren must run innovative activities that aim primarily to achieve its social goals. One of them is leadership; it can be categorized as a ‘strategic’ activity, means relating to identification of long-term and overall aims or interests of the Pesantren.

A leader is a person who influences a group of people toward the achievement of a goal. According to Stogdil (1950), leadership is a process of influencing group activities in order to set the goals of an organization and their implementation. Leadership is typically a process of social influence, in which one or more people affect one or more followers by clarifying what needs to be done, providing the tools and motivation to accomplish set-goals (Babcock-Roberson and Strickland, 2010; cited from Bambale et. al., 2011).

Charismatic leadership has been applied by a big part of the Pesantrens. Almost all Kyais have just relied on their charisma in leading their subordinates. According to Prasodjo (1975; cited from Ruslan, 2007), in general the Kyais adopt a charismatic leadership style, but not a rational leadership one. The position of a Kyai at the Pesantren places more emphasis on the ownership and morality, as well as the quality of Islamic religious knowledge, and always ignores the managerial aspects of the position (Ruslan, 2007). As a consequence, most Pesantrens have experienced poor performances.

**Capacity of Innovation**

Generally Social Entrepreneurship (SE) means a way of handling social needs that have been unmet. In taking care of the unmet social needs, SE must be innovative in order to deliver the solutions of the social needs better. The innovation required for SE is mainly related to the its characteristics, as Peredo
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and McLean (2006) state: SE is exercised where some people or a group: 1) aim at creating social value either exclusively, or at least in some prominent way, 2) show a capacity to recognize and take advantage of opportunities to create that value (envision), 3) employ innovation, ranging from outright innovation to adapting someone’s novelty in creating and/or distributing social value, 4) are willing to accept an above-average degree of risk in creating and disseminating social value, and 5) are usually resourceful in being relatively undaunted by scarce assets in pursuing their social venture.

One factor that makes social entrepreneurs distinct from other forms of entrepreneur is: Social entrepreneurs act within organizations that are oriented towards entrepreneurship, and which have a strong culture of innovation and openness (Abu-Saifan, 2012). According to Drucker (1985), innovation is the process through which something new and/or different is created. Innovation also means the ability to introduce new ideas to customers in value-adding new ways. Innovation is a fundamental part of entrepreneurship (Schumpeter, 1936; Drucker, 1985), both for business and Social Entrepreneurship (SE). While it is possible to be a successful entrepreneur without being innovative, social entrepreneurs almost always use innovative methods: they innovate new welfare services and new ways of delivering existing services (Leadbeater, 1997; cited from Shaw & Carter, 2007).

The Pesantren, like the other forms of SE, needs innovation in order to perform better. To achieve success, the Pesantren must have basic capital, that is, a willingness to innovate and be flexible, because the passage of time, progress and the challenges of modernization will present it with an opportunity to innovate (Wahid, 2007). When entering a world that is becoming more competitive, the Pesantrens have to be developed innovatively. Innovation needs to be done because the community needs practical mastery of science and technology, therefore synergizing the traditionalism of the Pesantren with modernity in the context of learning process and practices is an historical choice that is non-negotiable (El Chumaedy, 2008).

Innovation in the Pesantren world will not only be applied in the context of the learning process, but it also includes all aspects of the Pesantren: hardware
and software of the Pesantren including leadership. Information and Communication Technology (ICT) is a sample of creative innovations at a Pesantren. E-learning methods have many advantages for a Pesantren. This technology can be called “e-Pesantren”. The benefits of this e-Pesantren are not only for the santris, but also for the Kyais and Ustadzs (Ahmadi, 2011).

In actual facts, Islam always puts high respects on good change, innovation and invention because it facilitates people’s lives. The world of the Pesantren has introduced a popular principle: “Al-muhafadzatu ‘ala qodimissalih wal-‘akhdu bil-jadidil ashlah”, which means: maintaining the good classic culture and always looking for new, better and constructive culture. The freedom to change to new ways is a must, as long as it does not move outside the framework of “Ashlah” (being better). If the world of the Pesantren is required to make a change as a consequence of modernization, the aspect of “Ashlah” is a key factor that must be taken into consideration (Taufik, 2008).

An organization’s capacity to innovate can be thought of as the potential of that organization to generate innovative output (Neely and Hii, 2012). The capacity of innovation of an organization is dependent upon the resources and capabilities that it possesses, as these allow it to explore and exploit opportunities (Barney, 1986; Teece & Pisano, 1994; cited from Neely & Hii, 2012).

**Preposition**

Based on the theoretical framework above, there are six prepositions that can be formed:

**P1:** Charismatic leadership will produce high academic achievements of santris.

**P2:** Charismatic leadership will generate surplus of funds from operations.

**P3:** Charismatic leadership will attract a large percentage of santris from non-local areas.

**P4:** When capacity of innovation is high, charismatic leadership will produce higher academic achievements of the santris.

**P5:** When capacity of innovation is high, charismatic leadership will generate greater surplus of funds from operations.

**P6:** When capacity of innovation is high, charismatic leadership will attract a larger percentage of santris from non-local areas.
Conclusion

This paper aims to investigate the problem with the Pesantren’s poor performances in North Sumatera by elaborating leadership, as an internal strategic activity, which influences performances of the Pesantren. Therefore, this paper integrates Theory of SE and Contingency Theory. The Pesantren, like the other forms of SE, needs innovation in order to solve the social problems better. This is in accordance with the opinion of Shaw and Carter (2007) and other scholars who agree that innovation is a key characteristic of SE. The findings of this paper are expected to provide valuable suggestions both for the Pesantren and government in order to take appropriate actions to overcome the poor performances being experienced by most Pesantrens in North Sumatera related to their leadership.

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