

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

BY

MUHAMMAD SHOLAHUDDIN

A dissertation submitted in fulfilment of the requirement for  
the degree of Doctor of Philosophy (Economics)

Kulliyyah of Economics and Management Sciences  
International Islamic University Malaysia

AUGUST 2020

## 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

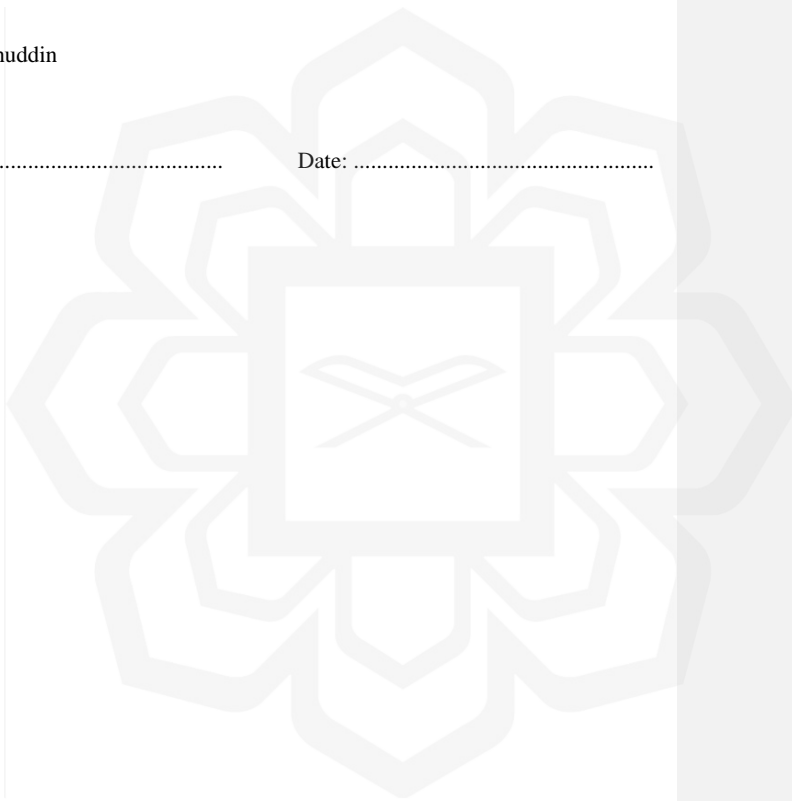
## DECLARATION

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**

**DECLARATION OF COPYRIGHT AND AFFIRMATION OF  
FAIR USE OF UNPUBLISHED RESEARCH**

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

I declare that the copyright holders of this dissertation is Muhammad Sholahuddin

Copyright ©2020 Muhammad Sholahuddin. All rights reserved.

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder except as provided below

1. Any material contained in or derived from this unpublished research may be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in a retrieved system and supply copies of this unpublished research if requested by other universities and research libraries.

By signing this form, I acknowledged that I have read and understand the IIUM Intellectual Property Right and Commercialisation policy.

Affirmed by Muhammad Sholahuddin

.....  
Signature

.....  
Date

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

## ACKNOWLEDGEMENTS

*Alhamdulillahirabbil'alamin*, all praise be upon Allah *Subhanahu wa ta'ala* for His blessings, mercy and infinite bounties during completing this thesis and throughout my life. Without His consent, this thesis would have been impossible to complete. Peace and blessings always be upon our beloved Prophet Muhammad *Sallallahu 'alaihi wa sallam* who has been sent as the role model for all mankind.

I am most indebted to my main supervisor Prof. Moha Asri Abdullah, Ph.D. for his continuous support of my PhD study, and for his patience, motivation, and immense knowledge. His guidance helped me in the research and writing of this thesis. My sincere thanks also goes to my co-supervisors, Assoc. Prof. Dr. Mohd. Nizam Barom and Assoc. Prof. Dr. Ibrahim Nuhu Tahir, for their supervision and corrections, as well as thoughtful suggestions. I gratefully acknowledge Asisist. Prof. Dr. Muhammad Irwan Ariffin and Assist. Prof. Mohd Mahyudi bin Mohd Yusop and all examiners for their insightful comments and encouragement during my proposal and thesis defence. My gratitude also goes to Prof. Norma, Dr. Azura, Head of Department and all staff in the Department of Economics, PG-Unit KENMS, and CPS IIUM who have supported and helped me complete the administrative process.

My sincere gratitude also goes to the Rector and the Deputy Rector of Universitas Muhammadiyah Surakarta for enabling me to continue my studies. Thanks to the dean and all deputy deans of Economics and Business Faculty, Head of Management Department as well as my colleagues, BPSDM-UMS, all academic and administrative staff who have provided necessary support during my study.

This thesis would have been difficult to complete without the support of the data collection team (PPMB FEB UMS). Thanks to coach Samsul Arifin, coach Dr. Fahmi, Dwi Condro Triono, Ph.D., coach Julia, coach Edwin, coach Nur Salim, coach Edy Darmoyo and all respondents for their time and valuable information given during the interview sessions.

I would like to thank my wonderful family, my parents Hj. Abdul Wahab Siddiq and Hj. Siti Aisjah Abdul djalal (allahuyarhamhuma), my mother in law Hj. Badriyah Munawarah, S.Ag., and all members of Bani Abdul Wahab Siddiq who has motivated and support me to pursue my dreams. Gus Musta'in, thank you for Arabic translation. Thanks also to my colleagues in IIUM and Universitas Muhammadiyah Surakarta (UMS) for consistently supporting me during my studies.

My special thank goes to my beloved wife, Hj. Thohiroh Diniyah, S.Psi for her patience and perseverance. She also accompanied me during data collection and interviewed master coaches. Also, my daughters, Dila Fatiha Sholiha, Syarafa Syamila, Tazkia Amalia, and my son Muhammad Fathi Salim have been sources of my happiness and motivation.

Last but not the least, I would like to thank my close friends Muhammad Fanani, Ph.D., Muhammad Shulthoni, Muhammad Bahrul Ilmi, Hartomi Maulana, Ph.D., Dimas Bagus Wiranatakusuma, Ph.D., Muhammad Asmy, Ph.D., Ustaz Zulfirman, Ustaz Yulius, Ependi, Ali, Wildan, Br. Lukman, Ms. Putri, Mr. Gunawan, Mrs. Inalisien, bro. Andhika, sister Nikma, sister Anatri, Doctor Shafiq Flynn, Doctor Yusef Stuard, bro. Kholdun and all those who cannot be mentioned in this small space but have contributed to my success.

## TABLE OF CONTENTS

Abstract .....	ii
Abstract in Arabic .....	iii
Approval Page.....	iv
Declaration Page .....	v
Copyright Page.....	vi
Dedication .....	vii
Acknowledgements.....	viii
List of Tables .....	xiv
List of Figures .....	xviii
List of Abbreviations .....	xix
<b>CHAPTER ONE: INTRODUCTION .....</b>	<b>1</b>
1.1 Background of the Study .....	1
1.2 Problem Statement.....	3
1.3 Motivation of the Study.....	4
1.4 Research Questions .....	5
1.5 Objectives of the Study .....	6
1.6 Scope of the Research .....	6
1.7 Significance of the Study.....	7
1.8 Definition of Terms .....	8
1.8.1 Business Coaching .....	8
1.8.2 Islamic Business Coaching.....	8
1.8.3 Conventional Business Coaching.....	8
1.8.4 Small Business .....	8
1.8.5 Performance.....	9
1.9 Organisation of the Study.....	9
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>11</b>
2.1 Introduction .....	11
2.2 Coaching.....	11
2.2.1 Definition of Coaching .....	11
2.2.2 History of Coaching.....	15
2.2.3 Type of Coaching Approach .....	18
2.3 Business Coaching.....	20
2.3.1 Definition of Business Coaching.....	20
2.3.2 Theory of Business Coaching.....	22
2.4 Root of Economic Theory in Business Coaching .....	27
2.5 Characteristics of Conventional Business Coaching.....	41
2.5.1 Role of the Business Coach .....	42
2.5.2 Focus of Business Coaching Session.....	44
2.5.3 Business Coaching Results .....	46
2.5.4 Satisfaction of Business Coaching.....	47
2.5.5 Self-efficacy.....	49
2.6 Religion and Spirituality in Business Coaching.....	50
2.7 Islamic Business Coaching.....	54

2.8 Small Businesses in Indonesia.....	58
2.9 Performance of Small Businesses .....	63
2.10 Potential Impact of Business Coaching on Small Business Performance.....	70
2.10.1 The Impact of Business Coaching on Financial Performance.....	71
2.10.2 The Impact of Business Coaching on Organisational Performance .....	72
2.10.3 The Impact of Business Coaching on Strategic Performance.....	73
2.11 Theoretical Framework.....	75
2.12 Hypotheses.....	77
2.13 Chapter Summary .....	79

**CHAPTER THREE: RESEARCH METHODOLOGY ..... 80**

3.1 Introduction .....	80
3.2 Research Technique.....	80
3.3 Research Design Process.....	81
3.3.1 Research Approach.....	81
3.3.2 Research Paradigm .....	83
3.3.3 Research Method .....	85
3.3.4 Justification of Research Method .....	86
3.3.5 Type of Data .....	86
3.4 Sampling Design Process .....	87
3.4.1 Study Population.....	88
3.4.2 Unit of Analysis.....	89
3.4.3 Sampling Design.....	89
3.4.4 Sampling Frame.....	90
3.4.5 Sampling Technique.....	90
3.4.6 Justification for Sampling Technique.....	91
3.4.7 Sample Size .....	92
3.5 Business Coaches' Interview for Questionnaire Reconstruction .....	94
3.6 Instrument Development Process .....	113
3.6.1 Instrument Development .....	113
3.6.2 Pre-Test, Pilot and Item Modification .....	116
3.6.3 Reliability of the Questionnaire.....	117
3.6.4 The Validity of the Measurement Scale .....	117
3.6.5 Instrumentation of Measurement Items .....	118
3.7 Pre-Test Validity and Reliability.....	119
3.7.1 Pre-test Validity Test Results .....	119
3.7.1.1 Business Coach's Role Variable.....	119
3.7.1.1.1 Sounding Board Dimension.....	119
3.7.1.1.2 Listener Dimension .....	120
3.7.1.1.3 Dimension Adviser .....	121
3.7.1.1.4 The Dimension of Spiritual Motivator.....	122
3.7.1.2 Business Coaching Focus Session Variable .....	123
3.7.1.2.1 Strategic Management Dimension.....	123
3.7.1.2.2 Stakeholder Management Dimension .....	124
3.7.1.2.3 Organisational Dimension .....	125
3.7.1.2.4 Business Skill Dimension .....	126
3.7.1.2.5 Business Coaching Value Dimension.....	127
3.7.1.2.6 Business Ethics Dimension.....	128

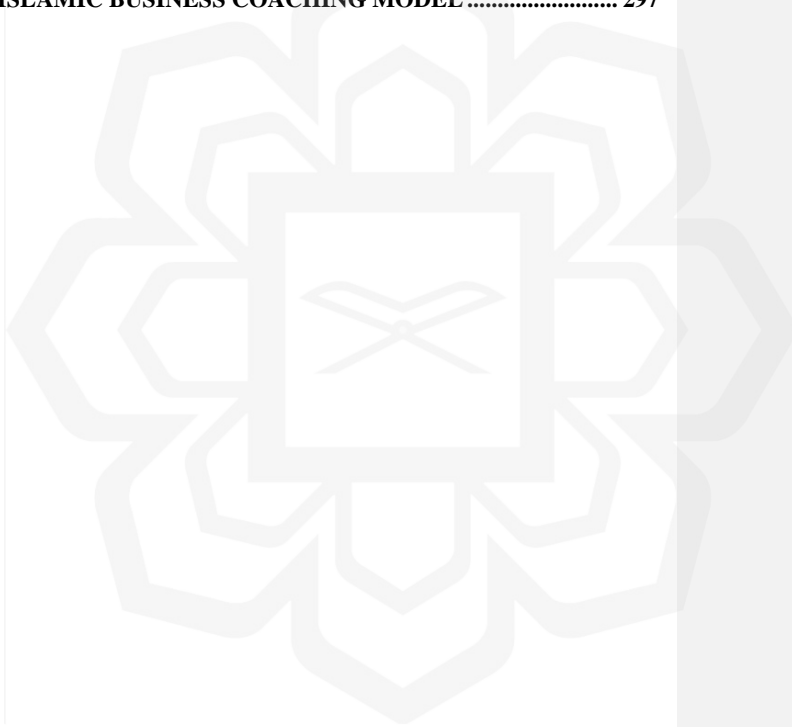
3.7.1.3 Business Coaching Result Variable .....	129
3.7.1.3.1 Strategic Management Dimension .....	129
3.7.1.3.2 Stakeholder Management Dimension .....	130
3.7.1.3.3 Organisational Dimension .....	131
3.7.1.3.4 Business Skill Dimension .....	131
3.7.1.3.5 Business Coaching Value Dimension .....	132
3.7.1.3.6 Business Ethics Dimension .....	133
3.7.1.4 Business Coaching Satisfaction Variable .....	134
3.7.1.4.1 Coaching Dimension .....	134
3.7.1.4.2 The Coach Dimension .....	135
3.7.1.5 Self-efficacy Variable .....	136
3.7.1.5.1 Confidence Dimension .....	136
3.7.1.5.2 Performance Dimension .....	137
3.8 Pilot Test .....	139
3.8.1 Validity and Reliability Tests .....	139
3.8.1.1 Validity Test .....	139
3.8.1.1.1 Validity Test of the BCR Instrument .....	141
3.8.1.1.2 Validity Test of Focus Session Instrument .....	142
3.8.1.1.3 Validity Test of RS Instrument .....	143
3.8.1.1.4 Validity Test of Satisfaction Instrument .....	144
3.8.1.1.5 Validity Test of Self-Efficacy Instrumen .....	145
3.8.1.1.6 Validity Test of Performance Instrument .....	145
3.8.1.2 Reliability Test .....	146
3.9 Data Analysis Process .....	147
3.9.1 Data Collection .....	148
3.9.2 Data Coding .....	148
3.9.3 Data Analysis .....	149
3.9.4 Statistical Technique of Data Analysis .....	150
3.9.4.1 Explanatory Factor Analysis .....	153
3.9.4.2 Confirmatory Factor Analysis .....	153
3.9.4.3 SEM Analysis .....	153
3.9.4.4 Justification for Structural Equation Modelling (SEM)....	153
3.9.4.4.1 Prerequisite Testing of SEM Analysis .....	154
3.9.4.4.2 Adequate Number of Samples .....	155
3.9.4.4.3 Normality Test .....	155
3.9.4.4.4 Outlier .....	155
3.9.4.4.5 Multicollinearity Test .....	155
3.9.4.4.6 Over Ending Estimate .....	156
3.9.4.4.7 Measurement Model Test .....	156
3.9.4.4.8 Feasibility Test of Exogenous Construct Measurement Model .....	156
3.9.4.4.9 Validity Test of Exogenous Construct .....	157
3.9.4.4.10 Reliability Test of Exogenous Construct .....	157
3.9.4.5 Structural Model Testing .....	157
3.9.4.5.1 Specification of Structural Model .....	157
3.9.4.5.2 Structural Model Fit Test .....	159
3.9.4.5.3 Model Modification .....	160
3.9.4.5.4 Significance Test .....	160

3.9.4.5.5 Contribution of Exogenous Variables to Endogenous Variables .....	160
3.9.5 Ethical Considerations .....	161
3.10 Chapter Summary .....	161
<b>CHAPTER FOUR: RESULT AND DISCUSSION.....</b>	<b>163</b>
4.1 Introduction .....	163
4.2 Description of Respondents.....	163
4.3 Profile of Respondents .....	165
4.4 Factor Analysis.....	169
4.4.1 Business Coach’s Role .....	169
4.4.2 Focus Session.....	179
4.4.3 Business Coaching Result.....	189
4.4.4 Business Coaching Satisfaction .....	199
4.4.5 Self-efficacy.....	205
4.4.6 Performance of Small Business .....	211
4.5 Prerequisite Test of SEM Analysis.....	219
4.5.1 Normality Test .....	219
4.5.2 Outlier Test .....	220
4.5.3 Multicollinearity .....	220
4.6 Measurement Model Testing.....	221
4.7 Goodness-of-Fit Model .....	222
4.8 Hypotheses Testing and Discussion .....	225
4.8.1 Business Coaches’ Role (BCR) Dimensions and Its Impact on the Performance of Small Businesses .....	225
4.8.2 Business Coaching Session Focus (FS) Dimensions and Its Impact on Performance of Small Businesses .....	229
4.8.3 The Dimension of Business Coaching Result Variable (RS) and Its Impact on the Performance of Small Business .....	233
4.8.4 Satisfaction (Sta) Dimensions and Its Impact on Performance of Small Businesses.....	238
4.8.5 Self-efficacy (SE) Dimensions and Its Impact on Performance of Small Business .....	240
4.8.6 Performance Dimensions .....	241
4.9 Chapter Summary .....	245
<b>CHAPTER FIVE: CONCLUSION AND RECOMMENDATION .....</b>	<b>248</b>
5.1 Introduction .....	248
5.2 Major Findings .....	248
5.2.1 Islamic Business Coach’s Role.....	250
5.2.2 Focus of Islamic Business Coaching Session.....	251
5.2.3 Business Coaching Results.....	252
5.2.4 Islamic Business Coaching Satisfaction .....	253
5.2.5 Self-efficacy.....	253
5.2.6 Performance of Small Businesses.....	254
5.3 Policy Recommendations .....	256
5.4 Contributions of the Research .....	256
5.4.1 Theoretical Contribution .....	257

5.4.2 Practical Contribution for Small Business and Policy-makers in Indonesia.....	257
5.4.3 Suggestions for Future Research .....	258
5.5 Summary of the Chapter.....	258

<b>REFERENCES.....</b>	<b>259</b>
------------------------	------------

<b>APPENDIX I : QUESTIONNAIRE SURVEY (ENGLISH).....</b>	<b>278</b>
<b>APPENDIX II : QUESTIONNAIRE SURVEY (INDONESIA) .....</b>	<b>284</b>
<b>APPENDIX III: INTERVIEW QUESTIONS TO THE COACH.....</b>	<b>289</b>
<b>APPENDIX IV: TRANSCRIPT OF INTERVIEW TO THE ISLAMIC BUSINESS COACH.....</b>	<b>290</b>
<b>APPENDIX V : CONVENTIONAL BUSINESS COACHING MODEL.....</b>	<b>296</b>
<b>APPENDIX VI: ISLAMIC BUSINESS COACHING MODEL .....</b>	<b>297</b>



## LIST OF TABLES

Table 2.1	Main Differences between Conventional and Islamic Business Coaching	55
Table 2.2	Intangible Coaching Results	66
Table 2.3	Tangible Coaching Results	67
Table 2.4	Proposed Hypotheses on Business Coaching	76
Table 3.1	Sample Size and Its Population Each City	93
Table 3.2	Summary of Business Coaches' Interview	107
Table 3.3	Validity of Sound Board Item Questionnaire	119
Table 3.4	Validity of Listening Item Questionnaire	120
Table 3.5	Validity of Adviser Item Questionnaire	121
Table 3.6	Validity of Spiritual Motivator Item Questionnaire	122
Table 3.7	Validity of Strategic Management Item Questionnaire	123
Table 3.8	Validity of Stakeholder Management Item Questionnaire	124
Table 3.9	Validity of Organisational Item Questionnaire	125
Table 3.10	Validity of Business Skill Item Questionnaire	126
Table 3.11	Validity of Business Coaching Value Item Questionnaire	127
Table 3.12	Validity of Business Ethics Item Questionnaire	128
Table 3.13	Strategic Management Item Questionnaire	129
Table 3.14	Validity of Stakeholder Management Item Questionnaire	129
Table 3.15	Validity of Organisational Item Questionnaire	130
Table 3.16	Validity of Business Skill Item Questionnaire	131
Table 3.17	Validity of Business Coaching Value Item Questionnaire	132
Table 3.18	Validity of Business Ethics Item Questionnaire	133
Table 3.19	Validity of Coaching Item Questionnaire	134
Table 3.20	Validity of the Coach Item Questionnaire	134

Table 3.21	Validity of Confidence Item Questionnaire	135
Table 3.22	Validity of Performance Item Questionnaire	136
Table 3.23	Business Performance with Item Questionnaire Revision	137
Table 3.24	Validity Test of the Business Coach's Role Instrument (BCR)	139
Table 3.25	Validity Test of Focus Session Instrument (FS)	140
Table 3.26	Validity Test of Result Instrument (RS)	142
Table 3.27	Validity Test of Satisfaction Instrument (STF)	143
Table 3.28	Validity Test of SE Instrument (SE)	143
Table 3.29	Validity Test of Performance Instrument (PF)	144
Table 3.30	Reliability Value of Cronbach's Alpha Instrument Research	145
Table 3.31	Criteria of Exogenous Construct Measurement Model Feasibility	155
Table 3.32	Criteria of Goodness of Fit Index	157
Table 4.1	Demographics of Respondents Attending Business Coaching	161
Table 4.2	Profile of Respondents Attending Business Coaching	163
Table 4.3	KMO and Bartlett's Test Variable Business Coach's Role (Conventional)	168
Table 4.4	Business Coach's Role Construct (Conventional)	169
Table 4.5	KMO and Bartlett's Test for Variable of the Business Coach's Role (Islamic)	170
Table 4.6	Business Coach's Role Construct (Islamic)	171
Table 4.7	The Goodness-of-Fit Variable Business Coach's Role Construct	174
Table 4.8	Factor loading and Construct Reliability for Business Coach's Role Construct	175
Table 4.9	Estimate Variable Business Coach's Role Construct	176
Table 4.10	KMO and Bartlett's Test for Business Coaching Focus Session (Conventional) Variable	177
Table 4.11	Business Coaching Focus Session Construct (Conventional)	178
Table 4.12	KMO and Bartlett's Test for Business Coaching Focus Session (Islamic)	180

Table 4.13	Business Coaching Focus Session Construct (Islamic)	181
Table 4.14	The Goodness-of-Fit for Business Coaching Focus Session Construct	184
Table 4.15	Factor loading and Construct Reliability for Focus Session Construct	185
Table 4.16	Estimate for Focus Session Construct	186
Table 4.17	KMO and Bartlett's Test for Result (Conventional) Variable	187
Table 4.18	Extraction of Result Construct (Conventional)	188
Table 4.19	KMO and Bartlett's Test for Result (Islamic) Variable	191
Table 4.20	Extraction of Result Construct (Islamic)	192
Table 4.21	The Goodness-of-Fit Variable Result Construct	194
Table 4.22	Factor loading and Construct Reliability for Construct Result	195
Table 4.23	Estimate for Construct Result	196
Table 4.24	KMO and Bartlett's Test for Satisfaction (Conventional) Variable	197
Table 4.25	Satisfaction Construct (Conventional)	198
Table 4.26	KMO and Bartlett's Test for Satisfaction (Islamic) Variable	199
Table 4.27	Extraction of Satisfaction Construct (Islamic)	199
Table 4.28	The Goodness-of-Fit for Satisfaction Construct	202
Table 4.29	Factor loading and Construct Reliability for Satisfaction Construct	202
Table 4.30	Estimate for Business Coach's Role Construct	203
Table 4.31	KMO and Bartlett's Test for Self-Efficacy (Conventional) Variable	204
Table 4.32	Self-Efficacy Construct (Conventional)	204
Table 4.33	KMO and Bartlett's Test Variable Self-Efficacy (Islamic)	204
Table 4.34	Extraction of Satisfaction Construct (Islamic)	205
Table 4.35	The Goodness-of-Fit for Self-Efficacy Construct	206
Table 4.36	Factor loading and Construct Reliability Variable Satisfaction Construct	207

**Commented [m2]:** (5) it has been corrected to be lowercase

**Commented [m3]:** (5) it has been corrected to be lowercase

**Commented [m4]:** (5) it has been corrected to be lowercase

Table 4.37	Estimate Variable Self-Efficacy Construct	208
Table 4.38	KMO and Bartlett's Test for variable of Performance of Small Business (Conventional)	209
Table 4.39	Performance of Small Business Construct (Conventional)	210
Table 4.40	KMO and Bartlett's Test for Variable of Performance of Small Business (Islamic)	211
Table 4.41	Performance of Small Business Construct (Islamic)	212
Table 4.42	The Goodness-of-Fit Variable Performance of Small Business Construct	214
Table 4.43	Factor loading and Construct Reliability for Variable of Performance of Small Business Construct	215
Table 4.44	Estimate Variable Performance of Small Business Construct	216
Table 4.45	Test Result of Normality Assumption	217
Table 4.46	Test Results of Multicollinearity Assumption	219
Table 4.47	Goodness-of-Fit Results before Modification Indices	220
Table 4.48	Value of CR, P-value before Modification Indices	221
Table 4.49	Goodness-of-fit Results after Modification Indices	223
Table 4.50	Value of CR, P-value after Modification Indices	223

**Commented [m5]:** (5) it has been corrected to be lowercase

**Commented [m6]:** (5) it has been corrected to be lowercase

## LIST OF FIGURES

Figure 1.1	Organisation of the Study	10
Figure 2.1	Venn Diagram of Coaching	13
Figure 2.2	Theoretical Framework	76
Figure 3.1	Sampling Design Process	86
Figure 3.2	Instrument Development Process	114
Figure 3.3	Stages of Structural Equation Modelling (SEM) Application	149
Figure 3.4	Specification of Structural Mode	156
Figure 4.1	Confirmatory Factor Analysis for Business Coach's Role Construct	173
Figure 4.2	Confirmatory Factor Analysis for Focus Session Construct	183
Figure 4.3	Confirmatory Factor Analysis of Construct Result	193
Figure 4.4	Confirmatory Factor Analysis for Satisfaction Construct	201
Figure 4.5	Confirmatory Factor Analysis for Self-Efficacy Construct	207
Figure 4.6	Confirmatory Factor Analysis for Performance of Small Business Construct	214

## 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 & Couerret, 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

**Commented [m7]:** (6) chapter one has been revised and updated with some new references such as Wiginton & Cartwright (2020)

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.

Commented [m8]: (6) Research gap

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

**Commented [m9]:** (7) Previously stated "the has yet to be dedicated study on the practice" and replaced with this sentence.

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.

**Commented [m10]:** (7) the argument for the policy recommendation

### 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).

**Commented [m11]:** (9) Capitalise each word has been corrected.

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.

Commented [m12]: (9) The grammar has been corrected.

#### 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?