LITERACY AND RISK MANAGEMENT ON A PERSON'S
LEADERSHIP SKILL IN ENTREPRENEURSHIP

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Abstract
The purpose of this study is to investigate the impact of literacy and risk management on a person's leadership skill in relation to entrepreneurship. This research approach employs quantitative analysis through deduction by statistically calculating a questionnaire that was distributed to 280 prospective entrepreneur and recent graduates. According to the findings, literacy and risk management variables have a major influence on leadership of an entrepreneur in a comprehensive manner, either partially or impartially. As a result, in entrepreneurship, it is vital to equalize these qualities in order to promote individual leadership, which will benefit a good corporate culture. In conclusion, entrepreneurial skill must focus on the development of the hard skill and soft skill including literacy and risk management that will give long-term benefits in order to maintain a healthy and friendly work culture.

Keywords: entrepreneurship; literacy skills; risk management; leadership skill

INTRODUCTION

The rapid development of science and technology as well as intense competition require people to continuously learn and quickly master various sciences and technologies. Otherwise, a person will be left behind and lose in competition in various fields. Science and technology can be learned by humans with an adequate mastery of literacy and oral skills. Conversely, a high level of literacy can also drive the development of science and technology to a higher level (Shanta & Wells, 2023). Meanwhile, the development of information, communication, and transformation technology has caused more interactions among people from various parts of the world with diverse socio-cultural backgrounds.

The ability to quickly adapt to various cultural situations is an absolute requirement for success in establishing relationships with people from different socio-cultural backgrounds (Doz, 2020). Failure to understand the socio-cultural characteristics of various communication events will result in communication impediments, communication failures, and even disharmony among communication actors. High literacy does not neglect the socio-cultural aspect because literacy is part of human culture. The relationship between literacy and communication is very close as literacy involves communication. Literacy, which covers two things, namely, oral and written language, is certainly part of human culture in order to communicate with each other in order to achieve life goals (Buil et al., 2019). With good literacy mastery or as appropriate to their socio-cultural context, humans can communicate well. In order for literacy to be maximally mastered and to help humans achieve their goals, literacy education needs to be carried out.

Risk management, in a broad sense, is the art of making decisions in a world full of uncertainty. Decisions involve a number of risks and rewards, as well as the option of doing something safe or taking risks. One can
experience indecision when having to make the decision to invest or when starting a new business, as well as in the choice of diversifying or hedging a portfolio of assets. An individual's or institution's risk behavior determines the decisions made (Compen et al., 2021).

Literacy and risk management skills each have their own benefits that are very useful to the person. Both are one of the basic abilities that must be mastered by each individual who wants to make themselves a leader, where a leader must have literacy abilities so that they can continuously learn and quickly master various fields of science and technology, which will help them to continue to compete. Literacy skills can also drive an individual's development in science to a higher level. In addition, risk management skills are also important for a leader so that they can make the right decisions, considering the risks and rewards involved.

Currently, there is an increasing number of studies that indicate that literacy and risk management skills can have a significant impact on leadership skills in entrepreneurship (Newman et al., 2018; Dabić et al., 2021; Nor-Aishah et al., 2020; Harrison et al., 2018). Research has found that individuals with higher levels of literacy tend to possess stronger communication, problem-solving, and decision-making abilities, all of which are critical components of effective leadership. Additionally, individuals with strong risk management skills can identify, assess, and mitigate potential workplace risks, which can help prevent negative outcomes and promote organizational success.

Overall, it is clear that the relationship between literacy skills, risk management, and leadership potential in entrepreneurship is symbiotic. Literacy skills enable effective communication, continuous learning, and critical thinking, which are all essential for leadership potential. Risk management empowers leaders to make informed decisions, demonstrate resilience, and seize growth opportunities. Together, these elements create a strong foundation for successful entrepreneurial leaders who can navigate uncertainties, inspire their team, and steer their ventures toward sustainable growth. Individuals with strong risk management skills and high levels of literacy are more likely to succeed in leadership roles, as they are better able to understand and communicate complex information related to budget management, risk assessment, and optimizing resource utilization to achieve business goals (Boldureanu et al., 2020). To further support the statement, this research employs a quantitative approach, utilizing a survey questionnaire administered to 280 prospective employees and recent graduates, with the data analyzed through statistical deduction.

METHODS

This study used a combination of methods to gather thorough, trustworthy, valid, and objective data. Using both quantitative and qualitative data in a single research project is known as "mixing methods" (Guo & Huang, 2021). This approach includes methodological alternatives that let researchers thoroughly examine complex phenomena (Harmoko, 2021). A total of three months were spent on the research for this study, which was divided into several stages. The first step was to create a case study using a multi-modal approach based on a number of distinct case studies. Semi-structured interviews and observation were used to collect the case study data. The following phase involved gathering data prior to, during, and following the study. This took place over the course of the following two weeks. The findings were presented as data from the selected sample's school records, observation notes, and interview transcripts. In order to analyze the subtopics, objectives, key traits, environment, issues, and solutions presented during the case studies, a holistic analysis approach was used during the data analysis stage. The results of the quantitative measurements were then converted into tables and diagrams. In order to create a recommendation model for the requirements of higher education institutions in Indonesia with regard to assistive technology in the future, results from all series of research stages were summarized and evaluated using the model development method. 285 respondents from 4 Indonesian universities participated in a quantitative study using SEM analysis.

RESULTS

Testing the measurement model in this study used one-level confirmatory factor analysis (CFA), namely SEM analysis. This measurement model examines the relationship between variables and statement indicators. This study used two independent variables: literacy skill and risk management skill. In the literacy skill variable, there were 10 statements, and in the risk management variable, there were 7 statements that indicate the effect of data on leadership attitudes. The results of testing the measurement model for each statement on the dependent variable are in Table 1.
This study tests a structural model as part of the research paradigm. The results of statistical testing on the structural model measurement in the study yield the following equation:

\[ Y = 0.729X_1 + 0.199X_2 \]  

Errorvar. = 0.200, \( R^2 = 0.800 \), while \( Y \) stands for Leadership Variable, \( X_1 \) represents Literacy Skill variable, and \( X_2 \) stands for Risk Management Variable.

Literacy covers all aspects of life, as it provides unlimited knowledge that can be used in speaking, writing, and as a source of data for decision making. Literacy can form a person as a practical instructional leader because planning something requires extensive knowledge that can be obtained from reading books or reading about human behavior (Promsri, 2019). Literacy skills are indispensable for the development of a person's leadership skills especially in entrepreneurship. Effective communication, continuous learning, critical thinking, adaptability, networking, strategic visioning, credibility, and resource management are all influenced by an entrepreneur's literacy capabilities. By cultivating and leveraging their literacy skills, entrepreneurs can enhance their leadership acumen, make informed decisions, and steer their ventures towards growth and success (Jewell et al., 2020).

Based on the test equation above, the literacy skills variable has a significant effect on leadership and a positive relationship direction. The literacy skill coefficient value of 0.729 means that when literacy skill increases by 1 unit, the leadership value will increase by 0.729 units, and vice versa.
Adopting a risk-based approach to management is objectively necessary because it consists of a set of techniques and instruments for identifying risks, evaluating and analyzing them, and creating plans and strategies to deal with their effects before keeping tabs on their development. This ability is crucial for leaders because it not only lowers anxiety levels but also enables the leader to make the right plans and not give up easily in the face of challenges. Risk identification can assist leaders in determining the first steps that can be taken to lessen the worst-case scenario. As stated by Tupa, Simota, and Steiner (2017), thorough identification is crucial because it is impossible to plan preventive measures for risks that have not been identified. Identification of risks includes not only the potential for undesirable events but also the causality of each action taken, planned to be taken, and not taken. After identification, the creation of risk anticipation steps will train leaders’ decision-making so they are accustomed to making them. This also has to do with leadership qualities, which also deal with cognitive biases (Moon, 2021). The development of a leader’s creativity and intellect is also influenced by how they project causality from different events because they will consider all the logical outcomes that can result from a single incident. Based on the test equation above, the Management of Risk variable has no significant effect on Leadership but still has a positive relationship direction. Management of Risk has a coefficient of 0.199, meaning that when the Management of Risk value increases by 1 unit, the Leadership value will increase by 0.199 units. From the SEM analysis above, it can be concluded that the literacy skill and risk management variables partially have a significant effect and have a positive direction towards the leadership variable.

After the equation model is formed, the next step is to test the hypothesis. However, before testing the hypothesis, a test of the fit of the model was first carried out using the goodness of fit index approach. This is done with the aim of knowing whether the model built on a theoretical basis has a good fit with the empirical data collected through questionnaires in the field. The test results are presented in Table 2.

<table>
<thead>
<tr>
<th>GOF</th>
<th>Acceptable Match Level</th>
<th>Model Index</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>chi-square ≤2df (good fit), 2df &lt; chi-square ≤3df (marginal fit)</td>
<td>2df (580)&lt;748≤3df (870)</td>
<td>Marginal Fit</td>
</tr>
<tr>
<td>P-value</td>
<td>P ≥ 0.05</td>
<td>0.00000</td>
<td>Bad Fit</td>
</tr>
<tr>
<td>GFI</td>
<td>GFI ≥ 0.9 (good fit), 0.8 ≤ GFI ≤ 0.9 (marginal fit)</td>
<td>0.831</td>
<td>Marginal Fit</td>
</tr>
<tr>
<td>RMR</td>
<td>RMR ≤ 0.5</td>
<td>0.041</td>
<td>Good Fit</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.05 &lt; RMSEA ≤ 0.08 (good fit), 0.08 &lt; RMSEA ≤1 (marginal fit)</td>
<td>0.074</td>
<td>Good Fit</td>
</tr>
<tr>
<td>NNFI</td>
<td>NNFI ≥ 0.9 (good fit), 0.8 ≤ NNFI ≤0.9 (marginal fit)</td>
<td>0.982</td>
<td>Good Fit</td>
</tr>
<tr>
<td>NFI</td>
<td>NFI ≥ 0.9 (good fit), 0.8 ≤ NFI ≤ 0.9 (marginal fit)</td>
<td>0.973</td>
<td>Good Fit</td>
</tr>
<tr>
<td>AGFI</td>
<td>AGFI ≥ 0.9 (good fit), 0.8 ≤ AGFI ≤ 0.9 (marginal fit)</td>
<td>0.796</td>
<td>Bad Fit</td>
</tr>
<tr>
<td>RFI</td>
<td>RFI ≥ 0.9 (good fit), 0.8 ≥ RFI ≤ 0.9 (marginal fit)</td>
<td>0.969</td>
<td>Good Fit</td>
</tr>
<tr>
<td>CFI</td>
<td>CFI ≥ 0.9 (good fit), 0.8 ≤ CFI ≤0.9 (marginal fit)</td>
<td>0.984</td>
<td>Good Fit</td>
</tr>
</tbody>
</table>

Table 2 presents the results of the goodness of fit test for the research model, which consists of 10 indicators. Out of these indicators, 2 are found to have a "bad fit," while the majority of the indicators have a "good fit" classification. The model used for testing the research hypothesis is the respecified model, as the initial model had many indicators with a "bad fit." The results of the hypothesis testing are displayed in Figure 3.
DISCUSSIONS

Individuals with high levels of literacy in the field of entrepreneurship are more capable of understanding and applying strategies and decisions related to companies, which can help reduce risks and drive positive business progress (Khan & Ahmed, 2019). They can read, seek information, and draw lessons from others’ experiences through literature, books, articles, and online resources (Dabić et al., 2021). A literate leader would be able to successfully absorb, communicate, and navigate complicated ideas. They can also understand different points of view, integrate information, and clearly communicate their vision, encouraging a sense of direction and confidence among their team members.

Furthermore, literacy assists in interpreting complex paperwork, contracts, and reports critical to risk assessment, allowing leaders to make informed decisions and explain potential difficulties to their team. Literate individuals can analyze information more effectively, process data, and make decisions based on a deeper understanding. This ability aids in facing business challenges and making informed decisions to optimize outcomes. They can also communicate business vision and goals clearly to teams, customers, and business partners (Nor-Aishah et al., 2020). Moreover, they can interact effectively with stakeholders during negotiation processes. Literacy also fosters creativity and innovation in developing unique and appealing products, services, and business solutions for the market. Reading and numeracy skills enable literate individuals to manage resources more effectively, such as budgeting, assessing risks, and optimizing resource utilization to achieve business objectives (Harrison et al., 2018).

On the other hand, risk management ability has a big impact on a leader’s strategy. A risk-averse leader is capable of identifying, assessing, and mitigating possible pitfalls and uncertainties. This ability fosters a proactive mindset in which challenges are viewed as opportunities for growth rather than impediments. Such leaders can manage their teams through uncertainty while keeping the organization’s goals in mind. A risk-averse leader can also foster a culture of calculated risk-taking within the team, fostering creativity and flexibility. As a result, their leadership attitude becomes one of resilience, flexibility, and preparedness for a variety of eventualities.

Risk management fundamentally influences a leader’s mentality by fostering a sense of preparedness and strategic thinking (Paton, 2019). Leaders that understand risk management recognize that uncertainties are present in any activity, and rather than avoiding them, they tackle these uncertainties methodically. This mentality translates into a proactive strategy, in which possible risks are identified early on and methods to limit their impact are established. Such leaders are less likely to be caught off guard by unanticipated issues because they have already considered alternative situations and created contingency measures. This proactive approach instills confidence in the leader, which resonates with their team, producing an atmosphere of stability and assurance even in challenging circumstances.
Additionally, risk management abilities allow leaders to establish a balance between carefulness and innovation. While risk-averse leaders may avoid taking any chances, those that understand risk management understand that calibrated risks are essential to growth and advancement. These leaders inspire their staff to embrace innovation and explore new paths while keeping potential hazards in mind. This fluid approach fosters a culture of experimentation and continual progress in which failure is considered as a learning opportunity rather than a setback. This comprehensive awareness of risk fosters a leadership style marked by adaptation, resilience, and the ability to embrace chances that others may perceive as too uncertain or difficult.

Literacy and risk management have an undeniable synergy in shaping a leader's mentality. Literate individuals have a higher rate of success in leadership roles in entrepreneurship because they possess several advantages that support performance and decision-making in the business context (Newman et al., 2018). In addition, individuals with strong risk management skills are more likely to become effective leaders and entrepreneurs, as they can identify and mitigate potential risks for the organization such as claims of discrimination or harassment, and are also capable of making better decisions (Eliyana & Ma’arif, 2019). Literacy lays the groundwork for effective communication and learning, whereas risk management sharpens the ability to foresee and negotiate challenges. These qualities, when combined, generate a leadership mindset marked by clear communication, educated decision-making, resilience in the face of uncertainty, and a proclivity to turn challenges into stepping stones to success. Literacy and risk management are evolving, and so is their impact on the development of well-rounded and effective leaders.

Literacy’s and risk management’s connection to leadership attitude all have a substantial impact on the development of entrepreneurial talents. Literacy provides critical ability for entrepreneurs who must express their business concepts, collaborate with stakeholders, and adapt to a quickly changing environment (Sariwulan et al., 2020). These characteristics, when combined with excellent risk management, greatly increase an individual's entrepreneurial prowess. This not only helps the entrepreneur succeed, but it also influences the confidence and dedication of their workforce. The combination of literacy, risk management, leadership attitude, and entrepreneurial abilities results in a holistic basis for company success. Literacy enables entrepreneurs to communicate effectively, while risk management sharpens their decision-making skills, culminating in a leadership mentality that welcomes challenges and unpredictability. This comprehensive approach encourages the entrepreneurial spirit, allowing individuals to negotiate the intricacies of beginning and building a firm. These interwoven abilities will remain critical in building the leaders who drive innovation, economic growth, and positive change as the entrepreneurial landscape evolves.

CONCLUSIONS

The individual’s job performance is affected by various internal and external factors. Among the internal factors, one’s personal abilities play a crucial role in influencing performance and decision-making. This study focuses on evaluating the impact of two such abilities, literacy and risk management, on individual leadership in entrepreneurship. The results of the analysis indicate that these variables have a combined effect of 80% on individual leadership, emphasizing the need to prioritize training and development programs aimed at enhancing leadership potential and becoming successful entrepreneurs.

The relationship between literacy skills, risk management, and leadership potential in entrepreneurship is symbiotic. Literacy skills enable effective communication, continuous learning, and critical thinking, which are all essential for leadership potential. Risk management empowers leaders to make decisions based on information, demonstrate resilience, and seize growth opportunities. Literacy and risk management are two interconnected pillars that strongly influence an individual's leadership capabilities in entrepreneurship. Literacy provides the foundation for effective communication, critical thinking, and continuous learning, while risk management equips entrepreneurs to make decisions based on information, handle uncertainties, and lead their ventures through challenges and opportunities. Together, these skills contribute to the success and growth of entrepreneurial ventures and the ability of leaders to inspire and guide their teams to achieve their vision.

REFERENCES


