

# Entrepreneurship Education in Indonesia's Higher Education Institutions: A Solution for Problems Faced by The Next Generation

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## Abstract

*Entrepreneurship education is seen as a solution for problems faced by higher education institutions graduates in Indonesia. Many efforts have been done by the government, academic institutions and business organizations to support the development of entrepreneurship education. The success of these efforts will not only depend on the amount of fund allocated for entrepreneurship program, but also in applying the most suitable teaching methods.*

## 1. Introduction

Indonesia is a country with more than 200 million population, the fourth most populous country in the world. Similar to many other countries in the world, Indonesia also faces unemployment problem. Unemployment rate is 8,14% percent, or rank 46 in the world. In 2008 and 2009, 12% of the unemployed are higher education institution graduates. This shows a significant increase, compared to 6% in 2006 and 7 % in 2007 (Indonesia Statistical Bureau).

More and more higher education institutions in Indonesia have started an extensive entrepreneurship programs for their students. There are currently more than 2900 higher education institutions in Indonesia. Each year these institutions produce more than 1 million graduates all over the country. With the number of unemployed higher education graduates exceeding 1.113.020 in 2009, (Indonesia Statistical Bureau), a solution must be developed to face this problem. One of the possible solutions is by providing entrepreneurship education for higher education students.

According to entrepreneurs play an important role for a country. A country's achievement level is transformed into economic growth through the medium of entrepreneur (McClelland, as cited in Landström [8]). Kuratko [2] noted the important role of entrepreneurial firms. Entrepreneurial firms play a crucial role in the innovations that lead to technological change and productivity growth. In

short, they are about change and competition because they change market structure.

So far, many efforts have been done by the government to create new young entrepreneurs. In education field, the ministry of National Education has developed certain policies for entrepreneurship education in higher education. For students, the programs are Students Entrepreneurship Program, and for the academicians the programs are training for trainers in entrepreneurship.

Efforts to create new young entrepreneur do not only come from the government and academic institutions, but also from business enterprises that have started allocating funds from Corporate Social Responsibility (CSR) programs for entrepreneurship education. With all these supports, the next problem would be finding the best way in teaching entrepreneurship. Deciding what methods that should be designed to teach entrepreneurship has therefore become very important.

In the university, entrepreneurship is commonly taught as one of the subjects. In certain department, it is even still taught as an elective subject. In the business school, entrepreneurship has grown to become one of the majors. But at the university level, only few universities have adopted entrepreneurship courses that involve students from various departments, whereas entrepreneurship so far is best taught by using multidisciplinary approach.

This paper presents the development of entrepreneurship education in higher education institutions in Indonesia and discusses methods suitable to teach entrepreneurship.

## 2. Entrepreneurship Education

The question about can entrepreneurship be learned is a classical question. The second question is what will be the methods for teaching entrepreneurship? According to Drucker [3] entrepreneurship is a discipline, and like any discipline, it can be learned. Gorman, Hanlon and King, as cited in Kuratko [2] showed that most of the empirical studies surveyed indicated that

entrepreneurship can be taught, or at least encouraged, by entrepreneurship education.

In studying the impact of education on the creation of future entrepreneurs Raichaudhuri [11] concludes that the great majority of empirical findings support the legitimisation process of entrepreneurial education, and indicate that entrepreneurial aspiration and success can, in fact, be taught through suitable education programs

Teaching entrepreneurship is not just about teaching how to create a business plan or creating a new business, it should also emphasize in developing entrepreneurial skills. The effective entrepreneurship education is not about teaching how to start a new business, but effective entrepreneurship education delivers the development of skills and competencies associated with successful entrepreneurship [1].

Entrepreneurial education must include skill-building courses in negotiation, leadership, new product development, creative thinking, and exposure to technological innovation. (McMullan and Long; Vesper & McMullen, as cited in Kuratko [2])

In teaching entrepreneurship, types of learning tools are:

1. business plans;
2. student business start-ups;
3. consultation with practicing entrepreneurs;
4. computer and behavioral simulations;
5. interviews with entrepreneurs,
6. environmental scans
7. "live"cases;
8. field trips and the use of video and films

Jesselyn and Mitchell, as cited in Hadjimanolis [5] noted that while passive learning (lectures and expert talks) may be adequate for other subjects it is believed that entrepreneurship has to be mainly based on, or at least supplemented with, action based, experiential learning. The latter with a learner-based approach includes case studies, preparation of business plans, and involvement in a start-up project, contact with actual entrepreneurs, and internships in entrepreneurial businesses (Hartshorn and Hannon; Jones and English, as cited in Hadjimanolis [5]) Action based learning is more appropriate for courses "for" entrepreneurship, which are more practice oriented (Blenker et al, as cited in Hadjimanolis [5])

A Report of the Global Education Initiative, as released by World Economic forum [11] giving call for action for Educating the Next Wave of Entrepreneurs. The curriculum for most successful youth entrepreneurship programmes includes many

or all of the following activities, which are frequently taking place outside the classroom:

- Simulations and games, Interactive teamwork and group activities;
- Direct, action-oriented market research;
- Student buying and selling events using real money with grants or loans from the school or programme;
- Field trips to local businesses;
- Entrepreneurs or venture founders as guest speakers in class;
- Business plan competitions with business people as judges;
- Student-run businesses using real money as activities recommended in teaching entrepreneurship.

All of these learning tools show a strong linkage between academic learning and business practices, academicians and business practitioners, and more learning activities that can only be done outside classrooms.

### **3. Entrepreneurship Education in Indonesia**

The development of creativity, entrepreneurship and leadership among students has been settled as the second pillar in the strategic plan of Directorate Generale for Higher Education, under The Ministry of National education. As the result, there have been many programs created to foster entrepreneurship education in Indonesia.

In 2009, the number of funds allocated for grants in entrepreneurship education is 37 billions rupiahs. The government uses this fund for students entrepreneurship program. Private universities all over Indonesia receive 12 billions rupiahs, polytechnics receive 13 billions rupiahs and another 12 billions rupiahs is granted to 6 Indonesian world class universities. They are Gadjah Mada University, Bandung Technology Institute, Indonesia University, Airlangga University, Bogor Agriculture Institute, and Diponegoro University (Dikti.go.id).

Students entrepreneurship program is a program designed to teach groups of students in doing business. Each group consists of 5 students. Together, students are trained to make a formal business plan and implement their plan into a real business. The duration of this program is one year. During this program students receive training, doing three months internship in a small and medium enterprise and implement their business plan into a real business using grant that is given to them. In performing these activities students also receive regular advisory from academicians and entrepreneurs who act as facilitator.

Realizing that academicians play a very important role for the success of entrepreneurship

education, in 2009, the government also creates program for lecturers. The Directorate Generale for Higher Education (Dikti) invites 5 lecturers from every higher education institution. These 5 lecturers will be the anchor for entrepreneurship education in their campuses. As much as 1500 lecturers are trained to become facilitators in their campuses. Through this Training for Trainer Program, the Directorate generale for Higher Education (Dikti) targeted that ten percent from almost 3000 higher education institutions in Indonesia will be the anchor of entrepreneurship education (Dikti.go.id).

Throughout higher education institution in Indonesia, entrepreneurship is commonly taught as one of the subjects. In certain department, it is even still taught as elective subjects. In the business school or under the faculty of economics entrepreneurship has grown to become one of the majors of the management department. Currently, from 27 universities with more than 1000 management department students, there are only 4 universities which have entrepreneurship as one of the major. These universities are all in the capital city and in the second biggest city in Indonesia. They are Bina Nusantara University Jakarta, Petra Christian University Surabaya, Indonesia Business and Information Technology Institute Jakarta and Pelita Harapan University. At the university level, only few universities has adopted entrepreneurship courses involving students from various departments, whereas entrepreneurship so far is best taught by using multidisciplinary approach. All of these show that entrepreneurship education in higher education in Indonesia is still at the early stage.

This early stage should be continued with a more integrative long term program to gain desired results. Indonesia needs to build a national plan in entrepreneurship education involving students from elementary schools into universities. At the university level, involvement from students with multidisiplinary backgrounds is important. Learning to create a business venture will need involvement of students from various backgrounds. When students from business shools or management departments knows how to commercialise a product, they often do not know the technology to create the product. As mentioned in the Expert Group Report by European Commission, Enterprise and Industry Directorate-General [4]. Non-business students are very good technically, and frequently have very strong product ideas. However, they are weak in the area of commercialization and marketing. On the other hand, teaching entrepreneurship for students in the economic and business fields has a much narrower focus, as the other business competence studies are offered separately. The most important thing in entrepreneurship education is that entrepreneurial skills should be learned by every students from all

major and not limited to business school or management department students.

Efforts to create new young entrepreneurs by industries can be found as part of their Corporate Social Responsibility (CSR) programs. CSR programs by business enterprises are commonly in the form of education and development of Small and Medium Enterprises. When the amount of fund allocated for this program is rising each year, a coordinative plan should be made for more efficient and effective outcome.

#### 4. The Survey

A Survey to 145 business management students from Petra Christian University, Surabaya is conducted to explore skills acquired and methods preferred in learning entrepreneurship. Respondents have followed basic entrepreneurship class for one semester. In one semester, students have completed a series of activities, from writing paper, doing presentations, attending entrepreneurship seminars, hosting entrepreneurship seminars, to learning to commercialize products by opening booths in a students business fair. After completing these activities, students are asked to measure skills gained through these programs and methods preferred for the next stage in learning entrepreneurship.

Using criteria from Schelfhout, Dochy and Janssens [10] research in skills concerning cooperation within an enterprise context, a questionnaire is composed. Knowledge and skills that are measured are knowledge and skills concerning the workflow, knowledge and skills concerning communication, and knowledge and skills concerning motivation. As shown in Figure 1, 2 and 3, respondents' experience in commercialising products as business project shows the highest percentage, followed by hosting event such as seminar series. All of these are out of classroom activities, and activities with strong teamworking and high involvement of business entrepreneurs.

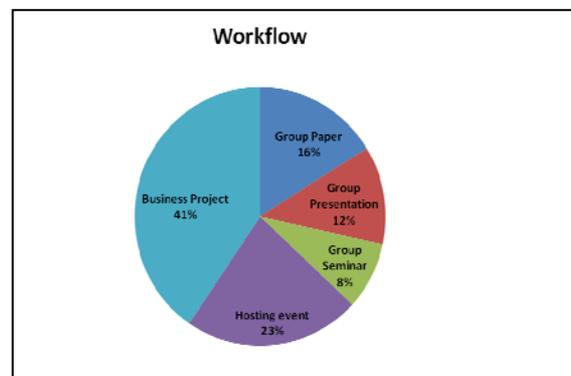
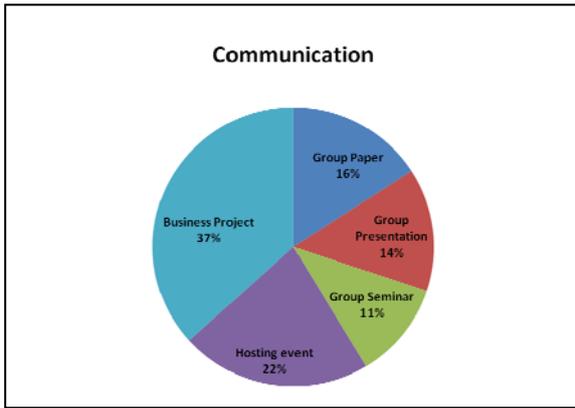
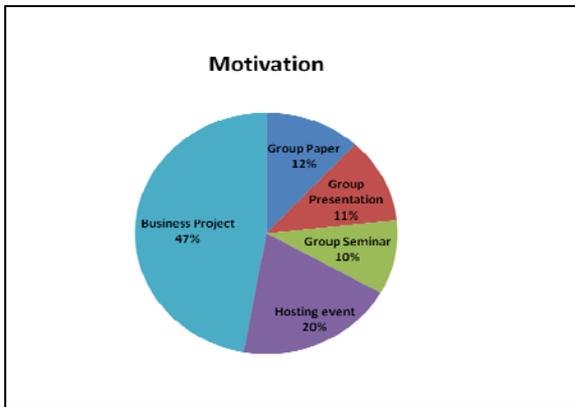


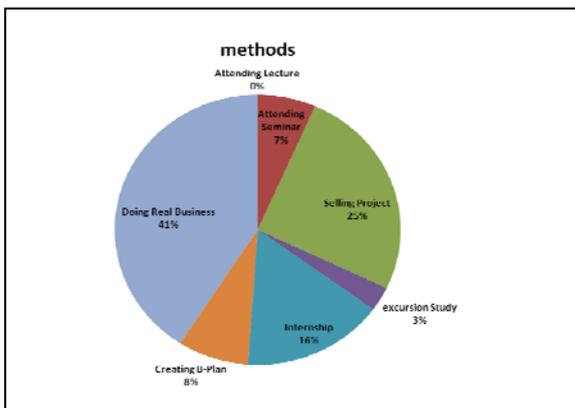
Figure 1. Knowledge and Skill concerning workflow



**Figure 2. Knowledge and Skill concerning communication**



**Figure 3. Knowledge and Skill concerning motivation**



**Figure 4. Methods in Learning Entrepreneurship**

The Figure 4 shows that none of the respondents prefer attending lecture as the method to learn entrepreneurship. Whereas many entrepreneurship education programs introducing writing b-plan as the essential part in learning entrepreneurship, only 8% respondents choose this method. The highest percentage (41%) of respondents choose doing real business as the method preferred. This result shows that doing business practice outside classrooms and

activities with high involvement of business entrepreneurs are the methods perceived to give the knowledge and skills needed. These methods are also preferred by respondents in entrepreneurship education.

## 5. Conclusion

In a time when entrepreneurship is seen as a solution for today's unemployment problem, entrepreneurship education in higher education in Indonesia is still at the early stage. Indonesia needs a long term integrative program to achieve desired results. In teaching entrepreneurship, action based, experimental learning as suggested methods in entrepreneurship education is proven beneficial and preferable in this survey. Findings show that doing business practices outside classrooms and activities with high involvement of business entrepreneurs are the methods perceived to give the knowledge and skills needed. This method also preferred by large percentage of respondents in learning more about entrepreneurship. In addition, programs that involve students from multidisciplinary background should be developed. Wider access for entrepreneurship education should be given to non business school students because developing entrepreneurial skills is needed by every students regardless of their major of study.

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