

Business Survival and Entrepreneur's Profile,

A Study on Profile and Problems of Entrepreneur in Indonesia.

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Efforts to foster entrepreneurship by government and education institution should also emphasize in supporting growth and lasting success of business. A survey conducted to 56 entrepreneurs in East Java, Indonesia show that most business existed today is business that founded not more than two decades ago. Finding also show that 96% of entrepreneurs are born from family with entrepreneurship background. In fostering entrepreneurship development, government and education institution then should emphasize not only on the creation of more start up but also in ensuring survival on new and existing business.

I. Introduction

Survival is an important topic for start ups and family business. Building a continuing success for a business enterprise requires lots of professional works. For a family business, the challenge to build a lasting success is even more difficult. Research on Asian family business has shown that only three out of ten Asian family corporations survive into the second generation, and only one out of ten Asian family corporations survive into the third generation (Fernades, 1999) In the case of Chinese family business in Singapore, Wah (2004) identified the lack of operating and management systems, an unclear organizational structure, lack of formal planning, boss centered leadership style, and lack of professional used in the company as common weaknesses found in family business.

In larger family owned business enterprises, the need to hire professionals in their business has been widely acknowledged. A survey to owners of large business enterprises in Indonesia by SWA magazine in 2005 found that 66,7% respondents prefer their children to

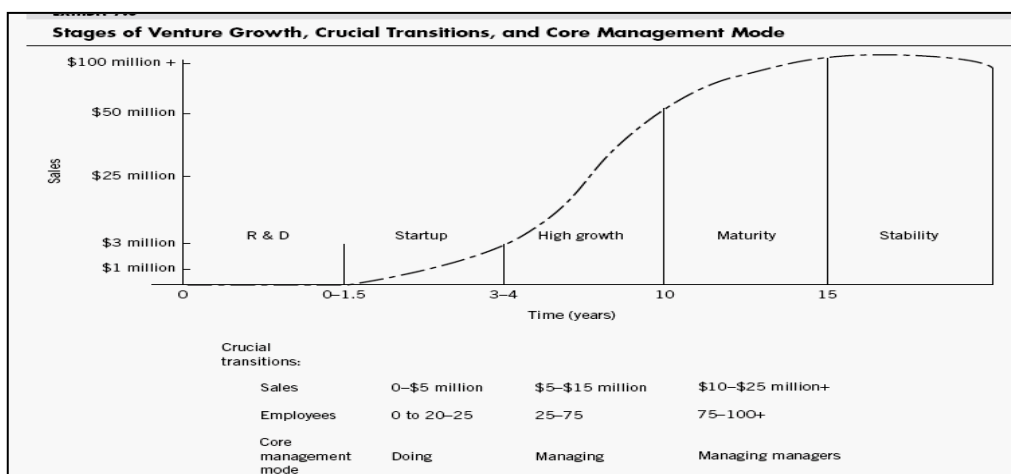
continue their business, but at the same time respondents admit their readiness for the alternative of hiring professionals, if their children refuse to continue the business. This shows that family business owners have been more open for professional's involvement at the top level in their business to ensure companies' survival.

When recently there is a strong awareness from goverment and academic institution all over the world on the need to foster entrepreneurship to young generation, this paper discuss the need to also focusing on the survival of start ups and family business in goverment policies and entrepreneurship education programs. Survey to entrepreneurs in East Java, Indonesia is conducted to describe the profile of entrepreneur. By undertanding entrepreneurs' profile, problem faced by entrepreneur can be identified to be used as the basis for creating policies and programs to foster entrepreneurship by goverment and academic institution.

II. Literature Review

In order to survive, business must grow. Timmons (2003) explains *theoretical* view of the process of growth of new ventures and the transitions that occur at different "boundaries" in this process. Picture below shows venture stages in terms of time, sales, and number of employees.

Figure 1. Stages of Venture Growth



Source:Timmons (2007)

Timmons divides stages of growth into 5 stages; R&D, start up, high growth, maturity and stability. According to Timmons (2003), most important and most challenging for the

founding entrepreneur or a chief executive officer is coping with crucial transitions in every stage and the change in management tasks, going from managing, to managing managers as the firm continue to grow. This model can be used in every business. In every stage the risk of going into declining is inevitable. Therefore entrepreneurs must never stop in making growth efforts.

Ward (2002) identified reasons why family business do not grow; maturing business life cycles, limited capital, weak next generation leadership, inflexibility and resistance to change, sibling successor conflict and disparate family goals are reasons that inhibit business from growing. In order to grow, Ward (2002) suggests the need to assure fresh strategic insights, attract and retain excellent non family managers, create a flexible, innovative organization, create and conserve capital, prepare successors for leadership and explore the strategic advantages of family ownership. This shows that growth aspects will much rely on the presence of profesional management for the business.

Susanto, Susanto, Wijanarko & Mertosono (2007) explain evolutionary stage in one generation of family business in this following table:

Table 1. Evolutionary Stage in One Generation

	I	II	III
Age of business	0-5 years	10-20 years	20-30 years
Age of Parents	25-35 years	40-50 years	55-70 years
Age of Children	0-10 years	15-25 years	30-45 years
Nature of business	Rapidly growing and demanding time and money	Maturing	Needing strategic regeneration and reinvestment
Character of organization	Small and dynamic	Larger and more complex	Stagnant
Owner-manager motivation	Committed to business success	Desires control and stability	Seeks new interests, or it is semi retired: next generation seeks growth and change
Family financial expectation	Limited to basic need	More needs, including comfort education	Larger needs, including security and generosity
Family goals	Business success	Growth and development of children	Family harmony and unity.

This table shows that on the first stage, family goals are stil on business success. Business growth as family goals is started when family business arrived at the second stage. This

shows that even entrepreneurs started to focus on growth at about ten years after business is founded.

Findings

Following are data gathered from. Their businesses are in fashion, interior design, advertising, photography, arts and in food and beverage sector. All of these entrepreneurs are university graduates

Figure 2. Respondents by Sex

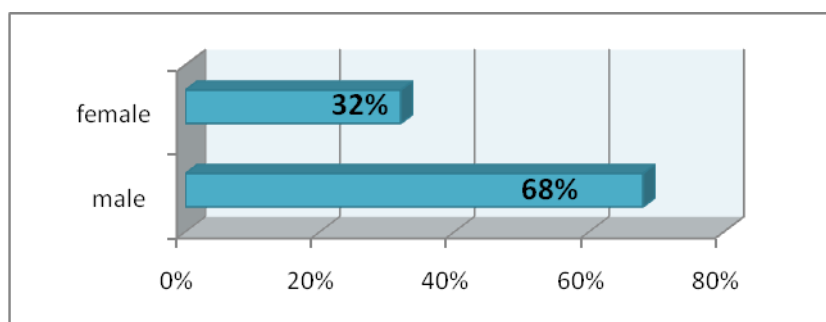


Figure 3. Respondents by Age

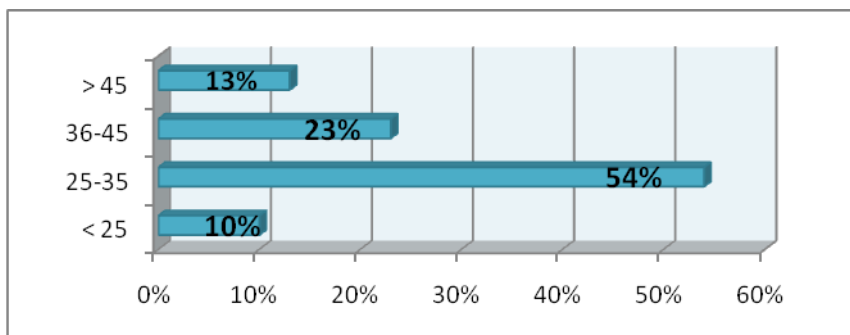


Figure 4. Family Background

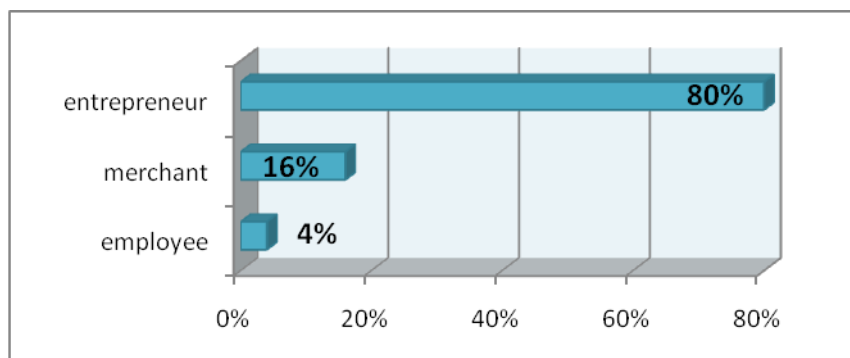
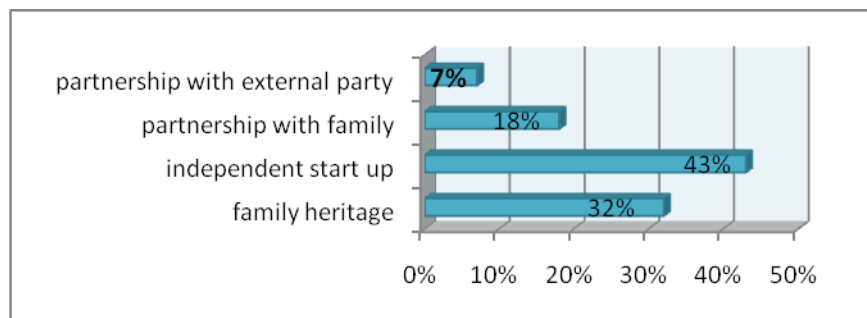


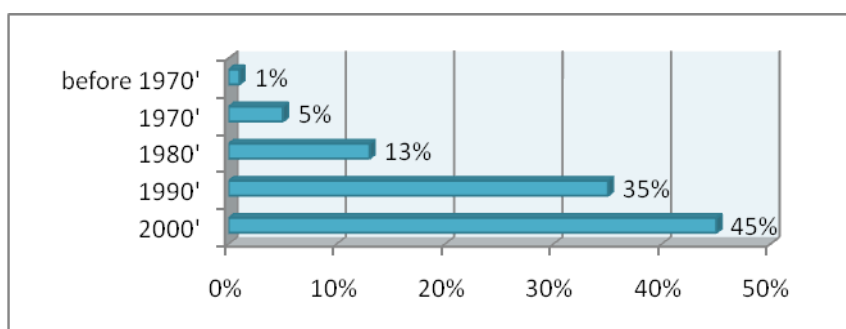
Figure 2-4 shows that the majority (68%) of entrepreneurs are male, age between 25-35 (54%) and 96% come from family with entrepreneurship background. Only 4% born from parents that work as employee. Data shows that most entrepreneurial activities started after respondents graduate from the university. With all of respondents are universities graduates, the results indicate the strength of family influence on respondent's decision to become an entrepreneur, especially considering that most of Indonesian university graduates are working as employee.

Figure 5. Source of Business



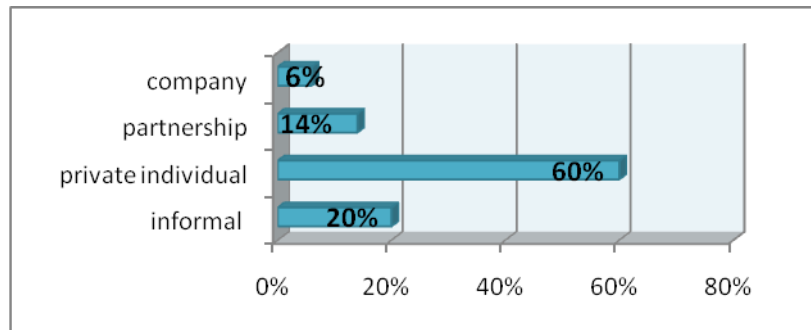
Looking closer to the source of business, only 7% of entrepreneurs involving external parties. 43% are independent start ups, founded, funded and managed by themselves, and half of them (50%) are business that involving family. This can be concluded that involving family is still the number one choice in founding and developing business.

Figure 6. Decade of Establishment



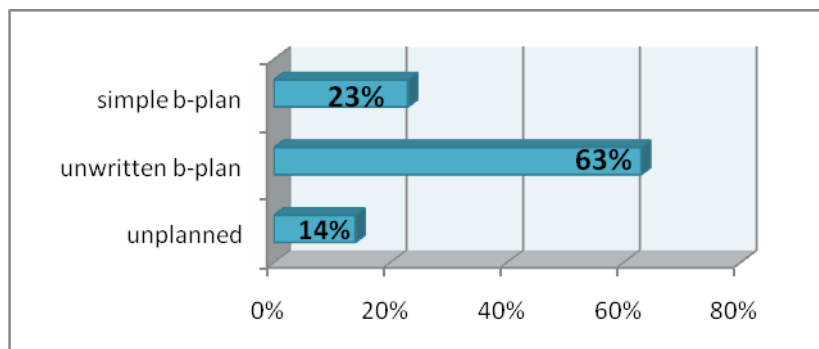
Data shown above describes how survival is still always the issue. Only 19% are founded less than three decades ago. New business (founded last than one decade) still dominates (45%).

Figure 7. Types of Organization



Data shown that only 6% of these small business are companies. Majority (60%) are private individual business. Moreover there are still about 20% of informal business.

Figure 8. Planning



The above data also support previous findings. When most of entrepreneurs relying on personal efforts and family help to create and develop a business, only 23% respondents admit the use of written business plan. Majority (63%) plan their business without the use of written business plan.

III. Discussion

Entrepreneur begin with small steps. Findings show that most of them start their business without written business plan, open their business in their own property, relying on their own ability or involving family member in creating and developing busines. Only small percentage (6%) has established a formal company, majority are still informal or private individual business employing 13 persons in average. Most still led by themselves,

even in average, there are only 2 managers or supervisors employed. Interesting findings are in entrepreneurs' personal background. Majority (96%) come from family with entrepreneurial background. This shows how family play a very vital role in small business. Entrepreneurs are born from entrepreneurs, create and develop business with the help of family member, starting business mostly in their own property.

Findings also show that there are only 19% of business founded more than 30 years ago. 45% are founded this decade. This shows that majority is still in the first stage of the evolutionary, still struggle for business success. Using Timmons (2003) model, from time frame criteria, many are in the stage of start up, high growth, and maturity. Only about 20% are in stability. This shows that many respondents are in the condition of growing their business to achieve lasting survival. As Ward (2002) mention, business need to assure fresh strategic insights, attract and retain excellent non family managers, create a flexible, innovative organization, create and conserve capital, prepare successors for leadership and explore the strategic advantages of family ownership to grow.

IV. Conclusion

Efforts to foster entrepreneurship by government and education institution should also emphasize in supporting growth and lasting success of business. Findings show that most business existed today is business that founded not more than two decades ago. Education institution should start giving more chances for students in deeper interaction with entrepreneur to develop entrepreneurial skills, and continue to prepare students to be professionals in certain field. Every business need professional human resource to manage and develop business organization, when findings show that most entrepreneurs are born from entrepreneurs, education institution must capable to born professional entrepreneurs that are capable in creating and developing business.

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