

## **Overcoming Business Obstacles: A Case Study of Young Entrepreneurs in Malang**

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### **ABSTRACT**

Choosing entrepreneurship as a career at a young age is influenced by personality, demography and environment. This research attempts to find out how these factors help young entrepreneurs realise their business ideas and the obstacles they have to overcome to evolve their business. The methods employed in this study are in-depth interviews and observation of selected respondents. Findings show that being an entrepreneur is highly influenced by awareness and by profit motives. The awareness was from reading and a desire to be innovative that have inspired young entrepreneurs to exploit business opportunities. Business obstacles are due to licensing difficulties and lack of parental support.

*Keywords:* Awareness, environment, innovative, personality, profit motive, young entrepreneurs

### **INTRODUCTION**

Unemployment is a major problem in Indonesia. According to The Central Statistics Agency (BPS), in 2014, there were 7,244,905 unemployed Indonesians who account for 5.94% of the total population. Ironically, the increase is partly due to the rising number of 724,490 unemployed

graduates who represent 10.55% of the unemployed. This situation is clearly worrying for the government, aggravated by the passage of ASEAN Economic Community (AEC), where Indonesians have to compete with the rest of ASEAN population.

Viable solutions are needed as it is a heavy burden on the Indonesian economy. Unemployment is a complex societal problem which can lead to rising crime rate, poverty, mental problems and social disintegration among others. The government as well as educators and religious groups should come

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together to offer innovative solution to this problem. How does the educational sector and its milieu help graduates to be more employable and adjust themselves to the workforce dynamics?

One strategic way to address this problem is to encourage entrepreneurship focused on quantity and quality. This has been pursued through of guidance and financial assistance programme by the government through relevant technical ministries as a follow-up to Presidential Instruction No. 4 of 1995 on the Promotion of National Movement and Cultivating Entrepreneurship. The President has instructed 17 Ministries and the Governor of Bank Indonesia and the First Indonesia Governor in a province to promote and cultivate entrepreneurship in their respective sectors in accordance with their duties, powers and responsibilities (Presidential Instruction No. 4/1995).

In the educational sector, entrepreneurship has been introduced as subjects in high school and tertiary level. It is expected that the entrepreneur will contribute to the economy and society. Jack and Anderson (1999) state that company culture by a premise, view entrepreneurship as a type of social movement and its culture determined by the enterprise. The growth of entrepreneurship is evidenced by the mushrooming of educational institutions that teach entrepreneurship courses. This is supported by the findings of Aslam and Hasnu (2016) who argue that entrepreneurs are a solution to developing Indonesia's economy. Young entrepreneurs can support

the local economy, and contribute to social empowerment through creative innovation.

## **METHODS**

This study attempts to reveal the motives of young individuals choosing entrepreneurship as a career and how they develop their business, as well as the obstacles they encounter. The subjects of this study are two young entrepreneurs who vie to become successful. Theirs, though a start-up business, has received acknowledgment and appraisal from external parties. The first subject of this research is Pasca, a-24-year-old- businessman who deals with cheese. His business is two years old and he has received accolades and awards from the Ministry of Agriculture, among them is Shell Live Wire Business Start-Up Award 2015. Pasca also received an award in 2016 from the Agricultural Ministry under the programme Agricultural of Young Entrepreneur Development. The second respondent is 25-year-old Ghufroon who has a business selling fried chicken. Into his fourth year as a businessman, he has seven franchises and received an award from Ministry of Youth and Sport under the successful young entrepreneur category.

This is a qualitative case study to examine the challenges faced by young entrepreneurs on managing their business. The qualitative approach enables the researcher to be part of the research together with the study subjects (Corbin & Strauss, 2015). Yin (2009) argues the case study is a contemporary empirical investigation

in the context of real life, especially when the boundaries between phenomenon and context are not so clear. The design of the case studies allowed the researcher to explore the potential of young entrepreneurs in developing their business.

The research subjects were selected based on the following criteria: (1) The business is a pioneering effort, and not a legacy of family business; (2) Age between 20 and 30 years; and (3) received recognition or awards from external parties as a successful young entrepreneur.

In-depth interviews were conducted to examine the respondents' views and experiences and the reasons for choosing to be an entrepreneur and implement an idea into real business, how they manage resources and the perceived barriers in developing their business. A triangulation method was used in this research whereby data was gathered based on observation, analysing the documents and interviewing the informants to support validity of the data.

A qualitative analysis was used to examine data. According to Miles and Huberman (1992), "qualitative analysis consists of three flows of activities occurring simultaneously: data reduction, data presentation, drawing conclusions or verification." Comparison of cases and grounded theory techniques were used to locate the dominant pattern. A grounded theory technique was adopted that provides a more systematic way for inductive analysis.

## RESULTS

### Theme 1: Entrepreneur as a Career Option

The research subjects have the same reasons in selecting entrepreneurship as career but they have different motives. They want to be independent in young age and being an entrepreneur is the right choice. Their motto is to manage, not be managed.

*"My basic motivation to be an entrepreneur is due to my desire to be independent, not to be taken for granted and follow the command of others. I dislike to be ordered around. I also know I would not be able to realise my ideas if I am bound by others."*

(Pasca)

Ghufron, another respondent, said his primary motivation to be an entrepreneur is profit. According to him:

*"In 2012, Rp 500.000 - the money my parent gave me - was not enough to fulfil my basic necessities at college. Besides, I want to be independent by the time I reach 30 and free from the problem of financial needs."*

(Ghufron)

A business is based on ideas and initiatives to exploit existing opportunities offered by

external organisations or institutions outside campus.

*“When the Ministry of Research Technology and Higher Education held a competition on entrepreneurship, my friends and I submitted our proposed proposal which was well received. I used the capital to sell shirts.”*

(Pasca)

*“My friends and I were successful in being accepted to join an entrepreneurship training for eight months organised by the local private banks. The financial aid I received was used as a capital investment for my business.”*

(Ghufron)

Aside from self-motivation, the desire to be entrepreneurs had external motivation as well. Ghufron said:

*“I was also inspired by entrepreneurs who despite not having a college education, can be successful.”*

(Ghufron)

## **Theme 2: Transforming Business Ideas into a Prospective Business Practices**

**Sub-theme: ways to realise a business idea into a viable business practice.** Both the entrepreneurs interviewed in this study were inspired by looking out of the box.

*“During a college assignment, I was tasked to observe milk production. I noticed milk production was abundant and the price very cheap, and thus, so I was inspired to produce cheese.”*

(Pasca)

*“During my second semester at college, I saw many culinary efforts were successful, and I noticed many students enjoyed consuming the dishes and this inspired me to get involved in the student entrepreneurship programme.”*

(Ghufron)

Further, according to the subjects, they were also motivated by the availability of external grants:

*“A few years ago, I received a grant from the Ministry of Youth and Sports to be selected as a successful young entrepreneur.”*

(Ghuron)

*“Alhamdulillah, I received a cash prize from the Ministry of Forestry two months after joining the programme of Young Agriculture Entrepreneur Growth (PWMP). They assisted me for three years. Previously, I had received an award from Shell Live Wire Business Start-Up Award.”*

(Pasca)

Learning from other entrepreneurs who have business expertise helped the subjects to improve their business management. In order to be well-run, the businessmen can learn the strategy from entrepreneurs in the same field or using their own expertise on producing and promoting the products,

*“Prior to running the cheese business, I studied for a month how cheese makers run their business.”*

(Pasca)

*“I immediately began copying their efforts because I’ve had the cooking skills, which I now teach to my senior employees.”*

(Ghufron)

Creative product innovation is an important requirement for a successful business especially for young entrepreneurs:

*“My cheese products use plant enzymes, while the cheese products available in the market generally use animal enzymes.”*

(Pasca)

*A lot of chicken dishes are available in this town, but the taste of my product is different from the others and there must be new menus each time.”*

(Ghufron)

To expand their marketing reach, businesses rely on the social media and enlist the assistance of friends or their private network to expand their customer base:

*“I use social media and engage student activists to invite their friends to a discussion or just to chat at my stall, and I give them a fee or money.”*

(Ghufron)

*“Besides, I also give some cheese for free to people who refer new buyers.”*

(Pasca)

In order to increase their revenue, these two young entrepreneurs embarked on new business development, both related and not related to the main products:

*“Three months ago, I cooperated with four of my friends to launch dairy products in bottles and advertised these products through television stations.”*

(Pasca)

*“Soon after I opened my culinary business, I began distributing clothes associated with a particular brand.”*

(Ghufron)

To maximise his business, Ghufron cooperated with his investors by using diverse models:

*“Investors generally offer location for the business, although there are some of them who offer capital in accordance with the agreement.”*

(Ghufron)

**Sub-theme: Obstacles in business.** Young entrepreneurs face many constraints related to availability of raw materials in accordance with standards, marketing (in getting first customers), bureaucracy and culture that exists in society.

***Finding standard raw materials and ensure marketing network.***

*“We offered Mozzarella cheese product to some cafes in Malang, but most of them refused to try my product... Now, it is difficult to look for raw materials that best meet the minimum standards of cheese production; we have overcome this problem through cooperation with farmers.”*

(Pasca)

***Barriers associated with government bureaucracy.***

*“Obtaining licenses are difficult and convoluted when dealing with the Food and Drug Administration,*

*especially when there is long queue.”*

(Ghufron & Pasca)

***Obstacles of shared-social values at society.***

*“My parents have a big expectation for me to pursue my Master’s degree, and my sister incidentally obtained LPDP scholarship last year and they expect me to be a lecturer like my mother.”*

(Pasca)

*“My intention to study at college was to please my parents because they are civil servants (PNS) and they would be happy if I can become civil servants in the future. Based on the point of view of my parents and the culture where I live, the success of a person is measured by his or her social status. They will not regard successful businessman a great figure if he or she is not a civil servant.”*

(Ghufron)

**DISCUSSION**

The findings of this study indicate that the Presidential Instruction of Republic Indonesia No. 4 of 1995 the National Movement of Promoting and Cultivating Entrepreneurship has successfully encouraged the emergence of young

entrepreneurs. According to the respondents of this study, they succeeded in their business due to their participation in a range of programmes organised by the Ministry of Research Technology and Higher Education and the national banks under the Student Entrepreneurial Programme during their undergraduate studies. These programmes helped the participants to successfully apply and obtain entrepreneurship grants, which were used as working capital for their start up business.

The entrepreneurship programmes have been successful to produce smart young entrepreneurs. This finding was corroborated by Bustamam, Mutalib and Yusof (2015) who stated that entrepreneurship training is vital to ensure the success of a business. Ghadas, Muslim, and Hamid (2014) found that 81% of students who are interested in entrepreneurial skills venture into business after their graduation. New entrepreneurs are important to fuel Indonesia's growth while contributing to society through innovation (Aslam & Hasnu, 2016).

The decision to get involved in the student entrepreneurship programme and subsequently to choose entrepreneurship as a career option is driven by the youths' desire for independence at a young age and not subjected to employer's whims and fancy, in addition to generating better income compared with being a mere employee.

These findings are supported by Ghadas et al. (2014) who show students choose entrepreneurship as a career for better financial gains. Aslam and Hasnu (2016) also found the average income of

entrepreneurs was significantly higher than workers with qualifications, expertise and experience in the same job.

Motivation by external parties are important in encouraging young people to choose entrepreneurship as a career option. Harkema and Popescu (2015) propose an inclusion of this topic in student syllabus to showcase successful young entrepreneurs and engage them to select business proposals of students.

The young are also motivated by the abundance of raw materials at low prices, and the dynamics of a large market share as well as to create a niche business.

This indicates that intelligence is vital for a good businessman who should be able to seek and exploit opportunities, take the initiatives to realise them into a business with products that have different characteristics as a form of innovation. The findings of this study show private initiative is a key factor to achieve success; entrepreneurs who have high personal initiatives bear the hallmarks of a go-getter and will persist until they achieve their results. This study also bolsters the findings of Drucker (1984) that innovation is key to business success.

Social media is important as a promotional strategy, whereby people who can bring shoppers are given rewards. Therefore, it is clear information technology is vital for creation of business opportunities (Choi & Shepherd, 2004). Furthermore, Hajli (2013) shows that trust and encouragement of social media significantly affect the intention to buy. When potential customers



are encouraged to believe in the vendor by their peers, and also believe in social networking sites, they are more likely to purchase through a social networking site.

Another effort to increase revenues is by opening another new business, whether closely related to the main product or not. Business development is linked to business opportunity. These findings support the research by Choi and Shepherd (2004) that employers will take advantage of business opportunities, when they seemingly have greater knowledge of customer demand for the product.

However, these are still inadequate. Obstacles that arise generally come from outside, for example, the difficulty in finding raw materials. This obstacle can be overcome by cooperating with raw materials suppliers.

The next obstacle is government bureaucracy in the form of a complex and lengthy process of obtaining a business license. It is contrary to presidential instruction that aims to foster new entrepreneurs to drive the national economy (Presidential Instruction No. 4/1995).

Constraints also emerge from lack of parental support. Parents measure their children's success as being employed in the civil service. This was corroborated by Indarti and Rostiani (2008) who argue that cultural factors should be considered in analysing entrepreneurial intention. Thornton, Soriano and Urbano (2011) proposed an institutional approach as an appropriate framework for developing future research. Sociocultural factors that

are influential to the decision for creating a new business should be examined. Family support and economic institutions are variables must be examined (Arrighetti, Caricati, Landini, & Monacelli, 2016).

## CONCLUSION

The results showed that young entrepreneurs that successfully develop their business were funded by relevant ministries and national banks. They received entrepreneurship training and capital to run their business. This points to the importance of entrepreneurship education and training for young people through formal education both in schools and colleges as well as non-formal education at the community level.

The desire to be independent and reluctance to work for others and be under their control were the primary reasons why young people chose entrepreneurship as a career option. Additionally, they were motivated by greater income generated by business than working as an employee. Therefore, being independent supported by opportunity seeking behaviour had inspired these young entrepreneurs to venture into business and later expand their business activities.

To introduce and promote their products, these young entrepreneurs accessed the social media as a marketing tool. Social media has widespread reach in addition to being very low cost. Therefore, information technology skills are necessary for businessmen.

The prevailing obstacles as perceived by these young entrepreneurs were primarily



external, such as negative views of parents or society that regard entrepreneurship as not a promising career, and bureaucratic barriers to obtaining a business license from the government agencies. Educational programmes are necessary to help overcome the complicated and lengthy process of obtaining a business license. Additionally, the government should smoothen the licensing process and allow competent institutions to handle this. Therefore, the contribution of entrepreneurship in terms of quantity and quality is important to improve the welfare of Indonesians and promote the country's economic growth.

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