

STUDENTS' PERSPECTIVE IN CHOOSING INNOVATION STRATEGIES IN ATTEMPT FOR SURVIVING VALLEY OF DEATH PHASE: CASE STUDY IN UNIVERSITAS CIPUTRA

Lenny Gunawan¹, Tommy C. Efrata²

School of Management and Business, Ciputra University,
INDONESIA

Emails: ¹lenny.gunawan@ciputra.ac.id, ²tommy.christian@ciputra.ac.id

ABSTRACT

This research aims to map students' start-up business innovation strategies, specifically those which are within Valley of Death phase. Research objects are several students' businesses which have gone through Entrepreneurial Project 2 subjects, in International Business Management Program, Universitas Ciputra. Data is gathered through interview, observation and FGD methods. His research is done using qualitative descriptive method. The result shows there are six commonly used business innovation, which are: (1) product performance; (2) product system; (3) customer engagement; (4) channel; (5) network and (6) business model. The research findings are expected to be value adding for entrepreneurship education practitioner and business owners, specially within micro scale in order to understand better business innovation behavior within start-up phase.

Keywords: Entrepreneurship Education, Start-up Business Innovation Strategies, Valley of Death.

INTRODUCTION

Through entrepreneurship spirit, within different forms: 1. Entrepreneurship Way of Thinking, 2. Entrepreneurship Insight, and 3. Entrepreneurship Role as required actions in order to alleviate Indonesia's society poverty level. Several efforts has been conducted by Indonesian government to increase young generations entrepreneurship spirit, specifically through education area. In this case, government has embedded entrepreneurship curricula within education across the scales; 1. Elementary School, 2. Intermediary-High School, 3. And higher Education. The curricula setting in formal education is expected to equip students' entrepreneurship knowledge and learning experience. Commonly used entrepreneurship education in higher education are Business Plan – BP writing finesse, or even executing it. Teaching and learning process, specifically in entrepreneurship varies among institutions in variety learning depth.

Universitas Ciputra (UC) as higher education which fosters entrepreneurship, promotes entrepreneurship based curricula. One that is conducted in University level, all entrepreneurship subjects are taught chronologically according to its sequences within 5 semesters. These subjects are compulsory and integrated in each program's curricula at Universitas Ciputra. Moreover, several programs conduct entrepreneurship education curricula which are specifically designed

by integrating the program's must have competencies into entrepreneurship competencies (IBM Program's curricula, 2011).

In a subject of Entrepreneurship Project 2 (EP2), one of the learning outcome is to equip students the experience of producing business ideas which will be tested and given suggestions by real market player, having to go through iteration process as a way in finding out improvements and resources needed which have not been thought of nor conducted prior to these sessions (Brown, 2009). The ideation and iteration are repeated several times, beginning with business idea presentation in Business Plan (BP) session (Gunawan & Efrata, 2014). These groups are required to present their prototypes (could be in the form Low- Resolution or High-Resolution) depending on how well these groups done their preparation. There are several groups which bring along ready-to-sell products to see market's reaction and ask for further feedbacks.

Approved BP will be executed as each groups' business projects, when it is attainable in the second semester are ready as to start their start-up businesses phase. These groups will continue learning new things and facing many obstacles (predicted nor unpredicted) in order to surviving the real business jungle, and also competing with similar business project from other UC students.

Based on experiences gathered as mentors, there are several obstacles commonly faced in business execution, which are: 1. Self and time management in juggling both University workload and business project tasks. 2. Conducting effective communication between group peers and executing the agreed project target. 3. Adding business capital (new investment) to escalate introducing brand image to market education process. 4. Member's disability in reading entrepreneurial attitude and traits thus causes conflicts and inefficiencies across current and future business execution program. 5. Disability in capturing opportunities and finding current business solutions thus there is not significant pace in business development and imbalance between business income and expense. Disability in fulfilling agreed business target at the beginning during BP sessions. This research aims to find business innovation strategies conducted by students in managing their business sustainability and surviving the valley of death phase.

LITERATURE REVIEW

Entrepreneurship and Innovation

Some researches associate entrepreneurship with innovative business traits as a form of creative actions (Ward, 2004). Relation between both are shown in Davidsson (2002) which claims that entrepreneurship's core is newness and originality those steam up marketing. Entrepreneurs should be capable in igniting product and service ideas to market. Thus, entrepreneurs should take into account processes those lead to successful market acceptance, because without adequate market response, an invention is not yet to be categorized as innovation.

Creative thoughts are defined as tendency to solve problems equipping original ideas and harvesting positive feedbacks upon those original ideas (Mueller and Thomas, 2001). Entrepreneurship education result is defined as student's new perception as the result of entrepreneurship education participation. (DeTienne and Chandler, 2004) conducted researches that explore creativity education for students and showed a closely related result between student proposed ideas and creativity education. The same study also shows students' ability improvement in identifying their business opportunities and innovation abilities. This research shows effectivity of creative learning which successfully increase one's ability in producing innovation ideas and opportunity identification.

Entrepreneurship Learning Process through Business Project

Traditional point of view, claims that entrepreneurship is no more than teaching start-up to students. This approach application shows learning result in the form of start-up business knowledge. As entrepreneurship is being associated with real efforts in building a new business, students are compulsory to execute the process in order to experience it within real business context.

Using this approach, the respective institution should facilitate teaching and learning process through providing teaching and learning situation and environment which support new business formation. This education setting gives students the possibility of operating directly within real business practice thus it would be optimal in a well-networked institution in resources. Such as: Funding, Business network, Market network. It accentuates the focus on the learning within process involvement, which acquires students to practice through varies teaching and learning methods from case studies [rior to students forming their new business. Figure 1 describes student involment level in relation to focus on business idea proposed.

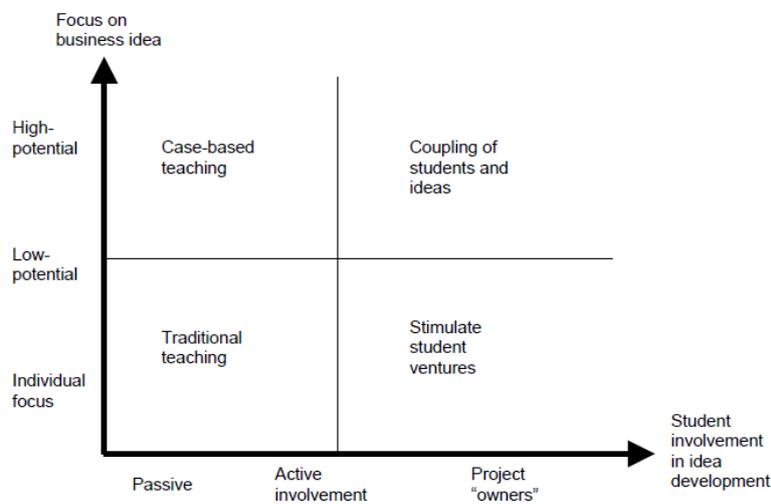


Figure 1: Project Based Learning Strategy

Source: Rasmussen and Sorheim (2006),

As shown in Figure 2, every business will have to go through valley of death phase. As the result of initial investment prior to business start-up phase, thus it cause cash flow position in critical point. It takes time to promote business to market and make customers come to purchase their product/service. Within the critical era, many start-ups collapse and went bankrupt if they fail to attain BEP (Break-Even-Point). Valley of Death phase is experienced by most start-up businesses in Universitas Ciputra. Another main factor in failing business is disability to conduct efficient teamwork between peers.

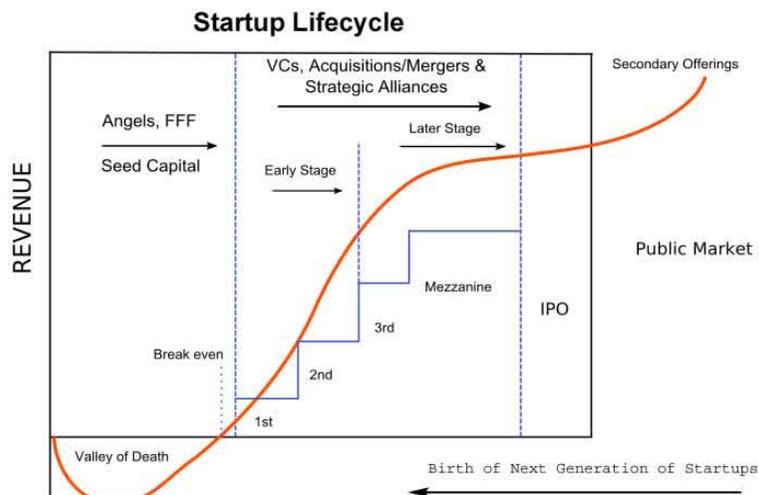


Figure 2: Start-up Life Cycle

Source: www.drawpack.com

RESEARCH METHODS

This Research is using literature and qualitative design (Creswell, 2007). Indirect observation is equipped as a reference. Data is gathered through unstructured deep interview, which respondents are students (mentees) in Entrepreneurship Project 2 (EP2) and to business executors. Documentation is also used as secondary data in the form of: previous researches (book, journal, paper) and PIPO business project documentation.

This descriptive qualitative research goal is to describe students learning experiences in Entrepreneurship Project 2 (EP2) subject as a case study in Universitas Ciputra. Primary data is available in interview transcript (audio recording). The research is conducted between student mentoring period in February until May 2015.

Discussion

Adaptation ability in business survival has become obsolete Brown & Eisenhardt (1998) explains that followers (adaptor) would never be market leaders. On the contrary, innovation is needed to move market towards one's direction. The faster one's innovates and creates new market, the more difficult competitors would try to keep up. The phenomena is highly relevant towards technology industry. The business challenges hardship not only to survive but to lead has made market players to compete to direct themselves into business idea generation which new products and services are the spill over effects from it. The main goal is to tap the target market, in which not many people have realized for its existence thus new life style is created, represented by innovator brand major.

In the implementation of the curriculum, students are also asked to provide added value to a market. One of added values is uniqueness of a business idea. The products and services provided could be the same as competitors in the market, however how to sell it may be different, such as ways of marketing, how to build a business model, cross-industry networking and so on. This corresponds to 10 types of business innovation (Keeley & Pikkell, 2013). Figure 3 shows the 10 types of innovation that could be applied in business, divided into three major parts: business configuration (4 strategies), product offerings (2 strategy), and the consumer experience (3 strategies).

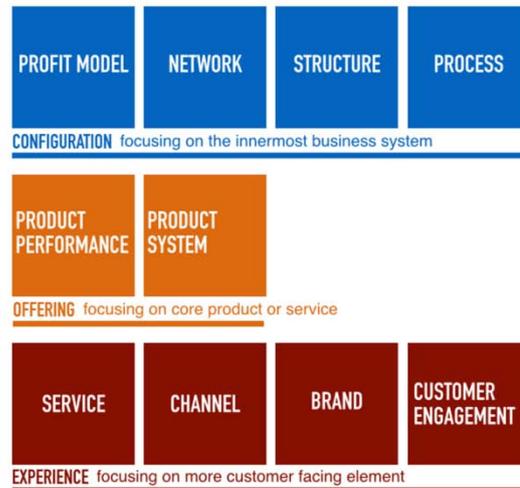


Figure 3: 10 Type of Innovation

Source: Keeley & Pikkell (2013)

One of the business groups that became informants of this study is PIPO (Happiness in Potato). This business had a chicken burger with a unique product, which is replacing bread products (bun) with mashed potatoes nuggets, compressed and shaped like bread (hash browns). Previously, PIPO had a business idea to make dog clothes to be marketed on the community of dog lovers. In fact, it has to face many obstacles. The main struggle is that sewing techniques are more complicated than the typical human gear. The scarcity of tailors who could and used to make dog clothes and patterns has made an increase of production cost. Therefore, it is hard for PIPO to compete with similar products imported from China. On the other hand, the group found the uniqueness of its business by providing complementary products to its customers, so that it can provide shopping convenience. The business model shifts after conducting surveys and interviews to suppliers, craftsmen doll clothes, competitors, and customers (store and end user).

Shift or adjustment of a business idea is something relatively common on the process of learning and teaching at Entrepreneurial Project 2 class, Universitas Ciputra. Alteration of a business idea is more prominent when the business is under pressure, both from the financial and marketing perspective. Some distresses is evaluated to find a solution. Business failures during EP2 were assessed as a part of learning process. Through failure, students are expected to have the ability to synthesize, what have been learned and what must be repeated in order to succeed, or otherwise what should not be repeated so that they do not come the same failure. The ability to comprehend the process is a part of student's competence from the perspective of cognitive and affective domain.

The process of changing business idea is common in the valley of death phase. In this phase, the business pressure on students is relatively tense, not only from the financial perspective, but also from the marketing standpoint. In this phase, students are required to innovate to maintain business continuity. Based on the interviews and observations on the student's businesses who follow courses Entrepreneurial Project 2, there are several strategies were chosen based on suitability to the ability level of capital and the size of the business that is being executed. The strategies are (1) product performance; (2) product system; (3) customer engagement; (4) distribution channels and distributor; (5) business network and (6) business model. Most

frequent innovation strategy implemented by student to maintain business survivability is the strategy to improve product performance or enhance existing products. Mostly, the strategy is chosen because of practicability and speed of execution. The innovation may appear in the form of adding simple toping, adding flavors, resize or provide some selection of sizes and prices to consumers. However, because of its simplicity and practicability, it is easy for competitors to mimic and even better improved the strategy.

The second most frequent strategy is product system. The strategy works by giving complementary products as a complement to improve consumer convenience in using the product. An example of implementation of the strategy is when selling dog clothes as main products; it is also offered equipment and accessories for dogs and even cats: neck chain, charm in the neck chain, dog plate, dog toys, beds, dog houses and so on. The point is that consumers will feel more comfortable in the shop to get a lot of pet-related needs, not just only offering dog clothes but also offering pet's accessories as well.

The third one is customer engagement. The strategy aims to maintain and even increase customer loyalty so that it can continue to buy in the same place, even with an increase in spending amount. The implementation of the strategy for examples is to provide a stamp card when customers buy certain item. By collecting certain number of stamps, customers are entitled to get free product. In some businesses, there are time limitations to redeem the free products. On business model "member gets a new member" also provides the facility of discounts or other benefits such as free shipping, or a free product or discount vouchers to buy products partner (member get member). The strategy can also in the form of purchasing certain products (limited edition) only on the exhibition, where the buyer can directly interact with business owners.

The fourth strategy is distribution channel and distributor (channel). With this strategy, the product can be purchased directly over the counter or through consignment to other businesses. One way of widening the distribution channels and the utilization of business events (whether periodical or constant) is through a photo contest and exhibition. Opening a business counter at the destination (share size counter) is also often carried out in an effort to creates a distribution channel directly into the hands of consumers. Photo contest and exhibition conducted as an extension (crowd sourcing) using the consumer as one of the business partners as well as a media campaign.

The fifth strategy option is to build business networks by creating cross-business network in different industries or in the same industry but is complementary with the aim to provide value-added promotion. This added value could be beneficial for business people, consumers, or even both of them. An example this strategy is the creation of business networks of herbal medicine business by getting sponsors from clinical and aesthetic skin cosmetics. By purchasing certain amount of product, customers are entitle to get a voucher rebate for a face wash (medical facial).

The sixth strategy is still rarely carried out by first year students but already began to attract the attention for some of them. In has to consider complexity and business experience to order to be able to create a business model, that is unique yet flexible to accomodate changing tastes and needs of the market. Strategy on business model could change the whole business idea that has been executed. It could probably happen because the market reacts differently on the product, not respons as predicted or expected.

Conclusion and Suggestions

As a start-up business, student's business often be confronted with the fact that their efforts could not go as planned. In running a business, student faced with many business problems, it often from the area of finance and marketing. In this phase, some businesses cannot survive, so it was decided not to proceed or to face bankruptcy. However, some businesses managed to get through this phase and continue to the next semester. Adopting ten types of innovation as

proposed by Keeley & Pikkel (2013), this study mapped the strategies of innovation that has been done by the. Results of this study explain that some of the strategies implemented business innovation is more often executed than the other strategies. Based on its intensity, consecutively the innovation strategies are (1) the performance of the products (product performance); (2) system products (product system); (3) customer relationship (customer engagement); (4) distribution channels and distributor (channel); (5) business network (network) and (6) business model.

Results of this study have mapped student business innovation strategy based on the level of intensity of the executed business. The mapping is expected to assist practitioner of entrepreneurship education to mentor students' business, Therefore, it can be used to increase level of survivability of the business. The mapping can also be used as a guide for students who are running a business, as an inspiration in doing business innovation.

Attachment: Interview transcript

Apa yang menyebabkan kalian berganti ide bisnis?

"Kami melihat peluang bisnis di bidang makanan dan minuman lebih besar dibandingkan produk baju anjing yang jarang diperlukan, ya mungkin diperlukan tetapi tidak semua orang punya hewan peliharaan dan bahkan belum tentu semua pemilik anjing mau membelikan anjingnya baju anjing. Semua orang perlu makanan dan minuman, dan di Surabaya ini banyak orang yang suka mencoba tempat maupun produk makanan yang baru."

Lalu dalam pemilihan ide bisnis PIPO (hapPiness in Potato) sendiri dan namanya, bagaimana prosesnya?

"Salah satu teman kami melihat instagram dari temannya yang kuliah di luar negeri dan ada foto burger tapi ngga pakai roti, jadi kami penasaran untuk mencoba karena produk itu menggunakan Hash Brown sebagai pengganti roti. Di Indonesia, ya setidaknya di Surabaya belum ada yang buat burger seperti ini. Nama Pipo sendiri kami temukan karena kentang lebih sehat dibandingkan roti, bagi penderita diabetes bisa mengkonsumsi kentang tanpa harus merasa khawatir dan masih mengenyangkan jadi kalau perut kenyang kan happy, miss?!"

Lalu apa rencana kalian untuk PIPO sendiri? Kalau cuma satu produk kan selain cepat ditiru juga kemungkinan konsumen ingin mencoba produk yang lain.

"Ya kami dalam jangka waktu 1-2 bulan ini akan mengeluarkan cheese bite miss, buat yang suka nyemil. Tetap terbuat dari mashed potato juga hanya isinya kami beri keju. Harganya juga lebih murah karena ukurannya juga tidak sebesar burger hash brown kami. Packaging juga sedang kami pikirkan supaya tidak berlemak buat konsumen gampang pegangnya, tapi juga tidak bocor dikantong kita. Rasanya daging ayamnya juga kami sedang eksperimen nanti mau dibuat beberapa macam jadi tidak hanya itu saja. Tapi ya itu miss ini kami lagi masak-masak dan coba bumbu ini itu dicampur mungkin juga dikasih saos yang berbeda, konsumen bisa pilih".

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