

## **SMALL-MICRO ENTREPRENEURS DEALING WITH COMPETITIVENESS IN A BUSINESS WORLD IN INDONESIA**

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### **ABSTRACT**

*To enliven a business world in Indonesia, there are many small-micro entrepreneur has appeared recently. Many micro-small size entrepreneurs are shut down because of many reasons based on internal factors and external factors. In deed, many durability or destruction factors can lead small-micro entrepreneur to be considered as an either model of successful or unsuccessful business. Recently, many level of education from the secondary until universities especially in the business faculty offer education system by make an obligation for students to have their own business in small-micro scope during completing their study, at least. This research is categorized as a qualitative research by using literature study. This research have main aims which are (1) the characteristic of small-micro entrepreneurs; (2) the impact from development of small-micro entrepreneurs to be brought to society (3) factors that cause entrepreneurs to be success; (4) to analyse some failure factors that may lead small-micro enterprise become undevelop well.*

**Keywords :** Small-micro, Entrepreneurs, Competitiveness.

### **INTRODUCTION**

To decrease the number of unemployment in Indonesia, there are many ways can be implemented. One of the method is creating new entrepreneurs. Entrepreneurs can be categorized into micro, small, medium and large size. For medium or large size needs more efforts and time to build it, in contrast for micro-small size does not need to have a longer time and easier to create. In the reality, to run micro-small size entrepreneurs faced many obstacles. Many micro-small size entrepreneurs are shut down because of many reasons based on internal factors and external factors.

Internal factors coming from inside of the entrepreneur itself which is based on ability and willingness to be better entrepreneurs. However, external factors are made from environment and involve other people to do it, such as the number of loan, employees and the way to find suppliers. How to market the products is also a factor affecting.

Nowadays, entrepreneurship developed in education in Indonesia. Level of education from the secondary until higher education seeks to create entrepreneurial spirit in their students. Richard

Cantillon defines entrepreneurship as the work itself. Entrepreneurship courses ranging included in the curriculum in a variety of majors offered in formal education.

The complications to find a job give an impact for each person to make their own business in the productive age. It stated in the large number of graduates who are not able to be accommodated in the available job offers. The differences between qualification of job seeker with job offer resulted in some opportunities are not able to take on the labor. Heyder Affan in BBC Indonesia stated that approximately 30% of job vacancies unfilled even though there are so many job seekers.

According to Bank of Indonesia data related to the development of micro, small and medium and large enterprises at 2011-2012 stated that in 2011 the number of micro business as many as 54.559.969 business unit, meanwhile the number of small businesses as many as 602.195 business unit. In 2012 the number of micro business increased as much as 56.534.592 business unit, while small businesses as many as 629.418 business unit. From the data stated that the development of micro enterprise of 2.38% and the development of small enterprise is 4.52%. In prosentase the development of micro business smaller than small businesses, but in terms of quantity micro business undergo development is greater than small enterprise.

Based on those data above, this research will give some explanations of (1) the characteristic of small-micro entrepreneurs; (2) the impact from development of small-micro entrepreneurs to be brought to society (3) factors that cause entrepreneurs to be success; (4) to analyse some failure factors that may lead small-micro enterprise become undevelop well.

## **LITERATURE REVIEW**

The scope in this research is only limited in micro-small entrepreneurs.

Definition of entrepreneur and entrepreneurship by researchers as follows as quoted in Nugroho (2009):

- Peter F Drucker  
The way to create something new and different.
- Ciputra  
Entrepreneur is they can change waste become gold
- Thomas W. Zimmerer  
Entrepreneurship is implementation creativity and innovation to solve problems and afford to maximize chances to deal with people every day.
- Robbin and Coulter  
“Entrepreneurship is the process unhereby an individual or a group of individuals uses organized efforts and means to pursue opportunities to create value and grow by fulfilling wants and need through what resoruces are currently controlled.”

**Micro-size Entrepreneurs** is a sole prdouctive enterprise which fulfill micro-size enterprise criteria which has been regulated in the constitution of Indonesian law.

**Small-size Entrepreneurs** is a self-supporting productive economic enterprise that run individually or a business entity which is not a subsidiary company or branch of own company, controlled, or become a part of medium-size enterprise or large enterprise fulfilling small enterprise criteria which has been regulated in this acts.

## **Discussion**

According to constitutional number 20 in the year of 2008 about micro-small and medium size enterprise stated that micro enterprise is a sole productive enterprise that posesses asset below 50 Million rupiah and turnover below 300 Million rupiah. In addition, small enterprise is an

economic productive business independently or not a subsidiary company or branch company owned, controlled, or a part directly or indirectly from medium size or large size enterprise that owned the asset criteria between 50 million to 500 million rupiah and turnover range is 300 Million to 2.5 Billion Rupiah.

Based on World Bank classify Small-Micro Entrepreneur based on the number of labors which is Micro-size entrepreneur by 10 labors, and medium-size has 30 labors and Medium-size entrepreneur has 300 labors. The number of criteria is based on the number of employees or labor becomes a reference used by the central bureau of statistics or BPS to assess small business or large business

**Table 1. Scope of Entrepreneurs**

No	Description	Criteria	
		Asset	Earnings
1.	Micro-size Entrepreneur	Max. 50 Million	Max. 300 Million
2.	Small-size Entrepreneur	>50 Million – 500 Million	>300 Million – 2,5 Billion
3.	Medium-size Entrepreneur	>500 Million – 10 Billion	>2,5 Billion – 50 Billion

*Source: Constitutional Number 20 in the year of 2008*

As the result of creating small-micro entities, according to Bank Indonesia data, the number of workers absorbed in the small and medium enterprises in 2011 as many as 101.722.458 people .The amount of labor on micro business 94.957.797 as much as its people or meet as much as 90,77 % of the total the amount of labor micro business, small and medium .The amount of labor on small scale businesses 3,919.992 as much as its people or meet as much as 3,75 % of the total the amount of labor micro business, small and medium .

In 2012, the number of labor micro, small, and medium size is as much as 107.657.509 or increased by 5.935.051 people than in 2011. In the year 2012 micro enterprises to absorb labour as many as 99.859.517 people or of 90,12% of the total workforce at the micro, small, and medium enterprises. In the year 2012 small businesses absorb labor as much as 4.535.970 people or of 4,09% of the total workforce at the micro, small and medium enterprises.

The development of the total labor from 2011 to 2012 for micro business size as many as 4.901.720 people or 5.16 %.While the development of labor for small business seize is as many as 615.977 people or 5.16 %.

According to Hendro (2011:47) there are so many factors lead to entrepreneur being success. It is not only looked by how hard they work, but also how the entrepreneurs make a plan and run the business SMART-ly. Smart entrepreneur explained by Hendro is :

1. Strategic thinker  
A good entrepreneur should also be a good strategic planner. He does not only rely on 'muscle' power but also use his brain.
2. Motivator  
When a good entrepreneur failed to run his business, he will never give up, moreover, he will be a better motivator in his team and employees.

3. Ambitious

A good entrepreneur has to have ambition in positive ways and accurate. He has to avoid bad ambition, which is a time target that is not realistic to be achieved in a shorter time (instantly), where he tends to justify all of the methods in order to achieve his own goals. That ambition is hardly possible to happen. By precise ambition, entrepreneurs have spirit and desire to implement it.

4. Risk Manager

A good entrepreneur should have bigger portion in a risk manager rather than risk taker. Risk manager means he is not rash or careless, and he has to be tactical, smart, and sensitive to read risk and chance, hence when he will choose the optimal risk towards his company.

5. Totality

Entrepreneurs have to have full commitment to work towards their own business. They will do as much as they can in order to their business be developed and not failed.

Besides internal factors that already explained above, there are also some external factors lead to be a successful entrepreneur, such as:

1. Chances factors
2. Human resources factors
3. Financial factors
4. Organization Factors
5. Planning factors

There are two instances that small-micro entities can be survived and success, which are Queen Donuts and Hagemasushi.

One of small successful size enterprise is Queen Donuts which is located in Pamulang, South Tangerang, and be run by Muhammad Syafruddin since the earlier of 2014. Formerly, Muhammad Syafruddin has run interior design business and event organizer, however he failed to run those business. Queen Donuts is a company started by implementing innovation in product consist of donuts made from potato flour. Queen Donuts is also produced without preservative. Beside the innovation of basic material, Queen Donuts also do innovation in size. It has two kinds of size from small size with 12 pieces in every package and regular size has 6 pieces. Queen Donuts' price is more expensive than other donut price normally, however it has different strategy to promote the customers by educating the benefit of the products. In the beginning of selling, Queen Donuts can achieve omzet by 50 Million rupiah per month. The way of selling done is consignment in some stalls and coster who is going around, unfortunately the selling's result is not effective and less be accepted by buyers. The other way is also run by marketing online via internet, accept special order such as birthday package, and collaboration with reseller.

Hagemasushi's business is cullinary enterprise established in the end of the year 2013. This business is started from cooking as a hooby and run by Bunga Bagusta Sulistianto. This earlier research can be done with doing survey and decide sushi become the main selling product. The unigness from this sushi made by Bunga Bagusta Sulistianto is the innovation in product which is normally, sushi made by raw fish modified become well cooked, such as tuna, mushroom and salmon. By innovating taste and using cooked material appropriated to Indonesian Habbits, it becomes Hagemasushi product's can be sold 1200 package in a month. Marketing Strategy used

is word of mouth in the earlier selling period towards family and friends. To develop selling product can use social media such as Twitter, Facebook, Instagram and website. Moreover, the other ways are join to bazaar and other exhibitions to introduce sushi Hagemashushi products. Beside successful criteria, there is also some other factors that may lead to small-micro enterprise face bankruptcy. Based on Hendro the definition of failure is stop trying to solve problems happened. The main failure factors of being entrepreneurs normally are :

1. Failure comes from internal factors
2. Failure because of external and entrepreneur stop trying
3. Failure because of natural disasters or force majeure.



**Figure 1. Key Success & Failure Factors**

Source: Hendro, in the book of *Dasar-Dasar Kewirausahaan* (2011)

However, according to Ipan Pranashakti point of view, stated that there are some failure factors that may lead entrepreneurs cannot develop which are:

**(1) The lack of understanding business and the place of business.**

Location of economic activities, information and the completeness of business sector needed to be understood which is related to facilities and the equipments. There also needs to understand of the necessity for a product being produced. Determining strategic the location of economic activities need to be more concerned in order to get more attention to the market and ease of access to either the production or to consumers.

**(2) The lack of experience and the marketing strategies.**

In general, entrepreneurial behavior can produce in a good way and huge in number of quantity. Nevertheless, some how they do not have the excellence and the concept of a systematic marketing. Without better planning in the following months or until the following years, it will affect them to face failure.

**(3) The lack of understanding in procurement and the maintenance of raw materials and facilities.**

This is related to how raw materials should be kept and how frequently enterprise use of raw materials is needed so it will be helpfull to avoid raw material from any damaged. Moreover, it is also needed to be conformity between the production capacity and demand for products resulting in acquiring raw materials.

**(4) The lack of its dependability in the management of administrative and financial.**

A policy in determining business strategy is necessarily based on notes and historical administration and not based on instinct. Decision-making in financial matters also need to be justified by good financial database.

**(5) The lack of reliability of capital management and credit control.**

The capital of the business has to be separated from personal needs of the owner. Submission of credit should also consider the company's liquidity and ability to pay.

**(6) The lack of reliability of human resource that has insightful entrepreneur.**

As a good entrepreneurs, they will not grab other family members which is not fulfill the requirement to be set in some certain position because it can lead to structural function is not running properly or lack of professionalism in the workplace. Moreover, lack of deficiencies in determining the qualifications of staff in recruitment is also partly cause of the failure. Thus, a good planning also prepare the criteria to select a proper human resource as a staff during recruitment process.

**(7) The lack of understanding of technological change.**

Understanding technological change is not only relating to computers and internet. Entrepreneurs also must be able to respond to ease the impact of technology. The failure of the effort of understanding this technology is not solely due to the comprehension of the purchase but also maintenance, for instance: a lot of financial data (customer data), is missing because of a virus or the inability staff to protect consumer data file.

## **CONCLUSION**

Micro entrepreneur is a productive business owend by individuals and/ or individual business entities which have assets below 50 million rupiah and with a turnover below 300 million rupiah. Types of businesses at micro enterprises are usually not fixed and changed at any time, where its efforts were not always settled, have not made financial administration as simple though, and do not separate the family finances with business finance and generally do not have a business license or other legal requirements.

Small Entrepreneur is the economic productive effort that stands on its own, which is done by the individual or business entity that is not a part of subsidiary or branch which is not owned, controlled, or become a part of either directly or indirectly from medium or large businesses that have assets criteria between 50 million rupiah up to 500 million rupiah and have a turnover between 300 million rupiah up to 2.5 billion rupiah. Small business activities are generally already fixed are not easily changed, the location/ place of business generally was settled, not generally been doing financial administration despite the still modest, already have a business license and legal requirements.

The development of micro and small entrepreneurs provide the impact for the social environment. Improvement of micro and small enterprises also imposes on the amount of labor that is able to be accommodated. It is needed all the attentions given to micro and small businesses as it is also able to absorb a large labor force and not just rely on a large-size enterprise.

Efforts that can face the problems and unyielding is the way to make it successful businesses. A market survey was one factor must be done prior to run a business. The product innovations and read the market demand can give a good impact for entrepreneurs to start a business. Moreover,

the way how to sale and provide information about the market is also an important part in the good results.

Companies should pay attention to the factors that may lead business able to raise in default. All of these issues occurred as a lack of understanding business and the place of business, lack of experience and the marketing strategies, a lack of understanding in procuring and maintenance of raw materials and facilities as less dependability his administration management and finance dependability lack of management control capital and credit dependability, lack of human resources who has entrepreneurial insight. By looking into those important factors in an effort of the company, hopefully, it will make a better planning that are good for running their business.

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