

MACROECONOMICS ANALYSIS BY ENTREPRENEURS FOR SUSTAINING ENTREPRENEURIAL ORGANIZATION

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ABSTRACT

Changing macroeconomics situation in Indonesia is very crucial for businesses to sustain their position in the market. Entrepreneurs, as the capital of economy growth of a country, need to sustain their entrepreneurial organization in the global situation. The entrepreneurs need to update the macroeconomics information to support their business decisions. The study has a purpose to understand whether entrepreneurs in Indonesia are aware of macroeconomics situations, update and increase their knowledge on macroeconomics matters and furthermore use and apply their updated information to their business decision and strategy. The result of interview with some respondents shows that among the Indonesian entrepreneurs the awareness of the importance of macroeconomics analysis for business, the eagerness to access and update information of macroeconomics, and the willingness of applying macroeconomics analysis in sustaining the business are still low regardless the respondents' the gender, the age, the education background, the length of doing business, the scope of businesses and the cities the respondents live. Thus, the decisions made by entrepreneurs could be misleading without update information on macroeconomics.

Key Words: Macroeconomics, macroeconomics analysis, entrepreneurial organization, sustainable entrepreneurial organization

INTRODUCTION

Talking about entrepreneurship and relating it with macroeconomics analysis are mostly about macroeconomics theory where the entrepreneurship is the one of resources of economy growth of a country. The indicators of macroeconomics are very important for entrepreneurs to their decision making. Macroeconomics itself will reflect the state of a country's economy. Practically, the impact of the healthy economy is crucial for the businesses within the country either local or foreign investors or companies. Some key indicators of macroeconomics based on theories are: gross domestic product (GDP), inflation, unemployment, foreign exchange rate, international trade, and interest rate.

Other things that must be considered are political, technological and social factors instead of economical one. Those factors are theoretically and practically important for business. Thus, as a person who undertake the risk when starting a business, he/she must calculate the possible

risks. Knowing all business strategies without understanding the factors that empowering business could be misleading.

This article is to study how the entrepreneurs in Indonesia conduct their businesses and whether they use macroeconomics factors analysis as their consideration when making decision.

LITERATURE REVIEW

Sustainable Entrepreneurship

The definition of entrepreneurship varies. Hussain et al., (2011) listed some of precise definition as an art or science of innovation and risk taking for profit in the business, or cited Schumpeter (1934) as taking out new and unique combinations and the ability of an entrepreneur to forecast the better future successfully (as cited from Knights, 1921).

The concept of sustainable entrepreneurship started in 1994, when John Elkington stated the concept of triple of bottom line (TBL or 3BL) which emphasized on reconciling the three aspects of economic health, social equity and environmental resilience. Then, TBL has been accepted by researchers to explain the concept of sustainable development (Chick, 2009 in Koe & Majid, 2014). Based on TBL, it can be said that sustainable entrepreneurship is a concept which links entrepreneurship to the trinity of economic, social and environment. As such, Majid and Koe (2012) as rewritten in Koe & Majid (2014) suggested to explain a sustainable entrepreneurship, an entrepreneur should have equal concentration on the development of economic, social, environmental and cultural.

Macroeconomics Analysis

Economics is the social science that studies the choices that individuals, businesses, governments, and entire societies make as they cope with scarcity and the incentives that influence and reconcile those choices (Case & Oster, 2012). A choice taken by an individual is a tradeoff, so people have to make rational choices by comparing benefits and costs.

The decisions made by people in business areas mostly are about supply and demand of their products, how to produce, and what to produce. The economics theory itself shows so many factors that influencing demand of the goods, such as price of related goods, expected price in the future, income, population and people preferences (Case & Oster, 2012). From producers' side, the changes that can influence the supply are price of goods, substitute products, complementary products, expected future prices, number of suppliers and technology (Case & Oster, 2012). Macroeconomics has four main factors, such as capital, labors, natural resources and technology. Some literatures add entrepreneurship as another factor in macroeconomics. Macroeconomics has the relationship with some indicators, such as GDP, inflation, interest rate, currency rate and unemployment rate.

The Relationship between Macroeconomics and Entrepreneurship

At the macro-economic level, dominant values in society, as well as a country's level of development and efficiency of regulations, influence of social, environmental, and political concerns in public policy. firms may respond to a new environmental for example law, passively with mere compliance to obtain legitimacy, without looking beyond it to gain a competitive advantage (Rice, 2006 in Spence , et al.,2011). Spence, et al., (2011) in his research stated that SMEs with the adoption of sustainable practices and communication about the issue have to be tailored to the entrepreneur's motives.

Entrepreneurial motivation plays a fundamental role in the new venture creation process. Thus as the motivation of entrepreneurship is to gain profit and the economic theory is to maximize

profit as well, thus Cohen et al. (2008) suggested that the typology of entrepreneurial value creation reflects the concept of the triple bottom line, where the economic, social and environmental motives of entrepreneurs define domains of entrepreneurial value creation (or performance metrics). Thus, the knowledge of economic is very important for an entrepreneur to improve their performance and thus can sustain their business. The study by Hussain et al., (2011) showed that innovation, technology and economic growth correlate with the entrepreneurship.

CONCEPTUAL FRAMEWORK

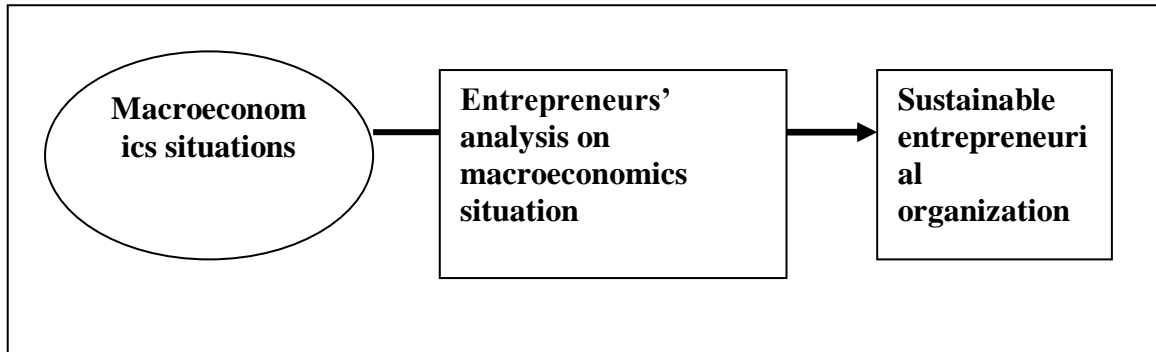


Figure 1. Conceptual Framework

Figure 2 is the conceptual framework of this article. It shows that there are so many information and updates on macroeconomics situations that some entrepreneurs take into account for consideration in their business decisions. The analysis produces some business decisions and the entrepreneurs use it to sustain the entrepreneurial organization.

RESEARCH METHODS

This article uses qualitative research and interview to some respondents is used as analysis techniques. The respondents are chosen from many areas in Indonesia with various business areas. Domain analysis technique is used in this article according to the purpose of the study is to get the general review of phenomena thus the result is to understand if entrepreneurs are using macroeconomics analysis to sustain the entrepreneurial organization.

The respondents were asked some questions about their awareness and knowledge of macroeconomics in Indonesia and how they imply their updated information to their business or when they make some business decisions. The answers are then noted and analyzed based on the theories and using source and theory triangulation to validate.

There are seven main questions to indicate the macroeconomic knowledge and application to the business they have. The questions that being asked to respondents are:

1. What do you know about macroeconomics of Indonesia?
2. In what case the current Indonesia macroeconomic situation may influence your current business?
3. How often do you access the updated news of macroeconomics situation in Indonesia?
4. What for do you access the information about Indonesia's macroeconomics?
5. How do you use the information of Indonesia's macroeconomics to your business?
6. How can your knowledge about Indonesia's macroeconomics sustain your business?
7. Do you think it's important to have knowledge about situation and macroeconomics

analysis in Indonesia for entrepreneur like you?

The questions are divided into 3 indicators:

Indicator 1: Awareness of the importance macroeconomics analysis (Questions No.: 1,2,7)

Indicator 2: Eagerness to update information on macroeconomics situation (Questions No.: 3,4)

Indicator 3: Willingness to use the information about macroeconomics situation on business (Questions No.: 5,6)

Besides those questions, the characteristics of respondents that relevant for analysis are: their nicknames, ages, resident area, kind of businesses, durations of running the business and education background.

Sugiyono (2008) also stated that interview can be guided in structured way or semistructured. The purpose of semi structured interview is to know get the more opened problems, where the respondents can answer the questions wider and clearer, thus the interviewer should understand the situation of the respondents well.

This qualitative research used interview to make sure that the respondents understand the content of the questions. Patton in Moleong (2011) said that the triangulation technique is used to check the validity of the data. The validity test used is data triangulation where the author used various data source and various proof from the different situation. It has three sub types: people, time and space. This research met those three sub types, people, where the data is collected from different people who do the same activity, entrepreneurial activity with different business field. The data is collected in the different time and different place.

DISCUSSION

The validity of the data collected in this research is considered consistent. Thus, it can be continued to the the discussion, using the respondents gathered and the answers collected from the respondent. The respondents vary to strengthen the objectivity of the analysis.

There are seven respondents being interviewed using mobile phone interview and asked some questions and more unstructured additional questions to get more information while doing the analysis based on the structured questions.

The characteristics of respondents are as shown in Table 1 below:

Table 1. Respondents' characteristics

Nick Name	Age (years old)	City of Resident	Field of Business	Duration of Running Business (year)	Education Background
Marina	39	Kediri, Jawa Timur	Women & Kids Fashion	1	Computer Engineering
Widya	47	Balikpapan	Power Plant	4	Education
Adi	31	Kediri	Online Shop	2	Computer Engineering
Lingga	38	Denpasar	Retail	3	Magister Management
Ditta	30	Semarang	Online Shop	3	Economics
Silvi	37	Surabaya	Online Shop and Shares trading	6	Secretary
Agung	39	Kediri	Farmer	14	Mechanical Engineering

Source: Author

The respondents come from various background of educations and cities of residents. All of them are in productive ages (30-50 years old) and graduated from universities with various education background and level). Three of them are males and the rest, four, are females. Three of them are living in Kediri, East Java with different field businesses. Most of the respondents are managing online shops selling fashion. Only two respondents studied economics and management that relevant to the business and management.

The data collected is considered valid since the data triangulation gathers all subtype or analysis level. And the result then considered as consistent because, none of the data is out of the requirements in people, time and space.

Indicator 1: Awareness of the Importance Macroeconomics Analysis

This indicator consists of three questions (No. 1, 2, and 7) and every answer of the respondents regarding the question will be described in Table 2.

**Table 2. Awareness of the Importance Macroeconomics Analysis
(Respondents' Answers)**

No.	Nick name	What do you know about macroeconomics of Indonesia?	In what case the current Indonesia macroeconomic situation may influence your current business?	Do you think it's important to have knowledge about situation and macroeconomics analysis in Indonesia for entrepreneur like you?
1	Marina	It is about economic changes that influence society, business, market and how to analyze the best solution for gaining economy balanced and sustainable policy.	When the price of daily needs (basic foods) increase.	Very important to make decision in business.
2	Widya	Macroeconomics is economy controls the business.	I notice more in trade especially export and import and policy issues.	Of course very important. At least to predict what is going to happen.

No.	Nick name	What do you know about macroeconomics of Indonesia?	In what case the current Indonesia macroeconomic situation may influence your current business?	Do you think it's important to have knowledge about situation and macroeconomics analysis in Indonesia for entrepreneur like you?
3	Adi	I don't know about macroeconomics things	Not really understand the detail but maybe some policies about international trade and currency rate.	If it is about currency rate, it's important. I must know the price applied for my products. But I seldom want to update that info.
4	Lingga	Macroeconomics conditions cannot be separated from the global economy conditions. Compared to previous years, the macroeconomics generally is not really good, but there's still an increasing progress.	Since I work in retail with domestic market segment, so, my business is not affected significantly with macroeconomics conditions.	Well, it's so important for sure. especially for market analysis base and business development when there's an expansion for my business.
5	Ditta	It is a kind of economy in general.	As long as the situation is good, it can help people to increase their expenditure online without going out of home.	Yup. It's so important. At least we need to know the current situation of our country's economy.
6	Silvi	Macroeconomics is knowledge to study the economy from broader side of citizen, either good or bad impacts of its policy are seen from society's sides.	I concern on the policy of our government in taxes. Especially the plan to tax the online shops and the taxes applied to big public companies such as property companies and fuel and gas companies.	For my online shop business it is important to know the policy of taxes updates. But for my other business, tax amnesty is very important to understand by shares trader like me. So, basically, macroeconomics information for me is important to know about tax policies.

No.	Nick name	What do you know about macroeconomics of Indonesia?	In what case the current Indonesia macroeconomic situation may influence your current business?	Do you think it's important to have knowledge about situation and macroeconomics analysis in Indonesia for entrepreneur like you?
7	Agung	Our macroeconomics situation is better than before	I prefer seeing the macroeconomics from infrastructure policy. It's better than before.	Important, because as a farmer, infrastructure and trade are important things to know. So, I can decide better for my business.

Source: Author, primary data.

One out of seven respondents being interviewed did not understand the macroeconomics while others still understand some of the topic in macroeconomics especially about price and consumer which give support for making decision in pricing strategy or product strategy. One respondent, who didn't give any answer due to lack of knowledge about macroeconomics usually uses his business experiences as intuition in his business. However, his business is also running as well as other respondents in the same field of business (online shops) who sometimes use the macroeconomics issues to make decision.

Shortly, the issues of macroeconomics situation that some entrepreneurs know are about price level, global trade, consumer behavior, infrastructure, taxes and government policies on those issues. There are some reasons for uncertainty for corporate operation based on macro factors (Kadocsa & Francsovia, 2011) that are relevant to Indonesia, such as: foreign markets, technical development, foreign suppliers, legal regulation, money and capital markets, domestic suppliers, social changes, domestic markets and political changes. Based on their research, small businesses in Hungary consider the domestic political situation, economic environment and activity of the government as key factors affecting their business activities. Some respondents in this study also concern on economic environment and economics policies by Indonesian Government but not specifically concern on political situation that may affect their business.

Although some of businesses owned by the respondents are not significantly affected by the economy changes, but their knowledge of macroeconomics are still less than what the theories describe. Bade and Parkin (2011) in their book *Foundations of Economics*, defined "economics" as "the social science that studies the choices that individuals, businesses, governments, and entire societies make as they cope with *scarcity*, the *incentives* that influence those choices, and the arrangements that coordinate them". While macroeconomics is defined as "The study of the aggregate (or total) effects on the national economy and the global economy of the choices that individuals, businesses, and governments make". The scopes of macroeconomics, theoretically, are national income, employment or unemployment, money in market, inflation rate, economy growth and international balance of payment.

The entrepreneurs being interviewed are not specific in each of scope mentioned above although their knowledge on macroeconomics scope can help them to anticipate and decide their business steps. Whether their businesses require such information or not, but the decisions made are about supply and demand of their products, how to produce, and what to produce (Case & Oster, 2012) but their further explanation on the macroeconomics things such as mentioned in definition of economics as the social science that studies the choices that individuals, businesses, governments, and entire societies showed their concern on those issues in a very general case although as stated before, they might know the words such as money, price, inflation, growth, balance payment, international trade, unemployment, but they mostly make decision based on their instinct or experiences not basic knowledge of macroeconomics.

Indicator 2: Eagerness to Update Information on Macroeconomics Situation

The 2nd indicator is about eagerness to update information on macroeconomic situation among the entrepreneurs. Two questions being asked to them are: “how often do you access the updated news of macroeconomics situation in Indonesia” and “what for do you access the information about Indonesia’s macroeconomics”.

Every entrepreneur can be easily to access information on macroeconomics situation in Indonesia, due to the development of information and technology. Information can be accessed by gadgets, computers and other media with internet connection to give the newest information for entrepreneur. The variable of eagerness to update information on macroeconomics situation is very important because they concern on macroeconomics in general understanding. Thus to improve their knowledge, they actually have facilities to access the knowledge. But, however, the eagerness to update information on macroeconomics situation is seen in Table 3 below.

**Table 3. Eagerness to Update Information on Macroeconomics Situation
(Respondents’ Answers)**

No.	Nick name	How often do you access the updated news of macroeconomics situation in Indonesia?	What for do you access the information about Indonesia’s macroeconomics?
1	Marina	Once a month, maybe	To know the economy cycle and update the price level
2	Widya	Sometimes, because it depends on the issues	To update economics situation
3	Adi	Never by purpose. But sometimes reading the news feed in social media	Specifically, never
4	Lingga	Anytime, if there is spare time, reading the economics news update from various media.	Yes, sure but sometimes especially to understand the price level and consumer behaviour

5	Ditta	Once a week, at least	For knowledge and understanding of economy situation
6	Silvi	Quite often	To support my decision making in trading shares.
7	Agung	Sometimes	To decide the next steps I need to take.

Source: Author, primary data.

Only one respondent does not access macroeconomics situation for purpose and that is respondent who does not have enough knowledge on macroeconomics. Other respondents still access information more often and more regularly. Most of them understand well or not about the information received about macroeconomics, but they still think it important to get knowledge that might be relevant to their business. If it is not relevant significantly, at least they have new knowledge. As economics is the social science that studies the choices that individuals, businesses, governments, and entire societies make as they cope with scarcity and the incentives that influence and reconcile those choices (Case & Oster, 2012), thus it is important for entrepreneurs to access information on macroeconomics things to know the new regulation by government on national economy to support their decision making.

The idea of Spence, et al., (2011) that SMEs with the adoption of sustainable practices and communication about the issue have to be tailored to the entrepreneur's motives if they want to survive as entrepreneurs that not only concern on profits as financial things, but also macroeconomics issues in macro-economic level, dominant values in society, as well as a country's level of development and efficiency of regulations, influence of social, environmental, and political concerns in public policy. However, the respondents are willing to know further the issues, although they do not have sufficient knowledge on basic theory of macroeconomics and this is a kind of good signal to improve their capability in running business in the changing era.

Indicator 3: Willingness to Use the Information about Macroeconomics Situation on Business

The willingness to use the information about macroeconomics situation on the businesses is very important for entrepreneurs. Knowledge on macroeconomics situation is not for economics graduates-entrepreneurs, but all entrepreneurs should give attention on it if they want to sustain their business.

This third indicator consists of two questions: "how do you use the information of Indonesia's macroeconomics to your business" and "how can your knowledge about Indonesia's macroeconomics sustain your business". The result of the interview can be seen in Table 4.

Table 4. Willingness to Use the Information about Macroeconomics Situation on Business (Respondents' Answers)

No.	Nick name	How do you use the information of Indonesia's macroeconomics to your business?	How can your knowledge about Indonesia's macroeconomics sustain your business?
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1	Marina	I don't know how.	To follow the price level of other products and adapt my product prices but sometimes, I give some bonuses for customer to attract their buying intention.
2	Widya	Try to learn, understand and apply it as well as I can.	Not really sure how my analysis on macroeconomics sustains my business, but I think it has impact.
3	Adi	I don't have any idea of it	Not really understand
4	Lingga	Only for knowledge, because not always significantly affects my business.	Small impact only for my business. but I think it is important for having knowledge of macroeconomics.
5	Ditta	Everything about social media	I don't know how.
No.	Nick name	How do you use the information of Indonesia's macroeconomics to your business?	How can your knowledge about Indonesia's macroeconomics sustain your business?
6	Silvi	I must use all information well and search from many sources to support which shares to buy.	I apply only based on the existed news.
7	Agung	I think it is important as the basic thing of my decision on what I should do in business.	Generally, I am sure that if macroeconomic is stable, more or less, my business will be well-run. But for detailed influences, I don't know.

Source: Author, primary data.

The economics theory itself shows so many factors that influencing demand of the goods, such as price of related goods, expected price in the future, income, population and people preferences (Case & Oster, 2012) so the information on the changes is very important for the entrepreneurs. Based on the interview results, the respondents use the information for upgrading their knowledge, and only some of them have point of view in applying the information they get on their business.

The interview with seven entrepreneurs in some areas in Indonesia guided in seven main questions are mainly showing that entrepreneurs tend to skip the information on macroeconomics situation. They also do not do deep analysis of the information they get and tend to apply on their business if the information has strong relationship and relevance to their businesses. The study by Hussain et al., (2011) showed that innovation, technology and economic growth correlate with the entrepreneurship, thus, actually, this is important for Indonesian entrepreneurs, regardless their business fields and business scale, education backgrounds, and their interest on economics things, they should be aware of the rapid changes in global economy that more or less, direct of indirectly affect their businesses, maybe not now, but in the future.

For online shops, although the information is not relevant significantly, but the supply and demand, the consumer behaviors, the tax policy by government, the price level and international trade policy by government should be updated. No entrepreneur will limit their business in domestic market only but they, who are called entrepreneurs, have eagerness to innovate and create new opportunities to sustain their business as the entity of entrepreneurial organization. Entrepreneurial organization is not only about having unique products and satisfied when there are high sales in specific time, but also, if they can make new ways to maintain, sustain and gain the higher profit by exploring new opportunities and reacting right and well in reacting to the business threats.

CONCLUSIONS AND RECOMMENDATION

Conclusions

Based on the interview results, this study found that regardless the gender, the age, the education background, the length of doing business, the scope of businesses and the cities the respondents live, the awareness of the importance of macroeconomics analysis for business, the eagerness to access and update information of macroeconomics, and the willingness of applying macroeconomics analysis in sustaining the business are still low among the Indonesian entrepreneurs. They tend to use their experiences s instinct when making decision for their business for example in understanding consumer behavior, product development, pricing strategy, and buy-sell decisions. Those common decisions are very close with macroeconomics scopes, such as technology, supply and demand, price, national income, tax and other government's policies.

However, experiences and business instinct without knowledge of basic macroeconomics theories and situation analysis would be misleading. If an entrepreneur wants to sustain their business and keeps their entrepreneurial organization survives, thus, all people in their business including the owner should take some times to access and update the information so every decision will be made better and right.

Recommendation

It is good for government to improve the quality of entrepreneurs in Indonesia by improving their knowledge of macroeconomics and train them to analyze the macroeconomics situation and apply the result of analysis on practice in their businesses.

LIMITATION OF THE STUDY

This conceptual study is guided in qualitative research with interview method. It is important to make further research on factors of macroeconomics influencing Indonesian entrepreneurs, the effect of macroeconomics factors on small businesses and many other improving topics with larger respondents or deeper observation.

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