

ENTREPRENEURIAL SPIRIT AND LEADERSHIP FOR THE DEVELOPMENT OF FRANCHISE BUSINESS: LITERATURE STUDY

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ABSTRACT

Along with the development of the era, it also has an impact on the development of business concepts, one of which is a franchise system which became one of the centers of attention as a form of business development breakthrough. This franchise system allows to reduce the risk of failure of the business being run, but the proliferation of it in the country apparently is not a guarantee if this business promises. The fact that there is not a few franchisees or franchisors who suffered losses and even bankruptcy. Therefore, education or education entrepreneurship is needed to increase the number of entrepreneurs in Indonesia. In addition, franchisor is also a leader in running a franchise business, then of course the character of leadership will also be influential in the development of franchise business. This study aimed to find out more in how the role of entrepreneurial spirit and leadership franchisor in developing business and used qualitative research methods by applying the method of library research. The researcher used data collection methods with documentation, in order to collect data from various print media that discussed the object to be studied. The results showed that passion, creative and innovative, and calculate risk taker were the key to run franchise business development as well as trust and positive attitude was also important in running this business, especially in taking a decision in franchise activity.

Keywords: Franchise, Entrepreneurship, Entrepreneurial Spirit, Leadership.

INTRODUCTION

National Population and Family Planning Agency (*BKKBN*) in 2015 revealed the rate of growth of Indonesia's population, which was high enough, was currently worrying because it was not equal with the quality, which was low. Growth rate in 2015 was 1.49%, which means that the population of Indonesia increases 4.5 million people every year. Indonesia is a developing country which has the fourth largest population in the world with a total of approximately 252 million people (*BKKBN*, 2016).

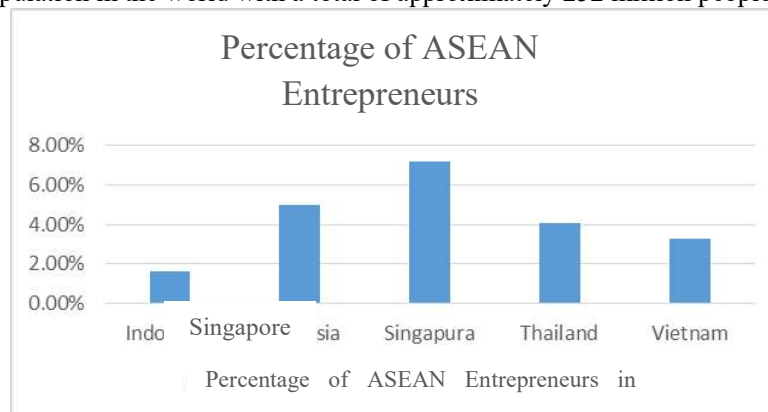


Figure 1. Number of Entrepreneurs in ASEAN

Source: <http://m.suara.com/bisnis/133306>, 2016.

Figure 1. explains that the number of entrepreneurs in Indonesia is only 1.65% of the total population and if it is compared with ASEAN countries, it can be seen that the number of entrepreneurs in Indonesia has not met the ideal number. David Mc Clelland's theory (in Gallyn, 2011) suggests that a country can be prosperous if there is an entrepreneur at least 2 percent of the population, then Indonesia still needs about 1.7 million entrepreneurs to reach that two percent. While in developed countries such as Singapore reaches more than 2% rate which is 7.2%. Malaysia reaches 5%, Thailand reaches 4.1%, and Vietnam reaches 3.3% of the population. Being an entrepreneur is not easy, according to statistics from Small Business Administration (SBA), it states that 50% of new businesses fail (in the first year), 47.5% of other new businesses fail (within 5 years), and only 2, 5% which is successful.

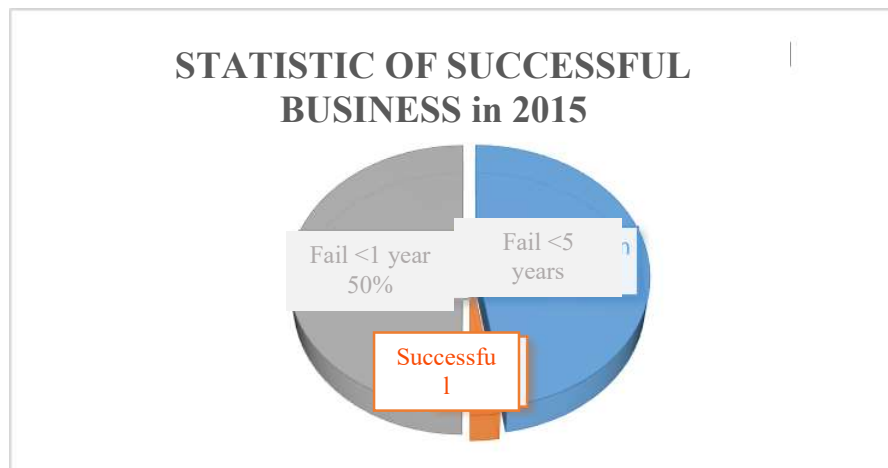


Figure 2. Statistic of Successful Business

Source: <http://www.analisausaha.com/>, 2015.

Along with the development of the era, it also has an impact on the development of business concepts, one of which is a franchise system which became one of the centers of attention as a form of business development breakthrough. The concept of franchise business is dominant in the world of business in Indonesia with a percentage of 58.8% (Pamungkas, 2014). Franchise is business cooperation between business owners and businessman by sharing the results of the business based on the agreement (www.probisnis.net, 2014). Franchising is an activity with a franchise system of mutually beneficial business relationship between franchisor and franchisee. Franchisor (franchisor / franchisee) is a business entity or an individual that entitles the other party to use the intellectual property rights or inventions or characteristics of the franchisor.

This franchise system allows to reduce the risk of failure of the business being run. In addition, a well-tested and uniform management system makes franchisees not necessarily builds systems ranging from zero. According to the Ministry of Trade and Association, data of franchise industry development in Indonesia in 2016 shows that there were more than 23,000 franchise outlets and 12,000 franchisees in Indonesia with turnover value exceeded Rp 120 trillion (www.franchise-expo.co.id, 2016). Franchising is essentially a marketing concept in order to expand the business network quickly (Maringka, 2013). It is also known as a very effective distribution channel to bring the product closer to its customers through the hands of franchisees (Hanim, 2014). According to research done by Pamungkas (2014), many various people are tempted to do business franchising because of the benefits to be gained, especially among young people who are currently interested to try to become an entrepreneur. However, the proliferation of it in the country apparently is not a guarantee if this business promises. The fact that there is not a few franchisees or franchisors who suffered losses and even bankruptcy. Data in 2010 shows that the chances of successful franchising in Indonesia only reaches about 60%, while in the United States reaches above 90% (www.ritelwaralaba.com, 2011). The headman of Indonesian Franchise Association, Anang Sukandar, said that the franchise that can continue to survive and reap

success is only 10%, while the rest is vanished because of lack of seriousness (sindonews.com, 2011). Basically, although the franchise business has been tested but the franchisee who runs the business is not necessarily able to maintain it because of the lack of entrepreneurial spirit. There are certain factors that affect the failure, such as unsuitable business location, management of the SOP, or lack of satisfaction in franchise business relationships. In essence, a franchise offer just like any other business does not always promise a definite success. Therefore, education or education entrepreneurship is needed to increase the number of entrepreneurs in Indonesia. Entrepreneurship aims to create new jobs for themselves and for others (Ciputra, 2011). According to Ciputra (2011), a true entrepreneur has the ability to see opportunities (opportunity creation) which then developed by creating something new that triggers passion for action and to innovate the product so that he can become a creative innovator, not a follower (creativity and innovation) and an entrepreneur must take a calculated risk. This spirit is then developed into seven namely passion, persistence, independent, opportunity creation, creativity and innovation, calculated risk taker, and high ethical standards that must be owned by an entrepreneur. Through this entrepreneurship education, it is expected to increase the number of entrepreneurs and improve the welfare of the people in Indonesia. In this research, to run and develop a franchise company, of course, a good leader must have entrepreneurial spirit (Wahyudi, 2012). Franchisor is also a leader in running a franchise business, then of course the character of leadership will also be influential in the development of franchise business. The character and spirit of a person determines the future of the person himself, as this refers to a series of attitudes, behaviors, motivations, and skills (Zubaedi, 2011). The purpose of this study was to find out more in how the role of entrepreneurial spirit and leadership franchisor develop the business.

LITERATURE REVIEW

The study refers to Jimemesha's research et. al., (2015). It aimed to analyze the leadership style and leader's spirit in the face of change. The research method used was qualitative method. The results obtained from this study were (1) appropriate leadership style in the face of change is supportive and participative leadership; (2) the soul of the leader in the face of change according to the entrepreneur spirit; (3) the soul of the leader in the face of change in accordance with the corporative spirit; and (4) the soul of the leader in the face of change in accordance with the soul of the developer.

The study also refers to Situmorang (2014) which aimed to describe some forms of relationship between franchisor and franchisee in the franchise system. The result of this research was that trust factor played an important role in realizing the success of a franchise system and open communication. The purpose was to anticipate changes that must be responded together by franchisor and franchisee. The relevance of this research was to know the relationship between franchisor and franchisee in franchise system.

The study which refers to Urip and Wijayanto research (2013) aimed to show the factors that affect the satisfaction of local food franchise business relationships. The results of this study indicated several factors that affected the satisfaction of local food franchise business relationships namely, trust, communication, conflict handling, support system, and franchise brand image. The relevance of this research was that satisfaction in a food franchise business relationship between franchisee and franchisor was an important key to develop.

RESEARCH METHODS

This research used qualitative research method by applying library research method. According to Sujana (2013), library research is an attempt to find, develop, review, test the truth of knowledge by using scientific methods. Literature-based research is a form of research that uses literature as an object of study. The data used in this study were secondary data such as books, magazines, and written documents. In addition, it also used articles taken from online media. Researcher used librarian research because it was difficult to meet the parties as the franchisor.

To deal with the problem, the research technique used was content analysis. According to Berelson & Kerlinger (2010), content analysis is a technique that allows researchers to study human behavior in indirect way through an analysis of their communication patterns. The researcher conducted data analysis by using Qualitative Content Analysis Document with coding techniques to characters in books,

magazines, written documents, and online media articles referring to entrepreneurial spirit, leadership, and satisfaction of franchise business relationship.

The samples which the researchers selected were books, journals, online magazines, research reports, and documents related to Es Teler 77's franchise business and Turkish Kebab of Baba Rafi. Both businesses were chosen because the object of this research was a franchise business with sustainable development criteria with the largest turnover and had the most outlets. In addition, these two business were local franchise businesses from Indonesia that has been worldwide. The researcher used data collection methods with documentation, in order to collect data from various printed media that discussed the object to be studied.

RESULT AND DISCUSSION

Entrepreneurs are oftenly discribed as a courageous man, brave to run an independent business by organizing every resource there is, on which he will be able to endure the risk of failure that may turn into a success eventually. From several sources that researcher finds, it seems to be entrepreneurial spirit characters grow from franchisor it self, on which the reasearcher groups them in to 3 points; passion, creative innovative, and calculated risk taker. Creativity is a character that underlies an entrepreneur, which is supported by an innovation (creative innovative). Furthermore, in every franchise business, it will probably face a primary problem that is related to the competitive conditions that occur, which may have an impact or risk in the business. In this condition, the franchisor will automatically have one of the characters of entrepreneurial spirit; calculated risk taker, which is the ability to perform calculations and manage carefully needed to avoid and minimize the factors that cause failure. But among these characters, the most underlying thing for a franchisor is passion. Passion is an enthusiasm or hard work done wholeheartedly to achieve a certain goal, accompanied by persistence, namely an optimistic attitude that is grown from self-confidence, enthusiasm, focus, determination, commitment, and not easily give up. These three points are important points that can be taken from the role of entrepreneurial spirit, which is a main character of a franchisor. The Es Teler 77 franchise business seems to prioritize the character of passion and creative innovative in developing its business, but the Kebab Turki Baba Rafi franchise business has characters that can create a sustainable growth franchise business with passion, and calculated risk takers.

Leadership is a process that some people are directed, led, and influenced in achieving a goal. Researchers found a leadership character in the Es Teler 77 franchisor. Leadership is directed through a process of trust, trust is an important component in franchising partnerships. The role of trust is also a factor that can create conducive conditions between both of parties (franchisee-franchisor). The relationship between the franchisor and the franchisee is at least not only based on the contractual agreements they make but also the relationships that occur outside the contract, because trust is an important role in a business relationship, by establishing good communication, companies exercising control, giving each other trust will create a harmonious relationship where franchisee-franchisor must support each other for the success of the franchise business. Therefore the franchisees must have the trust of the franchisor that franchisee's rights will be fulfilled and the franchisor will fulfill the obligations in accordance with the agreement. Leading a company is certainly inseparable from trust, the lack of employee trust in the leader will reduce respect which creates a non-conducive corporate atmosphere.

A leader must reflect a positive or optimistic character in directing, and leading the company to achieve the company's vision and mission. Hendy Setiono always has a positive character with the right mindset, with optimism, a leader can think clearly when he faces the challenges and tries to solve existing problems. This character has been proven by the founder of Kebab Turki Baba Rafi in running his franchise business, with opening a cart he runs optimistically as the initial investment, he believes that with his own business plan, he must be able to evaluate while continuing to run his business. He knew that establishing a business from scratch would require difficult struggles and sacrifices, but his optimism has brought him to the point of success.

From the description of analysis, to be able to successfully run a franchise business requires a synergy between the characters of entrepreneurial spirit and leadership to achieve success (sustainable). The entrepreneurial spirit characters complement each other and complement the character of leadership within the franchisor. Three points of entrepreneurial spirit, passion; creative, innovative; and calculated

risk taker, were combined with two points of leadership character namely trust and be positive. However, it seems that the franchisor from the source which the researcher obtained put forward passion and innovation, and be positive first. Those three were the most common used. Passion was considered the most important one as enthusiasm and optimism in achieving a goal.

CONCLUSION

It can be concluded that the role of entrepreneurial spirit on Es Teler 77 is the main character of the franchisor in developing the franchise business. Passion and creative-innovative are the keys to successfully run the business. The roles of entrepreneurial spirits that help the Turkish Kebab of Baba Rafi business are passion and calculated risk taker. It also can be concluded that the role of leadership can affect the business activities of Es Teler 77 franchise and Turkish Kebab of Baba Rafi. This trust and positive attitude are important in running a franchise business, especially in taking a decision in franchising activities.

The limitations of this study include:

1. The study involved a limited number of research subjects, namely 3 online magazines, 5 journals, and 2 studies and used 2 samples such as the Es Teler 77 and Turkish Kebab of Baba Rafi. Thus, the results cannot be generalized to the subject group in a large number.
2. The roles of characters that influence the development of franchise business in this research were only entrepreneurial spirit and leadership.
3. The existence of limitations of the study in interpreting text data source.

The results of this study can be used for the franchisee and prospective franchisee as information to add insight and reference related to franchise business, as well as a reference in making investment decisions on the appropriate franchise business to achieve expected profit levels.

The research was only limited to entrepreneurial spirit and leadership, further research is expected to conduct a more in-depth analysis by reviewing other characters analyzed in detail. In addition, the findings in this study can also be used as further research. Further research is also expected to add and develop franchise business references.

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