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Entrepreneurship Ecosystem Policy in Indonesia

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Abstract

The role of entrepreneurs strongly influences the economic growth of a country. Every country always encourages entrepreneurship so that it could thrive by creating an entrepreneurship ecosystem. The role of entrepreneurship ecosystem will be optimal if the government can create a policy that is in synergy with the other components of the entrepreneurship ecosystem. The method of research used in this study is a qualitative approach with the literature study method. The data were obtained through books, documents, Internet, and other relevant sources. The data that was obtained then analysed using descriptive analysis method by describing the facts, which are then followed by analysis, not merely outlines, but also provides an understanding and explanation. The results of the research showed that the components of the entrepreneurship ecosystem in Indonesia are working. However, their activities are limited to running their respective programs without a comprehensive design. The government needs to play a more dominant role to optimize and synergize each component of the entrepreneurship ecosystem. One of the institutions or particular ministries should establish a policy so that the program to build the entrepreneurship ecosystem does not overlap with each other.

Keywords: *entrepreneurship ecosystem, entrepreneurship, synergised*

1. Introduction

An entrepreneur has a paramount role both internally and externally. Internally, an entrepreneur could reduce the level of dependency on others, improve self-esteem, and increase purchasing power. While externally, an entrepreneur is a job provider.

In addition to the above roles, an entrepreneur is also an agent of change that is vital in the creation of a new business model and industry, new product and service development, as well as the implementation of efficient production method. Entrepreneur plays an important role as a driver and controller of the local economy, the country, and encourages economic growth. Kirzner (1973:25) explains that entrepreneur is someone who has the competitive behaviour that drives the market, not only create a new market but also create innovation into the market, as well as the real contribution of entrepreneurship as a determinant of economic growth. An entrepreneur will succeed according to Zimmerer (in Winarno, 2011) when thinking and doing something new or doing something old in a new way.

Currently, the number of entrepreneurs in Indonesia is still very limited. It can be seen from three facts. First, the population of entrepreneurs as mentioned by David McClelland has not reached the ideal number, which is two per cent of the total population. According to research by the Global Entrepreneurship Monitor (GEM) in 2013, it shows that Indonesia has about 1.65 per cent of entrepreneurs from the total population of 250 million people. The data also shows that the number of entrepreneurs in Indonesia is way behind compared to three countries in Southeast Asia such as Singapore, Malaysia, and Thailand. The three countries respectively have 7 per cent, 5 per cent, and 3 per cent of entrepreneurs out of their total population. Especially when compared to the developed countries such as the United States and Japan, which have over 10 per cent of entrepreneurs out of the total population.

Secondly, regarding entrepreneurship ecosystem condition according to the Global Entrepreneurship and Development Index 2014, Indonesia was ranked 68th out of 121 countries in the world. Lastly, according to the EY G20 Entrepreneurship Barometer 2013, Indonesia, among G20 countries, is classified in the fourth quartile, which is the group of countries with the lowest ranking in the entrepreneurship ecosystem.

The abovementioned statistics shows that in Indonesia, entrepreneurs have not yet played a significant role in supporting the country's economy. Entrepreneurship can be a strategic way in an attempt to overcome unemployment and poverty in Indonesia. If entrepreneurship could run smoothly, the people would no longer rely on the government because it can solve its economic problems through creativity and innovation. Entrepreneurship that goes well will also enrich investment climate and thus attract foreign investors to invest in Indonesia. Moreover, Indonesia has many resources that can be managed by entrepreneurs.

There are several problems relating to the development of entrepreneurship in Indonesia. **First**, the issue of Indonesian mind-set, which still thinks that the next step after completion of the study is to get a job. Most people still think that entrepreneurship only covers trading. In fact, entrepreneurs are individuals who have the ability to think creatively and act innovatively in seeking new opportunities and breakthroughs that generate ideas and products of high economic potential.

Secondly, the issue of human resources (HR) of entrepreneurs that is relatively low. This was reflected in the lack of managerial capabilities in implementing its business strategy. Lack of understanding of the business sectors that he/she is into also indicates the low capacity of the human resources. Besides, the inability to manage administration and finance is still inherent in the practice of entrepreneurship in Indonesia. Moreover, the development of Internet-based science and technology requires entrepreneurs who are interested in the online business venture.

Thirdly, it is the issue of regulation in conducting business activities. Nowadays, with the development of online businesses that do not only cover domestic areas but also internationally, it requires regulation that can anticipate many problems that have the potential to hamper any business. Investment regulation embraced by banks is less in favour of the novice entrepreneur.

Lastly, it is a problem of access to capital for novice entrepreneurs that are filled with obstacles. Capital schemes involve various conditions that must be owned by an entrepreneur, including the capacity, character, and collateral to which have not yet been fully met by the novice entrepreneurs.

All of the problems stated above are part of an entrepreneurship ecosystem that is underdeveloped. Entrepreneurship ecosystem following the reports of the Aspen Network of Development Entrepreneur, or organization that encourages entrepreneurship in developing countries includes eight areas, among others: policy, finance, human capital, market, business support, infrastructure, research & development, and culture.

Entrepreneurship ecosystem is fundamentally linked to the economic growth of a country. Entrepreneurs can thrive when supported by a good entrepreneurship ecosystem to which can stimulate innovation, foster economic transactions, and may even encourage the growth of job sectors. We can predict the prospect for economic growth of a country by looking at how the country provides space to micro, small, and medium enterprises to thrive and develop.

The phenomenon of the entrepreneurship ecosystem started from entrepreneurship ecosystem in Silicon Valley, USA. Silicon Valley has inspired Indonesia to foster its entrepreneurial culture. Building entrepreneurship ecosystem similar to Silicon Valley is going to take time and contributions from everybody.

Although it is interpretive, the people of Indonesia have had the sensitivity to solve social problems by optimizing creative actors to encourage the opening of new businesses and create new job opportunities. However, it still requires firm hands of the government in creating a more favourable entrepreneurial climate.

2. Literature Review

Etymologically, entrepreneurship is the value needed to start a business (start-up phase) or a process of doing something new (creative) or something different (innovative). Entrepreneurship includes the process by which individuals take advantage of opportunities for innovation (Schumpeter, 1934). Meanwhile, according to Zimmerer (1996), entrepreneurship is applying creativity and innovation to solve the problem and to exploit opportunities that people face every day.

A person's entrepreneurial intentions according to Indarti & Kristiansen (2003) formed through three phases, namely motivation, belief, and the skill and competence. The person is motivated to succeed. Individuals who have a high need for achievement will have more effort to acquire what he wanted. The need for achievement establishes belief and locus of control. High level of locus of control on the environment gives people the courage to make decisions and take risks.

Entrepreneurs, on his journey, are always go through the process gradually. The entrepreneurial process that needed to go through according to Amoros & Bosma (2011) in Nawangpalupi et.al (2014) begins with the participation of individuals that have the potential to become entrepreneurs, those who believe that they have the ability to start a business, individuals who saw an opportunity for entrepreneurship, and individuals who are not afraid of failure in starting a business.

The following phase is a nascent entrepreneur, i.e. those who have started a new venture in its early stages (<3 months). The new business owner is defined as the former nascent entrepreneur who is in business for more than three months but less than three and a half years. Nascent entrepreneur and new business owner fall within the Total Early-Stage Entrepreneurial Activity (TEA).

Graph 1: Entrepreneurship Phase

Source: GEM, 2013

The next phase is established entrepreneurs, individuals who are already running the business for more than three and a half years. It is important also to consider business owners and entrepreneurs who have stopped or left the business because both of these categories represent important information about the sustainability of the business.

An entrepreneur will succeed if it is supported by the supportive business environment. The importance of entrepreneurship ecosystem has been recognized by various organizations including governments, universities, multilateral institutions, academic researchers, private consultants, and non-profits. Many of these organizations have put forward their diagnostic tool or framework to give a structured analysis of entrepreneurship ecosystem.

The entrepreneurship ecosystem according to Vogel (2013) is defined as an interactive community within a geographic region composed of varied and interdependent actors (e.g. entrepreneurs, institutions and organisations) and factors (e.g. markets, regulatory framework, support setting, entrepreneurial culture) that evolve over time and whose actors and factors coexist and interact to promote new venture creation.

According to Field (2012), there are nine attributes of a successful start-up community, among others: (1) leadership; (2) community intermediaries; (3) network density; (4) government; (5) talent; (6) support services; (7) community engagement; (8) companies that support that engagement; and (9) capital. While according to D. Isenberg, an entrepreneurship ecosystem consists of elements that can be grouped into six domains: (1) a conducive culture (e.g. tolerance of risk and mistakes, positive social status of entrepreneur); (2) facilitating policies and leadership (e.g. regulatory framework incentives, existence of public research institutes); (3) availability of dedicated finance (e.g. business angels, venture capital, micro loans); (4) relevant human capital (e.g. skilled and unskilled labour, serial entrepreneurs, entrepreneurship training programmes); (5) venture-friendly markets for products (e.g. early adopters for prototypes, reference customers); and (6) a wide set of institutional and infrastructural supports (e.g. legal and accounting advisers, telecommunications and transportation infrastructure, entrepreneurship promoting associations).

Whilst at the World Economic Forum in 2013, a pillar of the entrepreneurship ecosystem consists of eight components, among others: (1) accessible markets, (2) human capital/workforce, (3) funding & finance, (4) support system/mentors, (5) government & regulatory framework, (6) education & training, (7) major universities as catalysts, and (8) culture support.

3. Research Methodology

This study uses literature to find references to relevant theory with the hope that researchers can assess the development of entrepreneurship ecosystem in Indonesia. References to theories obtained by the literature studies serve as the foundation and a major instrument for research practice.

Data used by the author in this study is the data obtained by examining and utilising books, documents, Internet, and other relevant sources. The acquired data then analysed by using descriptive analysis method. The descriptive analysis method is performed by describing the facts, which are then followed by analysis, not merely outlines, but also provides an understanding and explanation.

4. Results And Discussion

All countries agree that entrepreneurship is one of the sectors that can sustain economic growth. Countries that have a number of entrepreneurs above 2% of its total population, according to David Mc Clelland have certainly had a higher level of prosperity. Therefore, almost every country aspires to make its economy more competitive by improving entrepreneurship.

Entrepreneurship is a business field that is full of uncertainties. Someone who wants to be successful in this field needs courage and endurance against various obstacles both internally and externally. Internal difficulties usually associated with the internal economic pressure to quickly have an income, lack of belief, and limited managerial aspects in managing a business. External hindrances are related to the lack of family support, as well as recognition and appreciation from the Indonesian people to the entrepreneurship profession. The community tends to be more appreciative and sought other professions that are considered promising for example as civil servants, doctors, lawyers, engineers, architects, and several other professions. As a result, the younger generation is not conditioned from an early age to become entrepreneurs. Other external limitations are the unexpected market situation, unfair competitions, as well as other forms of uncertainties.

Internal difficulties can be overcome by attending various seminars and training. Nowadays, almost every university in Indonesia held seminars and entrepreneurship training annually. In fact, several ministries and agencies at the provincial and district/city level also conducted similar training. In regards to the external limitations, it can be overcome through the role of government through the creation of a good entrepreneurship ecosystem. The government should support entrepreneurs, particularly micro, small, and medium enterprises. The support does not have to be in the form of financial capital but more importantly is to strive to create a healthy entrepreneurial climate and thus increase the creativity and innovation behaviour. A supportive entrepreneurial climate will increase the sensitivity to various social problems. It is very important to ensure that the business that is being built answer the needs of the community.

The creation of new entrepreneur is done through two approaches, namely by design and fast track approach. The by design approach is conducted through a series of recruitment, training, apprenticeship, and the provision of capital venture before an individual becomes an entrepreneur. Meanwhile, the fast track approach is conducted through a series of training activities, incubators, accompanied by the provision of production equipment facilities or working capital.

4.1 Focus on Policy

Entrepreneurship ecosystem involves a number of key elements that are constantly interconnected and mutually reinforce each other. The elements of the entrepreneurship ecosystem have a complementary role towards one another. The condition of entrepreneurship ecosystem in Indonesia as mentioned by Daniel Isenberg (2011), the implementation of it is divided into two groups of obligation. Development within the area of enabling policies and leadership, availability of appropriate finance, venture-friendly markets for products, and a range of institutional and infrastructural supports are the responsibility of the central and local governments, financial institutions of banks and non-banks, entrepreneur associations, entrepreneur supporting agencies, as well as local and international companies. As for the development of human capital/workforce and a conducive culture is the responsibility of educational institutions, related state-owned enterprises, research institutions, and social organizations.

Governmental support towards entrepreneurship development is very high. It can be seen from the government's action since 2011 that has launched entrepreneurship movement nationwide. No fewer than 13 ministries and government agencies have their respective entrepreneurship program with an overall budget that could reach up to 20 trillion IDR.

Ministries and agencies had been carrying out their program to help entrepreneurs to increase their

competitiveness and overcome their existing weaknesses. Among those programs is the provision of credit (KUR), enhanced technological capabilities through the machine restructuring program, improvement of the human resource capacity through training, facilitation and mentoring, quality assurance systems and food security, and several other things in relations with enhancement of market access.

They are carrying out their programs partially without any coordination between ministries or agencies. Several ministries and agencies, even the offices within the provincial and district/city government have their data of entrepreneurs that are under their supervision. Derived from their data, there are a couple of entrepreneurs that are supervised by several ministries or agencies. This separate supervision towards entrepreneurs has the tendencies to be based on political demands alone. It can be seen from the implementation of development programs that was being conducted only for the sake of using the budget. In practice, the programs that were run by each ministry, agencies, offices within the provincial and district/city government merely focus on entrepreneurial coaching programs that are relatively easy to implement, such as entrepreneurship training program or funds stimuli. Whereas the entrepreneurs still cannot thrive because the help they received is not fundamentally required.

4.2 The Need for Synergy

The effort to build an entrepreneurship ecosystem is not only to fix one component but also to build a balance for the development of every component. The synergy of each component is required for the guidance pattern to work as a comprehensive design.

The components of the current entrepreneurship ecosystem are currently running. It can be seen from their participation in the form of education and training activities as well as direct mentoring from successful entrepreneurs like Ciputra, Sandiaga Uno, and others. The development of the Internet and the formation of entrepreneurs' communities also give an impact towards the development of entrepreneurship in Indonesia. The emergence of communities such as the Upper Hand (TDA), Indonesia Young Entrepreneur (IYE), Smartpreneur Pro Indonesia, or Internet forum such as Kaskus Internet Entrepreneur Corner (EC) proves that these components have the same spirit in shaping the entrepreneurship ecosystem.

The role of media and related institutions is just as important. Media cooperation in activities such as awards, expos, fairs for entrepreneurs, is making this particular topic hot throughout the year. For example, a company management consultant, Earns & Young (EY), given out the EY Entrepreneur of the Year Award annually to the entrepreneur that is deemed successful in their field. Combined with a variety of other awards given by the government directly, it provides a continuous advantage to raise the development of entrepreneurship in Indonesia.

The same activity was also conducted by the educational world with different methods and different strategies. There are at least six ways in which various universities in Indonesia has gotten involved, among others:

1. Establishment of the Campus Centre for Entrepreneurship
2. Entrepreneurship Priority
3. Development of the Student Entrepreneurship Program (PMW)
4. Independent Entrepreneur Program For Students
5. Competency Enhancement in Labour and Productivity Program for Students
6. Provision of Capital Venture Program For Students

Another component that is equally important in the entrepreneurship ecosystem is the banking world. The banks currently have a special scheme in promoting entrepreneurial activity in the form of business credit provision (KUR). Every year, the credits granted to entrepreneurs within this KUR scheme continue to increase significantly. KUR is a financing facility that can be accessed by micro, small, and medium enterprises and cooperatives, particularly those with a viable business but not bankable just yet ranging from 5 million IDR. Businesses that are viable but not bankable means that the business has good business prospects and have the ability to return. Micro, small, and medium enterprises and cooperatives that can access the KUR is the one that works in the productive sector, including agriculture, fishery, industry, forestry, and savings and loans financial services.

If you look at the activities of each component within the entrepreneurship ecosystem as stated by Daniel Isenberg (2011), all components are currently running. However, the activities of these components operate independently without any comprehensive design. The entrepreneur that receive training from a certain ministry or institution is not necessarily mentored by a successful entrepreneur. The student who started their business since college is also not necessarily the one who got the KUR from banks.

Essentially, the programs that exist in the respective ministries and agencies as well as in offices in the provincial and district/city government have been quite good. However, there are apparent weaknesses due to their independence

in operating their programs, which in the end affect the growth of entrepreneurs in numbers.

The development of entrepreneurship needs to be united so that the input, process, and output can be monitored well. There should be a separate institution that focuses on managing entrepreneurs nationwide. This agency would lighten the burden of the state's finances. Entrepreneurship managements that were formerly spread to various ministries and agencies can be cut down or in other word centralized in this one institution or agency alone. Also, the presence of such body could improve the community's spirit to grow the business and other types of businesses, so that the national economy can run properly, the state revenue will increase, and therefore the state's financial burden will be reduced.

5. Conclusion

Entrepreneurship will develop if it was supported by a good entrepreneurship ecosystem. Entrepreneurship ecosystem in Indonesia has been operating quite well, but its activity is still restricted. Several ministries and agencies, as well as entrepreneurship ecosystem components such as mentors for the entrepreneur, universities, communities and activists of entrepreneurship, as well as the banking world, are doing it independently without any synergy.

The needs for an institution that can create an entrepreneurship ecosystem and synergised the entrepreneurship components are necessary so that the movement of entrepreneurship in Indonesia can continue to thrive and develop. Such institution should be an institution established by the government so that entrepreneurship supervision is not widely spread across several ministries and agencies.

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