

How to Build and Motivate Entrepreneur in the Era of Globalization: Creating Consultation Agency as Alternative Solution

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Abstract

Entrepreneur is people who change the value of resources, labor, materials and the other production factor become bigger than before. It means, an entrepreneur always does new innovations and new ways. In the modern world, entrepreneur is people who start and do business, organize and developed firm by themselves. They apply invention and innovation knowledge to production purpose and try to increase their output through new technology. Thus innovation is the main characteristic of entrepreneurship and creativity is core of entrepreneur activities. Generally, entrepreneur has the same attribute. They have power, wish, to do innovation, desire to accept personal responsibility to create an event by their way, and wish to get high achievements.

There are 3 types of entrepreneurship's attitude. They are: initiating, organizing, reorganizing social/economy mechanism to change resources and situation by practical ways, and risk taking from failure activities.

Recently, the globalization of economy is growing faster and faster at all economy, require businesses to produce high competitive products. And entrepreneurs who are basically small businesses, have large potential to produce competitive products. But they have many problems that sometimes complicated. To solve the problem and can encourage entrepreneur, it is need a "place" to become consultation agency, that also unites the entrepreneur, researcher, and professional practitioner. Right now, Center of Economics Research Gadjah Mada University try out the coordinating institution out the form Center of Consultation Small Businessman (CCSB).

At the first pioneer, there were 24 entrepreneurs (small businessman) joining with CCSB and following the up grading program of small business. Their businesses are in the various sector, i.e.: leather handicraft, food industrial, Trading (mini

market), furniture, animal husbandry, etc. From CCSB'S experience, we knew that the very important thing to build and motivate a successful entrepreneur is the education background. With high education someone can identify and solve problems of entrepreneurship well.

Introduction

The current assumption that to be an entrepreneur one needs talent, usually genetically transmitted, supported by their environment, beside having many skills : good managerial skill, access to technological innovation, and having much capital. But, According many Economists, entrepreneur is a profession that can be chosen as a choice of life. Thus, like the other profession, entrepreneurship can be learnt, be researched, be planned and be formulated.

Meanwhile, the globalization of economy is growing faster and faster at all economy, require businesses to produce high competitive products. The term globalization is not new to business usage but it has taken a whole new meaning since the 1980s. The essential feature of globalization is that firms pursue global strategies in which their international activities are linkaged and coordinated on a worldwide basis (BIE, 1989). Globalization has cause significant increases in world trade and investment flows. Investment growth has significantly outstripped both trade and output growth over the last decade. Since 1983, direct investment outflows have increased at the unprecedented compound annual rate of 29 per cent a year, three time faster then that of the growth of exports (at 9.4 per cent) and four time that of the growth of world output (7.8 per cent) (UNCTC, 1991). The stock of international FDI (Foreign Direct Investment) has increased from 6% of world GNP in 1985 to over 8% in 1990 (Jungnikel, 1993). UNCTC (1992) estimated that the world stock of FDI stood at US 1.7 trillion by the end of 1990.

Entrepreneurs who are basically small businesses, is the most important “player” in the building of the globalization, and have large potential to produce competitive products. Because they have power, wish, to do innovation, desire to accept personal responsibility to create an event by their way, and wish to get high achievements.

This paper, we try to describe the role of human resources to encourage entrepreneur in the era of globalization. Before it goes further, we will explain the meaning of entrepreneurship, entrepreneur, and technological innovation as mean characteristic of entrepreneur.

Entrepreneurship and Entrepreneur

So far, there are two broad types of entrepreneurial activity; at one pole there is routine entrepreneurship, which is really a type of management, and the other is Schumpeterian that called new type enterpreneurship. Routine entrepreneurship mean

the activities involved in coordinating and carrying on a well-established, going concern in with the parts of production function in use (and likely alternatives to current use) are well known and which operates in well-established clearly defined markets.

The otherside, Schumpeterian entrepreneurship means the activities which are necessary to create or to carry on an enterprise, where not all the markets are well established or clearly defined and/or in which the relevant parts of the production function are not completely known. Schumpeter (1942) is stressing entrepreneur as the formation of a new firm that use innovation(s) to enter existing markets and to grow by creating new demand (or new markets) while also taking market share away from existing supplier. Since entrepreneur creates wealth as it destroys existing market structures, Schumpeter describes it as the process of “creative destruction”. I think schumpeter’s concept is relevant in the globalization of economy where it considers much the contribution of “human brain” as a high value added for competitiveness of product.

Recently, we can see the countries called developed countries (G-7), rely on export commodities by high innovation like: machinery, transport equip, manufactures ,etc. Table 1 describe them.

Table 1
Structure of Merchandise Exports (%)
Developed Countries (G-7)

Countries	Fuel, minerals, metals		Other primary commodities		Machinery, transport equip and manufactures		Textile fibers, textiles and clothing	
	1970 - 1993		1970-1993		1970-1993		1970-1993	
United Kingdom	8	10	9	9	83	81	8	5
Italy	7	3	10	7	81	89	14	12
Canada	26	17	22	17	51	66	1	1
France	6	5	19	17	75	78	9	5
Germany	6 ^f	4	5 ^f	6	90 ^f	90	6 ^f	5
United State	9	4	21	14	70	83	3	3
Japan	2	2	5	1	94	97	13	2

Note : Data refer to the Federal Republic of Germany before unification.

Source : World Development Report 1995, Oxford University Press.

Table 1 shows that export commodities from developed countries (G-7), are consistent in the “technological products” for 2 decades, like :machinery, transport equip and manufactures. The Result, is that they are included in high income economies countries. Table 2 shows GNP per capita of the developed countries (G-7) counting their average annual growth for one decade.

Table 2

**GNP per capita
of Developed Countries
(G-7)**

Countries	Dollars 1994	Avg. ann. growth (%) 1985-1994
United Kingdom	18,340	1.3
Italy	19,840	1.8
Canada	19,510	0.3
France	23,420	1.6
Germany	25,580	2.1
United States	25,880	1.3
Japan	34,630	3.2

Source : World Development Report 1996, Oxford University Press

The above table will give a clear description, if we compared to those of the developing countries. For example, we will see Association of South East Asian Nation (ASEAN)'s countries that they were relatively the same condition, except Singapore.

Table 3 and 4 show the changing of export structure of ASEAN' s countries, from the primary and natural resources commodities in 1970's, into technological commodities had made their GNP per capita high enough. Moreover Singapore has been included into high income economy countries.

Table 3
Structure of Merchandise Exports (%)
of Developing Countries (ASEAN)

Countries	Fuel, minerals, metals 1970 - 1993	Other primary Commodities 1970-1993	Machinery, transport equip and manufactures 1970-1993	Textile fibers, textiles and clothing 1970-1993
Indonesia	44 32	54 15	1 53	0 17
Philippines	23 7	70 17	8 77	2 9
Thailand	15 2	77 26	8 74	8 15
Malaysia	30 15	63 21	8 65	1 6
Singapore	25 14	45 6	31 80	6 4

Source : World Development Report 1995, Oxford University Press

Table 4
GNP Per Capita (ASEAN)
Developing Countries

Countries	Dollars 1994	Avg. ann. growth (%) 1985-1994
Indonesia	880	6.0
Philippines	950	1.7
Thailand	2,410	8.6
Malaysia	3,480	5.8
Singapore	22,500	6.1

Source : World Development Report 1996, Oxford University Press.

In the context of entrepreneurship, the role of human resources is very important. There are 3 types of entrepreneurship's attitude. They are: initiating, organizing, reorganizing social/economy mechanism to change resources and situation by practical ways, and risk taking from failure activities.

Meanwhile, entrepreneur according to economists, is people who change the value of resources, labor, materials and the other production factor become bigger than before. It means, an entrepreneur always does new innovations and new ways.

In the modern world, entrepreneur is people who start and do business, organize and developed firm by themselves. They apply invention and innovation knowledge to production purpose and try to increase their output through new technology. Thus innovation is the main characteristic of entrepreneurship and creativity is core of entrepreneur activities. Generally, entrepreneur has the same attribute. They have power, wish, to do innovation, desire to accept personal responsibility to create an event by their way, and wish to get high achievements.

Geoffrey Crowther adds another characteristic, that is optimistic and always foresee the future.

While according to McClelland, entrepreneur's characteristics are:

1. Wish to achievement. The main psychological motive that motivates entrepreneurs is the need to achieve, that is defined as a wish or motivation, which motivates behavior to put one's purpose into reality. And this achieved purpose is challenge to individual competency.
2. Wish to responsibility. Entrepreneurs wish personal responsibility to achieve purpose. They choose to use self resources to achieve purpose and self responsible for the result.
3. Preference to middle risk. Entrepreneur is not a gambler. They decide purpose that needs high performance, a level that they believe will need hard efforts and they are sure to be able to do it.
4. Perception for success possibility. They believe in their own ability to get successful as the most important quality of entrepreneur personality. They learn the evidence that is gathered and then they evaluate it. When all evidence are not available, they turn back to their self confidence and continue do the task.
5. Stimulated by feed back. Entrepreneur want to know about the thing he has done, whether or not is the feed back good.
6. Energetic activity.. Entrepreneurs show their energy more than the average other. They are active and mobile, and have a large time proportion to do their task with new ways. They are really aware that time always goes by. This awareness stimulates them to involve in the task they have done.
7. Orientation to wards the future. Entrepreneurs plan and think of the future. They seek and anticipate any possibility which may happen in the future.
8. Skill of organization. Entrepreneurs show skill of work and in organizing people to get the purpose. They choose their employees to do special task objectively. In other words, they will choose the expert/professional ones, avoid nepotism, in order to select those who can do the task efficiency.
9. Attitude for money. Financial profit becomes number 2 compare to their work achievement. They see money just for as a concrete symbol, a mean to achieve the purpose and as an improvement for their competency.

The Important of Technological Innovation for Entrepreneur

Some researchers have been observing the important role of innovations in small firms. Schumpeter defined technological change as a covering five main types of technological dynamism in a economy: new processes, by which is meant new ways of using existing resources to produce existing products; new products, encompassing the use of existing processes and materials to produce completely new or changed versions of existing goods and services; new sources or types of raw materials, covering discoveries of new sources of supply or changes in the raw materials available (one may reasonably extend this category to include improved intermediate inputs into productions); new markets, either in a geographic sense or in the sense of applications of existing products to new uses; and new organizational methods, that is new means of controlling and organizing productive inputs.

Thus an innovation is something new to the economy, and a product innovation is a new product in the economy. An innovation for a firm may not be an innovation for the economy as a whole.

Gellman research associates (1976) pioneered the use of journals to identify, count, and rank innovations. This technique serve as the basis of a series of studies in which small firms have been found to create more innovations per employee than large firms. Small firms innovations are also found to be more significant in providing new technological directions (futures group, 1984; Gellman, 1976, 1982).

Acs and Audretsch (1987a, 1987b, 1988, 1989) use the Gellman data base to create a series of economic analyses that conclude: (1) no difference in the quality of innovation is evident between small and large firms; (2) small firms generate more innovations per employee than large firms; (3) both very small and very large firms more are innovative than firm in general; and (4) innovative output shows a firm size elasticity of less than one. Acs and Audretsch conclude from this that small firms are more innovative than large firms in most industries.

Kirchhoff (1995) found in recent years, evidence from microeconomics has stimulated new attention to the role of entrepreneurship in wealth creation and distribution. The evidence suggests a major role for entrepreneurship even though it is ignored in macroeconomics theory. For example, new and small firms create the vast majority of net new job, provide help of total employment and nearly half of gross domestic product in the US economy.

Consultation Agency: “Bridge” Between Entrepreneur and Researcher

It is necessary to make a coordinating institution that unites the entrepreneur, researcher, and professional practitioner. For entrepreneur, the coordinating institution will solve their problem, to get actual and up to date information around them or about business opportunity, and, to apply result (formulation) from academic research.

For the researcher, it is very important to analysis the problems from entrepreneur’s view of point, attach the problems to relevant theory and literature, as a framework to developed knowledge. For professional (managers and bankers) it is suitable media to explain their experience concerning successful business style, or able to be place, to work out a closer cooperative.

The coordinating institution will be strategically done by academic society (college or University), because it has relatively more complete data, and there are many experts in the competent field, and it is good place the filing research report. Right now, Center of Economics Research Gadjah Mada University try out the coordinating institution out the form Center of Consultation Small Businessman (CCSB).

At the first pioneer, there were 24 entrepreneurs (small businessman) joining with CCSB and following the up grading program of small business. Their businesses are in the various sector, i.e.: leather handicraft, food industrial, Trading (mini market), furniture, animal husbandry, etc. The problems they face at the most are :

1. The difficulties in getting market opportunity and expanding the market share.
2. The weakness in capital structure and sources of capital are limited.
3. Weakness in organizational sector and management skill.
4. Limitation on net working and connection among small firms.
5. The business environment is not conducive to run business because the competitive just for put out among the competitors.

To solve the problem, CCSB has done:

1. Training for small firm consultant candidates. The training purpose is to prepare consultant.
2. Development small firm management. This is follow up from first program. In this program CCSB gives guide book about marketing management, Production management, finance management, and entrepreneurship. And then the topics are discussed in the classroom seriously.

In the implementation field, CCSB help problem solving case to case from them. First, entrepreneurs who have problems on making feasibility study, CCSB “accompanies” them to make good feasibility study. FS is important to get fund or to increase fund that for expanding or opening business. A result, they can make a good proposal that is believed with financial institutions

Second, the education background of entrepreneur are majority in primary and middle level. That is why they can't make a good business planning. CCSB arranges meetings that have discussion about management system and management as a whole, especially about the owner and manager small businessman.

Third, the majority of small businessmen have a little access technology, as generally happens in the developing countries. CCSB makes efforts in a certain direction to improve technological aspects, because to increase the efficiency of production process is very profitable. Having control over the access of technology, will encourage new product by innovation expansion of the market share.

Fourth, solve the problem about competitive strategy. Majority, the entrepreneurs don't have good competitive strategy. To solve the problem, CCSB developed porter's competitive strategy concept. According to Porter, (1980 ;1985) The competitive strategy can be classified on the generic competitive strategy. They are:

1. Low-cost leadership strategy
2. Differentiation strategy
3. Focus/niche strategy

To use the strategy, depend on the context.

1. To get low-cost leadership means that the center of firm strategy produces and distributes products at relatively lower cost than the other competitors. The firm uses the strategy because the consumer is sensitive to price.
2. Differentiation strategy based on creating something new that is unique for industry as a whole. Thus this strategy will succeed if it has technical superiority, quality, service, or high value added of money.
3. The focus strategy assumes that the firm will satisfy "the defined market" that is narrower than other competitors, who satisfy the wide market.
4. From CCSB'S experience, we knew that the very important thing to build and motivate a successful entrepreneur in the era of globalization is the education background. With high education someone can identify and solve problems of entrepreneurship well.

Actually, the conclusion from CCSB's experience that educational background is very important to encourage entrepreneur, also happen in Japan. According to the survey conducted by japan Small Business Research Institute, 47,7% of entrepreneurs in Japan are graduate of junior college or of junior college or higher education. One

reason for such a high percentage of these college graduates is that the management of small enterprises requires high intellectual talent. However, a high percentage of student in Japan who go to university (38.2%, 1990) is another important reason. And this is reflected also in the number of highly educated entrepreneurs in small business.

Finally, last but not least, the role of government policy. We hope, government can behave as entrepreneur that always use resources on running bureaucracy with new ways to increase their effectively and efficiency. Government should make the condition more democratic and conducive for technological innovation of entrepreneur. The condition should efficiency bureaucracy and no pressure.

Conclusion

The current assumption that to be an entrepreneur one needs talent, usually genetically transmitted, supported by their environment, beside having many skills : good managerial skill, access to technological innovation, and having much capital. But, According many Economists, entrepreneur is a profession that can be chosen as a choice of life. Thus, like the other profession, entrepreneurship can be learnt, be researched, be planned and be formulated. It was simple enough to build professional entrepreneur when we are young, if we want it.

In the context of entrepreneurship, the role of human resources is very important. There are 3 types of entrepreneurship's attitude. They are: initiating, organizing, reorganizing social/economy mechanism to change resources and situation by practical ways, and risk taking from failure activities. Innovation is the main characteristic of entrepreneurship and creativity is core of entrepreneur activities.

Thus It is necessary to make a coordinating institution that unites the entrepreneur, research, and professional practitioner. For entrepreneur, the coordinating institution will solve their problem, to get actual and up to date information around them or about business opportunity, and, to apply result (formulation) from academic research.

For the researcher, it is very important to analysis the problems from entrepreneur's view of point, attach the problems to relevant theory and literature, as a framework to developed knowledge. For professional (managers and bankers) it is suitable media to explain their experience concerning successful business style, or able to be place, to work out a closer cooperative.

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