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Building Entrepreneurial Spirit Through Higher Education: Addressing Economic Recessions through Human Resource Development *

Agus Pramusinto **

Abstract

The financial crisis which hit Asian countries in 1997 brought about serious problems. Unemployment, for example, was one of the common problems many countries faced, especially Indonesia. At the moment, unemployment rate continues to be high in Indonesia as the growth in the number of job seekers outstrips existing and new job opportunities. Higher education, which is responsible for enhancing knowledge and skills cannot solve the problem. The number of skilled and educated unemployment is also getting high. In light of that, there is need for an entrepreneurship program tailored to job creation, which is an important element of human resource development necessary to foster economic growth and development.

This paper discusses one of the innovative programs, called "Student Entrepreneur Program", that has been introduced by the Ministry of National Education in Indonesia. The role of public governance involving universities, the private sector and local government in conducting the program is significant. In this paper, the analysis will be focused on how the program works and what kinds of factor determine the success and failure of the program.

Key words: entrepreneurship, education, innovation


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Introduction

This paper discusses the importance of entrepreneurial spirit in enhancing the quality of human resources. From an international perspective, entrepreneurial development has been shown to contribute to economic growth and solving unemployment related problems (Hiebert and Link, 1989; Styles and Seymour, 2006; Fourie, 2008; Shinnar et al., 2009). Entrepreneurship education has become an important part in higher education where many institutions offer entrepreneurship classes outside business school (Shinnar et al., 2008). By introducing entrepreneurship education beyond the business school, educators intend to better prepare their students for a changing labor market. Such student preparation has been very important since a future business landscape will probably be dominated by small companies and opportunities for self-employment (Smith, 2003).

The importance of entrepreneurship education has also become the concern of higher education in Indonesia. In order to overcome the ever rising unemployment, and the protracted economic crisis, Indonesia is currently involved in developing student entrepreneurship program. The arguments that underpin the program is that Indonesia continues to experience high unemployment rate. Graduates of institution of higher education turn out to be in general job seekers, while the capacity of the economy still has limited capacity to generate employment opportunities. Student entrepreneurship program is an instrument for developing human resources, which will probably create jobs that will help the country overcome the economic crisis.

Indonesia is a developing country with a population of more than 225 million or the fifth largest in terms of population in the world. In 1997, Indonesia was one of the countries that experienced a financial crisis, which degenerated into a full blown economic and political crisis. The 1997 financial crisis affected many countries in Asia, among which were: Indonesia, Thailand, Malaysia, Singapore, the Philippines, and South Korea. The crisis did not spread to other regions of the world. As a consequence of the crisis, the exchange rates of countries that were hit by the crisis depreciated, which with the result that many countries and companies saddled with foreign currency denominated debts became impoverished. Industries relying on imported raw materials went bankrupt. The most devastating impact of all, was the massing laying off of employees, which fueled high unemployment.

The same can be said to have characterized the 2008 financial crisis. The financial crisis which started in the United States spread to all corners and countries of the world. Companies dealing in exports faced serious problems due to contracting demand in importing countries. The United States is Indonesia’s largest importer. With the onset of the financial crisis, Indonesia’s investment and exports are expected to suffer a decline, which will aggravate poverty and unemployment. The financial crisis to this day, does not show any signs of recovery, and some indications suggest that it may take longer than expected, which may end up undermining Indonesia’s economy.

To that end, as an introduction to this paper, a discussion of the role of entrepreneurship in economic development is presented. Several vital characteristics, which should be developed not only by the private sector but also the public sector are also highlighted. Entrepreneurship is a term, which has developed in an effort to conduct social change and transformation. The last section discusses the student entrepreneur program and its performance.

The Importance of Entrepreneurship in Economic Development

Many countries are aware of the important roles entrepreneurship plays in economic development (Hiebert and Link, 1989; Styles and Seymour, 2006; Fourie, 2008; Shinnar et al., 2009) and in social transformation (Thompson, 2002; Alvord, Brown, and Letts 2004; Bornstein, 2004; Mars and Garrison, 2009). In the United States, entrepreneurship which forms small businesses is an integral component of the United States economy. Small enterprises are reckoned to have been key creators of new employment opportunities since 1980s (Grichnik, 2008). In Japan, small businesses contribute more than a half of employment opportunities in industries and contribute a third of industrial output (Fourie, 2008). In general, entrepreneurship education can attract new people into the market, spread entrepreneurial culture, and promote economic development (Rao, 2008).

The success of entrepreneurship depends on various factors. In United States, the government plays a clear role in entrepreneurship development. The government gives incentives in the form of tax credits or rebates on income tax, treats them as special legal business entities and awards contracts to
Entrepreneurship is not a flash of inspiration or luck. It is the consistent application of discipline, hard work, and deep reserves of innate talent, skill and learning. Entrepreneurship is a style of management, learning and managing resources to exploit opportunities.
Entrepreneurial spirit is necessary not only for business activities in the private sector, but also social activities in the community sector (Thompson, 2992; Alvord, Brown and Letts, 2004; Murphy & Coombes, 2009) and policy activities in the public sector as well (Osborne & Gaebler, 2002). The definition of entrepreneurship does not focus strongly on economic aspects whereby developments in working capital measures performance. Entrepreneurship can as well refer to social aspects such as social entrepreneurship. Social entrepreneurship is described as “the creation and undertaking of a venture intended to promote a specific social purpose or cause in a context of mobilization” (Murphy & Coombes, 2009: 326). Further, both Murphy and Coombes mention that social entrepreneurship is an important element to generate value in societal, economic and environmental forms.

Alvord, Brown, and Letts (2004) note that quality in the application of principles and practices of entrepreneurship creates scalable and sustainable social transformation. Meanwhile, Thompson (2002) contends that social entrepreneurship is a vehicle for providing answers to social needs and requirements, which are ignored and left unanswered by national and regional governments. Bornstein (2004) shares the same view that social entrepreneurship can lead to global social change.

The concept of entrepreneurship delivered by Osborne and Gaebler (2002) refers to a revolutionary restructuring process in the public sector, reflecting the ten operating principles that distinguish a new "entrepreneurial" form of government. Osborne’s and Gaebler’s Ten Principles of Reinvention are:

1. Catalytic Government
2. Community-owned Government
3. Competitive Government
4. Mission-driven Government
5. Results-oriented Government
6. Customer-driven Government
7. Enterprising Government
8. Anticipatory Government
9. Decentralized Government
10. Market-oriented Government

Osborne and Gaebler (2002) suggests that governments should: 1) steer, not row; 2) empower communities to solve their own problems rather than simply deliver services; 3) encourage competition rather than monopolies; 4) be driven by missions, rather than rules; 5) be results-oriented by funding outcomes rather than inputs; 6) meet the needs of the customer, not the bureaucracy; 7) concentrate on earning money rather than spending it; 8) invest in preventing problems rather than curing crises; 9) decentralize authority; and 10) solve problems by influencing market forces rather than creating public programs.

Student Entrepreneur Program in Indonesia

The Indonesian economy was extremely good as it was shown in the economic performance growing around 7.5 percent annually, before the crisis (June 1993-June 1997). With the acceleration of economic growth, it was therefore crucially important for reducing poverty and unemployment in Indonesia.

However, the economic crisis which hit Indonesia since 1997 caused severe problems. Economic growth became very low as it dropped dramatically from around 7.5 to minus 13.13 percent. Inflation also increased very sharply to 77.6 percent in 1998 which simultaneously led to an increase in the number of people living below the poverty line. In fact, before the economic crisis, the number of people falling in that category has been falling. Before 1996, the number of unemployed in Indonesia reached 22.5 million, whereas in 1998 the number soared to 49.5 million, which represents 24.2 percent of the Indonesian population (BPS, 2003). As a consequence of the 2008 economic crisis, the number of people living below the poverty line is still high, about 35 million people.

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Growth (%)</th>
<th>Inflation (%)</th>
<th>Unemployment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>-13.13</td>
<td>77.63</td>
<td>5.46</td>
</tr>
<tr>
<td>1999</td>
<td>0.85</td>
<td>2.01</td>
<td>6.63</td>
</tr>
<tr>
<td>2000</td>
<td>4.95</td>
<td>9.35</td>
<td>6.08</td>
</tr>
<tr>
<td>2001</td>
<td>3.45</td>
<td>12.65</td>
<td>8.10</td>
</tr>
<tr>
<td>2002</td>
<td>4.59</td>
<td>10.03</td>
<td>9.07</td>
</tr>
<tr>
<td>2003</td>
<td>4.78</td>
<td>5.06</td>
<td>9.67</td>
</tr>
<tr>
<td>2004</td>
<td>5.03</td>
<td>6.04</td>
<td>9.86</td>
</tr>
<tr>
<td>2005</td>
<td>5.68</td>
<td>17.11</td>
<td>10.26</td>
</tr>
<tr>
<td>2006</td>
<td>4.5</td>
<td>6.50</td>
<td>10.28</td>
</tr>
<tr>
<td>2007</td>
<td>6.3</td>
<td>6.59</td>
<td>9.1</td>
</tr>
<tr>
<td>2008</td>
<td>6.2</td>
<td>11.06</td>
<td>8.39</td>
</tr>
</tbody>
</table>

Source: BPS (Central Bureau of Statistics), 2009
The problem of poverty has strong relationship with unemployment. BPS data (February 2008) show that full unemployment in Indonesia reached 9.4 million people mark, out of which 4.5 million were high school, diploma, and university graduates. This shows that a half of the people currently unemployed are educated. Table 2 shows the developments in the number of educated unemployed (higher education graduates) since 2003.

<table>
<thead>
<tr>
<th>Level of education</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>119,983</td>
<td>237,251</td>
<td>322,836</td>
<td>287,185</td>
<td>330,316</td>
<td>519,867</td>
</tr>
<tr>
<td>University</td>
<td>245,486</td>
<td>348,107</td>
<td>385,418</td>
<td>377,601</td>
<td>409,860</td>
<td>626,202</td>
</tr>
<tr>
<td>Total</td>
<td>445,469</td>
<td>585,358</td>
<td>708,243</td>
<td>664,786</td>
<td>730,176</td>
<td>1,146,069</td>
</tr>
</tbody>
</table>

Source: BPS (Central Bureau of Statistics), 2003-2008

Considering the very limited absorption capacity of the domestic labor market, compounded by an ever increasing number of graduates from institutions of higher education, the number of new graduates joining the labor market each way will add to the ranks of educated unemployed. The above figure is likely to rise if the number of under employed, hovering around 30.6 million people, is added (people who work for less than 35 hours a week). Table 3 gives a description of the number of graduates from state and private institutions of higher education. Although the number of graduated state and private higher education tends to decrease due to the expensive cost of education, they are still part of the unemployment problems.

Table 3. Number of Graduates of State and Private Education

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>171,628</td>
<td>206,134</td>
<td>211,354</td>
<td>191,373</td>
<td>306,079</td>
<td>61,128</td>
</tr>
<tr>
<td>University</td>
<td>291,070</td>
<td>478,242</td>
<td>231,820</td>
<td>222,520</td>
<td>147,189</td>
<td>212,521</td>
</tr>
<tr>
<td>Total</td>
<td>452,698</td>
<td>684,376</td>
<td>333,174</td>
<td>323,892</td>
<td>453,268</td>
<td>273,749</td>
</tr>
</tbody>
</table>

Source: Department of National Education, 2008

Background of the Program

The Indonesian Ministry of National Education introduced several programs to increase competitiveness of students in the labor market. Student Creativity Program (Program Kreativitas Mahasiswa) and Cooperative Education have provided students with a lot of experiences. Through the Student Creativity Program, students have brought about innovative works with the basis of science, technology and arts they are learning. The government provides students with grants to create innovative scientific works on a competitive basis. Through the Cooperative Education, students learn many things related to management and marketing. Higher education is responsible for delivering the knowledge of and assisting the practice of managerial activities. Workshop for running a business is also provided for students as a learning process of business.

Following the two programs, the Ministry of National Education establishes the Student Entrepreneurs Program. The Student Entrepreneurs Program is aimed at facilitating students who are interested in entrepreneurship and in doing business. The program is applied for all state and private institutions of higher education in Indonesia. In fact other countries such as Canada, have had such a program for sometime.

To conduct the program, the Indonesian government has allocated Rp. 37 billion to the program, with each autonomous institution of higher education receiving Rp. 2 billions, while each polytechnic gets Rp. 500 million. Under the program, 70 percent of the money is earmarked for business start-ups. Individual students can obtain a maximum of Rp. 8 million in loans, while groups of 3-5 people can receive loans to a maximum of Rp. 40 million per business group. The amount of loan received depends on the proposal and feasibility of the business plan.

In general, all students can participate in the program. However, due to limited amount of money, the committee has to be selective in choosing the students. The program can only apply for university students who have finished their fourth semester (or have been in the fifth semester) and for polytechnic students who have finished their third semester (or have been in the fourth semester).

The Implementation of Program Activities

The program is designed as a 12 (twelve) month program that is divided into three phases: preparation, training and implementation.

Preparation phase (1-2 months)
- Socialization and selection of students who are participants in the program
• Identification and selection of students who are participants in the program
• Preparing the implementation team and the training materials

Training Phase (2-3 months):
• Entrepreneurship education and training
• Developing the business plan
• Selection of the business plan, a process that involves third parties (banking and businesses/corporations)
• Apprenticeship (internship) to SMEs

Implementation Phase (6-9 months)
• Students or students groups who launch start ups selected on the basis of their business plans
• Cashing working capital (disbursement of the working capital)
• Integrated guidance by the team of supervisors drawn from institutions of higher education and SMEs to assist students resolve problems they face
• Monitoring and evaluation

Public Governance in Human Resources Development

The new paradigm of public administration is very concerned with governance. There are three pillars of governance involved in conducting various policies: state, private sector and community. In the context of governance, the Student Entrepreneur Program involves many parties which include institutions of higher education, students, lecturers, businessmen, and regional governments. From the perspective of public governance model, the role of each party is given as follows:

1. Institutions of higher learning as the managers of the program:
   a. Conduct socialization to students and Small and Medium Enterprises (SMEs)
   b. Identifying and selecting students and SMEs
   c. Provide necessary knowledge and guidance on entrepreneurship
   d. Provide guidance
   e. Carry out monitoring and evaluation of the program
   f. Make activities report

2. Participating students in the entrepreneurship nurturing program, as participants in the program:
   a. Participate in selection process
   b. Formulate the business plan
   c. Attend training and education sessions
   d. Carry out apprenticeship (internship) in SMEs
   e. Establish and run business
   f. Repay the working capital
   g. Make regular reports on the development or progress of the business

3. Lecturer/Mentor
   a. Carry out guidance
   b. Link SMEs and students
   c. Carry out monitoring and evaluation of the program
   d. Provide consultancy to students

4. Businessmen
   a. Carry out guidance and supervision on entrepreneurship in a practical way
   b. Give feedback advice or tips on business development
   c. Become business partners of students who are participants in the program

5. Regional government
   a. Facilitate students who are participants in the program work on all issues that relates to starting, developing a business, right from technicalities, management, market information, permits and so on.
   b. Assist in establishing connection with business networks

Success Indicators of the Program

There are several criteria of success for institutions of higher education and students participating in the program.

Institutions of Higher Education:
   a. Number of students who are participants in the program
   b. Number of entrepreneurial students who start businesses
   c. Number of business units created
   d. Sustainability of the program
   e. Number of surviving business units and sustainability of businesses
   f. Involvement of businessmen and level of satisfaction with the execution of the program
   g. Effectiveness and efficiency in the use of funds
situation is similar to what happened in other countries. According to Kourilsky and Walstad (1998), in the United States, males were significantly more likely than females to want to start their own business. Unfortunately, in the case of program in Gadjah Mada University, the women groups characterized those groups that failed.

There is no difference in performance among students drawn from different faculties. In fact, students who are drawn from the faculty of economics and business, show high likelihood of failing than is the case with those from other faculties.

Factors determining the success and failure of the program

There are several factors of business failure that can be found in the field. Some of them are highlighted as follows:

Erroneous business planning. Some of the participants used the money in wrong allocation. For example, they used most of the money for investment (hiring office or shop), while the allocation of money for working capital is less. In addition to that, erroneous business planning also relates to failures of choosing their business activity. Some of the businesses they chose are not prospective anymore. For example, running a new restaurant is not such an easy thing since there have been a lot of restaurants in many areas. Unless they open a new unique restaurant, they cannot compete with the existing restaurants.

Time distraction. Several groups face distractions in their business operations as they have to concentrate on their intensive studies. For example, there were some students who were in the fourth year had to go the field for the student service program, which is a compulsory course, for three months. Therefore, it often disturbs the continuity of their business activities.

Weaknesses of the program. The time for the program is too short. It is clear that the time for preparation and providing education and training on business planning is not enough before establishing a new business. For example, most of the participants did not have any experience in running a business. Moreover, they did not conduct apprenticeship to business partners that have been involved in the program.
Mistakes in the program administration. It related to time required for the disbursement of funds (administrative procedures), while groups were not ready to receive and use the funds. It is very often that the management has been trapped by the logic of project where they normally manage activities based on quantitative targets. In fact, in the case of entrepreneurship, the management has the flexibility in administering the program by considering the conditions they face. Unless the participants are prepared to run a business, the management will not disburse the money.

Lack of business motivation. It is very often that motivation has become one of the constraints of entrepreneurship activities. Many members in business groups lack business motivation and were participants merely to enable their groups to fulfill the requirements of the program. Some groups consist of people who were initially not interested in doing business. For example, they are actually just to do trial and error without serious commitments to involve themselves in business activities. For some people, their study is prioritised where demand for finishing their study as soon as possible coming from their family is strong. Doing dual activities between business and study may be considered bad.

Conclusions and Recommendations

Based on the discussion above, it is clear that entrepreneurship is an important element in human resource development. Many research findings show that there is a clear relationship between entrepreneurship and economic growth. It is advised that there is need to enhance such spirit in the private sector, public sector and community sector. By adopting the entrepreneurial spirit, human resource will become more innovative and creative, which values will contribute significantly to the creation of job opportunities and assist the economy rise out of the ongoing recession.

The implementation of the program in Gadjah Mada University in Indonesia has registered mixed results, with some successes and failures. Although it is not fair to evaluate the program as it has just begun, it is important to observe it to find any problems disturbing the process of implementation. Many factors have been led to the failure of the program among others, program weaknesses, errors/mistakes of the program, and factors relating the participants such as students busy academic schedule.

Building Entrepreneurial Spirit Through Higher Education

There is need to develop the Student Entrepreneur Program in more serious way. The involvement of various multi-stakeholders has to be strengthened in order to improve the performance of the program. For example, the role of business partners is important to give experiences to the participants of the program. They can share their experiences with students of participant in selecting the prospective business, expanding the market, and maintaining the customers. Transferring experiences of running own-business is such an important thing for students who have mindsets as employees.

The objective of the program is to ensure that entrepreneurial knowledge all participants acquire during the program enables them to succeed in managing their businesses. However, for those who fail to do so, considering the high demand for innovative and proactive human resources in the public and private bureaucracy driven by the ever increasingly competitive world, such knowledge will be very beneficial in their roles as employees in the private and public sectors.

References


