The 2nd International Conference on Entrepreneurship 2015

Scale Up Entrepreneurial Organization

August 27th - 28th, 2015

Universitas Ciputra, Surabaya, East Java, Indonesia
FOREWORD

Welcome to the 2nd International Conference on Entrepreneurship  
(2015 ICOEN, INDONESIA)

On behalf of The Distinguished Managing Director of Ciputra Group, The Excellence, Rector of Ciputra University, Keynote Speakers, Conference Co Host, Organizational Committee, Steering Committee, and The Honorable Presenters and Participants.

It is my great pleasure to welcome you to this International Conference on Entrepreneurship (ICOEN) 2015 in Indonesia.

The conference is held on August 27th and 28th, 2015. It attracts educators, researchers, and entrepreneurs which related with scientific disciplines of practitioners.

On this occasion, let me give special thanks to the Keynote Speakers (1) Prof. Annie Koh, Ph.D, VP for Office of Business Development Singapore Management (2) Edward Rubesch, Ph.D, Director of International MBA Program Thammasat University Bangkok, Thailand (3) Mohd. Shawahid Haji Othman, Ph.D, Professor of Faculty of Economics and Management, Universiti Putra Malaysia (4) Harun Hajadi, M.B.A, Managing Director of Ciputra Group, Indonesia (5) Prof. Michael Frese, Ph.D, Institute for Strategic HR Management, Reserch & Development Institute of Corporate Development LEUPHANA, Universits of Lueneburg, West Germany (6) Kim Sung Sup, Ph.D, Director of Small and Medium Business Administration, Republic of Korea (7) Yunita Resmi Sari, M.B.A Director of Small and Medium Enterprises Development Central Bank of Indonesia, and (8) Ir. Antonius Tanan, M.B.A., M.Sc., M.A President of Universitas Ciputra Education Center, Indonesia.

Your contribution to this seminar as reviewers and keynote speakers make this event more meaningful and evaluable. We are also thankful to all reviewers, for their commitment, effort and dedication in understanding the task of reviewing all of the full paper.

We would like to thank to all authors who have submitted their papers to be reviewed, those whose paper were chosen to be presented in the seminar, and those who have submitted manuscripts to be publishes in proceeding.

Last but not least, we would like to express our sincere gratitude to everyone who has contributed and made the joint conference a success.

Best wishes,

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NON FINANCIAL INDICATOR AS THE BETTER INDICATOR FOR START UP BUSINESS: CASE STUDY IN ENTREPRENEURSHIP EDUCATION

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ABSTRACT
Performance indicator plays an eminent role in business performance measurement. This also apply to entrepreneurship education which using experiential method. With this method students build a real business project as a tool to make sure that they learn to become entrepreneur. For several years facilitators are still debating which indicators to be the best implemented in student project. The purpose of this study is to investigate how facilitators measure the performance of student business.
This study uses qualitative approach with case study method. In-depth interview become the main tool for collecting data beside documentations and observation. We use purposive sampling method in order to get capable informants. Categorization is employed to analys data.
The result of this study shows that nonfinancial indicators are better than financial indicators. Several nonfinancial indicators are namely business growth, business process, business problem, and mindset. Nevertheless, this study also finds that nonfinancial indicators should be implemented together with financial indicator because both are complement rather substitution.

Keywords: nonfinancial indicator, financial indicator, entrepreneurship education, entrepreneur

INTRODUCTION
Recently entrepreneurship education grows significantly in Indonesia. The high level of unemployment, difficulties for job seekers, and the growth of “young entrepreneur” makes people aware that entrepreneurship education is eminent. Since 2001, Government of Indonesia through The Ministry of Education that also aware with entrepreneurship education creates many programs in term of entrepreneurship in higher education level. One of well known program is called Program Kreatifitas Mahasiswa Kewirausahaan (PKMK). The purpose of this program is developing entrepreneurship culture for students in the higher education. There are
other entrepreneurship program which is embedded in research and community service program which is funded by government.

Although many universities have already implemented entrepreneurship education programs but the method various. This can be understood since each academic institution has their own characteristics. Every institution has its own strategy in order to make their entrepreneurship education run well. The key issue of implementing the program is control system. This system will make sure that institution implement entrepreneurship education according to the plan. From accounting point of view those system is called management control system which function is to make sure all resources will be focus on institution goal.

According to Merchant and Stede (2007) Management control system is a system to ensure that the human resource behaves as expected by the organization. Flamholtz (1985) stated that management control system is a system focus on the important of controlling as a key factor to achieve goal. In order to achieve the goal Simons (1995) claim that management control system is divided into formal and informal control system. This system based on information used by management to manage and change organization activity. Furthermore Birnberg (1998) sharpen this concept by adding a new concept namely cultural control. There are mechanisms that link between organizational strategy with day-to-day operational activities in order to ensure that the organization consistently run in accordance with the plan.

Several concepts above show that management control system is a tool to achieve organization goal. It can be concluded that control system will ensure all organization resource be empowered efficiently and effectively to achieve organization goal. Using those concepts the management control system in this research is the control system that ensure academic institution will implement entrepreneurship education effectively and efficiently. One of vital elements of management control system is performance measurement (Merchant and Stede, 2007, Anthony and Govindarajan, 2007). This research engage especially with performance measurement indicators.

Several research have been done in term of the role of management control system in higher education. All of the research find that management control system influence significantly on performance. Management control system gives positive impact on learning, teaching, decreasing teacher turnover, and increasing research performance in higher education (Hallinger, 2010; Grant, 1998; Campbell et al., 2010; Overell, 2004; Schulz dan Tanguay, 2006; Turk, 2007; Terpstra dan Honoree, 2009). Findings from several studies also shows management control system bring positive impact to teaching performance in higher education (Lindsay et al., 2009; Turk, 2007; Terpstra dan Honoree, 2009).

Other researchs find that management control system is able to increase services, reduce teacher’s dissatisfaction, and motivate leader (Terpstra dan Honoree, 2009; Iris, 2012; Terpstra dan Honoree, 2008). From these researches show that the role of management is very important for sustainability of higher education. However there are still few researchs regarding the role of management control system in entrepreneurship education. This research fill the gap about it.

The uniqueness of entrepreneurship education lies in the teaching method. There are several method namely experiential based learning, problem based learning, effectuation, dan other methods which very specific for entrepreneurship education. Therefore this research explore the role of management control system in entrepreneurship education, especially in experiential based learning.

The purpose of this study is to investigate performance indicator which is used by facilitators to value student business projects. According to management control system concept, there are two indicator namely financial indicator and nonfinancial indicator. This study will explore which is
the most relevant indicator in term of performance measurement for start up business. This issue is very interesting since there are big different between established company and start up company, therefore it will be different in term of performance measurement indicator.

LITERATURE REVIEW
This study uses qualitative approach therefore the purpose of this study does not intent to confirm theories. This research does not based on certain theory, but the theory in this research will be used as insight for research finding.

Management control system is a systematic process to ensure that management is able to manage and coordinate all organization resources in order to achieve goal congruence. Merchant dan Stede (2007) states that management control system ensures that human resources are managed in accordance with the organization goals. However Anthony and Young (2003) states management control system covers all operational aspects of the organization. Another definition has the same meaning that is management control system is related to how to motivate or influence people (Hongren et al., 2005; Marginson, 2002; Anthony and Govindarajan, 2007). Management control system will coordinate and control all the resources within organization to ensure that the resources are used to achieve organizational goals that have been set (Marginson, 2002).

In term of higher education the concept of management control system is not different from business entity. Management control system can be applied both profit oriented entity and non-profit oriented entity. One of the important core concept of management control system is performance measurement (Merchant and Stede, 2007; Anthony and Govindarajan, 2007; Anthony and Young, 2003). Performance measurement is very essensial since this measurement will drive human resource to give their best so that they can contribute their performance to organization. One of the critical point is performance indicators. Performance indicator will lead management to control and value of performance and will be use as the basis of performance measurement. This research will focus on performance indicator since this aspect is very important to determine the start up business performance.

RESEARCH METHOD
According to the research goal that is to explore and describe performance indicator then this research will use qualitative approach. Case study method is used as a research strategy so that researcher is able to explore deeper about how facilitator apply performance indicator in entrepreneurship education.

We use in-depth interview, observation, and documentations to collect the data needed. We put emphasize at in-depth interview since we want to explore opinion of informantts. Purposive sampling is used to collect sample in order to ensure that we select the right informantts.

FINDING AND DISCUSSION
There are several steps in term of choosing informants. First, we identify the right person to become informants. The informant must be facilitators who have good student business project, at least their student has entrepreneurship award in certain semester. Then we choose informants and we find 8 informants for this research. We make in-depth interview for every informant and it takes about 30 to 45 minutes each. After that, we analyse the outcome by interpreting the answers.
We find two performance indicator namely financial indicator and non financial indicator. Surprisingly most of informants said non financial indicators is more important than financial indicators. Although informant more focus on nonfinancial indicator but yet financial indicator also considered.

According to informants, performance indicator should be set up early before student running their business project. Actually there are two indicator namely program indicator which is set up by coordinator on the behalf of department and individual performance which is set up by lecturer as a facilitator. This research gain deeper understanding about performance indicator from facilitator point of view. This study find that there are two financial indicator namely omzet/revenue and profit. Moreover there are many nonfinancial indicator which is according to all of informants is more important than financial indicators. This fact opposite from normative which is financial indicator is more important than nonfinancial indicator.

Financial Indicator: “Conservative Indicator”

We investigate what is the primary indicator in term of performance for student business. Unexpectedly all of informants recommend that non financial indicator is the crucial indicator, they never propose financial indicator as a prime indicator. They argue that many of students still difficult of counting financial matter therefore it is hard for them to trust “number”. Many students still difficult to interpret cost and revenue, sometimes they forget to include several cost and exclude revenue.

“it is a mistake if we calculate the profit simply from materials. They are not considering the energy, time, and also gasoline they’ve spent. They actually reported loss, but on the contrary their income statement state profits” (informant G)

One of the weaknesses of a student business is how they compute earnings. Most of them never calculate labor costs, fuel they use and utilities (electricity, water) as well office supplies. Consequently they makes biased in their income statement. The next reason is because the facilitator argue that the achievement of financially is delusive. Although students have good financial performance but if they do not go through the process properly then it's useless. As expressed by one of the following facilitators

“As a mentor I never pay attention to their financial achievement, because I think it is something delusion …it’s good to know that they shows some progress in their finance, however we need to examine whether those progress emerge form a right process” (Informant U)

The informant claim that the financial indicators do not give a real picture of the student business performance, because the facilitators tend to focus on business process rather than business results. They argue that process is more important than result in term of entrepreneurship education. High revenue and profit means good financial result, but it is nothing if student fail to do the process appropriately. This also indicates financial indicator can be easily manipulated by the students. If students do the process correctly than financial outcome will follows. Several facilitators use revenue as financial indicator:
“Revenue can be one of successful indicator, 15 million all come form their family, it can be excepted if revenue is one of the indicators, although there is some process inside” (informant G)

The reason they use revenue as indicator is because they assume that revenue is easier to see and moreover it can be “a tool” to increase student spirit to run their business.

“…Sales can be used to motivate student, and sales is the most visible measurement …however it is must be match up to other measurement…” (informant H)

Other informant give different opinion. She use revenue as indicator because revenue can describe target market and how business can increase market share. Again, since this is a start up business then revenue is the best measurement for performance indicator. This is because revenue can refer to how market accept student products. Therefore according to her, revenue is better than profit since it is hard for start up business to gain profit in their early business.

“I’m using sales to find out the market acceptance of their product. At start up stage they are still in the phase of introducing their product to market. I concern with the start up project so I put may focus on sales because they usually still produce small amount of profit margin.” (informant Y)

Nevertheless profit, according to several other facilitators, is the important performance measurement for student business.

“The indicator of the project is making money, profit” (Informant K)

They find that profit is better than revenue since profit is net income which mean income that really belong to students. However, facilitators still insist that student must calculate well in order to show the right profit. This is the big obstacles for student namely calculating profit according to the accounting rule.

“There are alot of variety of products that they sell. However it is a mistake if we calculate the profit simply from materials. They are not considering the energy, time, and also gasoline they’ve spent. They actually reported loss, but on the contrary they report profits in their income statement” (Informant G)

Revenue and profit are the best financial indicator according to facilitators. Although they argue that nonfinancial is more important, but yet they always notice financial indicator to make sure that the student business running well.

Non Financial Indicator: “More Relevant indicator for Start-up Business”

As mentioned before, all of facilitator propose that non financial indicator is more relevant than financial indicator in term of student business, which is still start-up business. Facilitators argue that financial indicator is not the primary indicators; there are alot of non financial indicator that is more important. They think that if student achieve non financial indicator then automatically they will achieve financial indicator. This research also reveal that facilitators focus on process
rather than result. The next part will present non-financial aspect which is used as non financial indicators.

Growth is the first non financial indicator. Facilitators argue the growth of economic scale is very important for start-up business. Meaning products is able to be recognized by market yet students still “new player” in the market.

“the growth… so the longer the period the bigger the scale” (Informant A)

“They’re growing … my expectation they grow regardless the percentage of it, what I’m looking for is growth in the area that I believe the most crucial” (Informant U)

Frankly speaking, although there are only a few businesses that have economic scale but there is still growth for several other businesses. Growth also cover growth in key partner business.

“how many parties that agree to cooperate with us … because relations can contribute to sales and profit” (Informant K)

The customer growth is the important indicator. Facilitators claim the bigger customer the bigger opportunity for student product can be accepted by market. Furthermore, re-order customers are very important since it describes the level of products acceptance, meaning there are customers favor to the products. Increasing customer growth also means that student products have started competing with “old players”.

“it is not bigger sales nor buyer. I prefer bigger customer” ( informant A)

“… how many customer they obtain and how many customer willing to back again …” (Informant H)

“… the business project is known by society …” (Informant H)

“within this month you must able to offer you product to several outlets” (Informant U)

Process becomes second non financial indicator. Through process student will increase their competencies in doing business, therefore doing process properly is very important in start-up business. Student should follow phases since they start through phases they will learn how manage their business. The role of facilitator in this point is imperative and significant because they have to formulate the system which is contains of program and stages for the students to follow.

Process covers getting raw materials, production, selling, and after sales commitment. Students have to have experience in these stages in order to be good business man. Following is the facilitator opinion:

“…sales related with the production, related with the marketing, because if there is an absence of production then it will be no marketing, no distribution and no sales. So if the sales is good and so the marketing and production, but with the assumption they not running the business with their own family …” (informant G)
Following process correctly, students will learn a lot how to manage their business. If student manage the business well then automatically revenue and profit will be generated. That is why all of facilitators claim process is more important than result, in other words non financial achievement is more important than financial achievement.

“it’s good to know that they shows some progress in their finance, however we need to examine whether those progress emerge form a right process” (Informant U)

According to facilitator experiences “handling customers” is very important skill for students in term of business process. Facilitators consider that the ability to students to manage complaint is one of the important non financial indicator. This capability shows the maturity of students in negotiating or dealing with “experienced-people” especially the supplier and customer. This capability demonstrates student professionalism. Hopefully by experiencing how to handle customer students will be more confident in doing business.

“…in my opinion successful indicator for the project is the ability to handle complain because it shows their maturity and professionalism…” (Informant H)

The next process indicator is problem. As shown below:

“the first thing for the business to be called success is business with lots of problem sir. If the project face alot of problem is because the more they try the more they will fall. I told my students that 20% of my value indicator is problems, no problems means they loss 20% so they keep tag me with their problem” (Informant A)

The underlying concept of why problem become indicator as follow. Problems will increase student maturity in doing business. Student capability in solving problem will build strong mentality and ability to make decision. Student will experience up and down business cycle, it will make them more persistence and calculated risk taking. This study also indicate, form facilitators point of view, that student who experience a lot of problem will learn to create and formulate new strategies and creative tactics to maintain their business. Problems also bring student close to facilitators, especially when there is internal problem emerge in students business group.

“…sometimes I saw conflict between members, if they told their problem to me and it can be directly solved and it means their business is running, if there is no conflict then it’s impossible that their business is running…” (Informant Y)

Facilitators indicate problem as a sign that student runs their business. Facilitators argue if students run their business then they will face problems. Consequently, problems bring a lot of discussion which come up with new ideas. New idea to solve interrelation problem, marketing strategy, new product packaging, new product or service development, etc. Facilitators observe student who ask for discussion to solve their problem usually have better business.
“there is a problems to be discuss, so they do not come with empty handed”
(Informant M)

The last indicator and maybe this is the most important indicator namely the change in mindset.

“because my indicator is mindset, I consider student to be called success …, my successful indicator is mindset” (Informant M)

Changing mindset means student change how they think and act become entrepreneurs. They need to have entrepreneurs’ character then they will able to start up business and, of course, develop the business. Mindset is very important to drive student behavior, once they tune in with entrepreneur mindset then they will act, speak, and think as an entrepreneurs. This is argumentation why mindset is the most important for start-up business.

CONCLUSION
Doing in-depth interview with several best facilitators bring new insight in term of performance measurement for start-up business. When we came to research field we think that financial indicator become the main indicator in measuring student business. We think that we are right, but finally we realize that we are wrong. All those best facilitators come up with new idea and new approach that financial indicator is not the main indicator.

This research find that non financial indicator become the essential indicator in measuring student business as start-up business. Several non financial indicator covers business growth, business process, business problem, and changing mindset. By executing business process properly than automatically impact financial matter. This also applied in business growth and business problem. All non financial indicator will impact financial indicator. Nevertheless this research find that non financial indicator must be used together with financial indicator. They are complement rather than substitution indicator.

This research suggest that we have to focus on non financial indicator in order to give good impact for student business. We have to control non financial indicator to make sure students run their business well.

REFERENCES


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Note: 

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