FRAMEWORK ENTREPRENEURIAL SUCCESS FOR YOUNG ENTREPRENEUR

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Abstract: This research is a literature study that aims to find a model to examine factors that play major role in forming a college student as well as business owner to become a successful entrepreneur. Literature study has been done by grouping the individual factors which encourage someone to become entrepreneurs through research that has been done by previous researchers, and then selected factors that effect in the successful journey of an adult entrepreneur. Based on the conducted study it was found that the personality factor is a strong motivation for an individual person who is able to determine someone success. Another interesting factor is the style of parents in educating this individual, in which the authoritative parenting style plays more important role in the success of adult entrepreneurs than other parenting styles. Besides, for an entrepreneur, entrepreneurial competence is needed to support the individual’s success. Therefore the model generated from this research is the entrepreneurial personality using the big five personality approach so that has five variable manifest and authoritative parenting style as an independent variable to entrepreneurial success, whereas entrepreneurial competence becomes the mediating variable between an independent variable and dependent variable where entrepreneurial competence has six manifest variables.

Keywords: entrepreneurial success, entrepreneur, personality

Entrepreneurship is a topic that is widely studied. Sambasivan, Abdul & Yusop (2009); Sidik (2012); Jo & Lee (1996); Obschonka, Silbereisen, Schmitt-Rodermund & Sutuetzer (2011); Tenibiaje (2010) conducted research on the success of an entrepreneur. These studies identify the factors that make an adult entrepreneur able to achieve success. Variables such as competence, personality, intention, motivation, and experience demonstrate their role in supporting Adult entrepreneur to achieve success. On the other hand, research on Young Entrepreneur and entrepreneurial success are rarely done. Research on the Young Entrepreneur is done is related to why a person chooses to become entrepreneurs while the others do not or surrender.
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The Central Bureau of Statistics (BPS) clarifies by adding the amount of Labor which categorized to that classification. According to BPS, micro business has less than 5 workers, while small business has workers of between 5 and 19 people. Medium business is a business that has workers between 20-99 people (Central Bureau of Statistics, 2014). Organization for Economic Co-operation and Development (2000) states that the presence of SMEs has an important role in the economic development of a country. Based on the Ministry of Cooperatives and SMEs data (2014), SMEs have a major role in the Indonesian economy, especially reducing unemployment and contributing more than 50% to Indonesia’s Gross Domestic Product (GDP).

Kirzner (1973), Scarborough (2012), and Morris (1998) define entrepreneurship as a process to achieve opportunity by calculating existing risk by creating something that has value. In 1981, Birch linking entrepreneurship with small businesses, “The focus on the entrepreneur and the important role of small businesses in creating jobs (Birch, 1981) has

Research that explores the success of young entrepreneurs with a focus on the individual that hasn’t much been done, even though to understanding it would support the education of an entrepreneur so that the young entrepreneur who continues to develop its business and does not give up in doing business and their amount can be increased. The increasing quantity of young entrepreneurs in developing their business will encourage the young generation to become an entrepreneur especially those who have higher education so they can manage the business with their knowledge and skill they obtain from their field of education, as stated by Kolstad & Wiig (2014) that the education provides foundations for the success of an owner to manage his business.

In Indonesia, the problems relating to education and entrepreneurship to become concern by the Indonesian government. The minister of cooperative and SMEs of Indonesia stated that the improvement of entrepreneurial spirit, especially in universities, is highly needed, due to the existence of entrepreneurial spirit will create educated entrepreneur as a solution to improve SMEs in Indonesia. (Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, 2011).

The purpose of this research is to build entrepreneurial success model for a young entrepreneur while still attending study at a university that would help to improve the success of entrepreneurial education, especially in Indonesia. The understanding concerning the college students as well as a business owner is expected to support entrepreneurship education in Indonesia.

LITERATURE REVIEW

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) AND ENTREPRENEURSHIP

The classification of small businesses in each country is different. In Indonesia, based on Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) is included in the following criteria:

Table 1 SMEs Definition by Ministry of Cooperatives and Small and Medium Enterprises in Indonesia

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Assets</th>
<th>Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Micro Business</td>
<td>≤ 50 Millions</td>
<td>≤ 300 Millions</td>
</tr>
<tr>
<td>2</td>
<td>Small Business</td>
<td>&gt; 50 Millions – 500 Millions</td>
<td>&gt; 300 Millions – 2.5 Billions</td>
</tr>
<tr>
<td>3</td>
<td>Medium Business</td>
<td>&gt; 500 Millions – 10 Billions</td>
<td>&gt; 2.5 Billions – 50 Billions</td>
</tr>
</tbody>
</table>

Source: Central Information Commission of the Republic of Indonesia (2008)

The Central Bureau of Statistics (BPS) clarifies by adding the amount of Labor which categorized to that classification. According to BPS, micro business has less than 5 workers, while small business has workers of between 5 and 19 people. Medium business is a business that has workers between 20-99 people (Central Bureau of Statistics, 2014). Organization for Economic Co-operation and Development (2000) states that the presence of SMEs has an important role in the economic development of a country. Based on the Ministry of Cooperatives and SMEs data (2014), SMEs have a major role in the Indonesian economy, especially reducing unemployment and contributing more than 50% to Indonesia’s Gross Domestic Product (GDP).

Kirzner (1973), Scarborough (2012), and Morris (1998) define entrepreneurship as a process to achieve opportunity by calculating existing risk by creating something that has value. In 1981, Birch linking entrepreneurship with small businesses, “The focus on the entrepreneur and the important role of small businesses in creating jobs (Birch, 1981) has
led to the identification of the entrepreneur with the owner-manager of the small business” (Rocha & Birkinshaw, 2007). The statement was supported by a statement from the Organization for Economic Co-operation and Development (2000) which stated that entrepreneurial activity plays an important role in developing small scale company, entrepreneurial activity will always play a role since the company’s initial stand up to the end of the company. Consequently, the small businesses that are growing including in the process of entrepreneurship where the owner can be categorized as an entrepreneur, who perform entrepreneurial activities. This definition is reinforced by the statement of Longenecker, Palich, Petty, & Hoy (2012) which states entrepreneurs usually is an individual who found what the market really needs then they start a firm to produce or service the market need. The individual who found that need and builds a business have a mindset to seeking new opportunities, if they can focus on their business, they can lead their business to become a successful venture. Based on that statement, owner of a startup business usually an entrepreneur who can find opportunity and take an action.

With the understanding of the Entrepreneur and Entrepreneurship above and based on the definition of SMEs in Indonesia, the business owner which on early growth (startup business) with the income of under Rp. 2.5 trillion with less than 20 workers can be categorized as an entrepreneur since performing entrepreneurial activities and building the business. The existence of this business is also helping to reduce unemployment.

ENTREPRENEURIAL SUCCESS

The definition of success is fundamentally different for every individual. Wickham (2004) states that success cannot be defined because success is a difference for different individual. Some person said he/she is successful individual, other with the same circumstance said that he/she still not a success, even other people said he/she is a successful person, maybe he/she believe in their mind that he/she is not a success. Based on that statement the definition of success is not only shown but more on a personal level where only that individual who is able to understand the success for himself. For an entrepreneur, success has four aspects namely 1) Performance of the business indicated from the financial performance; 2) Able to achieve expectations; 3) Individual development and 4) Actual achievement that exceeds the average expectation. Longenecker, Moore, Petty, & Palich (2008) Stated that, for a young entrepreneur, the expected accomplishment is the legacy/inheritance. The legacy is intended not only for his family inheritance but also for the community. This definition of success is appropriate for Adult Entrepreneurs (entrepreneurs who have been in this field for a long time), but for young entrepreneurs (startup entrepreneurs), the meaning of this success is not appropriate.

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The definition of success for Young Entrepreneurs is harder to be described than for Adult Entrepreneur, Schaper, Volery, Weber, & Lewis (2011) states in their article that entrepreneurship is related with how to discovery and gets the opportunity to achieve advantage in their private life and social life. The measurement to measure their performance should be simple, so they can understand in which level their achievement. Comparing to other individual performance who own larger business is not required because the definition of success is a difference between large business and startup business. From that statement, it’s understandable that the measurement of performance for the entrepreneur is different with the performance measurements for large companies. For Young Entrepreneurs whose business is still in the start-up phase, the standard performance to measure its success is difficult to be done in financial terms (Van Praag (2005), Perez & Canino (2009)). Caree & Verheul (2012) proposed that entrepreneur performance affect satisfaction, although the level of satisfaction is different, however, can be inferred when a person feels successful then they will be satisfied.
THE FACTORS THAT AFFECT ENTREPRENEUR PERFORMANCE

Satisfaction is one of the signs that indicate someone feels successful with what he achieves. Achievements for Young Entrepreneurs are measured through its business performance both financially as well as non-financially (Van Praag, 2005). The underlying research of entrepreneurial success for adult entrepreneur has been widely practiced, as well as for students in learning simulations, however, it hasn’t been practiced much for the student who is really running the business during college.

Researchers which conducted by following researchers show the factors which influence the success of Adult Entrepreneur both personally as well as by external influence. Schmitt-Rodermund (2004) proposed that entrepreneurial personality and authoritative parenting style influence entrepreneurial success. The same thing has been suggested by Tenibiaje (2010). Sidik (2012) found that the influential factors other than personality is the entrepreneurial orientation, while Markman & Baron (2003) focuses more on the existing dimension within entrepreneurs such as how the individual can recognize opportunities, their human and social capital, personal perseverance and their skill related to other build networks. Jo & Lee (1996) found that education and experience in business are contributing to success. Entrepreneurial intentions (sustainable attitude, perceived desirability, and feasibility) are another factor that plays a role according to research by Koe, Omar, & Sa’ari (2015). Brandstatter (2011) divides 2 groups of factors that play the role of personality and human capital.

RESEARCH METHODS

This research is a literature study that aims to build a model. In this research, the analysis conducted focuses on the theory that has been studied by previous researchers. The theoretical focus of this research is to explore the factors that were suspected affected young entrepreneur to become a successful entrepreneur. The result is a model that can later be used in quantitative research that will be done to test that model.

DISCUSSION

The researchers which discuss factors that have a role in both within an individual as well as externally which affect an entrepreneur to achieve success can be seen in Table 2.

Based on table 2 shows that personality is a factor that is proven to have a role in the entrepreneurial success. Previous research shows that personality can support an individual to become a successful entrepreneur. In building a model that is intended to ensure factors which can have a role for a college student as well as a young entrepreneur to become a successful entrepreneur, Personality is a factor that becomes an independent variable to supports that success. Previous research also found that personality plays a role to build the intention in individual so he/she want to be an entrepreneur (Altinay et al. (2012); Obschonka, et al. (2010); and Zhao, et al. (2010). With the Big Five Personality approach introduced by Digman in 1990, research on entrepreneurial personality has been widely practiced; however, the results of the research are still varied. Based on a consideration that personality can influence in successful an entrepreneur and supports the developing intention to become an entrepreneur, personality can include in the model.

The measurement to measure personality related to entrepreneurship in the previous study usually using Big five personality. Big five personality introduce in 1990 by Digman and has five traits. The first trait is extraversion, a person with high level of extraversion shown as open person, easy to socialize. The opposite of extraversion is an introvert person. Second and third traits are conscientiousness and agreeableness. A person with high level of conscientiousness has a discipline and responsibility. Agreeableness showed by a person who easy to believe the others, they cannot see the other have another agenda than what they show. The other two is openness and neuroticism or emotional stability. People who have an open mind and can accept the new idea is people with high level of openness. People with high level of neuroticism does not mean crazy but they can control their emotion, they can easily get depressed. Emotional stability is
opposite from neuroticism. Based on big five personalities, five traits combined in one person to become one personality, so a person personality is a difference with another person because of different combination of five traits (McCrae & Costa, Jr. (2003)). The following are results of the comparison of some researchers that use big five personalities as an approach.

**Table 3** Comparison Personality Traits Related to Entrepreneurial Activity

<table>
<thead>
<tr>
<th></th>
<th>Agreeableness</th>
<th>Openness</th>
<th>Neuroticism</th>
<th>Extraversion</th>
<th>Conscientiousness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schmitt-Rodermund (2004)</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Brandstatter (2011)</td>
<td>Not correlated</td>
<td>+</td>
<td>Low</td>
<td>High</td>
<td>+</td>
</tr>
<tr>
<td>Obschonka, Sibereisen, &amp; Schmitt-Rodermund, (2010)</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Leutner, Ahmetoglu, Akhtar, &amp; Chamorro-Premuzic (2014)</td>
<td>Correlated</td>
<td>Not correlated</td>
<td>Not correlated</td>
<td>Correlated</td>
<td>Not correlated</td>
</tr>
</tbody>
</table>
Based on Table 3 shows that the result of researchers on the entrepreneurial personality with the big five personality approaches is still varied despite the overall five traits, 2 traits always have a positive relation, negative relation, or simply affect toward entrepreneurial activity. Therefore, the entrepreneurial personality factor is interesting to be included in the model to test whether these factors play a role in supporting students as well as the owner of start-up business to become an entrepreneurial success due to 1) Personality is proved can support the success of adult entrepreneurs; 2) Research results concerning entrepreneurial personality with big five approach indicates that the trait is still varied.

Other factors that are widely researched and have a role are competence, human capital, social capital, family, and intention. Herman & Szabo (2014) in their research states that to improve entrepreneurship performance requires performance improvement from within the individual himself apart from his company. The statement also supported by Alvarez & Barney (2002). They state that entrepreneurial is about how to create a new resource or how to combine existing resource in new method they can have a new product/process/method that supports him/her to achieve another resource. The entrepreneur’s ability in managing and developing their assets is an important factor that supports his success; therefore competence factor is one that supports the success of an entrepreneur. Human capital consists of knowledge, skills, and abilities that can be substantially enhanced by education and experience, although can be affected by factors within the individual such as personality (Obschonka, et al. (2011); Markman & Baron (2003)). Social capital is an individual ability to build relationships with other individuals (Markman & Baron, 2003).

Man and Lau (2000) stated that entrepreneurial competence has six components namely opportunity, conceptual, relationship, organizing, strategic and commitment, while Rahman, Amran, Ahmad, & Taghizadeh (2015) stated that there are four components in the entrepreneurial competence namely opportunity, strategies, conceptual and technical. Tehseen & Ramayah (2015) on the other hand stated that the components of entrepreneurial competence are strategic, conceptual, opportunity, learning, personal, ethical and familialism. Related to the components in the entrepreneurial competence which is recommended by previous researchers, human capital can be considered to be part of the entrepreneurial competence due to the conceptual components, learning and strategic, while social capital and the components of the relationship, personal, ethical and familialism are the ability to build relationships with other individuals. Therefore, social capital and human capital can be included as an entrepreneurial component competence builder of an individual. Therefore in the model that entrepreneurial competence would be formed can be a suitable variable to be tested further as a factor supporting the success of young entrepreneurs.

Components of the entrepreneurial competence which vary indicate that the research related to entrepreneurial competence can be developed further. Based on the components studied by previous researchers, opportunity, strategic, and conceptual are the three components found in each study. Therefore the three of them will be used in forming the components of entrepreneurial competence. The relationship is an added factor because in the relationship according to Man and Lau (2000) is a competence to relate/interact with other individuals. This definition is appropriate with social capital where the social capital in which plays a role in forming entrepreneurial success. Other components that can be included is organizing related to human capital because in managing the company, the ability to manage resources is an important factor, while commitment is needed for an individual to be able to grow with his business.

Related to the entrepreneurial personality, entrepreneurial competence is influenced by the personality as stated by Obschonka, et al (2011). Therefore in the making of this model, the relationship between entrepreneurial competence and entrepreneurial personality is the entrepreneurial personality as independent variables from the entrepreneurial competence.

Family factors is another factor that has been proven affecting the success of an entrepreneur. In
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research of Schmitt-Rodermund (2004) and Tenibiaje (2010), a family is more dedicated to the parenting role in forming an entrepreneur. Zafar (2013) reinforced that research results by arguing that a father who works as businessmen became role models for their children so the children are motivated to establish their own business. Other research related to family is Chen et al. research (2014), in this study does not specifically specify the role of parents but the role of the family as a whole, but this research also proposed that the family is important for the success of an entrepreneur. In a research outside the context of the entrepreneurship, the role of parents in supporting an individual performance, especially in the academic field are more widely studied. Baumrind in 1971 was the first person to investigate the parenting style with regard to the parent’s role towards a performance of his child. In his research, Baumrind proposed that there are three styles in forming a child namely authoritarian, permissive and authoritative. In 1983, Maccoby and Martin added neglectful to the three parenting styles as stated by Baumrind (Garcia & Gracia, 2009).

In regard to the academic, Shute, Hansen, Underwood, & Razzouk (2011) stated that authoritative parenting style (where parents give limitations for his children as direction as well as responsive to his children needs) is a parenting style that plays a role in an individual’s success. This research is supported by research of Garcia & Garcia (2009). Related to the entrepreneurial activity, Schmitt-Rodermund (2004) and Tenibiaje (2010) also proposed that the authoritative parenting style has a role in supporting adult entrepreneurs to achieve success. Based on these research of the four parenting style, authoritative parenting style is a variable that can be added to the research model to find out more about the role of the variables in entrepreneurial success especially related to the college students who establish business while in college.

Schmitt-Rodermund (2004) and Tenibiaje (2010) have shown that authoritative parenting is able to affect early entrepreneurial competence (wherein both types of research are competence when the entrepreneurs are still little kids), based on that researcher that there are indications that the authoritative parenting style affects the entrepreneurial competence within individual who runs business. The model built in this research is intended for young entrepreneurs who are still in college so that entrepreneurial competence approach is more suitable than early entrepreneurial competence since the startup business owner has been running the business while still in the academic world. Therefore, authoritative parenting style is suggested to be an independent variable of entrepreneurial competence. Based on the relationships that are found from all of these three factors (entrepreneurial personality, authoritative parenting style, and entrepreneurial competence) then in this figure below is shown of the relationship between those three.

![Figure 1: Relationship Suggestion between Entrepreneurial Personality, Authoritative Parenting Style, and Entrepreneurial Competence](image)

Entrepreneurial personality has been proven to have a role in the entrepreneurial success, however, the result of traits in the big five personalities are still varied in various researchers. The results of testing the relationship between entrepreneurial personalities by using the big five personality approach when there are factors that mediate and in the research on entrepreneurial competence it is mentioned that entrepreneurial competence is influenced
by entrepreneurial personality, therefore in this recommended model the relationship between entrepreneurial personality and entrepreneurial success will be mediated by the entrepreneurial competence (no direct relationship). Authoritative parenting style has not been proven to have a direct relationship with entrepreneurial success. Furthermore, research on these variables is associated with entrepreneurial activity has not been done, so in the suggested model authoritative parenting style and entrepreneurial success will be mediated by entrepreneurial competence. Entrepreneurial competence has been proven to affect entrepreneurial success (Table 2) although the components of entrepreneurial competence are still varied.

Based on a study which carried out by exploring researches that have been done previously, then the following research model which proposed to prove that the individual factor especially personality and parenting style in educating enable the college student to achieve success in developing their business even though still attending their college.

In this model, the entrepreneurial personality will be measured by using the big five personality approach and entrepreneurial competence will be measured using six components from Man & Lau (2000). Basically, this model is the development of a Schmitt-Rodermund model (2004) who conducted a study based on the theory of Holland’s RIASEC vocational personality namely development model of entrepreneurship.

CONCLUSION

Factors that play a role in forming entrepreneur success vary greatly. Based on the conducted literature studies, entrepreneurial personality and authoritative parenting style are two factors that make individuals become successful entrepreneurs. Entrepreneurial personality has been proven in various studies that affect the success of an entrepreneur while parenting style is an interesting factor to be included in research related to entrepreneurial activity because in an academic research has been proven that it supports children performance, although there has not been much research which associates entrepreneurial activity with an authoritative parenting style. The model generated from this study suggests entrepreneurial competence as a mediating variable due to the previous research that proves that entrepreneurial competence is influenced by entrepreneurial personality and authoritative parenting style while entrepreneurial competence has been proven affecting directly towards entrepreneurial success.

FURTHER RESEARCH

The proposed further research is testing the models that have been proposed using a quantitative approach. The purpose of this model testing is to prove whether the proposed model is the right model in the proposed factors which forming successful entrepreneurs among college students as well as building a business in college.
REFERENCES


Man, T. W., Lau, T., & Snape, E. (2008). Entrepreneurial competencies and the performance of small and medium enterprises: an investigation through a