

CHAPTER 1

INTRODUCTION

1.1 Research Background

Small Medium Enterprise (SME) is so popular in nowadays business. Indonesian Central Bureau of Statistics gives the data about how much SME grows and develops in recent years. SME takes over almost all the market share of the business, and SME's trend in Indonesia has increased every year. These growth have significant role in economic growth of Indonesia. SME has opened job opportunity and was decreasing the amount of unemployment in Indonesia.

The trend of Small Medium Enterprise also spread all around West Sumatera. The percentage of SME's growth much bigger than large business. Data from Statistics of West Sumatera (2011) informed that large business only own less than 1% of market share in West Sumatera business, meanwhile SME own more than 99% of the market share. This data show us how much SME takes over the economic growth in West Sumatera. When large businesses have a difficult time to maintaining its business, SME still has its power to develop.

Higher market share shown in the data did not always show that SME in West Sumatera running so well. The quarter and annual report for SME show a fluctuating graph. Some small and medium industry has decreased and has a negative trend. This negative trend occurs because of some industry decreasing its production, and it affects small and medium industry overall. The growth of Small Medium Industry in West Sumatera for 2017 is -2.58%, means the industry decrease for 2.58% from last year growth (BPS 2017). The following table shows the units of SME in West Sumatera. The newest data that researcher can get from



BPS of West Sumatera is only the data of SME's units in West Sumatera in 2013 until 2015, as follows:

Table 1.1
Units of SME in West Sumatera
Year 2013-2015 (Unit)

Year	Small	Micro	Total
2013	8007	57987	65994
2014	5107	71413	76520
2015	4288	63409	67697

Source: BPS West Sumatera, 2018

The reason behind the increasing of SME's growth is probably because many people have desired to be an entrepreneur. So many successful entrepreneurs can be the role model, and there are many opportunities to start a business. But, we also need to take a look at the negative trends that happens. Why there are negative trends in some industry? Why an industry closed or reduced its production? There must be entrepreneurs that closed their business in the middle of SME's growth. Entrepreneur shutdown their business is not a new things. Competition in SME's field can be so tight. But, as an entrepreneur, a failure can be taken as a lesson to start a new one. Success entrepreneurs have two or three failures before they considered as a successful entrepreneur (Wadhwa *et al.*, 2009). Lafontaine and Shaw (2014) explained in their research that there are three elements can be found after an entrepreneur fail to continue their business. The elements are the process of learning that they got when they fail in business, change of behavior, and new experience in running a business.

There are factors that influence entrepreneurial success. Rahman (2011) and Rahman and Day (2012) has stated that psychological factors, environmental factors, and sociological factors are the factors that influence the success of a business. If there are factors that influence the success of an entrepreneur, so there must be factors that also influence entrepreneurial failure. What can it be?

Entrepreneurial failure defined by Liao *et al* (2009) as the discontinuance of venturing efforts by entrepreneurs. Everet and Watson (1998) described in their research that a failure in business occurs due to the lack of adequate financial resources. Many others research also pointed that financial problems in a business is the reason why a business collapse. Meanwhile, many other factor that could be the reason of entrepreneurial failure. It can be divided by internal factors including company's management and policies, and external factors that include the general and immediate environment of the company (Ooghe and De Prijcker, 2008).

External factors could become from the environment around the business that does not fit well with the business, and the internal factors could be come from psychological characteristics of the entrepreneur or either how individuals see an opportunity around them. Both of the factors can lead entrepreneurs to the failure if they do not handle the pressure well. There are two possibilities that could happen in the end. First, the entrepreneurs can take the failure as a lessons and start a new one. Second, they stop doing the business and looking for another job opportunity. So, it can be concluded that psychological characteristics of the entrepreneurs play an important role in business sustainability.

Talking about psychological characteristics of the entrepreneurs, nascent entrepreneurs in their young age still have unstable psychological state than other older entrepreneurs. That also indicated that psychological factors could affect nascent entrepreneurs more when it comes to entrepreneurial failure.

Relationship between psychologic and entrepreneurship can not be avoided. In 2010, Khelil, in his research about entrepreneurial failure, mentioned about how economic factors and psychological factors related to each others. An entrepreneur could do some mistakes in manage their own resource that lead to the failure. When they experience some failures, they will feel dissapointed with the result and its affect their psychological condition. This

condition is what Khelil (2010) said as psycho-economic phenomenon. Khelil (2016) also described in his journal about three approaches or factors that can determine entrepreneurial failure; determinist approach, voluntarist approach, and emotive approach. Determinist approach is the kind of approach that takes more focus to the environment around the entrepreneur to find the reason why the ventures fail. Different from determinist approach, voluntarist approach believes that the mistakes or lack of skill of the owner of the ventures takes more responsibility on why ventures fail (Cardon *et al*, 2010). The other one is emotive approach, said that the ventures depend on owner's motivation, commitment, and aspiration. That is why some ventures fail when they have many resources, and some ventures can survive despite having limited amount of resources.

Other than these three approaches to entrepreneurial failure, Hammer (2014) stated in his research another concept of why business/ventures become fail. These concepts are too overconfidence or the entrepreneur found a new job that is more suitable for them. Overconfidence with the ventures we own could give negative impact on the future of the ventures. For example, when we are so confident in doing business, we have an urge to start a new venture or branch of our current venture even though the venture we have is still unstable. Especially for nascent entrepreneurs who just started their ventures and would like to challenge everything ahead of them. Although being able to see and take every opportunity that comes is some key characteristic that entrepreneurs would likely to have (Devece *et al*, 2016), it does not reduce the possibility of failure they have. Another concept is when entrepreneurs get a job that is more suitable or will give more advantages for themselves, they likely start thinking about whether they should continue the business or give up on the business and start the new job. They will choose the option that would give them the biggest advantages for themselves.

The tendency of people (in this case are entrepreneurs) to make a decision that give themselves more advantages could lead entrepreneurs to a failure. Someone that possessed by a hidden interest inside them to make their own advantage and could harm other peoples can be defined as someone that has opportunistic behavior (Cordes *et al*, 2010). Opportunistic behavior can harm people because someone with this behavior tends to do everything they can to make an advantage for themselves.

In the middle of SME's development, some of SME's industry in West Sumatera have a negative trend, means there possibility that some ventures failed. At the same time, economic growth in Padang Panjang city (one of the city in West Sumatera) also decrease in the last few years. BPS Padang Panjang stated that in 2016, economic growth in Padang Panjang move slowly, in 5.79%. This number is decreasing compared to 2015, with economic growth as much as 5.91%. If entrepreneurial failure become the cause of the declining rate of economic growth, since SME have a bigger role in increasing economic growth, why the ventures were failed?

To analyze what the reason for the failure, researcher considered to do a research with a title: **Analysis of Opportunistic Behavior as the Construct That Cause Entrepreneurial Failure on Nascent Entrepreneurs in Padang Panjang.**

1.2 Problem Statement

There are four possible internal factors that can cause entrepreneurial failure, and from the four factors, this research will take focus on opportunistic behavior that can influence the failure of entrepreneurs. Therefore, this research state two questions to analyze the situation:

1. What kind of opportunistic behavior that affects entrepreneurial failure on nascent entrepreneurs in Padang Panjang?
2. How opportunistic behavior influence entrepreneurial failure on nascent entrepreneurs in Padang Panjang?

1.3 Objectives

From the background elaborate before, the objectives of this study is:

1. To study and analyze what kind of opportunistic behavior that can affect entrepreneurial failure.
2. To study and analyze the relationship of opportunistic behavior and entrepreneurial failure in Padang Panjang.

1.4 Significant of Study

Therefore, there are significant of study from this research:

1. For Researcher and Academic

Researcher hopes this research can be used for comparison and/or reference for other researchers to do a research related to the relationship between opportunistic behavior and entrepreneurial failure.

2. For SME

This research could help entrepreneurs to have another mindset in running their business. Researcher hopes this research can give a useful information for entrepreneurs about how important opportunistic behavior is.

3. For Government



This research could be used as a reference for government to make a new regulation related SME in order to increase the quality of SME and also support the economic growth, especially in Padang Panjang.

1.5 Research Scope

The scope of this research limited to three dimensions of opportunistic behavior. That is job choice, job security, and aggressive. The object of this research is all sector of SME in Padang Panjang.

1.6 Research Outline

Chapter I Introduction

This chapter contains problem background, problem statement, objectives of the research, significant of study, research scope, and research outline.

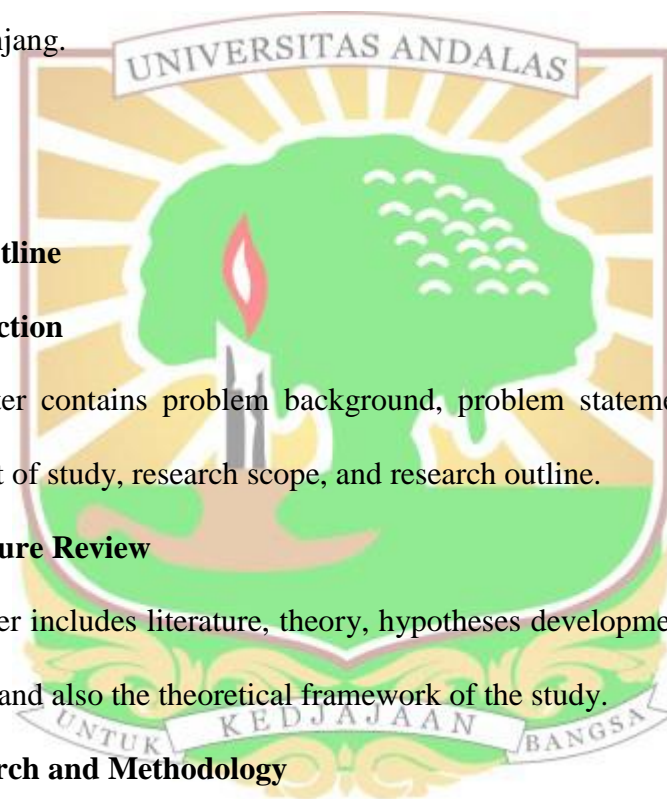
Chapter II Literature Review

This chapter includes literature, theory, hypotheses development, the information of the previous study, and also the theoretical framework of the study.

Chapter III Research and Methodology

In this chapter, will be explaining about research method, the population of sample and sampling technique, the source of data and type of data and variable measurement, research variables, operational definition, data analysis, the test of instrumental, structural model test, and hypothesis testing.

Chapter IV Result and Discussion



This chapter contains the explanation about result and consists of characteristic of respondent, descriptive analysis, structural measurement of the influence of consumer trust towards purchase intentions of electronic retailing.

Chapter V Closing

This chapter explains about conclusion of research, implication, limitation and recommendation further research.

