

CHAPTER I

INTRODUCTION

1.1 Background of the Research

In the dynamic world we live in, entrepreneurship has evolved to be a key agent to strongly support economic activities. Entrepreneurship is typically associated with innovation (Schumpeter, 2003), market expansion (Littunen, 2000), economic growth (Carree & Thurik 2002) and advancement of a country's welfare (Lumpkin & Dess, 1996; Porter, 1990). Thus, entrepreneurship with capacity to create variety of job opportunities able to be strong root for economic development of a region.

Entrepreneurship is an act by entrepreneur, who is “a person who habitually creates and innovates to build something of recognized value around perceived opportunities” (Bolton and Thompson, 2000). These entrepreneurs come from layers of social class, education record, and even ethnicity background. They build businesses wherever and whenever they see opportunities to develop, whether it is done by locals or even migrants. Numbers of entrepreneurs are found as migrants in their own business domicile. Influencing aspects like limited opportunities from their hometown and better life options in their current place became the trigger of becoming migrant entrepreneurs. By having the characteristic of “someone who demonstrates initiative and creative thinking, is able to organize social and economic mechanisms to turn resources and situations to practical account, and accepts risk and failure” (Hisrich, 1990), migrants

entrepreneurs succeed to navigate their way to survive as a migrant and further distinguish their characteristic as ethnic minority entrepreneurs.

A psychological approach can be used better to find out about entrepreneurs motives, targets and aspirations. Psychological Capital (Luthans, Youssef, & Avolio, 2007) is a psychological condition when an individual develop positively and shows self- efficacy, optimism, hope to achieve success, and resilience in facing obstacles to reach success. The usage of psychological capitals can reveal intangible success factors in defining entrepreneurs success, including for ethnic minority entrepreneurs. The word “minority” might sound as a less-compelling field to exploit for the number it represents in literal meaning, but looking at how the world has been shifted by the presence of ethnicity minority entrepreneurship globally in general, it is fairly reasonable to see that it indeed moves economic development down to smaller area coverage like cities.

Padang as the capital city of West Sumatera is the center of business, entertainment, sport, tourism and many other activities to accomodate the life of locals and visitors. Padang residents itself mostly came from Minangkabau ethnic (Minang people). Minang people as the ethnic majority in Padang are very famous for their capability in the field of business and commerce. It is rooted in their value to always try new things and conquer uncharted area to follow their traditon to “*Marantau*” or to migrate. Minang people migrated tradition means to leave their homeland and settle in other places that are considered to provide a decent life (Akmal & Nurwianti, 2009). Although the

distribution area that uphold indigenous Minang people covering West Sumatra and even other places throughout Sumatera, Padang City has stood up for being the representative of Minang entrepreneurs.

In 1970, the number of migrants was 43% of the population, with 64% of them coming from other areas in the province of West Sumatra. In 1990, 91% of Padang City population came from the Minangkabau ethnic group. The Minang entrepreneurs in Padang find their success from the capitalization of lands, natural resources and men then turn it to be a high-valued product or services. But in the other hand, there are also some minority groups who have made their own way to survive as entrepreneurs in the city, including Nias people.

If the tradition of “*Marantau*” is commonly used for Minang people, “*Mukoli*” is the tradition for Nias people to move or looking for a new livelihood in other areas. They do it to various regions in Indonesia where one of them is the West Sumatra region precisely to the city of Padang. Migrants from Nias are among the earliest settlers who inhabit the city of Padang. It is said that they have reached Padang since the heyday of Aceh in the 16th century (or maybe even earlier).

Later on, Nias people had become the largest minority group in the 19th century. Another migration wave arrived as the VOC (*Vereenigde Oostindische Compagnie*) took them as slaves since the beginning of the 17th century. The slavery system itself was ended in 1854 by the Padang District Court. At first, Nias people live as a group settled in Kampung Nias, but then mostly lived in Gunung Padang. Throughout the time, the number of Nias people has expanded

and several also married to Minangkabau residents. In addition, some are married to Europeans and Chinese.

Nias people who mainly have formal education barrier are forced to be creative and find even the smallest available opportunity to survive living in Padang City. Being an entrepreneur is one of the reasonable ways to earn fortune for people with many background limitations like them. From being street vendors to owning palm oil plantation, Nias people keep making their path and strive to make their “*Mukoli*” journey became successful. The development of businesses owned by Nias people as minority can also reflect the challenges and limitations that exist in our society nowadays. The art of minority’s entrepreneurs survival in new areas as migrants plus the additional undeniable challenge from the majority ethnicity (Minang people) as a well-known business and traders have produced a big research area to analyze and explore.

By using Psychological Capital analysis, this research is aimed to examine the success factors of Nias entrepreneurs to survive among Minang entrepreneurs in Padang City. Further, it is expected to show how the Psychological Capital is being the part of and is used as a major individual capital for Nias entrepreneurs to survive and to be succeed in Padang City. The elaborated research background has created the thesis title of **“THE SURVIVAL THROUGH MUKOLI: HOW NIAS ENTREPRENEURS USE PSYCHOLOGICAL CAPITAL ON RUNNING THEIR BUSINESS IN PADANG”**

1.2 Problem Statement

How Psychological Capital becomes a major factor for Nias entrepreneurs to survive and be succeed in Padang City, which is famous as the hometown of Minang entrepreneurs?

1.3 Objective of the Research

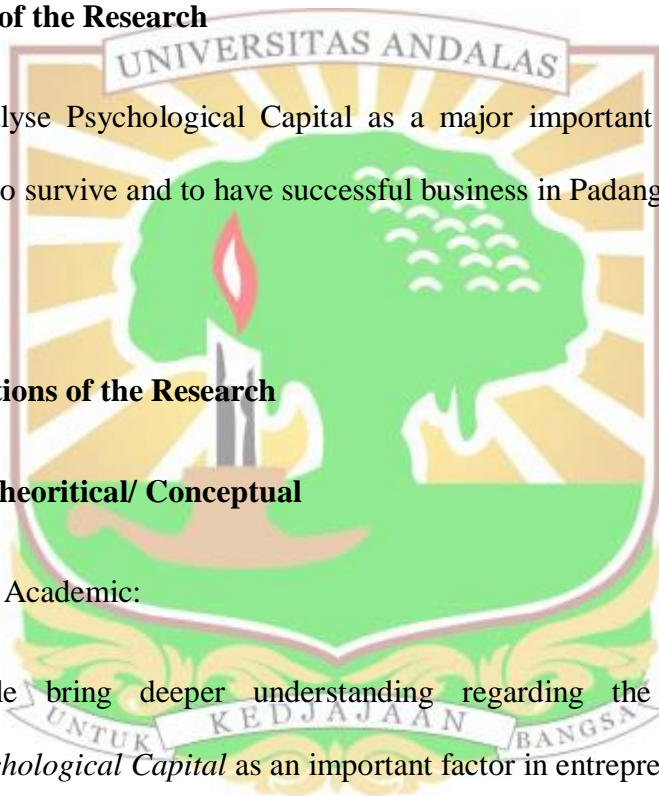
To analyse Psychological Capital as a major important factor for Nias entrepreneurs to survive and to have successful business in Padang City.

1.4 Co.ntributions of the Research

1.4.1 Theoretical/ Conceptual

For the Academic:

1. Able bring deeper understanding regarding the occupance of *Psychological Capital* as an important factor in entrepreneurship.
2. It can extend the study on *ethnicminority entrepreneurship* by using *pyschological capital* analysis as a major consideration to survive and reach success in entrepreneurship.



1.4.2 Practical

For the Nias Entrepreneurs:

1. To reveal the major individual capital in terms of Psychological Capital that has led to survival and success in entrepreneurship.
2. Help them to improve their business strategy based on their *psychological factors*.

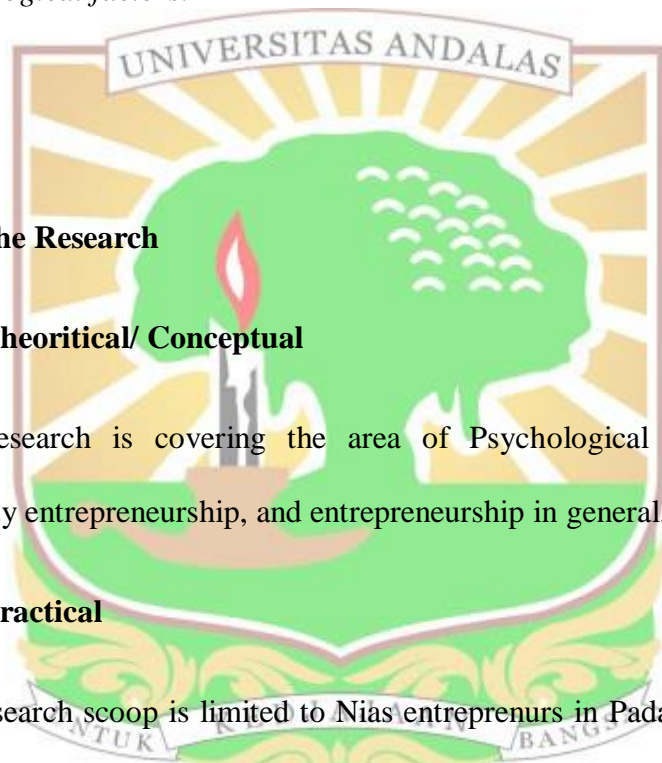
1.5 Scope of the Research

1.5.1 Theoretical/ Conceptual

This research is covering the area of Psychological Capital, ethnic minority entrepreneurship, and entrepreneurship in general.

1.5.2 Practical

The research scope is limited to Nias entrepreneurs in Padang City only in order to align with the purpose of this research that is aimed to explore more about Nias entrepreneurs business performance factors in Padang City. It focuses on collecting the data of five Nias entrepreneurs in Padang City.



1.6 The Writing Structure

Chapter I INTRODUCTION

The First Chapter provides research background, problem statement, objective of the research, research contribution, the scope of the research, and writing structure

Chapter II LITERATURE REVIEW

The Second Chapter explains about all of the related theories regarding the research. It gives more detail informations about research core study on entrepreneurship, ethnic minority entrepreneurship, Psychological Capital and supporting previous study as the foundation of the research.

Chapter III RESEARCH METHOD

This chapter explained about the research design, instrument used in qualitative, population and sample, data collection technique, variables and measurement.

Chapter IV ANALYSIS AND DISCUSSION

This chapter contain about the result analysis of the research, the informant description and descriptive analysis.



Chapter V CONCLUSION

This chapter contained the conclusion of the conducted research, the implication of the research, the limitation of the research and suggestion.

