

Factors That Contribute To The Success And Failure: A Case Study Of Local Small-Scale Entrepreneurs In Riau Province

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ABSTRACT: *Problems related to the involvement of native son or local-born people of Riau in the country's economic sector are often discussed and used as the main agenda in the national economic development plan. Various policies and strategies have been put in place to ensure that these local people are not deeply involved in the economic development of the country, especially in the business sector or small-scale business. Riau is the gateway to the international country and its function as the central of international tourism has provided extensive space for the society, especially the local who inhabits this area to engage in the business sector. This study aims to reveal factors that may have contributed to the success and failure of small-scale local entrepreneurs in Riau Province. The analysis used was based on the data obtained through interviews with local small entrepreneurs in Riau who were involved in commercial business activities. The results of the study showed that factors that contributed to the success of local entrepreneurs were business specification, business prospects and obedience in carrying out religious teachings. Then external factors were shown by the ability to organize business planning and national economic conditions, social network and marketing networks relationship as well as government support. The factors of failure of local entrepreneurs were influenced by their lack of vulnerability to business conditions which caused inefficiencies in managing the business, their lack of capital and their lack of readiness to enter the business world. Besides that, the failure was also caused by their lack of support to the domestic products; in which they are more pleased with foreign products.*

KEYWORDS: *entrepreneurship, commerce, Malay, Riau Province*

Date of Submission: 17-02-2019

Date of acceptance: 03-03-2019

I. BACKGROUND OF THE PROBLEM

In Indonesia, the government at all levels has an important program in attracting the public interest, especially for the local to promote the new entrepreneurship. This plays a very important role in supporting the improvement of the national economy. Until now, 80% of the national economy is occupied by small entrepreneurs. The small entrepreneurs not only create new businesses, but also open work opportunities that may lead to new entrepreneurship. Based on the problem, the local-born people are always isolated and so far behind in all aspects compared to the other communities. Therefore, Malay people now need to take the initiative to make drastic changes and transformations from all aspects, especially in terms of mindset and mentality to explore entrepreneurship in order to increase economic strength and stability, to compete globally with other communities and not to be left behind in the world of high-income businesses.

The results of the observations showed that the local entrepreneurs had experienced failure. Despite many problems and challenges they faced, there are still those who are able to survive and have achieved success, where it is in line with national development policies that aim to increase the number of small-scale local entrepreneurs to survive from failure at least once before coming back into their own businesses. Therefore, this study will discuss the factors that contributed to the success and failure of small-scale entrepreneurs in Riau Province.

II. OBJECTIVE OF THE STUDY

- a) To certainly identify the factors that influenced the success of local small entrepreneurs in Riau Province.
- b) To certainly identify the factors that influenced the failure of local small entrepreneurs in Riau Province.

III. LITERATURE REVIEW

From the survey findings, there are several factors that contributed to the success and failure of local small entrepreneurs in Riau Province, they are: management skills, experience and economic conditions. Research conducted by Mohd Hassan Bin Mohd Osman (2007) found out that two out of three contributing factor of success for small entrepreneurs were management skills and business specialization. This is in line

with Nurul Huda Che Abdullah & Ramlee Mustapha (2009) who studied business management practices from farmers' perspective. The successful native son will be placed at a high position.

From the findings conducted by Azmi Abdul Manaf, NikHairi Omar & Lee Kuan Yee (2012) there are four factors that are considered important for the success of new entrepreneurs, namely planning skills, economic conditions, industry experience and management experience. This is also in line with the findings of BuerahTunggak, HussinSalamon and Baharin (2011) who pointed out that the aspects of knowledge and skills were the main weaknesses of small, local entrepreneurs.

Even poor financial management caused the entrepreneurship among small entrepreneurs unable to separate their private ownership with their business entities hence for them it is fine to produce and use cash and merchandise for personal and family benefits without making entrepreneurship entries and new entrepreneurial orientations. According to NoritaDeraman, Nizamuddin, OemarHamdan (2005), all entrepreneurs have high control. They are individuals who believe that they actually control what happens to them, instead of their fate, opportunity or destiny. They are the one who determine whether their business will fail or not. This finding rejects the claim that local entrepreneurs influenced by external controls such as constantly expecting the government support or becoming succeed due to external factors such as destiny and support from the government.

Hasnah Ali, Norhafizah Abdul Razak and Sanep Ahmad (2010) said that confident is the success factor of a new entrepreneur and is very significant in influencing their success. While other factors such as risk, self-reliance, specialization, interest in business, courageous to compete, high skills in business and management skill as well as time management have no significant relationship with their success.

The study by IshakYusof (2011) also stated the success of local entrepreneurs in Kuantan is due to the internal factors of the entrepreneurs themselves, the background of local entrepreneurs who have self-esteem, honest, resilient, confident and persistent. However, this study does not directly address external factors that might affect the success or failure of small businesses in this area. Moreover, according to BuerahTunggak, HussinSalamon&Baharin Abu (2011), entrepreneurs who have negative attitudes such as dishonesty, deception, inability to pay off the loans and making late payments, unwillingness to improve knowledge and lack of accountability are usually less successful.

Previous research

Research conducted by Hills and Narayan (1988) has identified the success factors of the company, the characteristics of the company as well as the role of market information in the company. The results showed that 78 percent of respondents chose high-quality products or services as the most important success factor. While 45 percent chose a good customer reputation and 41 percent expressed a response to customer needs as a success factor. In market planning, the most important factor for successful entrepreneurs is sensitivity to the customers' needs. However, the overall results show that market research and planning is not an important success factor.

IV. RESEARCH METHODOLOGY

Doing research to understand a phenomenon will only get very little information, therefore, the researcher used a qualitative approach (Meriam, 1998), as the most appropriate research method (Meriam, 1998). Therefore, qualitative methods that focus on meaning or purpose in real contexts can satisfy the need to understand this question. A case study, which is one of the methods in qualitative research, is able to create limits in terms of scope, time, respondent, and place and it also allow the study to be carried out deeply and comprehensively.

Qualitative methods are chosen to ensure that researchers understand the concept and can see the questions from different point of view, especially from the internal point of the phenomenon itself. This is because qualitative research is easier to understand, which describe and explain the phenomena (Merriam, 1998) in MohdFuad (2006). Several methods will be used to collect and analyze the data to assess in depth the phenomena to be studied.

Rationale for choosing a Case Study

It is with this data collection method that researchers can go to the research location to see the actual phenomena through observations, interviews and other appropriate methods based on the location of the study. The data obtained will be collected and formed into a statement as a result of the research. Yin (2013) describes the case study as the core case study, the main tendency among all types of case studies, which tries to explain the results or set of decisions; how the theories are taken, how they are applied and why they occur. Case studies help researchers to find the right information about something that happened and the cause of action.

Data Categorization

The process of categorizing data is done by excluding the data placed in the categories that are formed from the collected data which will eventually be used to form themes designed from interview (Fuad, 2016). For this case study, data analysis was carried out during and after data collection. During data collection, the researcher has made a note about any data which is relevant to the research objectives. The first step is to study in detail the case of a respondent separately by obtaining some information from the respondent.

This is a case where the researcher reads the transcript of the interview with the respondent repeatedly to get the picture and to find out the meaning of the data collected. While reading the contents of this transcript, the researcher chooses and takes the ideas needed that are potential to answer the questions of this study. The idea is then updated, sorted by following appropriate categories and describing the true meaning of the respondents. Then it is placed in a schedule arranged according to the research question.

Themes Formation

Then researchers begin to form themes that are appropriate to the data category. After the process of categorizing and collecting all data from respondents in the data category, researcher set aside data that refer to the research objective. The data are divided into two categories according to the research objectives: namely the success of small entrepreneurs and the failure of small entrepreneurs.

V. DISCUSSION

The Success Factors

Based on the results of the study, there are two main factors, namely internal and external factors that influence the success or failure of small entrepreneurs in Riau province. Internal factors include business specifications, business prospects and obedience in religious teachings. This is in line with the results of a study conducted by Norashidah Othman, NoraishahBuang (2009) that the motivation of small entrepreneurs to explore entrepreneurship is influenced by spiritual elements related to entrepreneurship, namely embracing religion and Islamic values.

BuerahTunggak&HussinSalamon (2011) also states that local entrepreneurs need to be cultivated with ethical and ethical entrepreneurial attitudes that will create entrepreneurial characteristics that are in line with Islamic teachings such as honest, trustworthy, fair, reliable, polite, steadfast, knowledgeable and highly-skilled.

While the external factors include the ability to manage businesses planning and economic conditions, social and marketing networks as well as government support. According to the researchers, all these factors need to be given attention by local small-scale entrepreneurs in Riau Province if they want to be more successful in this sector. They must be independent, proactive, innovative, to achieve the success. In addition, they need to improve management skills, get as much experience as possible from failures in this business sector, and need to have knowledge related to economic and financial planning.

It is also proposed that small entrepreneurs create strong social networks and cooperation between business partners and the community. They also need to increase knowledge related to marketing by attending seminars and related programs through responsible government institutions. This finding is in line with the results of research conducted by Abdul GhaniFarinda et al. (2009), NoorraSulaiman, MohdNasirMohdSaukani (2007) which showed that social networking has a significant influence on the strength of competitors and the success of a company. Small entrepreneurs also realize that the elements that form social networks are very important to improve their careers. But what matters to them is how to build this social network indicator. This finding also showed that government support and subsidies are still significant in contributing the success of small businesses in Riau Province. Therefore, assistance, subsidies and policies that were previously carried out by the government through the relevant agencies must be continued and improved in accordance with the government's objectives to develop the economics of local born people in this Province.

Failure Factors

Besides the discussion of the main success factors, research related to failure factors also needs to be emphasized. It focuses on the failure factor of small entrepreneurs themselves or the failure factor of new entrepreneurs.

The findings of this research revealed that the entrepreneurs are less vulnerable to business and enterprise realities that cause inefficiencies in managing business. The lack of capital and preparation before venturing into the business world has caused local small entrepreneurs to face continuous obstacles in the competition.

The Important issue that hinders and limits the success of local small entrepreneurs is human resources, especially in financial management. This problem is in line with the view of Abdul Aziz Yusof (2015) there are several factors that cause small entrepreneurs to fail in business. This factor occurs because the struggling entrepreneurs do not have the preparation of management skills in utilizing the available opportunities. They

really need to see opportunities as a process of self-development by establishing, managing and running a business professionally. Management is important in running a business. Opportunities must be in line with the ability to continue and maintain business in the small business sector (Ibrahim Mamat, 2014).

The final factor is that they are more pleased with foreign products. They do not fully support and are unconfident with the products and services produced by their own local entrepreneurs, but are even more honored to buy foreign goods. This attitude and behavior resulted in local entrepreneurs failing to get a place in the market and had to stop doing business (Bryers, J. 2012). In addition, the failure of local entrepreneurs in the business is due to a lack of motivational factors regarding the certainty of productivity development in the business sector undertaken.

This factor means the involvement of all parties to either directly or indirectly support the development of a low business sector. Therefore, the awareness of the entrepreneur themselves to find ways to overcome this problem is very important if the type of business being run does not attract the attention of a large company or agency to help. (Norashidah Hashim, Norasmah Othman, Noraishah Buang, 2015). Failure to set goals in entrepreneurship also leads to the failure of the entrepreneurs themselves. The objectives that have never been written and in accordance with their planning principles will make the entrepreneurs unable to achieve what they wish for. Furthermore, the failure to be included as a goal of primary determinant of business planning and the failure to plan it will lead to a negative attitude within the entrepreneurs.

Some entrepreneurs or individuals will place long-term goals as the key to their success. If they fail in a short time, it will make them give up easily and get discouraged (Busenitz, Gomez & Spencer, 2011). Failure to identify potential and ability will result in the failure for themselves. Without confidence, it is impossible to achieve that goal (Ermi, Lee, & Lim, K., 2011). Seeing the problems and risks that are a barrier to success such as easily satisfied with the success achieved will cause entrepreneurs unable to develop themselves and to compete in the business (Delmar, F., 2013).

According to Martinelli (2014), the main cause of corporate failure are a factor of economic downturn, inexperience in business, capital inadequacy, high operational cost, not serious in business, disasters and fraud. The next problem is the complicated and irregular bureaucracy. All of them are the consequences of government's economic policies that do not favor the small entrepreneurs.

The worsening economic situation is caused by the problems of corruption and suspiciousness of officials involved in business management. Therefore, entrepreneurs must be prepared and wise to face this problem and sensibly handle it. The next failure is that products and services produced by local entrepreneurs have a limited market and dependent mostly on the market from the government sector, which is of course inconsistent (Kets de Vries & Manfred, 2015). According to Zurainib Zakaria (2013), the most important failure factor for a company is that their failure is to be used to know the success factor of the company. This is because the key to success is something that must be known, held, and recorded in achieving any success.

Shukor bin Salleh (2013) conducted a study of 26 small companies, which included 13 successful companies and 13 unsuccessful companies. The dimensions seen in this study are the main characteristics of entrepreneurship, the habit of starting a business and the habits of corporate. The results showed that successful entrepreneur leaders come from a family of entrepreneurs and have a high level of knowledge, management experience, management skills, a strong start-up experience, self-esteem and an attitude to eliminate the risk of unsuccessful entrepreneurs. In the company dimension, the comparisons between successful companies and unsuccessful companies are usually following the procedures in the planning process. They spend more time in planning and getting advice and information from industry experts. While the third dimension is in terms of company habits, company adaptability, participation of others in decision making and more communication with partners, customers, suppliers and employees.

VI. RESEARCH CONCLUSIONS

Objective Achievement

The first objective of this research is to certainly identify the factors that influence the success of small-scale entrepreneurs in Riau Province. The findings of this study revealed that the success of small entrepreneurs in Riau province is influenced by internal and external factors. Internal factors are business specifications, and business prospects, as well as obedience to religious teachings. While external factors include being able to manage businesses, planning and economic conditions, social relations, marketing networks and government support. According to the researchers, all these factors need to be given attention by small-scale entrepreneurs in Riau Province if they want to be more successful in this sector. They must be independent, proactive, innovative, to achieve success. Besides, they need to improve management skills.

The second research objective is to identify certainly the factors that influence the failure of small-scale entrepreneurs in Riau Province. The findings of this study indicated that the factor contributing to the failure of small-scale entrepreneurs in Riau Province is that the entrepreneurs are less vulnerable to business and enterprise realities that cause inefficiencies in managing business. Inadequacy of capital and preparation before

venturing the business world had caused small-scale entrepreneurs in the region to face continuous obstacles in the competition.

The findings of this study also revealed that some of the respondents were more pleased with foreign products. They did not fully support and were unsure about the products and services produced by their own local entrepreneurs, but felt more honored to buy foreign products. This resulted in local entrepreneurs failure to get a place in the market and had to stop running the business.

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Khaidir Saib. " Factors That Contribute To The Success And Failure: A Case Study Of Local Small-Scale Entrepreneurs In Riau Province." International Journal of Business and Management Invention (IJBMI), vol. 08, no. 03, 2019, pp 64-68.