

Behavioral Analysis of SME's Business Plan Preparation Before and After Running a Business: The Case Of Indonesia

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Abstracts

This paper aims to analyze the behavior of preparing a business plan before and after running a business. In this study, the period before starting a business is called the nascent period. While the period after running the business is called the start-up period. A business plan that is prepared during the nascent period is called a business plan. Meanwhile, the business plan prepared during the start-up period is called the experiential business plan. The research was conducted using primary data from 150 SME's respondents. The results show the experiential business plan has a bigger strategic role than the business plan prepared in the nascent period. The results also show that the preparation of business plans in the nascent period is

mostly carried out by SME's with the opportunity entrepreneur motive than SME's with the necessity entrepreneur motive. Finally, the results of the study show that the part of the business plan that gets the most attention from SME's is the analysis of the marketing and financial functions.

Keywords: *business plan, experiential business plan, nascent period, start-up period, necessity entrepreneur, opportunity entrepreneur*

I. Introduction

When should a business plan be drawn up? Experts opinions differ on this. [1] and other experts such as [2] emphasize the importance of new entrepreneurs preparing a business plan before starting their business, with the hope that the business plan can guide business development in the long term. However, other experts such as [3] view that the preparation of a business plan to start a new business is an unrealistic activity because the business environment is very dynamic and the preparation of a business plan often only extends the nascent period so that their business ideas are not immediately executed. new venture.

[4] also criticizes entrepreneurship experts who suggest that new entrepreneurs go through the business incubation process first, because in reality very few big entrepreneurs can be generated through business incubators. This is because the actual business environment faced by new entrepreneurs is much wider than the business environment created in a business incubator, so the wilder the business environment faced by new entrepreneurs, the more adaptive the entrepreneur will be to the development of the business environment.

Researchers are interested in knowing how the behavior of preparing the business plan of SME's in Bandung before the business is run is compared to making a business plan after the business is run (experiential business plan) both for SME's which are included in the category of necessity entrepreneur and opportunity entrepreneur.

II. Literature Review

The Meaning Entrepreneurship

Entrepreneurship studies can be approached, among others, by using two approaches [5]. The first approach seeks to find the personality traits that make a person an entrepreneur. Through this study, various personality traits emerged that were associated with the characteristics of an entrepreneur such as needs for achievement, risk propensity, internal locus of control, high tolerance for ambiguity, etc. The second approach emphasizes the study of various activities carried out by an entrepreneur (entrepreneurial activity) such as recognizing business opportunities, evaluating business opportunities and making business ideas, collecting various resources, forming start-up businesses, running and managing new businesses by presenting innovations. .

[6] stated that the current focus of entrepreneurship research has shifted from the focus of research on entrepreneurial personality characteristics to studies that focus more on entrepreneurial activity, which consists of a series of activities carried out by entrepreneurs from the introduction of business opportunities to managing businesses. Through process-focused research, entrepreneurs are identified based on their involvement in the entrepreneurial activity process and not only identified based on the unique personality traits of an entrepreneur. Based on the process approach, entrepreneurship can be defined as a series of activities carried out by entrepreneurs in running a business starting from the introduction of business opportunities, gathering various business resources, forming business organizations and producing or marketing products with the hope of making a profit. The approach of Bygrave and Hooper and other entrepreneurship researchers such as Schumpeter,

Kizner, Shane and Venkataraman which focuses on the process, will be used in this book to explain the meaning of entrepreneurship.

The Meaning of Entrepreneurial Activities

[7] define entrepreneurial activity based on the process approach as, "all the functions, activities and actions associated with the perceiving of opportunities and the creation of organizations to pursue them". This formulation shows that entrepreneurial activity begins with the perceived business opportunity by an entrepreneur, which is followed by their decision to form a business organization (enterprise) to take advantage of the perceived business opportunity.

Bygrave and Hooper limit their definition to entrepreneurs who form start-up business organizations and do not include intrapreneurs. In this case, Bygrave and Hoover assess that entrepreneurs involved in the formation of start-up businesses take greater risks than intrapreneurs because entrepreneurs who engage in entrepreneurial activities risk their personal cash flow, career (if they decide to stop working and start a business). new and the capital they have. This is relatively not true for the case of intrapreneurship.

Global Entrepreneurship Monitoring (GEM) (2001) an international entrepreneurship research effort involving various universities around the world initiated by Babson College and London Business School – using the concept of entrepreneurship based on a process approach. GEM researchers initially conducted case studies in 29 countries and used the term Total Early Stage Entrepreneurial Activity (TEA) to describe entrepreneurial activity. GEM defines TEA as "the proportion of individuals aged between 18 and 64 that are either in the process of starting a nascent business or are the owner-managers of a new operating business that is less than 42 months old". TEA measures the percentage of the population of a country between the ages of 18 and 64 who are in the process of starting a business or running a business with an operating period of less than 4 years (only 42 months).

Entrepreneurs who run nascent businesses are called nascent entrepreneurs. What is meant by nascent entrepreneurs are entrepreneurs who are currently trying to start a start-up business; who hope they will become owners of the new business or own part of the new venture; who have been actively trying to form a new business in the last 12 months but have not had a positive cash flow - to cover expenses and salaries of owners and managers of the company for more than three months.

Entrepreneurship Formulation Based on Process Approach

According to [8], entrepreneurship essentially has two interrelated meanings. First, entrepreneurship means entrepreneurial behavior shown by entrepreneurs in taking advantage of business opportunities that can be exploited by entrepreneurs to earn profits. Entrepreneurship in this case has the meaning of entrepreneurial behavior shown by entrepreneurs. Second, entrepreneurship means owning and managing a business. Entrepreneurship in this case has a meaning as an activity to create new businesses that have the potential to provide new jobs for job seekers. Both entrepreneurship in the first and second sense are related to the activities carried out by entrepreneurs from recognizing business opportunities to running a business, so that Shrivastava & Shrivastava's opinion describes entrepreneurship from a process approach.

The process approach originated from the opinion of Danhoff [11] who in one of his articles in 1949 stated, "entrepreneurship is an activity or function and not a specific individual or occupation.....the specific entrepreneur is an unrealistic abstraction". Danhoff's thinking about entrepreneurial activity and function has prompted entrepreneurial theorists such as Cole, Kilby, Schumpeter, Vesper and

Hartman [9, 10]; [11] to distinguish the entrepreneurial function from the managerial function. The function in this case is formulated as a collection of various activities that can be clearly distinguished from other sets of activities. The function of entrepreneurship as a collection of interconnected and continuous activities includes the following five activities:

1. *Find business opportunities.* The first activity carried out by entrepreneurs is to find business opportunities. What is meant by business opportunity is the opportunity to gain business profits through the utilization of unfulfilled consumer needs with existing products (unfulfilled needs) or the use of resources that have not been optimal.

2. *Gather various resources to run the business.* After finding a business opportunity, entrepreneurs will collect various resources that they can use to make the business opportunity they perceive a reality. These resources can be in the form of money, human resources, machines, raw materials, networks, etc.

3. *Produce products (goods or services).* This activity is the main characteristic for entrepreneurs engaged in manufacturing and services.

4. *Marketing products (goods or services).* This activity characterizes entrepreneurs engaged in manufacturing as well as entrepreneurs engaged in trade. Entrepreneurs engaged in trading may only act as resellers of products produced by entrepreneurs in the manufacturing sector and profit from the reseller's activities.

5. *Establish a business organization and run a business.* One of the important characteristics of entrepreneurial activities carried out by entrepreneurs is the formation of business organizations. It is through this business organization that entrepreneurs run their business.

Necessity Entrepreneurs vs Opportunity Entrepreneurs

A study conducted by the [12] distinguishes the motives of entrepreneurs in carrying out entrepreneurial activities into two categories. In the first category, entrepreneurs carry out entrepreneurial activities because they have no other choice to earn income other than self-employment, for example by trading (see Figure 1) or running other businesses. This lack of choice can be caused by various factors, such as the high unemployment rate in a country so that many of the workforce are not absorbed to work in companies or due to changes in the political climate which are very fundamental so that they have an impact on the economy of a country. For example, after the fall of the Berlin Wall which was the result of a very fundamental political change in East Germany – a lot of inefficient factories in East Germany stopped operating and left millions unemployed, even though they were previously a productive working class. After the factories stopped operating, most of these unemployed found themselves with no other choice to support themselves and their families except by conducting business activities. The same conditions hit Indonesia during the economic crisis in the 1990s following the collapse of the New Order regime. . Based on the phenomena that occurred in East Germany and Indonesia as well as various other countries, it can be understood that self employment will increase in developing countries and will decrease if there has been an increase in employment opportunities within these countries (Shrivastava & Shrivastava, 2013). Entrepreneurs in this category are hereinafter referred to as necessity entrepreneurs.

The second category is entrepreneurs who carry out business activities solely based on business opportunities that are perceived to be exploitable to generate profits. Some of these second category entrepreneurs come from professionals who have the motivation to earn more and take advantage of various business opportunities by using the income or savings they have accumulated so far to run a business. These entrepreneurs are hereinafter referred to as opportunity entrepreneurs.

Understanding Business Plans

A business plan is a written document that explains the company/entrepreneur's plan to take advantage of the business opportunities that exist in the company's external environment [13], explains the competitive advantage, and explains the various steps that must be taken to make these business opportunities into a form of business that is profitable. real (operationalization).

A business plan is an integral part of business planning. The thing that distinguishes business planning in general from a business plan is that the business plan is specifically linked to the existence of business opportunities that will be exploited by the company. While planning in general may not be associated specifically with business opportunities that will be exploited by the company.

What is meant by planning is the initial determination of the final results that the company wants to achieve and how to achieve these results, along with the tools needed to ensure the achievement of company goals [14]. Planning includes vision, mission, business goals to be achieved, strategies that will be used to achieve company goals, business policies set by the company, programs, procedures and budgets.

Content of Business Plan

Experts in entrepreneurship studies have different opinions about the content of a business plan. Although there are variations in expressing the content of a business plan, there is still a common thread regarding the general content of a business plan. First, the business plan contains an executive summary. This is one of the important characteristics of a business plan because a business plan can be used by entrepreneurs to seek funding for the businesses they run, whether they come from angel investors (investors who have an interest in the development of a particular start-up business sector), other investors or get funding from banks. Second, a general business description that explains the concept of a business that will be run by an entrepreneur. Third, an analysis of the business organization's functions which includes an analysis of the functions of marketing, operations/production, human resources and finance. Fourth, how entrepreneurs will manage business risks and uncertainties to maintain business continuity and maintain profits.

III. Research Methodology

This study uses a descriptive research method [15] which describes how many SME's are setting up a business at the time of starting a business compared to SME's who are preparing a business plan after they start a business.

In this study, what is meant by a business plan is a written document that explains the plans of entrepreneurs to exploit business opportunities into profitable businesses. Meanwhile, what is meant by experiential business plan is a business plan prepared by entrepreneurs after running a start-up business. In other words, a business plan is a business plan carried out in the nascent period, while an experiential business plan is a business plan made during the start-up period.

The sample in this study was 150 samples of SME's in the city of Bandung who run businesses in various business fields in the last 3 years. The number of SME's that are included in the necessity entrepreneur category, namely entrepreneurs who make their business activities their main source of income or they are forced to choose entrepreneurship due to termination of employment, totaled 139 respondents. Meanwhile, SME's which are included in the category of opportunity entrepreneurs are 11 SME's. What is meant by opportunity entrepreneurs in this study are entrepreneurs who choose to do business because they see an opportunity to increase their income outside of their current job.

IV. Result and Discussion

Based on the results of processing a questionnaire given to 150 respondents, for the question "Did you prepare a business plan before running a business?" The results obtained are as presented in Table 1 below.

Table 1
Number of Respondents Who Prepared or Didn't Prepare a Business Plan before Running a Business

Description	Frequency	Percentage (%)
SME's prepares a business plan before starting a business	8	5.3
SME's does not prepare a business plan before starting a business	142	94.7
Total	150	100

Source: Results of the reprocessed questionnaire

The number of respondents who prepared or did not prepare a business plan before running a business also had similar results for the necessity entrepreneur motive (see Table 2). Different results occur for the opportunity entrepreneur group where in this group the number of SME's who prepare a business plan before starting a business has a large percentage (45.45%) (see Table 3)

Table 2
Number of Respondents Who Prepared or Didn't Prepare a Business Plan Before Running a Business in the Necessity Entrepreneur Group

Description	Frequency	Percentage (%)
SME's prepares a business plan before starting a business	3	2.16
SME's does not prepare a business plan before starting a business	136	97.84
Total	139	100

Source: Results of the reprocessed questionnaire

Table 3
Number of Respondents Who Prepared or Didn't Prepare a Business Plan Before Running a Business in the Opportunity Entrepreneur Group

Description	Frequency	Percentage (%)
SME's prepares a business plan before starting a business	5	45.45
SME's does not prepare a business plan before starting a business	6	54.54
Total	11	100

Although the majority of SME's who became research respondents started their business without preparing a business plan beforehand, the number of SME's who

prepared a business plan after their business started, has increased as presented in Table 4.

Table 4

Number of Respondents Who Prepared or Didn't Prepare a Business Plan After Running a Business

Description	Frequency	Percentage (%)
SME's prepares a business plan before starting a business	64	42.7
SME's does not prepare a business plan before starting a business	86	57.3
Jumlah	150	100

Source: Results of the reprocessed questionnaire

The content of the business plan that has received great attention from SME's who have run businesses and become respondents in this research is in the functional analysis section which includes marketing, operations, human resources and financial functions. The respondents gave different emphasis in preparing an experiential business plan. Based on the results of the questionnaire given to 150 respondents, the emphasis on the preparation of a business plan is as follows:

1. Marketing analysis: 58 respondents (38.67%)
2. Operational analysis: 28 respondents (18.67%)
3. Human resources analysis: 15 respondents (10.00%)
4. Financial analysis: 49 respondents (32.67%)

V. Conclusion

1. The experiential business plan has a greater strategic role than the business plan prepared in the nascent period. This is indicated by the number of SME's who prepare business plans after they run their businesses.

2. The preparation of business plans in the nascent period is mostly done by SME's with the opportunity entrepreneur motive than SME's with the necessity entrepreneur motive.

3. The part of the business plan that gets the most attention from SME's is the analysis of the marketing and financial functions.

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