

# Entrepreneurs Accountability: Accounting or Behavioral Issues?

**Samuel P DAnantadjaya**

Dr. BSc., MBA, MM, CFC, CFP, CBA

Email: [ethan.eryn@gmail.com](mailto:ethan.eryn@gmail.com)

Tel: 62-22-91-92-1000

Cell: 62-8522-200-1000

**Ir. Neneng Djuariah, MComm**


Email: [neneng.djuariah@sgu.ac.id](mailto:neneng.djuariah@sgu.ac.id)

**Ir. Innge S. Handoyo, BSBA, MAcc**

Email: [ihandoyo@yahoo.com](mailto:ihandoyo@yahoo.com)

# Introduction

- Entrepreneurial activities do not seem to be far apart from risks and risk management
- The word “entrepreneurship” can be freely defined as one’s willingness to take and assume risks in relation to one’s available and/or potential resources, situations, and conditions to create **something new** (Anantadjaya, 2007; Earle and Sakova, 2001; Hisrich, et al, 2005; Iyigun and Owen, 1997; Krug and Metha, 2001; Yogaswara, et al, 2005)

 Creating something “new” or “different” is creating “value”

# Introduction

- In studying entrepreneurship, the most likely topics to be discussed are encircled around the roles of entrepreneurs, with business plans as the physical outcome.
  - ▣ Generally, the roles of entrepreneurs may be segregated into either taking up the role as business owners, or **managers**.
    - The **role as business owners** may push entrepreneurs more toward **efficiency** (Anantadjaya, 2007; Hisrich, et al, 2005).
    - The **role as managers**, on the contrary, may push entrepreneurs more into thinking about **effectiveness** (Anantadjaya, 2007; Hisrich, et al, 2005; Stutely, 1999).

# Introduction

- The study of entrepreneurship and role of entrepreneurs shows close intimacy.
  - ▣ Many of the foundations have been laid in previous studies, papers, and conferences, not only on the studies on entrepreneurship, but also on the entrepreneurs themselves as players.
- The conceptual perspective on entrepreneurship refers to academic sources (Hisrich, et al, 2005).
  - ▣ The conceptual framework on roles of entrepreneurs in this paper refers to common sources on accountability of entrepreneurs on organizational records and performance (Anantadjaya and Yudha, 2010; Anantadjaya, 2009).

# Introduction

- This paper attempts to seek out **relationships between the role of entrepreneurs as business owners, and the roles of entrepreneurs as managers toward accountability of organizational records and performance.**
  - ▣ The reference point for this study is **business portfolio theory for young entrepreneurs** since it appears to assimilate both individual rational theory and organizational rational theory (Anantadjaya, 2007; Besanko, et al, 2000).
    - It is considered rational for individual entrepreneurs to continue growing.
    - It is also reckoned to be rational to expand organizational activities by various means.
    - Thus, it assumes that entrepreneurs are rationally seeking ways toward enhancing the business portfolios.



# Introduction

- Four pre-selected factors, on **hyper-competition**, **technological advancement**, **shorter product life-cycle**, and **innovation**, are incorporated in this study to represent the complexity of business portfolio theory (Anantadjaya, 2007; Besanko, et al, 2000).
- Also, the **entrepreneurial mindset development model** is used to represent the improvement on business portfolio (Anantadjaya, et al, 2011).
  - ▣ This follows the concepts on directional strategies on “**concentration strategy**”, and “**internal growth strategy**” (Noe, et al, 2008).

# Theory: Affecting Factors

- **HYPER-COMPETITION** refers to the period where business establishments face constant ups and downs on their cycles as compared to past periods (Anantadjaya, 2007; D'Aveni and Thomas, 2004; Hisrich, et al, 2005; Kotler, 2000) .
  - ▣ Some examples include; creating new know-how, price-equality positioning, first mover advantage, or deep pockets competition.
- In order to manage such variations, entrepreneurs must act accordingly by proper utilization of available resources.
  - ▣ This forces entrepreneurs to make plans, and may have to totally modify plans to account for fluctuations.

# Theory: Affecting Factors

- **TECHNOLOGICAL ADVANCEMENT** (Anantadjaya, 2007; Haag, et al, 2004; Hisrich, et al, 2005; Kotler, 2000)

- ▣ With the presence of technology, **entrepreneurs must act fast** as if they have incorporated such technological advancement in their own organizations

- ▣ Could serve as a sizeable **leverage** for organizations (Dauphinais and Price, 1998)

- Time, speed, quality, accuracy, ability to perform data mining/warehousing, forecasting, and modifications



# Theory: Affecting Factors

- **SHORTER PRODUCT LIFE-CYCLE** (Anantadjaya and Nawangwulan, 2006; Anantadjaya, 2007; Haag, et al, 2004; Hisrich, et al, 2005; Kotler, 2000; Yogaswara, et al, 2005)
  - ▣ As competition rises, organizations are competing themselves to constantly provide new and better products
  - ▣ As market practices customer-orientation, it becomes a compulsory that organizations pay more attention on customers.
    - Simply doing a good job may not able to buy customers' loyalty (Anantadjaya, 2007; Anantadjaya and Nawangwulan, 2006).
  - ▣ Entrepreneurs must balance their efforts between ensuring that their products are safe in the market, and trying to launch new products in the near future.

# Theory: Affecting Factors

- **INNOVATION** cannot be overlooked, particularly on issues toward product development, as a way to **safeguard strategic outlook** (Dauphinais and Price, 1998; Burlton, 2001; Dunham and Venkataraman, 2002; Galliers and Leidner, 2003; Gamsey, et al, 2004; Haag, et al, 2004; Hisrich, et al, 2005; Knyphausen-Aufsess and Bieger, 2006; Irawanto, 2006)
  - ▣ Innovation cannot be considered as a mere outcomes of intelligent individuals
    - It is integrative approaches across divisions in an organization
      - ◆ transforming ideas, methods, and other predictions into successful results in delivering projects
  - ▣ The presence of technology provides an ample leverage toward innovation (Dauphinais and Price, 1998; Kotler, 2000, Burlton, 2001; Dunham and Venkataraman, 2002; Galliers and Leidner, 2003; Gamsey, et al, 2004, Haag, et al, 2004, Hisrich, et al, 2005; Yogaswara, et al, 2005, Knyphausen-Aufsses and Bieger, 2006; Irawanto, 2006)

# Theory: Theory of the Firm

- Coase's article on "The Nature of the Firm" attempted to explain what is actually happening in firms

▣ Price mechanism as a **coordinating instrument** (Anantadjaya, 2008; 2009; Stam, et al, 2006)

- **Allocation of factors of production** between users relative to **prices** will direct the production activities
- **Allocation of factors of production** becomes the sources of **competitive advantage** (Anantadjaya, 2008; 2009; Jensen, 2001; Sampurno, 2006; Sangkala, 2006)
  - ◆ Needs presence of specialists & **entrepreneurs**



# Theory: The Growth Theory of the Firm

- Penrose's growth theory of the firm noted that firm's resources can create sustainability on firm's performance

(Anantadjaya, 2008; 2009; Stam, et al, 2006)

▣ **Limited availability of firm's resources** represents hurdles toward firm's growth.

- Internal & external growth via **maximizing the use of unproductive resources**

◆ **Managerial styles & entrepreneurial efforts** are often viewed as unproductive

- » Conservatism attitudes toward financial dealings, or investment decisions are often labeled as failure to maximize profits (Stam, et al, 2006).
- » Today, managerial styles & entrepreneurial efforts often create substantial growth of the firm (Anantadjaya and Nawangwulan, 2006; Cardy and Selvarajan, 2006; Carroll and Hunter, 2005; Noe, et al, 2006).



# Theory: Entrepreneurial Theory of the Firm

- This theory started to introduce **dynamic analyses of firms** (Carson, 2006; Kim, et al, 2006; Stam, et al, 2006; Westaby, 2005; Whincop, 2000)
  - ▣ How firms evolve and co-evolve with other firms & marketplaces
  - ▣ How to identify firm's internal development & direction
  - ▣ Firms' existence and roles of entrepreneurs cannot be separated from each other
- The existence of firms and firms' abilities to evolve in the marketplaces are mainly due to the **roles of entrepreneurs & management members**



# Theory: Entrepreneurial Theory of the Firm

- Theory of the firm maintains solid grasp that entrepreneurs and managers are **rational**
  - ▣ Acting & responding rationally to achieve the firm's maximum profits (Stam, et al, 2006)
  - ▣ Creating high-performance work practices (Jensen, 2001; Kohlbeck and Mayhew, 2006)
  - ▣ Looking for innovative ways (McKoy, 2006)
  - ▣ Seeking value-added as the source of competitive advantage (Fulghieri and Suominen, 2005)

# Research Method

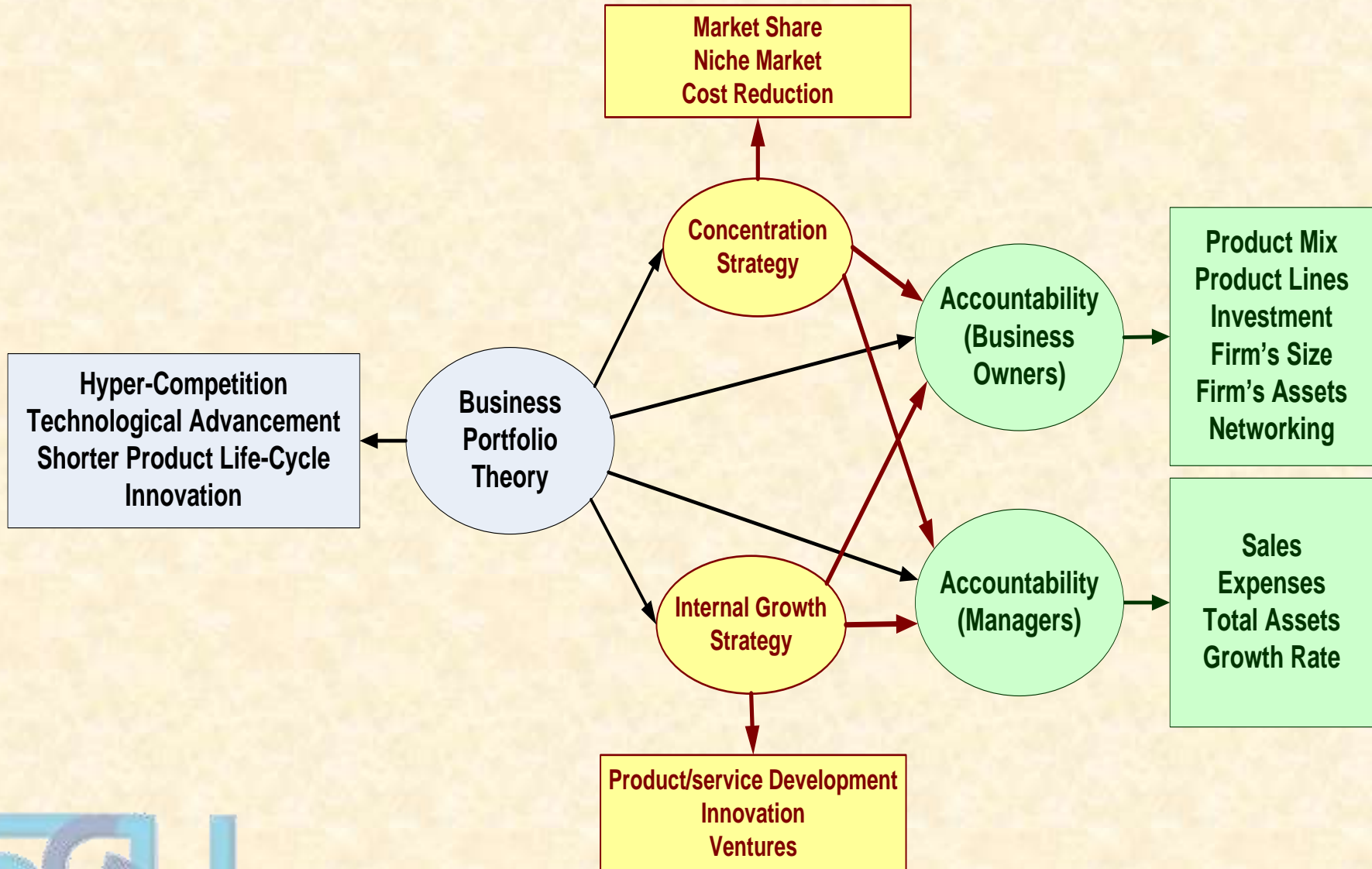
- **Type: a non-probability cluster convenience sampling method** (Anantadjaya, et al, 2007; Yogaswara, et al, 2005; 2006a; 2006b; 2010)
- **Purpose: to note the characteristics of those young firms in certain locations, and industries** (Anantadjaya, et al, 2007; Yogaswara, et al, 2005; 2006a; 2006b; 2010)
- **Area of coverage: the non-probability cluster convenience sampling method is used to segregate firms in Jakarta and Bandung, Indonesia** (Anantadjaya, et al, 2007; Yogaswara, et al, 2005; 2006a; 2006b; 2010) .

# Research Method

- Category of industry: service industries in Jakarta and Bandung, Indonesia.
- Methods used: qualitative analyses (interviews and direct field observations), and a quantitative inferences to present the statistical results pertinent to this study.
- Outcome: it is expected that such studies would reveal the significance of entrepreneurs' accountability in young firms.

# Research Model

Figure 1: Research Model



# Research Design

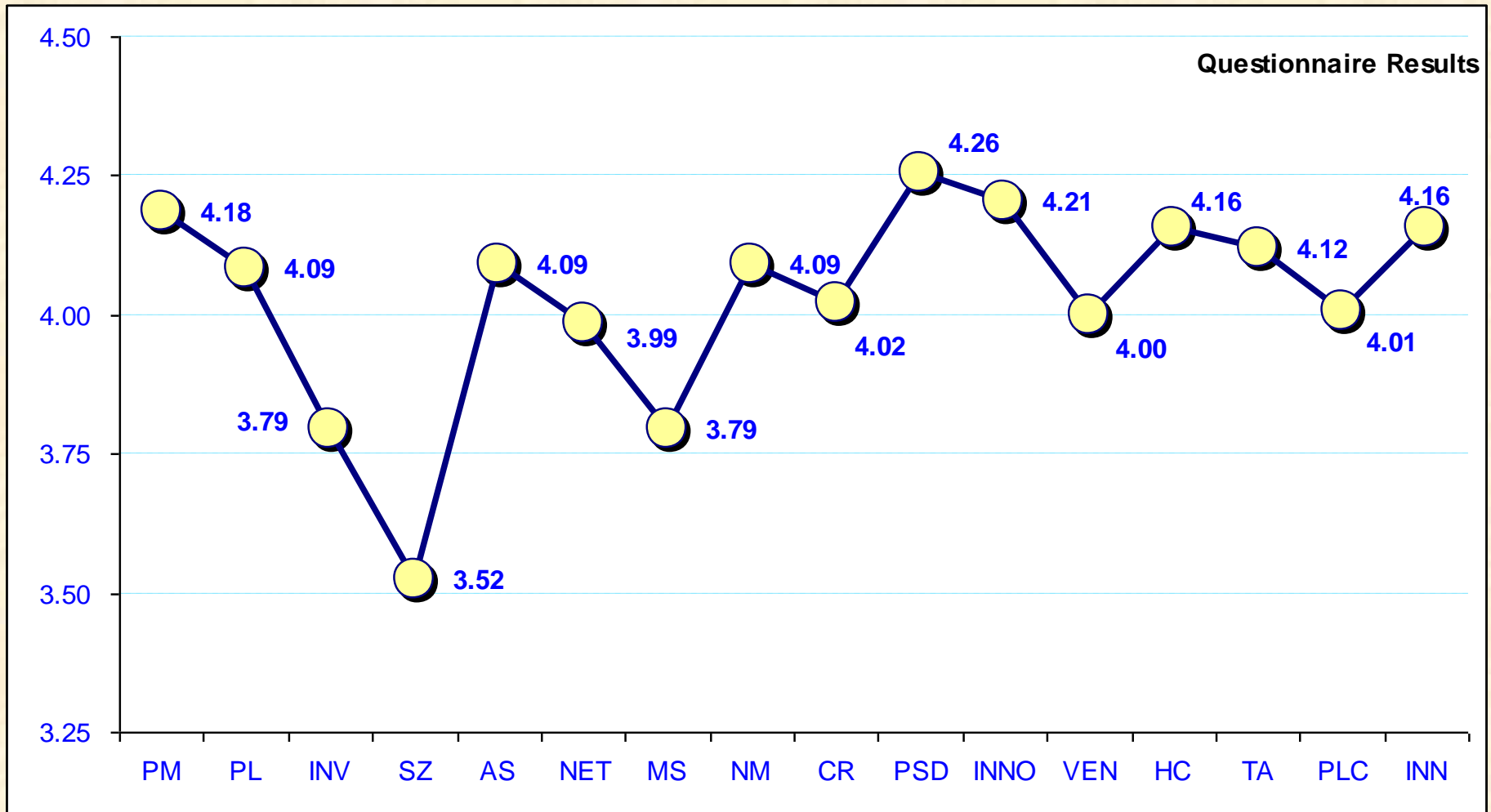
- Preliminary studies from 2005 to December 2010 (Anantadjaya, 2007); Yogaswara, et al (2005; 2006; 2010)
  - ▣ the original sample consists only 50 respondents
  - ▣ Since the total respondents were relatively minimal, additional data gathering was performed to increase the number of respondents.
    - Total sample: 141 respondents (Anantadjaya, 2007; Anantadjaya, et al, 2007; Nawangwulan, et al, 2007; Yogaswara, et al, 2007; 2010)
- All participants were distributed a set of questions regarding the 4 affecting factors, concentration strategy, internal growth strategy, entrepreneurs' accountability as business owners, and entrepreneurs' accountability as managers.
  - ▣ Few preliminary statistical analyses were processed using SPSS.
  - ▣ Path analyses were processed by AMOS.



## Results & Discussions

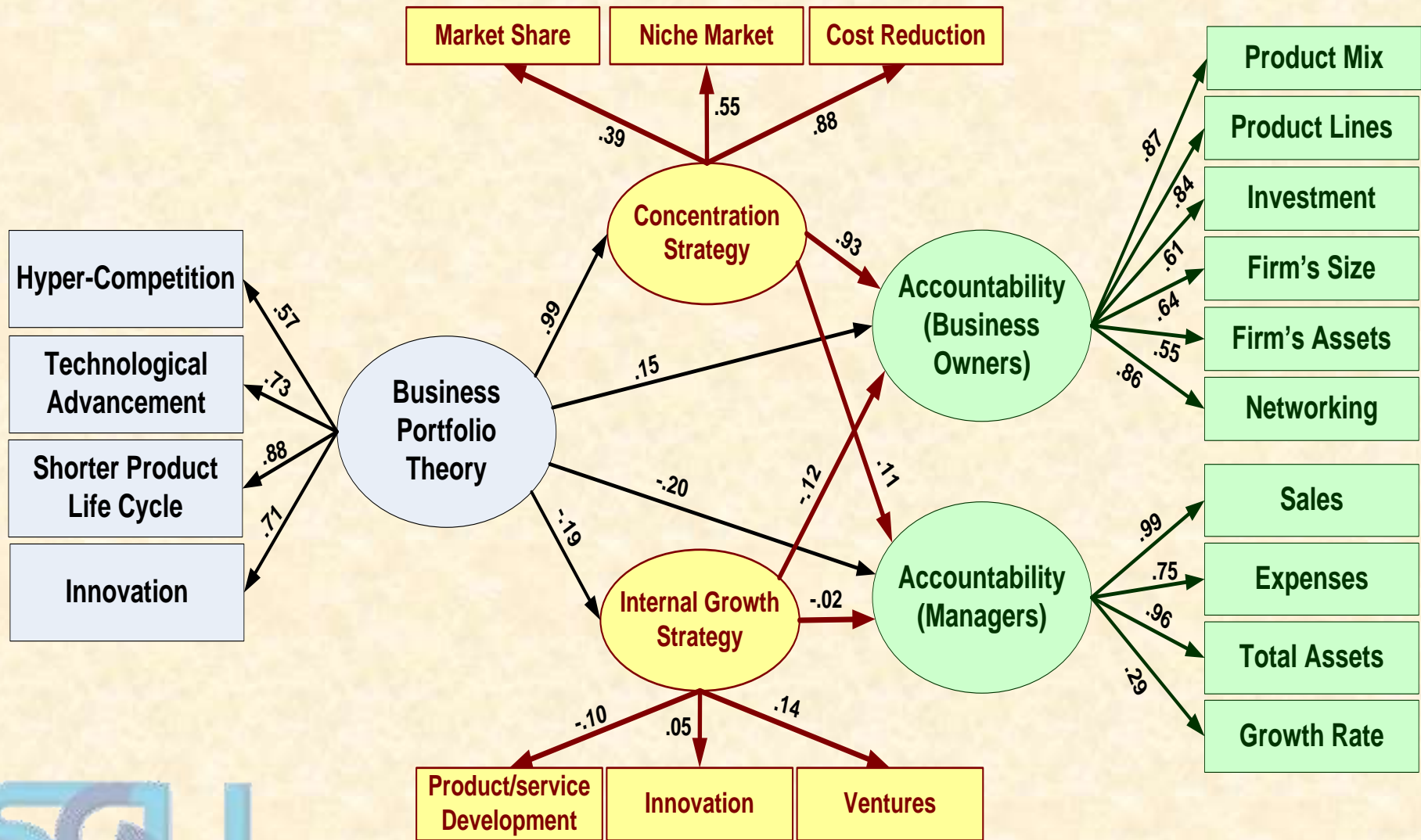
- With a total of 141 respondents;
  - ▣ about 57% of those respondents are located in Jakarta,
  - ▣ and the remaining 43% is in Bandung.
  - ▣ Since there were no significant differences in the demographic or responses regardless of the city, their responses were combined.
- The respondents' financial characteristics, as dimensions of accountability as managers, over the 12-month period, up to December 2010, were as follows;
  - ▣ The average daily sales were Rp. 315,519.
  - ▣ The average daily expenses were Rp. 90,390.
  - ▣ The average total assets were Rp. 27.5 million.
  - ▣ The average growth rate was 0.54%.

# Results & Discussions



# Results & Discussions

Figure 2: AMOS' Structural Model



# Results & Discussions

**Table 1: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.026	<b>.846</b>	20

Source: SPSS student version

**Table 2: Validity Statistics**

<i>Model</i>	<b>RMR</b>	<b>/DF</b>	<b>GFI</b>	<b>AGFI</b>	<b>PGFI</b>
<i>Default model</i>	<b>0.032</b>	<b>2.436</b>	<b>0.915</b>	<b>0.867</b>	<b>0.878</b>
<i>Saturated model</i>		1.000		1.000	0.000
<i>model</i>	0.331	0.000	0.000	0.000	0.000

Source: AMOS student version

## Conclusion & Recommendation

- The statistical calculations and empirical findings provide evidence that **there are relationships between business portfolio theory, managerial strategies, and entrepreneurs' accountability.**
  - ▣ These findings support the theoretical background used in this study.
  - ▣ Clearly, the path analysis indicates the strong relationships between business portfolio theory, concentration strategy, and entrepreneurs' accountability as business owners.



# Conclusion & Recommendation

- This study suggests that;
  - ▣ entrepreneurs incorporate **concentration strategy** in the attempt to counter the pressures on macro-economic conditions, and
  - ▣ entrepreneurs take-on the **role as business owners in managing their business operations**, in the attempt to expand their organizations.
  - ▣ Since the dimensions of accountability as business owners are based on subjective natures of questionnaires, it is considered safe to conclude that **entrepreneurs' accountability tends to be encircled around entrepreneurs' actual behaviors** in dealing with the operational activities, than accounting reasons.

## Conclusion & Recommendation

- Though this study relies heavily on micro organizations, at least, this study **supports the increasingly popular field of behavioral studies**, particularly in the areas of accounting and finance.
- Unfortunately, this study **fails to provide substantial evidence that entrepreneurs take-on the role as managers**, and thus be accounted for their actions **based on accounting records**.

## Conclusion & Recommendation

- Though this study is able to show convincing relationships among variables, nevertheless, this study has deficiencies.
- It is recommended that further studies should incorporate more variables, supporting theories, and covering a larger scope of respondents, including bigger and more established firms.
- Perhaps, more explicit analysis on human psychology and individual/group behaviors ought to be incorporated to note the actual behaviors of entrepreneurs and roles of entrepreneurs in dealing with business operations.

# Author Information: Sam PD Anantadjaya

(Dr. BSc., MBA, MM, CFC, CFP, CBA)

## • Experience:

- Lecturer at Swiss German University, BSD City, Serpong, Tangerang (2005-present)
- Senior Advisor at ETC & Foundation in Bandung (2000-present)
  - Managing billy the kid - English Tutorial Center® (2000-present)
  - Managing a clothing store for women and children, big MOM and ME® (2005-present)
  - Managing a tutorial center for social science studies for students, kang GURU® (2007-present)
  - Managing charity programs to support needy children for school, as well as organizes various managerial training on soft-skills development (2000-present)
- Managing Partner at CV Teddy Beruang, Teddy Binatu®, a laundry and dry-cleaning services in Jakarta (1985-present)
- Senior Consultant at PricewaterhouseCoopers in USA and Indonesia with various projects and assignments in textile, banking, pharmaceutical, pulp and paper, cement, and philanthropic organization (1994-1999)
- Counselor for foreign students in Wisconsin, USA (1990-1994)
- Intern/Trainee at Enterprise Rent-A-Car and Franciscan Elder Care in Wisconsin, USA (1990-1994)
- Inquiries are certainly welcomed at [bmw@bdg.centrin.net.id](mailto:bmw@bdg.centrin.net.id).

## • Academic degrees:

- BSc in Finance and Economics from the University of Wisconsin – La Crosse, USA (1990-1994)
- MBA from Edgewood College in Madison, Wisconsin, USA (1995-1996)
- MM from Sekolah Tinggi Manajemen Bandung (2000-2005)
- Dr in Strategic Management (Performance Management and Control Systems) from Universitas Katholik Parahyangan, Bandung (2006-2011)

## • Professional qualifications:

- Certified Financial Consultant
- Certified Financial Planner
- Certified Business Administrator

