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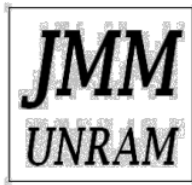
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## HOMESTAY START-UP MODEL TO SUPPORT SUSTAINABLE TOURISM IN LOMBOK, INDONESIA

Akhmad Saufi<sup>1</sup>, Baiq Handayani R<sup>2</sup>, Agusdin<sup>3</sup>, Lalu M. Furkan<sup>4</sup>

<sup>1</sup>Program Studi Magister Manajemen Fakultas Ekonomi dan Bisnis Unram

E-mail : [akh.saufi@gmail.com](mailto:akh.saufi@gmail.com)

<sup>2,3,4</sup>Fakultas Ekonomi dan Bisnis, Universitas Mataram

| ARTICLE INFO   | ABSTRACT  |
|--|---|
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|--|--|
|  | <p>dua fase yakni fase orientasi dan memulai. Fase memulai menjelaskan tentang proses pengenalan peluang usaha, usaha mencari modal usaha dan memulai usaha. Fase memulai menjelaskan tentang proses trial and error dalam penciptaan produk, alokasi sumber daya, pengelolaan keuangan, dan strategi pemasaran. Pada fase memulai, pengusaha wisata harus mampu mengatasi persaingan dan ketidakpastian usaha. Berhasil dalam menjalankan fase memulai akan mengantarkan pada pengembangan usaha selanjutnya. Akan tetapi, gagal dalam fase memulai bisa memberikan kebangkrutan usaha, dan pengusaha harus memulai usahanya dari awal. Hasil penelitian ini menyajikan referensi untuk program pemberdayaan masyarakat destinasi, disamping dampak teoritis, <sup>16</sup>ajerial dan gap untuk penelitian berikutnya.</p> <p>Copyright © 2019 JMM UNRAM. All rights reserved.</p> |
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### 1. BACKGROUND

<sup>3</sup> Tourism has been playing important roles for Indonesian incomes in the last two decades. The contribution of tourism to national GDP and foreign exchange is significantly increasing in the last seven years as seen in Table 1. Furthermore, it is projected that the tourism industry will be the biggest contributor to the country's foreign exchange (around 20%) in 2020, overcoming the contribution of foreign exchange from palm oil (Kemenpar, 2017). To achieve such projection Indonesian Government is developing 10 prioritised destinations, which are expected as developed as Bali in a few years. One of the destinations is Lombok (Kemenpar, 2017).

Table 1 The Contribution of Tourism Industry to the Economy of Indonesia

|                                | 2013               | 2014                | 2015 | 2016  | 2017 | 2018 | 2019 |
|--------------------------------|--------------------|---------------------|------|-------|------|------|------|
| Contribution to national GDP   | 9,2% or Rp 841,4 B | 9,3% or Rp. 946,9 B | 10%  | 11%   | 13%  | 14%  | 15%  |
| Foreign Exchange (trillionRp)  | 110,5              | 133,9               | 144  | 172,8 | 182  | 223  | 275  |
| Total workers (in million)     | 9,6                | 10,3                | 11,3 | 11,7  | 12,4 | 12,7 | 13,0 |
| Competitiveness index (WEF)    | #70                | n.a                 | #50  | n.a   | #40  | n.a  | #30  |
| Foreign tourists (in million)  | 8,8                | 9,4                 | 10,4 | 12    | 15   | 17   | 20   |
| Domestic tourists (in million) | 250                | 251                 | 255  | 260   | 265  | 270  | 275  |

Source. Kementerian Pariwisata Indonesia (2017)

To accelerate the development of the ten prioritised tourist destinations and increase locals participation, Indonesian Government launched a program to build 50,000 (fifty

thousand) homestays in 3 years, starting from 2017 to 2019. Of these, 16,000 homestays were allocated for construction in Lombok, with details of 3,200 homestays to be built in 2017, 4,800 homestays in 2018, and 8,000 homestays in 2019 (Kemenpar, 2017). Furthermore, central government also encourage the establishment of tourism villages in which small-scale tourism enterprises can flourish. However, the implementation of the program, particularly in Lombok, may be challenged by the lack of local communities' knowledge and skills of tourism entrepreneurship (Saufi, O'Brien & Wilkins, 2014; Schellhorn, 2010).

In many tourism studies such as in (Ritchie & Inkari, 2006; Saufi et al., 2014; Saufi, Reid & Patiar, 2018) it is evident that empowering local community with knowledge and skills of tourism entrepreneurship is one of critical approaches to stimulate the emergence of local tourism entrepreneurs and support sustainable development. Therefore, prior to the implementation of a program such as the 50,000 homestays conducted by Indonesian Government it is important to know the entrepreneurial process of starting up homestay by which to empower local communities. Nevertheless, despite the extensive studies on entrepreneurship (Russel & Faulkner, 2004; Shane, 2000), the starting process of small tourism enterprise, such as homestay, remains unclear (Saufi et al, 2014; Saufi et al., 2018).

The current study aims to build a start-up model for small tourism enterprises, especially tourism homestays. The study was conducted in Sesaot, Lingsar, Narmada and Suranadi villages, West Lombok regency. The results of this study are a start-up model of independent tourism small businesses in the context of the business environment in Lombok. This model can be used as a business guide by prospective local tourism entrepreneurs, and as a guide to providing tourism business assistance by the government, in order to build sustainable tourism villages in Indonesia, especially NTB.

## 2. LITERATURE REVIEW

This research is focused on building a start-up model of small tourism enterprise, particularly homestay. The study results can be used as reference in empowering local communities with tourism entrepreneurship, particularly homestay establishment, to support the development of sustainable tourism villages such as those planned in NTB. For this reason, the following literature reviews three main issues: community participation in tourism industry, tourism entrepreneurship, and stimulation of the process of tourism entrepreneurship.

### 2.1. Tourism Entrepreneurship

Tourism entrepreneurship (tourism entrepreneurship) still adopts the same principles as entrepreneurship in other industries (Koh, 2006). This can be seen from the two essential elements of tourism entrepreneurial process which are adopted from other industries, namely business opportunities and effective entrepreneurs (Shane & Venkataraman, 2000). According to Shane (2000) business opportunity is a situation where someone is able to create media / strategies to resemble resources that are believed to bring benefits. This definition has objective and subjective meanings. Objective meaning refers to the potentials to benefit from processing products and services and selling them at a price higher than the cost. The subjective meaning of business opportunities is related to the willingness of entrepreneurs to manage the opportunity. Meanwhile, effective entrepreneurs are those who are able to develop business motivation to improve their knowledge and skills in finding and managing business opportunities (Saufi, 2013; Saufi et al., 2018). In other

words, business opportunities will bring benefits to someone if he or she has entrepreneurial motivation and ability to cultivate them.

In the Lombok context, the uniqueness of nature and culture provides entrepreneurial opportunities if the local community members can see the uniqueness as potentialities to gain benefits. For that the community members need to acquire entrepreneurial abilities in transforming and packaging nature and culture into tourism products, and knowledge of the tourism market (Saufi et al., 2018). As suggested by many researchers: (Clark & Lee, 2006; Davidsson & Honig, 2003; Krueger & Brazeal, 1994; Ozgen & Baron, 2007; Shane & Venkataraman, 2000; Smilor, 1997) that business opportunities stem from market needs that encourage the emergence of various inventions, innovations and diversification of goods and services. Therefore, the ability to see business opportunities among destination communities can be stimulated by giving them tourism knowledge and information about the tourism market. Destination community empowerment can be done by a mechanism as suggested by Davidsson and Honig (2003), and Ozgen and Baron (2007), namely through the mentoring process, networking, and professional forums such as seminars, workshops and tourism conferences.

Shane and Venkataraman (2000) argue that a person's decision to use an entrepreneurial opportunity depends on his/her belief if the opportunity will provide greater benefits than the costs incurred. Having confidence to gain great benefits from such entrepreneurial opportunities influences someone's choice to become an entrepreneur, not a worker (Lee & Venkataraman, 2006). Furthermore, motivation, such as the level of optimism and high self-esteem possessed by an entrepreneur distinguishes them from those who are not entrepreneurs (Krueger & Brazeal, 1994; Shane & Venkataraman, 2000). Therefore, in addition to empowerment with knowledge and skills, destination communities need business motivation such facilities in acquiring business capital, and support from local government and other tourism entrepreneurs.

According to Smilor (1997), an entrepreneur needs to have several main characteristics, such as: the ability to motivate oneself when dealing with business difficulties; ability to identify entrepreneurial opportunities; technical, managerial and communication skills; and the ability to obtain business capital. In other words, a tourism entrepreneur should have *human capital* and *social capital* as suggested in many entrepreneurship studies (Adler & Kwon, 2002; Bennett & Gordon, 2007; Davidsson & Honig, 2003; Portes, 1998). In the context of this research, the focus is on to improvement of human and social capital of the destination community in order to help them build networks with government and other tourism entrepreneurs.

Empowering destination communities requires financial and strategic assistance. But from these two types of assistance, Fuller and Gleeson (2007) argue that the strategic assistance is more important as financial issue is not always a major problem in the entrepreneurial process. The argument is supported by some entrepreneurship studies such as those found by Neblett and Green (2000) in Barbados South America, Bennett and Gordon (2007) in Australia, and Saufi et al (2018) in Lombok, Indonesia. Therefore, local empowerment should be more focused on providing motivation and knowledge of tourism businesses to help destination communities play more important role in tourism development within their region. Furthermore, local empowerment requires business supervisors or mentors who have good personalities and high commitment to ensure the sustainability of tourism enterprises that destination communities have started. This was suggested by Bennett and Gordon (2007) in their study to help Australian Aboriginal tribes establish tourism enterprises. A mentor should help destination communities build a

business network and bridge the business of the destination communities with a wider tourism market.

## **2.2. The stimulation of entrepreneurial process**

The ability to see a business opportunity and then willingness to use these opportunities influence someone's decision to start up a business (Hill & Singh, 2004; Shane & Venkataraman, 2000). Indeed, research proves that the entrepreneurial process is contextual, in which an entrepreneur has different entrepreneurial experience from another. However, the entrepreneurial process has the same determinants, as proposed by Koh (1996) and Mueller and Goic (2003). These include business opportunity; prospective entrepreneurs; and, a motivating environment.

For example, Bhawe (1994) proposed an entrepreneurial process consisting of three phases: (1). The phase of business opportunity; (2). Building business and technology; and, (3). The exchange phase. The business opportunity phase relates to the situation in which a prospective entrepreneur recognises a business opportunity from his environment. The business opportunity encourages the prospective entrepreneur to make detailed plans for products or services. In the second phase, the entrepreneurial process becomes more concrete where the prospective entrepreneur assemble resources, starting the business, its management system, and production. Furthermore, the entrepreneurial process leads to the third phase where products and services are marketed.

The tourism entrepreneurial process adopts the same principle as above process, even though there are differences in the classification of phases and entrepreneur experiences. For instance, Koh (1996) proposed eight phases of entrepreneurial processes in the tourism industry including: (1). cognition orientation; (2). search for business opportunities; (3). business opportunity assessment; (4). consideration; (5). management of business opportunities; (6). birth; (7). operation; and, (8). evaluation.

Meanwhile, Saufi (2013) found three phases of entrepreneurship in the tourism industry including: (1). orientation phase; (2). development; and, (3). development. The three phases contain the same principle as the eight processes mentioned by Koh (1996). The orientation phase is characterized by the emergence of entrepreneur's motivation to gain business ability (knowledge and skills) which will be used to find and manage business opportunities. In this phase, between the efforts to gain business ability and business opportunities often trigger each other. In some cases recognising the business opportunity triggers someone's efforts to improve business capacity, or vice versa. This orientation phase explains the first five phases mentioned in the results of research conducted by Koh (1996). Then the development phase explains about the birth process of the business (phase number six), and the development phase is related to the operation and evaluation phases (phases number seven and eight).

Despite the differences in the entrepreneurial process, many studies on entrepreneurship (some of which: Smilor 1997; Davidsson & Honig, 2003; Shane & Venkataraman, 2000) explain that the initial phases of the entrepreneurial process are the most important parts that determine the sustainability of the business. In the initial phases, business motivation plays very important role. A prospective entrepreneur should work hard work in evaluating the business opportunity, managing business costs, type of business, and expertise, so that the business can run and sustain (Shane & Venkataraman, 2000). Therefore, the business process model in the initial phase, such as the focus of this research, is essential to do.

### 3. RESEARCH OBJECTIVES

This study aims to build a model of start-up process of small-scale tourism enterprise. The study focuses on four main issues: (1). Identification of tourist attractions which provide entrepreneurial opportunities to start up homestay; (2). Observation of business activities of homestay owners in tourist destinations; (3). Analysis on interactions between homestay owners, destination community members and tourists. (4) The development of a start-up model.

### 4. RESEARCH METHOD

The current study adopts a qualitative approach since all researchers are familiar with their research area and actively interact with some of their research informants. The informants included the homestay owners who live within the area of Sesaot, Suranadi, Lingsar and Narmada. The informants were selected using purposive and snowball sampling approaches. Data collection was not focused on the number of informants as it adopted a theoretical sampling approach, namely, data collection was stopped after saturated data was obtained.

Data was collected through observation, semi-structured interviews and documentation, in June and July 2018. Interviews were conducted with 6 (six) homestay owners in four main destinations, with interviews ranging from 1 to 2 hours. Details about informants are presented in Appendix 1, and a list of questions for interview is displayed in Appendix 2.

All interviews were recorded using a recording device, and the interview process is written. Recordings were written and analyzed using content analysis. The codification process resulted in hundreds of concepts which were then grouped into 15 basic concepts. This basic concepts then constructed 5 lower concepts which were grouped into 2 main categories that make up the business start-up model, as shown in Table 2. The research findings are triangulated using three main mechanisms: (1) The findings are confronted with data resulted from documentary; (2) Confirmation back to the informant (member check); and (3) Discussion with lecturers whose expertise in entrepreneurship (peer examination).

### 5. RESULTS

This section discusses the research findings, which is a start-up model for homestay. Table 2 shows the discussion which focuses on two main findings, namely the Orientation Phase and Start-up Phase.

Table 2. Relationships between concepts that explain the homestay start up model

|                                |  |   |   |   |   |  |
|--------------------------------|--|---|---|---|---|--|
| Model                          | Homestay Start-up  |   |   |   |   |  |
| ↕                              |  |   |   |   |   |  |
| Higher concept                 | Orientation Phase  |   |   | Start-up Phase  |   |  |
|                                |  |   |   |   |   |  |
| Lower concept                  | Connecting   | Developing self-efficacy  | Preparing   | Trial and error   | Developing or re-starting   |  |
| ↕                              | ↕  | ↕   | ↕   | ↕   | ↕   |  |
| Primary concept                | <ul style="list-style-type: none"> <li>• Aware of needs</li> <li>• Catching inspiration</li> </ul> | <ul style="list-style-type: none"> <li>• Education and training</li> <li>• Work experience</li> <li>• Family encouragement</li> <li>• Environmental influences</li> </ul> | <ul style="list-style-type: none"> <li>• Gathering business capital</li> <li>• Choosing a name</li> <li>• Determining location</li> <li>• Applying a business permit</li> </ul> | <ul style="list-style-type: none"> <li>• Creating product</li> <li>• Managing workers</li> <li>• Marketing (WOM, networking, online)</li> </ul> | <ul style="list-style-type: none"> <li>• Competing</li> <li>• Dealing with uncertainties</li> </ul> |  |
| Empirical data collected from: | Observation  | Interviews  |   | Documentary   |   |  |

Source. Analysis conten through *open coding* and *axial coding*

**5.1. Orientation Phase**

In this phase, informants began to know tourism industry where they recognised opportunities to generate income. Also, the informants developed their self-efficacy which encouraged them to make business plans and obtain business capital. This orientation phase is explained in three main categories: Connecting, Building self-efficacy, and Business preparation.

**5.1.1. Connecting**

The informants connected with homestay business as they once experienced two main occasions, namely: (1) Aware of *needs* that must be fulfilled. (2) *Capturing inspiration* to start a business when recognising opportunities and acquiring knowledge to manage these opportunities. Both of these factors are explained below.

*Becoming aware of needs*

The entrepreneurial journey of the informants in building a homestay business begins with the emergence of a need and their efforts (the informants) to fulfill it. A homestay owner in Lingsar told me: "In the past, I wanted to have a business after retiring, to help support the life of my wife and my children" (LIDA). This informant was connected to his homestay business in the first stage by his economic and physical *needs*, namely to obtain sufficient income in his retirement. Indeed, everyone has needs, yet the difference between



those who start a homestay (by which to fulfill their needs) and the ones who don't, is *inspiration* that affects them in order to meet those needs.

#### *Catching Inspiration*

Inspiration can be described as a creative idea that is captured by someone from his environment, intentionally or not, which paves the way to discover a homestay business opportunity. An informant informed: "... yes, in the past it was cooler here, it was very nice in the morning, and in the afternoon was usually foggy. Meanwhile, very often group of people came from Bali to worship in that temple..., and they needed accommodation. Then, I had an idea to start a homestay"(PA). In this case, the environmental situation encouraged the informant to do a business, and stimulated his efforts to start a homestay. It is evident that information and knowledge that someone has about a place is helpful to find business opportunities and then build self-efficacy or strong self-confidence.

#### **5.1.2. Developing Self-efficacy**

Self-efficacy has been widely studied (two of which; Shane, 2000; Shane, Locke & Collins, 2003), that is a person's self-confidence related to his ability to do a job. The informants described four factors that influence their self-efficacy, namely: (1) level of education and training; (2) work experience; (3) family encouragement; and (4) influence of neighborhood.

#### *Education and training*

Some informants suggested the importance of education and training in building self-efficacy, as stated by and informant: "My last education was Vocational School ... I had never attended tourism school, yes I attended a training once ... There was no work experience ... that was enough for me at that time ... (DH). Indeed, people can acquire knowledge and skills through education and training, which then increase the strength of their self-efficacy.

#### *Working experience*

The second factor that influences self-efficacy is work experience, as stated by the following informant: "In 1989 to 2003 I was very active in tourism, working as a film crews to make films about Indonesia. I then worked in mining where I had mining concessions in West Lombok ... "(HTS). The variety of work experience owned by the informant increased his knowledge to discover business opportunities and business strategies, and at the end created self-efficacy to start a homestay business.

#### *Family encouragement*

Family encouragement is the third important factor that influences the level of confidence to start a homestay business, as informed by an informant: "In 1998 I worked at Teratai Cottage as a manager. I then borrowed money from my brother to open a business at home... I open the business on my parents' land.... "(DH). Family encouragement, as obtained by DH, is the initial capital and motivator that raises DH's self-efficacy to open a homestay business.

#### *Neighbourhood Influence*

Certain environmental conditions can increase self-efficacy to start a homestay business as experienced by an informant: "If there is no skill in writing that we have got

from education, we have only seen it in the media, or ask questions to colleagues, friends who already have so that's why it's ... self-taught "(HJI). In this case, the willingness to establish friendship with creative people is 122 ded and is in a social environment that has a positive influence on the development of self-efficacy. The development of self-efficacy encourages informants to make business preparations.

### **5.1.3. Preparing**

The important preparations to start a homestay consist of four main activities including: (1) obtaining capital; (2) choosing business names; (3) determining business location; and (4) applying for business licenses. The four preparations are discussed below.

#### *Obtaining business capital*

Business capital can be described as cash, land, and or other property that can be used to start a homestay business. The informants have different experiences related to the amount, form and type of own capital used as initial capital. They obtain their own capital from own savings and cash they obtain from selling their other personal belongings. Using own capital and family support to start a business is safer than using capital obtained from bank loans as it does not require a quick return with a determined interest fee.

Loan from the third parties, especially banking institutions, is used by informants to support their initial capital, as told by an informant: "The capital from the loan I used to buy land and then built 3 more rooms ... lending from the bank is not much. I prefer using money I get from my business to invest again ... (HJI). In the case of HJI, loans were not taken in large amounts, despite the convenience provided by banks. This can be understood to reduce the risk of debt in the initial phase of business.

#### *Choosing business name*

The homestay name was chosen based on several considerations such as luck value, unique and easy to remember, and a name that has historical value for homestay owners, as told by the following informant: "Yes, there used to be durian trees, large durians planted by grandfather of my husband, that's why it's called durian homestay, ... (DH). The name of the homestay is important because it is related to all business activities including marketing. The name of the homestay may not be the same as the name owned by another entrepreneur even with a different type of business in accordance with the applicable regulations.

#### *Determining business location*

The third business preparation is to determine the location of the business. In this case, most of the informants considered two main factors, namely the location of the land they owned, and the proximity of the chosen location from tourist objects or attractions as explained by one of the informants. "First, the business should be close to me, near the tourist area. The second, the location is on my own land as it is my inheritance. I don't have money to build business somewhere else..." In this case, the location of the homestay affects the pricing of rooms. Homestay that is located closer to the mainstay tourism object has a higher potential selling price than others. However, if it is related to the initial capital of the business, the factor of ownership of the land where the homestay is built becomes more important

### *Applying for business permits*

Some informants applied for business permits following legal procedures before they start up a homestay. The business permit includes location and building permits. However, some informants requested the business permit after the homestay was operating. This was possible as a result of the lack of socialization from policy makers regarding the rules for establishing a homestay, and the lack of supervision on the operations of homestays. An informant explained: "From 1999 this building was completed. In 2000 eee while applying for legal operation, ... the permit was issued in 2001, and it continues until now "(LIDA). Such data implies that the flexibility in applying the business permit is due to the government's strong willingness to encourage the establishment of local small tourism enterprises within tourist destinations.

In short, it is evident that the orientation phase begins with the process of connecting, where the informants recognise opportunities to build(construct) a homestay, and then prepare the operation of the business.

## **5.2. Starting Phase**

This section describes the starting phase, which is characterised by the informants' endeavours in operating and marketing their homestay after going through the preparatory process in the previous phase. In this phase, the informants experienced two main processes, namely *trial and error* and *developing or starting again*:

### **5.2.1. Trial and Error**

In the process of trying and searching, the informants went through the entrepreneurial process consisting of four main activities including: (1) creating products; (2) managing workers, (3) managing finances; and (4) marketing.

#### *Creating Product*

The products offered by homestay consist of *core products* and *supporting products*. The *core products* consist of homestay rooms and bungalows with all types and facilities whether located inside or outside of the room. An informant said: "I added facilities in the room because there was a guest request to be prepared by AC, so we tried installing it for 3 rooms" (HL). The completeness of room facilities attract tourists to stay at the homestay. However, tourist demand may vary, while in this phase, a new entrepreneur may not have complete data about tourism market, and is not strongly supported by business capital either. Therefore, the homestay entrepreneurs, in this phase, when through trial and error process in regards the type of services they provided.

The *supporting products* are tour packages which provide tourism activities undertaken outside of hotel area. The activities may be related to nature, culture and sports. Some tour packages offered by informants in the initial process of their business include: packages of fruit picking, culinary, white water rafting, and trips to the village. Tour packages as supporting products not only help increase the selling power of homestay rooms, but also increase the ability of revenue generating of the newly opened businesses.

#### *Managing workers*

Managing workers and staff includes the activities of arranging, ordering, fostering, supervising and evaluating the performance of the workers. As most to the informants had a small budget to pay worker in the early stage of their business, they recruited lowly skilled workers, as told by an informant :

I organised an English course for my workers. I gathered all staffs for rafting and homestay. I taught them English from scratch. They just graduated from middle school, some of them even from elementary school ... we also taught them the basic knowledge of hospitality, how to behave and be polite towards our guests ... I realised that employees are the biggest asset. HTS

For small tourism enterprises as experienced by the informants, the higher the expectations of the expertise of the workers, the more training programs that must be provided. In this phase the informants try and find the right management system to provide work motivation and build a business culture and a system of beneficial interactions with workers.

#### *Managing finances*

In the initial phase, the informants often dealt with business turbulence and uncertainty, which required them to manage finances carefully. They made thrift by saving money, and only make small investments in the most urgent matters. An informant said: "Even though there are a lot of competitors, we keep running the homestay, low season or high season we just keep going. we get used to as we make savings...we get prepared for electricity bill, water bill, employees wage ... (DH). As a newcomer, the informants had to deal with competitors who possessed existing market. Furthermore, the informants also had to manage the workers and pay for operational costs. But they had to persist when dealing with unstable business environments.

#### *Marketing*

Marketing is simply described in this study as an effort to sell homestay products. In this effort, the informants used two main approaches namely online and conventional. Online marketing utilizes social media communication: "How to deal with it ... we create many status on social media promos so that people can see your products" (HTS). Selling products online is the cheapest and easiest way to promote. However, this approach requires knowledge on information technology and persistent endeavours on keeping all information of products updated.

Conventional marketing is developing cooperation and networking, and promoting products through word of mouth (WOM). Networks are built involving various stakeholders, such as consumers, competitors (fellow homestays), and related industries such as transportation businesses. Building a business network requires appropriate strategy, including providing incentives to partners and networks, as told by an informant: "... I put my my homestay brochure in each taxi, and cooperate with the taxi driver. If the taxi bring me customers, I give the driver fee, ten thousand or so ... ". (LIDA). In this phase the informants also made simple contracts with their partners as LIDA did with the taxi drivers who helped market her products.

### **5.2.2. Developing or re-starting**

The phase of development is characterised by business uncertainty. In this phase, a novice entrepreneur may cope with the business uncertainty and continue to develop his/her enterprise or in contrast fail and bankrupt, and has to start the business again from the beginning. Whatever the final outcome, it depends on the entrepreneur's ability to deal with two main factors: competition and business uncertainty.

*Competing*

The entire journey of entrepreneur<sup>21</sup> p is characterized by ongoing competition. The dominant business competition occurs in the early stage of entrepreneurial process. In managing the competition the informants should possess ability on developing networks and making good pricing, as implied in an informant's statement: "We compete in a healthy manner, we offer with existing facilities and standard room prices that are not too high. We also have advantages and disadvantages. In the past competition was still small, but now there are many. We can survive because we have loyal customers." HJI.

Indeed loyal customers can also help promote through WOM, especially when the tourism industry develops and the intensity of competition increases. Therefore, it is important for a homestay entrepreneur to have the consistency of service quality and market segmentation, from the start they opened a business.

*Dealing with business uncertainties*

The entrepreneur's ability to deal with business uncertainty affects the success of the business to develop and generate revenue. For this reason, homestay entrepreneurs need some entrepreneurial characteristics (motivations) that help them overcome the turbulens of business environment, as experienced by an informant :

If you rely on foreign tourists who travel, it can't. Let alone a small hotel, even a big hotel cannot rely on foreign guests, especially during low season.. surely you will receive local guests who just stay short time ... if there is no income from there, what can you pay for electricity, water and employees? PA.

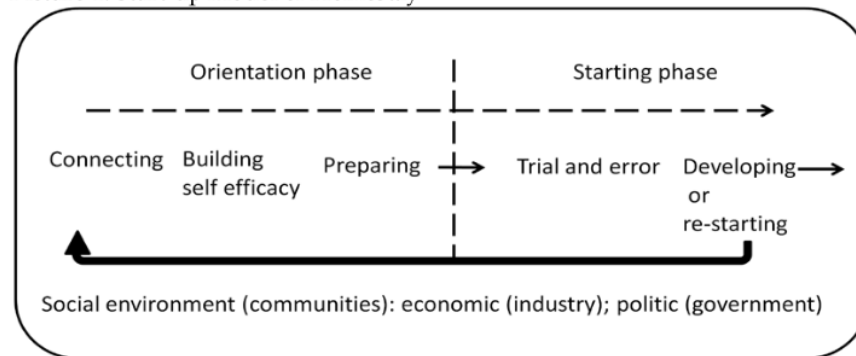
What PA stated is implicitly implies the need for homestay owners to have knowledge of managing seasonality. Information about seasonality can be obtained by collecting data continuously. Seasonality data can be used as the basis for preparing workers and marketing policies. Furthermore, the results of this study are discussed in the discussion section below.

**6. DISCUSSION**

*The emergence of start-up model*

The current study resulted in a startup model of homestay as shown in Figure 1. This model was developed from the analysis of data which was qualitatively collected as described in the previous chapter.

Picture 1. Start-up Model of Homestay



Source, Result of qualitative analysis

The start up process consists of two phases namely the orientation phase and the starting phase. The orientation phase begins when someone realises the emergence of increasingly urgent needs. Emerging needs encourage someone to interact with their environment, observe and absorb inspiration in an effort to meet those needs. The environment in the current study specifically includes social, economic and industrial environments, and politics and government. The social environment refers to the environment in which people with all customs and habits are located. These customary habits influence individual behaviour and the interactions that occur between them. This pattern of interaction affects the attitude of individuals which in turn affects the motivation that drive them to meet their needs.

The economic and industrial environment includes the macro and micro environment. Macro environment is the economic condition of the country and the international community in general, which affects the condition of tourism industry in general. Good economic conditions are characterized by an increase in the number of tourist visits. Meanwhile the micro environment includes the economic conditions and tourism industry on Lombok in particular and the Province of West Nusa Tenggara in general. This micro condition is influenced by tourism activities which involve tourism industry such as hotels and restaurants, travel agencies, artshops, creative industries and financial institutions and other related industries.

The political and government environment includes the role of government in tourism activities as motivators, mediators and regulators. As motivator, the government is responsible for good policies to encourage the growth of the tourism industry. The role of the mediator is a position that is played in accommodating the interests of all stakeholders and coordination efforts among tourism stakeholders. Meanwhile, the role of the regulator relates to government activities in regulating, controlling, and maintaining the course of interaction between tourism actors in tourism activities.

Interaction with the social, economic and political environment connects a prospective entrepreneur with a tourism business and helps them recognise opportunity to start up a homestay. The business opportunities encourages someone to develop self-efficacy to do business. Someone will not be decided to start a homestay if they do not have sufficient self-efficacy. This finding is in line with the theory of self-efficacy (Shane & Venkataraman, 2000) that one's self-confidence to do something influences his decision to start a business.

Self-efficacy is influenced by several factors such as work experience, family background, educational background, and neighbourhood influences. Interestingly, self-efficacy is not always proportional to the level of education. This finding corroborates the findings of (Saufi, 2013) that many entrepreneurs who do not possess high educational background but succeed in building their self-efficacy to start a tourism business. In this case, self-efficacy to start a business arises and increases if someone believes that the profits of doing a business is greater than the potential loss (Lee & Venkataraman, 2006). This finding also reinforces the argument of Fuller and Gleeson (2007) that technical and strategic assistance is often more important than financial assistance. It is understandable that technical and strategic assistance encourages the development of self-efficacy.

The success of building self-efficacy encourages a person to do business preparation such as finding a location for a business, making a business name and applying for business permit. In this phase, a prospective homestay entrepreneur usually obtain business capital from three sources: personal wealth, family assistance and loans. Own

capital usually includes land, buildings and cash. The success of collecting initial business capital will lead the entrepreneur to the second phase, the starting-up.

The phase of starting-up a business is characterized by trial and error in running a business, especially those related to creating products, marketing, and managing resources including finance and workers. This phase determines the success of the business development: the success in making trial and error process lead the entrepreneurs to the next phase, namely the development of the business. Conversely, mistakes in creating a product, choosing a marketing strategy, and managing resources will hinder business development, and even can result in bankruptcy so an entrepreneur has to start his business again from the beginning.

This start up model support the orientation phase and the development phase found by (Saufi 2013). This study found that in the early stage of entrepreneurial process, the entrepreneurs will mobilize all abilities to run their newly business (Shane & Venkataraman, 2000). The entrepreneurs will not be reluctant to transcend business ethics and social norms to keep their business run and develop. However if the entrepreneurs fail to undergo the start-up phase they tend to start again from the orientation phase .

The start-up model also provides a more in-depth explanation of the entrepreneurial process presented by (Koh, 1999) especially the first phase of "cognition orientation". In this study, cognitive orientation was elaborated in the efforts of novice tourism entrepreneurs to obtain information and knowledge related to strategies to start a business, including business preparation and obtaining business capital. Therefore, the intended cognitive orientation is not always obtained through formal mechanisms such as formal business education and training. However, business cognition can be obtained through a series of interactions with business environment. In this interaction, a prospective entrepreneur can obtain information and knowledge from self study and work experience. Furthermore, the conclusions of this study are presented in the following sections.

## 7. CONCLUSION

The orientation phase begins with the emergence of a person's needs and his/her efforts in meeting those needs. The efforts to meet the needs lead someone to interact with the environment where he/she recognises opportunities to start up a homestay.

The nature of the environment in which the business start-up process occurs can be supportive or unhelpful. Both of these environment characteristics influence a person's ability to build self-efficacy to start a business. Self-efficacy can be influenced by various factors such as work experience, family background, and education level. The success of building self-efficacy (self confidence) helps make business preparations such as obtaining business capital, finding business locations, build homestay and other supporting facilities. Furthermore, self-efficacy influences the decision to start a business.

The starting-up phase consists of trial and error activities in creating products, developing networks and finding marketing strategies. In this phase, a novice entrepreneur is required to have the ability to motivate himself against business competition and business uncertainty. The success of going through the starting-up phase can leads to the development of the business. Conversely, failure in this phase can result in bankruptcy and the need to start the business process from the beginning again.

### *Theoretical Impacts*

The start-up process of a homestay begins from the orientation phase where the emergence of physical and physiological needs encourages efforts to find business opportunities and strategies to manage these opportunities. The economic, social and political environment can encourage and hinder the entrepreneurial process of the homestay start-up. The sustainability of the entrepreneurial process into the starting-up and subsequent phases depends on the ability of the entrepreneur to deal with the business competition and the ability to motivate themselves in facing business uncertainty.

### *Managerial Impacts*

This startup model can be used as a reference as follows:

- Prospective entrepreneurs can search for homestay business opportunities by observing the potentialities of their surrounding environment which they can create as tourism product, and following the elaborated experience in this model as a guideline in starting a homestay business.
- For industry, this model reveals the importance of networks in tourism businesses and strategies for building networks.
- For the government, the process of stimulating the emergence of local entrepreneurs can be started from encouraging the emergence of homestay businesses. This can be done in several ways :
  - Provide soft loan policies to new entrepreneurs to start and build a homestay business.
  - Providing training programs to improve managerial and entrepreneurial skills of prospective tourism entrepreneurs.
  - Facilitating the formation of discussion forums, tourism industry associations, and the like, where tourism actors can build business networks and business friendships.

### *Limitations*

This research focuses on constructing a business start-up model which is one part of the process of the entire entrepreneurial process in the tourism industry. It is important to continue this start-up model by constructing a business development model that explains the advanced part of the tourism entrepreneurship process.

Given the characteristics of the tourism industry that tends to be vulnerable, future research is also important to focus on friendship and kinship networks and business strategies to cope with business uncertainty in the tourism industry.

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