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# EDUCATIONAL BUSINESS IN INDONESIA: ITS SCIENTIFIC QUALITY AND PROFESSIONAL BUSINESS CHALLENGE

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**Abstract:**

*This study discovers concept and principles to become new theories regarding educational business, study business theories with regard to educational business format, business planning, strategic management, marketing management, financial management and educational business ethics. Some educational business success in Indonesia has executed well by formal and informal organization in university level, study group and courses. This is implicative scientific development and educational business new theories. Practically the theories would directive for educational business entrepreneur to have such new business, increasing professional capability in order managing such organization to improve business survival lucratively. Academically, the existence of educational business has creating new scientific chapter. Professional community of educational business is merely a new entity, educational business quality should be responsible academic and professionally. The educational faculty and university developing science should not only create educators but educational business entrepreneur, economy, management master who would have more lucrative future business prospects.*

**Keywords:** Education, scientific business, professional business, quality, business ethics.

## **1. Introduction**

Educational business in Indonesia has a numerous opportunity, it's really has a great demand in the form of formal and nonformal educational system. It could be started from the kindergarten, The educational business in Indonesia is the most lucrative business today. Creative thinking with full of ideas of an educational business entrepreneur is strongly demanded, furthermore to keep on guarding some better business opportunity with preparing some business plan is badly needed, nevertheless there are still many risk possibly faced by entrepreneur in their business execution. Can businessmen predict that his business would surely work well in the future? Hence the precise and proper plan, execution and business control should be

managed well from the start. There are some educational business development progresses and even a small educational business entity had developed well to be a famous university. Rosma a non degree institute in Karawang regency Indonesia need only ten years to develop becoming a college of computer and information management, educational organization Kharisma started as a small school of nursing had been developed fastly and possessed three colleagues namely colleague of health, midwifery academy and colleague of information management and computers, institute of education Bina Nusantara in Jakarta firstly has only a form of computer non degree courses becoming an academy of computers later known as Amik Binus and continuously developing become colleague of information management and computers and now famously as Bina Nusantara university one among some foremost university in Jakarta Indonesia. Educational business entity in a form of study guide as Ganesha Operation or Primagama have a marvelous successes, as of now such business entities scattered at least in ninety six cities accross Indonesia, its target market are the students in the level of elementary, and high school with the aim preparing students to be ready to take national examination of Indonesia and university entrance test in Indonesia. Another example of a success study group organization is Sony Sugema College, it's started with a young person called Sony Sugema teaching 124 students privately for the preparation of Indonesia national university entrance test with the small business starting capital Rp 1.5 million used to rent a building and buys some facilities as table and chairs and others. It was Sony's future prospectus business projection that the Indonesia university entrance test is prosperous business prospects during the time. He has a good business management with using a learning revolution concept to teach the students, and he managed to help at least six thousands students yearly to enter some famous universities in Indonesia, and this business model had been developed to be a franchise educational business entire Indonesia under business entity named PT. Sonysugema Eduka, since 2001 have already registered at patent right directorate number 01317-1318, and located in Bandung West Java Indonesia.

Elementary, high school up to university as well as courses, training and other form of study groups. Educational business investment proclivity has continually increasing yearly in Indonesia and even a giant private Indonesia's company acquire some part of its share to establish university. Educational training, study courses, study groups are flourishing in Indonesia. In the late 2010 there are occurring alternative educational called homeschooling which has a lucrative and bright future business success in some capital cities of Indonesia, this is because of increasing number of school age children, and limited number of formal shool existence in every region, nevertheless the talented children have a good interest to study to attain their future professional success.

The boom of educational business in Indonesia is triggered by economical structure change from agrarian towards industrial society; the skillful and high competence profession worker is needed in such economic conditional change. There are societies of Indonesia awareness regarding quality of life improvements shown by

the improvement of Indonesia's society competitiveness in the world. According to global competitiveness reports 2010 released by the 139 countries united in World Economic Forum (WEF), the Indonesia's competitiveness has been increased at 10 digits from 54 rank in the year of 2009 to be 44 rank in 2010. This improvement is due to development phase from traditional phase become efficiency phase secondly, aimed to achieve phase 3 as in innovation and business phase. According to statistical bureau of Indonesia (BPS, 2010) the number of Inhabitant of Indonesia is 228 millions of people spreaded in 363 regency areas, 33 provinces with labor proportion according to their education is elementary graduated 51.50%, high school 33.50%, vocational education 7.80%, diploma I, II and III 2.70%, university 4.60%. Indonesia is towards smaller dependency ratio, it means that the bigger proportion of productive age level the higher economical productivity. These changes is in accordance with the vision of Indonesia towards 2025 that lifting Indonesia to be advance country constitute of 12 powerful countries in the world in 2025 and 8 powerful countries in the world in the year 2045. The flourishing growth of study group in the level of elementary and high school is due to Indonesia's society unbelieve with the study process in formal school, hence families enrolled their children to study in such study group which is believe to be more qualified in teaching the children although it has qoncequences as very expensive style of study to improve the children knowledge. The target of educational business is majority school age citizen.

There is great number of citizen who needs education. The citizen number in Indonesia according BPS census 2005 consists of number of citizen age of 5-9 years old 23 millions, 10-14 years 22 millions, 15-19 years 21 millions, 20-24 years 20 millions, 25-29 years 19 millions, 30-34 years 18 millions, 38-39 years 17 millions, 40-44 years 15 millions, 45-49 years 12 millions and 50-54 years 10 millions. In accordance with these conditions the educational business opportunity in Indonesia is widely open up to year 2045, nevertheless there should be the proper business conduct to be executed for such business would surely prosper. Hence it is very timely to identify the description of sort of educational business, planning the educational business, the strategic management of educational business, the marketing of educational business, the financial system of educational business and the ethical practice of educational business.

## **2. Educational Business Opportunity and Legal Format of Business Organization**

The understanding of educational business is based on three factors namely product or educational service orientations, who is the consumers of this business and how to satisfy such kind of consumers. What and how educational service should be produce to satisfy the consumers, how the technology is used to produce economical product and services for the sake of consumer's satisfaction. Educational business is

erected to really having a profit at certain conditions. Somebody engage in business is projected to gain profits from such business activities. Individually a person is motivated to gain momentous profit to lift his prestige due own a business, some other are motivated to have a company business to be the leader of his employees and some are motivated because they do not want to be an employee of other person or motivated to create a new job employment opportunity. Educational business would gain valuable moment of business when it has a good management (Jeff Madura, 2001) with regard to its business organization, business environment, organization management, human resource management, financial management and marketing management. Some interactions included in educational business management namely proprietorship, stock owners, employees, teachers, creditors, suppliers and students as their consumers, these entities will interact each other supporting educational business organization to attain its profitability goal.

The educational business organization intends to help students expand and improving their ability to be future professionals. Tirta Raharja (2005) stated that education is based on human basic behavior with regard to individual, socialization, decency and diversity towards excellence human. The education has it functions namely education as cultural transformation, as an individual process to be an excellent person, as a qualified professional citizen, and as preparation to become a professional worker in the future. Education is needed to renew personal knowledge continuously to face the continuity of somebody's life, as a social function through transfer of knowledge to next generation for the society can always continuously develop normally with specific skills in their specific field of work (John Dewey, 1964). According to the state act of Indonesia number 20 year 2003 regarding the national educational system, the education executes in accordance to Pancasila and UUD 45 the Indonesia national basic philosophy of life, national education functions to develop personal ability, character building and society civilization and prestige in order sharpen society's mind developing their potential knowledge of the students, excellence citizen faithful to one God, good character, healthy, knowledgeable, creative, capable, independent and to be a democratic citizen and responsible. Education in Indonesia has been executed in formal and informal education. Formal education execute through elementary, high school, colleague and university, as informal executed though vocational education, profession, religious and special education. The elementary is important for a basic of high school level, every citizen at the age of seven up to fifteen years are obliged to finish elementary education. The central and provincial government guarantees to carry out obligatory study for every citizen with free of tuition or free of charge. The vocational education is carrying out for any citizen who needed some educations functions as a substitute, additional or complementary of formal education along the life. The informal education functions as developing student's ability of mastery of knowledge and functional skill and developing professional character, encompasses life skill education, early age education, youth education, women capability education, script education, package A, B and C education and and skill education and job training. The organizational of

educational business namely courses organization, training organization, society educational center, religious study center. The result of informal study has equal legality with the formal educational entity. In accordance with these kinds of educational ranks the educational businessmen can choose one among the educational business organization format.

### **3. Planning the Educational Business**

To select sort of appropriate educational business organization in Indonesia depends on the demand, capability and prospect of such business and continue with perfect business planning preparation. In preparation of developing educational business the entrepreneur works with some business functions namely management, marketing management, financial management, accounting management and informational system management. Management would focus some manner how to manage the educational business organization properly, marketing management would focus on how the development process of marketing the business would be executed, how to promote the educational business organization to such consumer who need the educational business services. The financial management would focus on how to get the capital for operation of the educational business with using accounting system to control the use of capital during business operations and the informational technology would register all cost and expences of business entity. With this kind of operations the business owner would find easier to manage their business well. Planning a business activities needs a certainty of business format, business environment forecasting, state and national social economy and political condition, the management planning regarding organizational structure and management of marketing regarding target market and educational service characteristic (Jeff Madura, 2001); next steps is preparation of the tuition fee price and promotion planning, financial planning with regard to business future prediction in at least current 5 years possibility and capital prediction needed to develop such educational business entity. Some common practice are developing educational business in the form of not for profit foundations, continue with notary certificate registered in the office of ministry of laws in Jakarta Indonesia. After finishing notary certificate of a not for profit foundation, the school operational permit would released. Permit of formal education as well as courses, training, study group, kindergarten, elementary school, and high school could be sounded to regency or city administration, and for the level of university, politechnique, colleague sounded to the directorate of higher education ministry of education in Jakarta through the office of private university coordinator in province. The permit procedur to establish private educational business organization in the level of kindergarten, elementary, high school, vocational education and some courses is signed by the head of regency. The permit request sounding to regency administration in accordance with the regency laws number 20 year 2009 has some requirements as

technical requirements as in having some facilities, list of ownership, list of human resource as employees, teachers and principal, list of books, curriculum, list of students. Administrative requirements namely foundation establishment notary document copy, regency educational administration office recommendation, short working program, and declaration to use the government curriculum. Some procedures to sound the private school permit are sounding to the office of subdistrict of educational affair within 1 day, the office of subdistrict of educational affair executes hearing and field survey within 6 days, the office of educational affair releases recommendation letter within 1 day, continues sounding to the office of basic and middle education and this office processing the recommendation of operational permit needs 4 days, and signing of permit recommendation done by the head of subdistrict educational affair, sounding to the regent needs 6 days. The permit procedure arranges by the national decree number 9 year 2009 regarding higher education. Such decree required that educational foundation consist of founder, representative of teacher, management of higher education, society's leader representative.

Educational business resource of capital originated from donation and loans. The foundation capital management actually has no profit motive; the foundation's activity outcome should be reinvested to the foundation's activities to improve the foundation's capacity and services. Meanwhile the lecturer could be hire originate from civil servant or private individual. According to government ordinance number 234/U/2000 regarding the manual of higher education establishment some requirement to establish private higher education are 5 years main plan of developing base on feasibility study contents of some programs namely academical activities program, operator organization, human resource, facilities, research program and society service program. Establishment manner and arrangement of private educational organization considers founder proposal, approval, sounding of proposal establishment, approval, decision of approval, decision of status. The attachment of establishment proposal are bank reference regarding the capital, public notary certificate, bylaws of the private university, statement of organisator to no laws violation, land and building certification or rent agreement of office or campus.

#### **4. Educational Business Strategic Management and Supporting Facilities**

Strategic decisional making done by the educational foundation is a must to achieve success (Wheelen, Thomas L and Hunger, David, J., 2002) stated that some business decisions is due to business environment observation internal and externally, it starts with chain of command structure, human resource management interms of knowledge, skills, assets, facilities. It is important to prepare business formulation strategy as in vision, mission, organizational objective, objective strategic attainment and plan of action. The working plan, action plan, financial plan, and working

procedure are made to execute the business strategy. The next important is working evaluation. The business main objective is profit seeking, to succeed the business and its values, Jeff Madura (2001) stated that operational management is very important to produce quality productions to attain values through production process of certain business organization. Operation in this kind of educational business is managing the employees and the teacher, educational facilities, curriculum and students. The operational of educational business is identifying human resource type and teacher's quality interms of knowledge, skills. The operational cost needed to pay employee's salary, the higher rank of employee and teacher the higher costs and so concequently the more the number of employee the more costs needed. The ministry of education regulates the cost qualification allowed as expence. The study's facilities are required standardized and regulated by the government as in required standardize class rooms, for this matter the business owner should rent or having their own building. Though buying a building is more expensive than rent, nevertheless renting is risky, that possibly tenant should go out of such building when the tenancy term is over, hence the educational business location should have to be transfer somewhere else which is probably costly, less strategic and unprofitable. The educational business profit will come out of total income deducted by operational costs. To increase income can be manage by increasing the amount of students' entrance, nevertheless to increase student amount the best quality of educational process is needed, additionally the strategic location of the campus has a great influence on student demand to enroll the educational business. The strategic location decision is very important to be made in educational business operations, such decided location has a significant influence of operational cost and competitiveness to other educational business. The strategic location decision requirement namely the demand as such location should be near to students residencial and transportation access. Hence, selected location near residencial area would reduce the transportation cost and concequently reducing human resource cost and student transportation cost in educational business process.

The effectivity of educational business management is needed because it can increase business performance, values and company profit. Jeff Madura (2001) stated that effective management executing precisely management functions as in best planning, executing task precisely, clear and fast employees' communication and controlling. The key to success in educational business are to have clear and proper decision on strategic management as in define precisely what business going to be operated and having a clear and precise vision and mission in accordance to logical attainable and achievable business longterm objectives, vision of business should be measurable and certain performance target. There should be action of creating strategies to attain best results, choosing, executing effective and efficient strategies, evaluating performance and new development of business and starting to check and correcting the long term objectives of the business in accordance with facts and changing the conditions and new opportunities. Strategic management have been executed by the Sony Sugema Colleague (SSC) study group and such business has experiece a big success with creating vision "To be the best education in Indonesia"



and vision as protecting existence and service quality as executing the business ethics, truth and morals, actualization, developing and servicing the employees, continuous innovation, high committed to educational business, growth and develop naturally, no corruption, no political practice, future ideal. The programs executed by SSC are study group educational services for the alumnae of elementary, high school and special program for Institute Technology Bandung (ITB), medical faculty, super intensive program and super camp program. The basic philosophy is the fastest solutions which is a simple principle to solve the scientific problem within a shortest time. This philosophy is not to memorize the formulas, but fun study methods, sophisticated scientific method solved by simple concept daily life. In its development this concept becomes a learning revolution, using high technology the study group has achieved best and famous study group in Indonesia, having skillful and experience mentors, integrated study group system web based computer information system, enrolled by students coming from Indonesia's best favourite school SSC introduce students to higher level of education and favourite schools across Indonesia archipelago. As demanded by the society SSC Eduka has introduced franchise in 18 capital cities in Indonesia.

For the sake of service quality support system SSC uses educational facilities development as in inter school internet support system, internet lesson software, management information system, study materials VCD, simulation CD and diskettes. There are high quality of mentors supported with high teachnology in every class to help teacher students explain study materials and student provided with free internet use.

## **5. Educational Business High Competitive Marketing**

How can an entrepreneur success in managing his educational business with best maketing planning, this is in accordance with Thompson, Strickland and Fulmer (1984) stated that strategic marketing possibly power support of competitiveness positioning. The quality educational service product should be able adjusting to specific quality segment market structure of education. Such important target market according to notary certificate are courses, kindergarten, elementary and high school or higher education, this should be adjusting with the market structures trend possibly increasing demand profitable for educational business and adjusting the price of tuition fee attainable for consumer, promoting such business product. The Philip Kotler (1997) strategic marketing to meet market demand are increasing quality of value and customer satisfaction, increasing services, maintaining relationship, management and business functions integration, develop strategic networking, online direct marketing, high technology in educational process, marketing ethics maintenance. To manage good business needs future informational technology, future management through observing business environment as in demographical factor, economy, laws and



politics condition, social and culture, observance of consumer behavior and analyzing the competitors (Philip Kotler, 1997).

The crucial problem of educational business marketing is demand and supply opportunity vigilant. The potentive supply of study group business is university student candidate or high school student. There are 4,5 millions high school student, 1.5 million of them wanting to enroll to the university, meanwhile there are only 200 university chairs could be supplied, this would mean that only 30% of student could possibly entering the university. This potentially understood by educational businessmen, study demand is very high means that the quality of demander also high. Nevertheless this potential is not supported by ample financial condition and this would really a barrier to enter the university. Meanwhile education should have high quality and concequently high cost of educational process would be needed. Nevertheless, the majority of society school demander are coming from lower level of income and their income just fully enough for only daily food consumption. Hence the educational businessmen are facing complicated risky condition and counting what educational price attainable for this demander and maybe even installment tuition fees monthly can possibly implemented. The main objective of such marketing strategy is to maintain the student supply continuously enrolls to the study group or educational business, hence business can be going on and possibly profitable. The quality teacher should also maintain with providing them higher salary as a logical consequence. The teacher educational background is strictly inline with study material offer in the study group business. The study group tuition fee is Rp850.000 discounted by 20% if student pay in cash. Study location is down town, and promotion method uses a try out test of national entrance test, brochure and leaflets introduced to the student in a class promotion every semester, the mentor selected by using written examination, interview, micro teaching, and time schedule of teaching probation.

## **6. Educational Business Financial System**

The educational business worthiness analyzed in accordance to profitability estimation which can be measured by income minus the costs. Usually the main resource of educational business in Indonesia are tuition fees, building fees or educational donation, courses monthly contribution payment per semester, examination fees, laboratorium work fees, graduation fees. The finishing study fees in a university namely thesis defends fees, advising, research proposal defend, field laboratorium and graduation fees. Usually the main factor significantly influence the income is the number of student enrolled in a semester. Meanwhile the costs calculation is building cost, educational facilities, salary, educational process cost and marketing costs. The starting working capital is the educational business owner responsibility before the organization is able receiving some income. The amount of

starting capital depends on the kind and rank of such educational business whether elementary, high school, university or study group.

There are short period and long period of operational cost. Short term cost namely fixed cost and variable cost as in salary of mentor, employees' salary, facilities expence and other study process tools, and long term cost is economical scale cost. The business principle is maximizing profitability and lessening the lost possibility Karl E. Case and Ray C. Fair (2007) stated that the company which has no profit would suffering lost, and such company would possibly stop its operation or continue to operate in a short time only. Nevertheless the educational business has found difficult to just close such business due to laws and business ethics should be obeyed. Hence in this special case such educational business should have capital reserve possibly operated as operational costs. Specificcally for the higher education business is obliged of having certain amount reserve of capital; this reserve capital is an obligation of the educational business. The educational business permit would not be released without any availability of certain reserve capital proved by bank references. Today there is a great autonomy of educational business in Indonesia, the financial operational management would fully depending on educational business management, hence they should have and providing their own capital to be able operating such business without any government assistance or directions. Hence there is a shift from social education not for profit organization become profit organization, otherwise such organization would close its operational it self due to unable to finance such educational organization. This would really happen not only for the private educational organization but also the government educational organization. Hence in Indonesia today educational business operation is an ethical organization activity to have profit.

## **7. The Ethical Practices, Excellence Quality of Educational Business**

Educational business is an economical activities based on educational interaction practices consider fully with high level of quality and ethics. Business ethics is the values and norms should be executed in every business activities (Jeff Madura, 2001). Business should have social responsibility concern to the environment, the community, and the consumers. Educational business is considered as ethics when maintaining its quality in every process of education in accordance with the governmental decree number 20 year 2003 regarding educational system in Indonesia section 50 paragraph 2 stated that the government determine the national standard of education to educational quality guarantee of national education in Indonesia. Such educational standard operation namely contents standard, materials and competence, standard of educational process, graduate competence standard, graduate qualification capability encompasses attitude, knowledge and skill; mentor standard, facility standard, operational standard, financial standard and education standard of

evaluation. The problem is how to formulate these codes of ethics and principles of business in specific educational sector to avoid neglectness educational quality. How educational business would be formulated concern to highest quality and lowest cost of educational business operation.

This educational business phenomena is a positif opportunity for business practice and scientific concern and maybe some new theoretical in the fields of educational business could have possibly found. Practically educational business organization could create new professional employment in field of educational management, economical education, and marketing; this would possibly increase someone's professional business ability, skill of managing educational foundation to survive. The educational business organization possibly survive longer term, new scientific education knowledge is needed to support educational business management practical interest; the genesis of educational business profession community should have been responsible scientifically, academically and professionally. Hence, specific studies in the educational business is badly needed for the university and specifically education faculty could possibly developing their specific needs creating professional educator in the field of education who master in the methods, study process, educational facilities and continuously developed to be master of economy, professional educational business management which are having a high opportunity future business and economy creating new employment opportunity.

## **8. Summary**

The educational business in Indonesia has proven the most profitable business form. There are many study group organizations or courses institute continuously fast developing local and internationally. Even such organization has change to be a university. It predicts that in future 35 years supported by the government of Indonesia policies regarding development steps of education business in Indonesia would have lucrative prospects. The potential market are student of elementary school, high school and university students having millions number of student spreaded in all cities of Indonesia. The kind of educational business is selected based on potentive educational target demanded formally and informally. The foundation or school establishment permits procedures relatively easy and cheap as informal courses organization and study group, and so is the permit procedure of private school starting from kindergarten, elementary school, high school and vocational education simply sounded to the government office in subdistrict or regency. The mentor could easily to be hired ranging from various fields of education, mainly education faculty fresh graduate who are seeking job positions and senior graduate who switch their profession to be teacher.

Educational business phenomena has possibly contributing scientific development and even creating new sciences in the fields of educational business. In the practical business sence this educational business has been able creating new

professional employment in the field of educational management, educational economy, and marketing. This would possibly able improving capability, skills in managing educational business company to survive.

Academically the educational business would utter new scientific chapter, this has been needed due supporting practical interest of educational business interest, hence it is important to develop specific new chapter studies in such field, and most probable to develop such relevant new scientific chapter study. The educational business professional community would possibly creating educational business demand academically and business professionally responsible. Hence for the university sence and the education faculty could develop its activities which is not just creating education professional teacher who knowledgeable in educational science, study process, study facilities, educational facilities alone, nevertheless, creating a skillful and master in the fields of economy, management and educational business that has some more economical promising opportunity and creating new employment important as well.

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