An Entrepreneur Point-of-View about Policies to Support Innovation in Sharing Economy Era

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Abstract
Entrepreneurship can take form as intrapreneurship within an established company, creation of new businesses, and innovation of processes. Creation of new businesses have important part in prosperity and development of regions, where the entrepreneurs are the actors who make the new businesses.

Innovation is both the cause and result of every entrepreneurship, while research and development is the key to that innovation. An invention of product, service, or process has four distinct steps to become an innovation: research, development, demonstration, and commercialization. Authorities and agencies should provide incentives directly affecting the original innovator to reach commercialization of the product, service, or process.

In sharing economy, consumers take part as the producers and consumers at the same time, companies no longer completely control the resources they sell, and business models constantly change. To regulate sharing economy, government have five options: entirely ban the sharing economy activities, do not make any new regulation as long as the stakeholders do not professionally conduct their businesses, let the market stakeholders regulate themselves, make entirely new regulations based on the inputs from all stakeholders or make temporary experimental laws.

Entrepreneurship promotional agencies should avoid the trap of attracting the relocation of companies or startups from one homogenous sector, instead, the agencies should create conducive ecology for new companies creation and development from diverse sectors. Government and regulators should aim to minimize the policies’ complexity, resource consumption, unnecessary hindrances, to support the entrepreneurs. Government can actively support both conventional companies and sharing economy companies, at the same time, by consulting the affected parties to provide suitable policies for sustainable development.

Keywords
Entrepreneurship, innovation, policy, sharing economy

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This paper is a broad summary of what we have known so far about entrepreneurship and what governments should or should have done to increase entrepreneurship in conventional firms and sharing economy firms.

Entrepreneurship exists in entrepreneurs and manifests in the business practices. Entrepreneurship by classical view has three levels: intrapreneurship-entrepreneurship within firms or small business, creation of a new business, then innovation and coordination of complex production. Entrepreneurs have many definitions in theories and practical standpoint as people who are:

1. Working for profits
2. Taking risks in business ventures
3. Innovating or initiating discontinuous change
4. Arbitrating or acting as middleman
5. Coordinating, organizing, or filling the gap in business.
6. Providing leadership
7. Exercising genuine will
8. Acting as a pure speculator
9. Acting as an employer
10. Acting as a superintendent or manager
11. Acting as a source of information
12. Alert to opportunities as yet overlooked in the market

Entrepreneurship can be productive, unproductive, and destructive for the society and world. Every entrepreneurship effort and all entrepreneurial ability development requires investment, be it time, financial, mental, social, utility, to spiritual matters. All these investments, especially time, financial and other tangible resources, are limited however. These limitations made the entrepreneurs have to allocate all the resources efficiently and effectively. Ineffective and inefficient resource allocation would decrease the success chance of the entrepreneurship.

History shows that creative destruction in economy are often caused by small business or startups, which later grew into big corporations, which further later will experience creative destruction from other small businesses and startup in the future. However, entrepreneurship, including innovation, itself often come from individuals outside the companies as well as within companies, be it small or large firms.

There are four steps of product, service, or process development which an invention must pass to become an innovation: research, development, demonstration, and commercialization.

![Entrepreneur Innovation model](image)

Fig 1: Entrepreneur Innovation model adapted from Entrepreneurship and Innovation: An Economic Approach [11]
If we learn from historical data of USA in 1978-1982[12], at that time the states that had more population density, more comprehensive financial system, better safety protection, more skilled foreign immigrants, better high school and basic education graduates, more income, and uniquely higher tax on small business, had more new businesses within those states.

The establishment of new business within an area will result increment in the numbers job creation, job lost, firms' death and birth, change of social and economic condition within that area[13]. The younger the firms, the more job growth rate they had compared to the older firms. Firms 10-20 years old had 20 to 40 times of job growth rate compared to firms over 20 years old, firms between 5-10 years old have 55 times the job growth rate, and firms less than five years old had 115 times. Startups, which is usually a popular name for new businesses, had four times more job growth rate than mid-size companies[14].

If we learn from the data of UK in the later 1970s until beginning of 1980s, new firm formation rates tend to be higher in the more prosperous regions, which can also mean the regions that had higher entrepreneurship were usually more prosperous[15]. This circular effect suggests that government can interfere to make programs to induce entrepreneurship in a less prosperous area, and can make an area to be more prosperous to induce entrepreneurship.

Government and Policies for Conventional Firms

Albert Shapero shows in his research almost 40 years ago, by taking examples of two cities, Birmingham and Manchester in UK[14]. He insisted that we should make economic goals of development must go beyond just “More jobs, more products, more service, more exports, more contribution to GDP, and better income” because Manchester had all those factors but failed to become the city of future. Meanwhile, Birmingham concentrated on high rate of innovation in its resilient, creative, initiative, and diverse community. These characteristics absorbed abrupt changes in economic, social, and political environment, and enabled Birmingham to survive by creating and facilitating new experiments, starting and running useful projects, hosting diversified companies to make sure that no single effect can affect the whole community.

Many competing districts, cities, provinces, and countries, launch similar program or give concessions to attract large firms or startups from popular sectors to locate their business or startup at their respective regions. These concessions include tax breaks, free or cheap land, long-term and low-interest loans, buildings, utility and infrastructure development, and other preferences. These kind of redundant programs in 1950s in UK alone, cost the 16,000 development organizations over $250 million, or over $2.5 billion in today’s money, just to attract 200 corporate moves[14].

Instead of trying to attract branch of older and established firms, economic development policies should put emphasizes on developing startups in various sectors by creating ecological conditions conducive to new company formations and development. Development programs must be based on what the actual entrepreneurs’ need and condition. Entrepreneurs are usually independent, prefer to take action, want to take initiative, and willing to take risk. If a government make a program that is too detailed and tightly controlled based on its own understanding, such program against the nature of entrepreneurs themselves.

New policies should fully utilize the already established institutions, rather than create new ones, because the startups have to adapt in the existing social, technological, political, and economic environment. The less change a startup must face in their environment, the more chance a startup can survive. In other words, the policies must reform the established institutions and regulations to accommodate the startups, instead of creating new rules and new regulations.
The revised policies to accommodate startups, should aim to “Minimize”: as least resource consumption as possible, as simple regulations and procedures as needed, as few obstacles to financial resources and professional advices as probable. Entrepreneurial policies and programs should focus on to serve the first-come-first-serve and continuously encourage entrepreneurship from various sectors in various levels using various technology. Success from the above approaches have been imminent in the last 50 years, such as Italian steel industry, USA semiconductor, data processing, communication technologies, India software industry, Singapore financial services, and China manufacturing and e-commerce industry.

Job lost, laid-off, immigration, retirement, mid-age crisis, divorced, widowed, frustration of unemployed youth, job dissatisfaction, competition from foreign workers, and even refugee, are part of concerns for many governments in Belt and Road about their citizens welfare related to job creation. Public policies should aim to inform people how to make their own businesses and how to get help to make those businesses.

Interestingly research shows that policies that protect workers from job loss in France and a few European countries, created barriers to entrepreneurial entry in business[16]. Instead of protecting specific jobs on specific industry, policies should facilitate movement and reduce the negative effect of employees who have to experience job loss [17]. Such policies can include setting acceptable unemployment compensation, reasonable and trustworthy pension program, training and advanced education programs, entrepreneurial incentives for the jobless.

Rural regions, women, minorities, ex-military and ex-police members, and government officials are relatively unexplored areas in entrepreneurship and innovation, often because of lack of observations of those areas and orthodox mindsets that avoid risks, resulting in less support and attention from the policy makers[18], [19].

If we learn from Small Business Development Center from Small Business Administration in USA, we can see that government can play more active role in supporting entrepreneurship by providing mostly free, non-interfering, influential, and comprehensive consulting activities to wide range of people, including for non-US citizens or information seekers from outside USA[20].

Development policies and programs from the government and private institutions should be aimed directly at the entrepreneurs who are the original innovators to commercialize the products and services[11]. The planning, execution, monitoring, and evaluation of such policies should involve entrepreneurs in all steps, general enough for wide-range of entrepreneurs in various industries and can be modified suitable for each entrepreneur, case by case. For example, an online examination startup need the policies that can help it to patent its innovations, setup a company, access the local market, get local contents, recruit local employees, market the products to local education institutions, but does not need the policies to have access to manufacturing sites or road infrastructures or warehouses.

**Government and Policies for Sharing Economy Firms**

Unlike in the previous industrial and information era where all of the references were from journals and books, the references for Sharing Economy part includes, working reports, white papers, and corporate reports because there are still inconsistencies among researchers, academicians, business, governments, and popular beliefs of what Sharing Economy is about.

Sharing economy has many overlapping definitions with collaborative economy, on-demand economy, freelance economy, peer economy, access economy, crowd economy, digital economy, and platform economy[21]. Sharing economy as the more
general and popular terms for collaborative economy, has been around for many decades, yet has new meaning and scopes in current understanding. The sharing economy expanded from simply transfer or sharing of ownership of goods or services, into quasi-sharing where other people have the access to the goods or services while the ownership itself remains within the original owners[22].

Before 1990s, people in countries where goods and services were not available in sufficient amount or types, sharing activities were a necessity for survival and relatively unmonetized, but now the sharing concept has moved to monetized convenience purposes[23]. In the 1990s there was a hope that sharing economy would bring free flow of goods, services, or processes to the people in need without the interference of government, companies, or other intermediaries, but now the hope is practically non-existent due to the inability to cover the cost to maintain the operation[24]–[26].

Sharing economy era is the era where companies no longer control the resources they sell, consumers take part in making regulations and doing operations, cooperation and competition occurs at the same time, resource distribution models are changing constantly, hierarchies and middleman are often not needed, asymmetrical customized profit sharing, mass customization through adaptive technology, and smooth daily autonomous operation requires constant heavy supervision.

PwC estimated that the market size for sharing economy will be 335 Billion US$, while in 2019 alone the market size of ride-hailing already at 85Billion US$, where combination of China and Indonesia revenues contribute to half of the worldwide revenue.

Technology as a driver for entrepreneurship is not a panacea for many world’s problem as many cultures or nations think. Technology enabled the world moved from industrial age into information age, where the consumption pattern is moving toward collaborative economy where consumers are at the same time part of the providers of goods, services, and processes.
<table>
<thead>
<tr>
<th>Innovation</th>
<th>Date</th>
<th>Implication for Sharing</th>
</tr>
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<tbody>
<tr>
<td>Web-based consumer commerce</td>
<td>Launch of Amazon-1994; launch of eBay-1995; launch of Taobao -2003</td>
<td>Decentralized, peer-to-peer commerce (eBay, Taobao); introduction of reputation, trust, and recommendation metaphors, which are now widely used</td>
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<td>Free consumer e-mail</td>
<td>Launch of Hotmail-1996</td>
<td>Cheap, flexible means for online communication for all</td>
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<td>Peer-to-peer sharing</td>
<td>Launch of Napster-1999; launch of Wikipedia-2001</td>
<td>Platforms for distributing media content and information within peer-based communities</td>
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<tr>
<td>Security</td>
<td>Current version of HTTPS specified-2000</td>
<td>High levels of security leading to widespread trust in Internet commerce (in terms of both exchange of money and security around personal information)</td>
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<td>High-speed phone network</td>
<td>First UK 3G service launched-2003, Japan 4G -2006</td>
<td>Fast access to Internet content on the move, enable digital transactions using mobile phone</td>
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<tr>
<td>Social media</td>
<td>First full public access to Facebook-2006,</td>
<td>Means of communication; platform for ad hoc and informal groups; establishing online profiles and presence with potential for reputation and trust</td>
</tr>
<tr>
<td>Social messenger</td>
<td>Launch of ICQ-1998, Yahoo Pager-1999,</td>
<td>Means of communication, mostly unmonetized except Wechat that later evolved into a platform able to host payment and business transactions</td>
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<tr>
<td>Cloud storage and services</td>
<td>Launch of Amazon web services - 2006</td>
<td>Cheap, high volume provision of complex functionality and vast, low-cost storage</td>
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<td>High-speed home</td>
<td>Over 50% UK homes access highspeed broadband-2007</td>
<td>Widespread access at speeds that make viable all forms of casual and home use to all. Erosion of “digital divide”</td>
</tr>
<tr>
<td>Multifunction mobile device</td>
<td>Launch of iPhone-2007; launch of android devices-2008</td>
<td>Allows access to all of the above on the move, at point of need and context aware (e.g., location-based functionality)</td>
</tr>
<tr>
<td>Financial technology</td>
<td>Launch of Confinity (Predecessor of Paypal)-1999, Alipay-2004, WechatPay - 2014</td>
<td>Allow digital payment and settlement using a third party platform to bear the risk of payment between sellers and buyers</td>
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<tr>
<td>Supply and chain logistics system</td>
<td>Launch of TradeCard-1999</td>
<td>Connects multiple buyer, sellers, financial institutions, logistic service providers, custom agents and brokers.</td>
</tr>
<tr>
<td>Category</td>
<td>Has it been successful?</td>
<td>Popularity</td>
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<td>Table 2 Adapted from Analysis of Collaborative Economy per Category [28]</td>
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<tr>
<td>Category</td>
<td>Sharing Experiences</td>
<td>Sharing Services</td>
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<td></td>
<td>Education Knowledge</td>
<td>Volunteering</td>
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<tr>
<td>Has CE been successful?</td>
<td>Average</td>
<td>Average</td>
</tr>
<tr>
<td>Usage and Popularity</td>
<td>Average</td>
<td>Very much</td>
</tr>
<tr>
<td>ICT used</td>
<td>Web apps, social media</td>
<td>Web apps, e-markets, mobile apps, social media</td>
</tr>
<tr>
<td>Barriers for wider adoption</td>
<td>Recognition, incentives, trust, unfamiliarity</td>
<td>Recognition, incentives, trust, trust, unfamiliarity</td>
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<td>Success points</td>
<td>Low cost, targeted, personalized education and experiences, sustainability, personal satisfaction, connection to nature, convenience.</td>
<td>Lower cost, convenience, personalization, community spirit</td>
</tr>
<tr>
<td>Failure factors</td>
<td>Degree recognition, limited business opportunities</td>
<td>Lack of creativity and overflow of information</td>
</tr>
<tr>
<td>Successful and engaging elements</td>
<td>Promoting alternative curriculums, distant learning, remote courses, social networking features, mass personalization</td>
<td>Instant and precise, free and good quality contents, mass personalization</td>
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</table>
By knowing these failure and success factors, demographic of sharing economy startups, the scope and popularity of the sharing economy activities, and consulting with the affected stakeholders, the government can provide precise policies to stimulate the innovation and growth in sharing economy.

Governments can be a barrier, supporter, or non-interfering regulator in the sharing economy [29]. But if a government wish to support the exploration of development of this new type of economy, the government should create, adapt, and reform law frameworks providing level competition field between conventional industries and the new companies in the sharing economy, and among the sharing economy companies themselves. The government can also provide incentives for the sharing economy companies, especially financial and innovation policies, to answer the problems that cannot be answered by conventional companies. Governments should also recognize and foresee the negative sides of sharing economy, then becomes the intermediary if conflicts arise[30]. By using the sharing economy principles in the e-government, governments can also directly benefit from sharing economy to serve their constituents better.

There are a few possible specific concerns related to law, such as consumer protection, data privacy protection, equal employment and opportunities, discrimination, payment and risk, taxation, safety and security, liability, insurance, industry competition, compliance and industry standard[31]. There are also a few possible approach to build the new law, do not make any law as long as the sharing economy activities do not do business as professionals[32], an empty box where regulators enact new rules based on the common agreements after thorough research and consideration[33], self-regulation where the stakeholders define their own laws and boundaries and the regulators function as referees[34], temporary experiment where regulators made certain adjustments for certain periods and see the effect on the whole industry and society[35], or entirely ban the certain sharing economy activities while learning from other regions before making any law.

Conclusion
Entrepreneurs are important to job creation, economy growth, better living standard, and sustainable improvement in a region. Innovation is necessary for every entrepreneurship, while research and development are necessary for innovation. Government can increase the prosperity of a region by increasing the entrepreneurship activities within that particular region. Enacting regulation in sharing economy requires new approaches with new paradigm, to facilitate conventional business and sharing economy activities at the same time. Regulations should aim to encourage research and development to reach commercialization of an invention.
References


