

# The Effect Of Entrepreneurial Competencies On Business Performance (Empirical Study On Msmes Of Palembang Woven Fabric)

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## Abstract.

*The aims of this study were to investigate the entrepreneurial competence in Micro, Small and Medium Enterprises (MSMEs) of Palembang woven fabrics, the business performance of Micro, Small and Medium Enterprises (MSMEs) of Palembang woven fabrics, and whether entrepreneurial competence affected business performance at Micro, Small and Medium Enterprises (MSMEs) of Palembang woven fabrics. This research employed quantitative method. The population in this study was 90 owners of MSMEs as well as woven fabric craftsmen in the Tuan Kentang Palembang area. The sample used a random sample of 50 respondents. To collect the data, a closed-ended questionnaire was used. For data analysis, Ordinary Least Square was used. The research results showed 3 findings: overall, the entrepreneurial competence in the Palembang woven fabric business was in the high category, the overall performance of the Palembang woven fabric business was in the very high category, and entrepreneurial competence had a positive and significant effect on the business performance of the Palembang woven fabric business.*

**Keywords:** Entrepreneurial Competencies, business performance MSMEs, Palembang woven fabrics

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## I. INTRODUCTION

Business actors who are active in innovation and creativity are entrepreneurs engaged in the Micro, Small and Medium Enterprises (MSMEs) sector. They have an important role in encouraging economic growth in Indonesia so that it becomes one of the priorities in national economic development. This is because these businesses are the backbone of a populist economic system which is aimed at not only reducing the problem of disparities between groups, income, and business actors as well as poverty alleviation and employment, but also expanding economic business and contributing to accelerating structural change, namely increasing regional economies and national economic resilience. The performance of micro and small businesses in Indonesia requires hard work because they are left behind in using their creative ideas for their products to be able to compete in the business world because many of them are in fact unable to compete and develop and even go bankrupt. This is due to the low competence they have. Relevant to this, Dipta (2012) states that the low performance of MSMEs in Indonesia is due to the low quality of Human Resources (HR) or low entrepreneurial competence. This is also shown by the low development and mastery of knowledge of MSME actors in the fields of management, organization, technology, marketing and other competencies needed in managing a business. In addition their low educational background also makes them difficult to understand how to improve product quality and standardization, expand and increase access to finance, strengthen and increase access to technology for the development of MSMEs, increase access to promotion at home and abroad and build a global business network.

Based on data from the Department of Industry and Commerce in Palembang, 9747 businesses are recorded consisting of 467 micro business units, 7484 small business units and 1794 medium business units. However, the development of these business units is very slow due to limited training and facilities given by the government and other agencies (Disperindagkop, 2013). One of the sectors that dominates small business activities in Palembang is the handicraft sector, especially songket and weaving. There are many songket and weaving craftsmen scattered in the city of Palembang. The price also varies, ranging from the most affordable, around fifty thousand to the most expensive, reaching millions of rupiah depending on the difficulty level of making the fabric.

According to a survey conducted on woven fabrics MSMEs in Tuan Kentang area, a total of 90 business units are engaged in selling woven fabrics in Palembang. The business owner also doubles as a craftsman. Based on data from the Chairman of KUBE Griya Tuan Kentang, the owners of these businesses vary from the age group of 25 years to 60 years, from elementary and undergraduate education backgrounds, as well as sales turnover ranging from eighty million rupiah to one billion five hundred million rupiah per month. There is very tight competition in seizing the market. This is proven by the existence of competition in terms of price, product innovation, and services provided to attract consumers. When MSMEs do not have capital, they cannot seize the market or have low competitiveness. There are several factors that can affect the competitiveness of MSMEs, namely, in terms of human resources, product excellence, innovation, and marketing with information technology (Annisa, 2019). Various activities were carried out to provide capital readiness for the development of SMEs Palembang woven fabrics, both in the field of technology and in the field of management. Research conducted by the research team is a follow-up activity and collaboration with community service activities, which have implemented assistance in the fields of product innovation, marketing and information technology. For this reason, the research team wishes to examine entrepreneurial competence and business performance and the relationship between these two variables. Entrepreneurial competence is needed in dealing with local and global competition. Entrepreneurial competence becomes more important in order to take proactive steps towards the challenges of the business environment. This is because small business owners generally act as managers and business leaders who lead businesses and lead people, so that competence as a manager which includes planners, organizers, administrators and communicators is needed to improve their business performance (Cyhe, 2010). Based on the description that has been conveyed in the background, the problem formulations in this study include:

1. How is the entrepreneurial competence in Micro, Small and Medium Enterprises (MSMEs) of Palembang woven fabrics?
2. How is the performance of businesses in Micro, Small and Medium Enterprises (MSMEs) of Palembang woven fabrics?
3. Does entrepreneurial competence affect business performance at Micro, Small and Medium Enterprises (MSMEs) of Palembang woven fabrics?

## II. LITERATURE REVIEW

### *Entrepreneurship*

Entrepreneurship comes from French (entreprenre-to undertake), which is then popular in English entrepreneurship. Entrepreneurship can be interpreted as a form of activity to do difficult, complex, and risky work in a responsive way in taking initiatives to gain benefits or efforts to take advantage of opportunities at every opportunity (Jati and Priyambodo, 2015).

Suryana (2014: 2) states that entrepreneurship is a discipline that studies the values, abilities and behavior of a person in facing life's challenges and how to get opportunities with the various risks it faces. Performance (work performance) is the quality and quantity of work achieved by an employee in carrying out his duties in accordance with the responsibilities assigned to him (Mangkunegara, 2005). In line with that, Rivai (2005) states that performance is the result or level of success of a person as a whole during a

certain period in carrying out a task compared to the possibilities, such as work results, targets, criteria that have been determined in advance and have been mutually agreed.

From some of the definitions of performance above, it can be concluded that business performance is the result of work achieved as a whole and compared with the work results, targets, criteria that have been determined in advance and have been mutually agreed upon in a business entity with the criteria of assets and turnover that have been specified in law. Performance indicators as stated by Riyanti (2003) are; [1] obtained business profits, [2] administrative performance, operational performance, and strategic performance, and [3] productivity, changes in staffing level, and financial ratios. Rante (2010) further suggests that the indicators used in measuring the performance of micro and small enterprises are [1] increased production, [2] business unit development, [3] increased sales, and [4] profits.

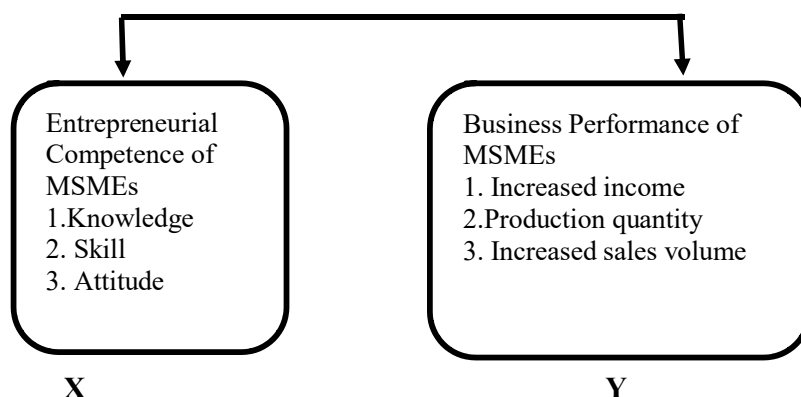
### ***Research Hypothesis***

H<sub>0</sub>: There is no influence of entrepreneurial competence on the performance of micro, small and medium enterprises (MSMEs) of Palembang woven fabrics

H<sub>1</sub>: There is an influence of entrepreneurial competence on the performance of micro, small and medium enterprises (MSMEs) of Palembang woven fabrics

### ***Conceptual Framework***

In this study, researchers tested the influence of entrepreneurial competence of micro, small and medium woven fabrics on the performance of micro, small and medium enterprises in Palembang woven fabrics. Entrepreneurial Competence (X) is the independent variable while the Business Performance of MSMEs (Y) is the dependent variable. To be able to understand it, it can be seen in Figure 1.



**Fig. 1.**Conceptual Framework

#### ***Notes:***

Variable X MSME Entrepreneurial Competence, which is measured based on the knowledge, skills and attitudes of business actors

Variable Y MSME Business Performance, as measured by Revenue, Total Production and Sales volume

### **III. RESEARCH METHOD**

The approach used in this research is a quantitative approach. A quantitative approach is used to describe data in the form of numbers or percentages which indicate the level of influence of entrepreneurial competence in improving the business performance of woven fabrics in the Tuan Kentang area of Palembang. This research is also included in survey research. The survey method is a method of collecting primary data obtained directly from the original source (not through intermediaries) (Indriantoro and

Supomo, 2009: 152). Primary data was carried out by researchers to answer research questions. This method requires several ways to support research, namely, observation, interviews and primary data collection using a questionnaire.

### ***Operational Definition of Variables***

The variables contained in this study are as follows:

#### **1. Independence variable**

The independent variables in the study are as follows:

Competence is a concept related to a person's knowledge, skills and abilities to achieve performance. Entrepreneurial competency indicators as stated by Asep and Yun Yun (2018) are [1] Opportunities competency, [2] Organizing competencies [3] Strategic competencies, [4] Social competencies, [5] Commitment competencies, [6] Conceptual competencies. Meanwhile, according to Endang (2017), the indicators used to measure competence are knowledge, skills and abilities.

#### **2. Dependent variable**

The dependent variable in this study is business performance which is the result of work achieved as a whole and compared to the work results, targets, or criteria that have been determined in advance and have been mutually agreed upon in a business entity with the criteria for assets and turnover that have been determined in the law. Performance indicators as stated by Riyanti (2003) are; [1] obtained business profits, [2] administrative performance, operational performance, and strategic performance, and [3] productivity, changes in staffing level, and financial ratios. Rante (2010) further suggests that the indicators used in measuring the performance of micro and small enterprises are [1] increased production, [2] business unit development, [3] increased sales, and [4] profits.

### ***Population and sample of Respondents***

The population in this study was the owners of MSMEs as well as woven fabric craftsmen in the Tuan Kentang Palembang area, as many as 90 business owners who are also craftsmen (Kube Griya Tuan Kentang, 2019) located in the Tuan Kentang Palembang area. The sample used a random sample of 50 respondents. Sampling was done by interviewing and filling out questionnaires. Then the data obtained were collected and processed.

### ***Data Collection Techniques***

The data collection technique used a questionnaire method, namely by giving a set of questions or a written statement (questionnaire) to the respondent. In this study, the questionnaire was given in the form of a closed statement so that the respondents only had to choose the answer options that were considered the most appropriate.

### ***Data Processing Techniques***

The author used the SPSS version 21.0 to analyze the data in this study.

### ***Analysis Model***

Data analysis is a data processing activity that has been collected to answer problem formulations and test hypotheses that have been proposed. Some of the data analysis techniques used in this study were as follows:

In analyzing the magnitude of the influence of the independent variables on the independent variables, this study used an econometric analysis tool, namely regressing the existing variables using the OLS (Ordinary Least Square) method. The functions used in this research are:

$$Y = f(X_1, X_2, X_3) \dots \dots \dots (1)$$

From this function it is transformed into a linear regression estimation model which is written as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu \dots \dots \dots (2)$$

Information:

Y = MSMEs Business Performance

X = Entrepreneurial Competence

$\alpha$  = Intercept / Constant

$\beta_1, \beta_2, \beta_3$  = Regression Coefficient

$\mu$  = Term of Error

#### IV. RESULT AND DISCUSSION

The normality test was carried out to determine whether or not the data of the independent variable and the dependent variable were normal or not. The data normality test used the 1-Sample Kolmogorov-Smirnov normality test using SPSS 21. Data are normally distributed at a significant level of 5% if the Asymp value. Sig greater than 0.05. The results of the normality test can be seen in the following table:

##### *Normality Test*

Table1. Results of Normality Test

No.	Variable	Asymp. Sig	Sig.	Meaning
1	Entrepreneurial Competence	0.270	0.05	Normal
2	Business Performance	0.124	0.05	Normal

Source: Results of questionnaire data processing, 2020

Based on the table above, it can be seen that the significant value of business performance was 0.124. The sig of the two variables had a value above the significance level of 0.05, so the data distribution of each variable was normal. Linearity test was aimed to see whether the model specifications used were correct or not.

Tabel 2. Results of Linearity Test

No.	Variable	Deviation From Linearity	Sig.	Meaning
1	Entrepreneurial competence	0.056	0.05	Linear

Source: questionnaire data analysis, 2020

Based on the table above, it can be seen that the value of business performance from linearity variable to entrepreneurial competence was 0.056. The deviation from linearity value of the relationship between business performance and entrepreneurial competence had a significant value above 0.05. Thus, the data was linear.

##### *Simple Linear Regression Test*

		Coefficients <sup>a</sup>			
Model		Unstandardized Coefficients		Standardized T Coefficients	Sig.
		B	Std. Error Beta		
1	(Constant)	2,094	4,287	0,491	0,627
	entrepreneurial competence	0,992	0,091	0,879	11,044

a. Dependent Variable: business performance

The analysis results from the table above obtained a regression equation for the second hypothesis with a constant value (a) of 2.094 and a regression coefficient (Bx) of 0.992. As for the equation, namely:

$$Y' = a + bx$$

$$Y' = 2,094 + 0,992X$$

By paying attention to the coefficient value of the independent variable (X) in the regression equation above, the constant value and the effect on the Y value can be explained as follows:

1. The constant / intercept (a) or the intersection point of the equation above is 2.094, meaning that if entrepreneurial competence is equal to zero (0) then the value of business performance (Y) is 2.094.
2. The coefficient (b) of 0.992 can be seen in the table that the entrepreneurial competence variable (X) had a positive effect on business performance (Y) with a coefficient value of 0.992. The number indicates the amount of additional business performance for each additional entrepreneurial competence.

#### **Significance Test Results (T Value)**

**Table 3. Results of T-Test**

No.	Variable	Sig.	T value
1	Entrepreneurial competence	0,000	11,034

Sumber: questionnaire data analysis, 2020

Based on this table, to make a conclusion to accept or reject  $H_0$ , first the T-table values had to be determined. This value depended on the degree of freedom (df) and the significant level used. By using a significant level of 5% and a df value of  $nk-1$  then  $T\text{-table} = T(\alpha / 1, n-1-1) = T(0.05 / 1, 38-1-1) = T(0, 05, 36)$  then the T-table value was 1.688.

The results of the significance test of the independent variable t value (entrepreneurial competence) on the dependent variable (business performance) of the Palembang woven fabric business actors, based on the output, it was known that the T-count value of entrepreneurial competence was 11.034. When compared to the T-table value of 1.688, the T-count obtained was greater than the T-table, while the significant value of entrepreneurial competence 0.000 was smaller than the significant level of 0.05 so that  $H_0$  was rejected and  $H_a$  was accepted. Thus it can be concluded that the entrepreneurial competence variable has a positive and significant effect on the performance of micro-businesses.

**Table 4. Coefficient of Determination ( $R^2$ )**

Model	R	R Square	Adjust R Square	Std. Estimate	Error of the
1	0,879 <sup>a</sup>	0,762	0,766	4,043	

a. Predictors: (Constant), entrepreneurial competence

Based on the table, it is known that the value of the determinant coefficient (R square) was 0.762 multiplied by 100% so that it can be seen that the contribution (contribution) of the entrepreneurial competence variable to business performance was 76.2% and the remaining 23.8% was influenced by other factors.

#### **Entrepreneurial competence in the Palembang Fabric business**

Based on the research results, entrepreneurial competence was in the high category. These results were in accordance with the answers given by respondents to the questionnaires distributed at the time of the research. As the findings of researchers in the field, the majority of respondents had the ability to manage a business well because they had been experienced in running a business for a long time. The findings above are in line with research conducted by Asep Kurniawan & Yun (2018) that the competency variable of small entrepreneurs in the field of culinary in Cimahi City was in the good or high category.

#### **Business Performance on Palembang Woven Fabric Business**

Based on the research results, entrepreneurial competence was in a very high category, this was indicated by the results of the questionnaire data that were answered by the respondents in this study. The results of this study indicated that there was a positive and significant influence between entrepreneurial competence on business performance of Palembang woven fabrics. The results of this study are in line with research conducted by Elsa et al. (2017) in their research which aims to determine how much influence entrepreneurial competence has on the performance of MSME participants in the 2016 PUSPA program organized by Bank Indonesia. The results showed that the entrepreneurial competence variable had a significant contribution to the performance of MSMEs. These results are consistent with the research of Dhamayanti Endang and Fauzan (2017) that entrepreneurial competence had a significant positive effect on



the performance of MSMEs. This showed that entrepreneurial competence to fully mediate (full mediation) the influence of entrepreneurial characteristics on the performance of MSMEs means that the high entrepreneurial competence possessed by MSMEs would improve the performance of MSMEs.

Entrepreneurial competence is a variable that acts as a full mediation between entrepreneurial characteristics and the performance of MSMEs. In Karami's (2004) research on 132 SMEs in the electronics industry in the UK showed that increasing competence, especially human resource capacity was positively correlated to improving organizational performance. Research by Barazandeh et al. (2015) stated that entrepreneurial competence had a positive impact on business performance among 125 startup entrepreneurs selected from the Global Entrepreneurship Monitor (GEM) data from 59 countries.

Sarwoko et al. (2013) in their research showed that competence was a mediating variable between entrepreneurial characteristics and the performance of MSMEs. His research proved that entrepreneurial competence had an impact on the business performance of 147 SMEs in Malang, East Java. Meanwhile, Rakib (2010) reported that entrepreneurial attitudes had a positive direct effect on the performance of small businesses of 1,660. It can be implied that entrepreneurial attitudes (varying between high discipline, high commitment, honesty in acting and being, creative and innovative, risk-taking, proactive, and sociable) have a positive influence on business performance. small (varies between the number of types of products, the level of profit, market area, entrepreneurial satisfaction, employment, and social responsibility).

Another research result that is in line with these findings is research conducted by Davis and Howard (2000), which found that business networking with partner companies was not only an opportunity to build trust, political participation, and social interaction, but also a chance for network formation. Membership in organizations can be successful in increasing the heterogeneity of personal networks of company owners. This increased heterogeneity, in turn, can play an important role in improving access to various resources, and as a result can increase business success and sustainability.

## V. CONCLUSION

1. Overall, the entrepreneurial competence in the Palembang woven fabric business was in the high category indicated from the indicators of knowledge, skills and attitudes.
2. The overall performance of the Palembang woven fabric business was in the very high category indicated by increased income, total production, and increased sales volume.
3. Entrepreneurial competence had a positive and significant effect on the business performance of the Palembang woven fabric business. Based on the calculation of the coefficient of determination (R square), it can be seen that the influence of the entrepreneurial competence variable (X) on business performance (Y) was 76.2% and the remaining 23, 8% was influenced by other factors.

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