

The Impact of Entrepreneurship Competence on Micro Business Performance

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Abstract. This research focuses on entrepreneurial competencies required by traditional herbal medicine sellers, how they can survive against competition and crisis, and how they realize that they have entrepreneurial competencies like those of other successful entrepreneurs. Increasing entrepreneurial competence can improve the performance of micro-businesses, both financially and non-financially. Using a qualitative research method, this study seeks to determine the entrepreneurship competency model that has an impact on the performance of micro-enterprises. The population in this study was all micro businesses in the field of traditional herbal medicine, and the samples were selected using purposive sampling technique. The informants in this study were 86 people, and data were collected through interviews and observations. The data were then analyzed using qualitative descriptive analysis. The results of the survey show that micro-enterprises require entrepreneurial competencies, which consist of 1) the ability to develop a strategic plan, 2) the ability to conceptualize business development, 3) the ability to build a relationship, 4) the ability to learn continuously, and 5) good personality.

Keywords: *entrepreneurship competence, micro business performance*

INTRODUCTION

The interest of the community to set up a small and Medium Enterprises (SME) is continuously increasing, even though many of them did not survive, especially in the first three years. The main reason for building a business for these people is the family economic factor. Unstable family economic conditions often make them run the business on their own without hiring someone else to help them. The owners of traditional retail kiosks who sell basic necessities tend to be careless in their business management. Actually, some of them have sufficient skills to run a business, but the main problem lies in the personal characteristic of the individuals. The mortality rate for micro-enterprises in the first three years is 50-60%. The failure of SMEs occurs mainly between the first and the third year, The main cause of this situation is usually the low entrepreneurial nature and skills of the SME entrepreneurs [1], [2].

The success of micro-enterprises is highly dependent on the human factor, that is, the owner/manager [3], [2], [4], [5]. There is much empirical evidence supporting the

statement that the personal characteristics of employers have a substantial direct impact on company performance [5] [6]. It was found that the primary key to the performance of small businesses is human resources, especially owners' entrepreneurial competencies.

The establishment of micro-businesses is inseparable from the entrepreneurial competencies of the entrepreneurs. Actually, micro-entrepreneurs have entrepreneurial competencies so that they can survive despite the crisis and many competitors [7]. Entrepreneurship competencies possessed by micro-entrepreneurs are not different from those owned by successful entrepreneurs. In a developing country like India, Small Scale Entrepreneurship plays a significant role in the economic development of the country. Several recent studies reviewed, in brief, the evolution of the concept of entrepreneurship, the definition of small scale enterprises and also the small scale entrepreneurship in Indonesia [8], [9].

Experts have various definitions of competence. The term competency contains two meanings; first, competence as a behavior that shows individuals and second, competence as a performance minimum standards [5]. Competence consists of knowledge, skills, and abilities, and is a basic characteristic of someone which indicates how he thinks, behaves, and acts at a certain period of time. Indeed, competence has a significant influence on business performance [10], [11], [12].

Researchers in the entrepreneurship field distinguish between managerial competencies and entrepreneurial competencies. Entrepreneurship competence is required more to start a business, although both are actually important. The entrepreneurial competence is essential in the development of small businesses and the newly established ones. Some researchers state that entrepreneurial competence is a determinant of the success of SMEs, and mainly focuses on individual competencies. The principal competencies needed in small companies include experience, knowledge, and skills of owners and workers [4], [6], [13]. Other empirical study found that entrepreneurial competence is related to business performance [14], [4]. It was suggested that employers equip themselves with relevant competencies to support their job, which can be divided into several roles: entrepreneurship, managerial, and functional roles [4].

The success of micro-enterprises is highly dependent on the personal characteristic of the entrepreneurs, or commonly known as entrepreneurial competence [4], [9],

[10]. Entrepreneurship competencies include strategic abilities, conceptual and personal ownership ability, and the ability to seize opportunities, build relationships, and learning from experience [3], [9], [11]. The higher the competence of the entrepreneur, the higher his achievement is in business performance [12]. Conversely, entrepreneurs who have low competence will show lower performance. For this reason, this current study seeks to examine the relationship between entrepreneurial competencies and the performance of micro-entrepreneurs.

The object of the study is the entrepreneurial competency model applied by sellers of traditional herbal medicine. The ability to survive in business is part of the entrepreneurial competencies possessed by traditional herbal sellers, and it is assumed that this entrepreneurial competence has a different model from the existing model. Furthermore, this study focuses on gathering information about micro characteristics and competencies in dealing with crises and competition. The findings are expected to include competencies, characteristics, and ways of surviving in crises, and from competitors, which can be used as new models to enrich existing theories and to sustain the traditional micro business.

In general, this research aims to improve knowledge about entrepreneurship, especially entrepreneurial competencies of traditional herbal medicine entrepreneurs. The results of this research are expected to provide an insight into developing entrepreneurial science, especially related to micro-enterprises. In short, the purpose of this study is to determine the entrepreneurial competencies possessed by traditional herbal medicine sellers as entrepreneurs of micro-businesses.

METHOD

The population in this research was all micro-businesses in the scope of traditional herbal medicine incorporated in women's cooperatives in Malang Regency. A micro business is an individual business entity that, according to Law Number 20 of 2008, including Micro, Small and Medium Enterprises with assets or net assets of up to IDR 50 million, not including land or building of business premises [15]. Based on its development, micro-enterprises include micro-businesses that aims solely to earn a living [8]. The number of traditional herbal medicine businesses incorporated in women's cooperatives was 86.

The initial informants were selected by purposive sampling. The selected informants were the people who understood the problem, had data, and were willing to provide data for research purpose. In this study, the first informant was the Chairperson of the Women's Cooperative Board, whose members were partly a micro business of 86 traditional herbal medicine sellers. The sample was someone who had the data needed and had a role relevant to the study. The data was collected through observation and interviews.

This research used an interactive model analysis with three procedures, namely data reduction, data presentation, and conclusion drawing/verification [16]. This is a cycle and interactive analysis process, which is interconnected before, during, and after data collection.

RESULT

Improving and enhancing community empowerment through entrepreneurship is an effort to increase people's economic independence in Indonesia. It is carried out through the establishment of micro, small, and medium enterprises, which is beneficial in improving the economy of the community.

The existence of traditional herbal sellers is essential since some people still use traditional herbal medicine. These sellers play a role in empowering themselves to overcome the unemployment and poverty problems in society. They may have limited capital, place, and skills but obviously have a significant role in fulfilling the needs of society.

Competitiveness is part of the traditional markets, including traditional herbal medicine sales. In this case, each individual involved in businesses must have the resilience to survive. One of the important self-defense aspects is entrepreneurial competence.

Based on the results of the research and interviews with micro-businesses, entrepreneurial competencies that can be used to maintain the business can be described as follows.

The ability to develop a strategic plan

An entrepreneur must be able to manage human resources, money, tools, and time well, so the expected goals can be achieved. Strategic plans are carried out on existing resources management to achieve goals, and this is the art of business. The strategic plan starts with planning, organizing, compiling, moving, to monitoring.

The ability to conceptualize business development

To develop a business, it is crucial for an entrepreneur to have the ability to continuously make innovation to be competitive and win the market. The results of the research obtained showed that the development of microenterprises is related to entrepreneurial characteristics. An entrepreneur must have the ability to be creative and innovative in finding and creating various ideas. Every step he takes must be viewed from the business aspect. In this case, creative thinking and high curiosity are essential in order to meet the demand of consumers.

The ability to build relationships with others

Human relations and entrepreneurial competencies are related to the ability to maintain and develop a good relationship with other people, including those involved in the business activities, such as other entrepreneurs, consumers, goods suppliers, material suppliers, investors, creditors, and communities.

The ability to learn continuously

Although there are more and more herbal stores open, most of the traditional herbal medicine sellers are still optimistic about the development of the business. For them, business development must be supported by hard work and optimism. Besides, some respondents stated that even though the business was small, but they were satisfied with what they did because they worked independently and did not follow orders from other people. Based on the results of this study, it can be seen that the development or absence of a small and medium-sized business was strongly influenced by the willingness of the entrepreneur to develop his personal abilities.

Good personality

The entrepreneur's mental attitude is formulated in oneself without depending on others, or without expecting the opportunity given by the government. Rather, being self-sufficient, believing in himself, passionate, actively doing something, managing the time well, and exploring the power of thought to create jobs and businesses. A person who will succeed must have a specific goal besides a strong will. Entrepreneurial competencies are indicated by the activity of creating jobs and not looking for work or waiting for a job. Personality includes willingness, ability, perseverance and tenacity, and courage, which is the first and foremost capital for an entrepreneur. Someone with entrepreneurial competence is capable of doing, thinking, and producing things like other people or other nations, and displays productive behavior rather than consumptive one.

Based on the characteristics above, it is essential to develop micro-businesses, especially traditional herbal medicine businesses, to maintain their existence amidst the modernization. Some supports that can help these entrepreneurs include:

Entrepreneurship Education

It can be given in the form of formal and non-formal education, for example, through upgrading and counseling. Through formal education, it is expected that school-age children from elementary school to university can appreciate the meaning of entrepreneurship, by strengthening their self-confidence and discipline so that they can work on their own without relying on others. Likewise, through counseling and upgrading, it is expected that Indonesian people can both understand and internalize the value of entrepreneurship. Also, counseling and upgrading will develop the competence of the Indonesian people to carry out business and work diligently, so they can live a better life. Therefore, it is necessary to initiate entrepreneurship education in every type and level of education.

Protection

Government protection and business encouragement for local people and entrepreneurs have essential meanings. Without the protection and support for local entrepreneurs, the economic order of this country will be

controlled by foreign nations, or even worse, the government may secretly give the power of this country to others.

Convenience

Excellent and smooth service, simplicity, and adequate explanation are needed in business activities, especially for Indonesian people. It is because most Indonesians have low education and less knowledge. Sometimes, when facing difficulties or not given an adequate explanation, people give up so easily. Thus, when serving the community, convenience and friendliness are essential. Without convenient and friendly service, government expectation will not be achieved.

CONCLUSION

From this study, it can be concluded that the performance of a micro-business, especially traditional herbal medicine business, is inseparable from entrepreneurial competence. Entrepreneurship competencies that must be owned by micro businesses consist of 1) the ability to develop a strategic plan, 2) the ability to conceptualize business development, 3) the ability to build relationships with others, 4) the ability to learn continuously, and 5) good personality.

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