

The Role of Government and the Performance of Small and Medium Enterprises (SMEs) in Increasing Product Value That Mediated by Entrepreneurial Orientation

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Abstract—This study aims to analyze the government's role and the performance of small and medium enterprises in increasing product value that mediated by entrepreneurship orientation in Bima City. This research used a quantitative approach, with a total sample of 100 respondents. The analysis technique used was Structural Equation Modeling (SEM). The results of analysis showed that the role of government has no significant effect on increasing product value, but it has significant effect when mediated by an entrepreneurial orientation. The performance of SMEs significantly influences the orientation of entrepreneurship and increased the product value that mediated by the entrepreneurship orientation on SMEs in Bima City

Keywords— the role of government, SMEs performance, entrepreneurship orientation, product value

I. INTRODUCTION

The products of small and medium enterprises (SMEs) in Bima city are still have low value in terms of marketing. In addition, product innovation or variation is also limited so that it is difficult to increase the value of products. In such situation, intervention form government is important. The government's role is not only as regulator of SMEs, but it also gives attention to micro, small, and medium enterprise players through the business credit assistance program. Government also provide guidance by conducting socialization and counseling to small and medium SMEs in Bima city. However, these activities are still unable to increase product value both in terms of packaging and marketing products that produced by SMEs because many of SMEs do not yet have an entrepreneurial orientation. Entrepreneurial orientation is defined as nature, character or traits inherent in someone and has a strong desire to realize innovative ideas towards real and expandable businesses. Study revealed that when SMEs can implement an entrepreneurial orientation, SMEs are able to develop strategies to deal with competitors, hence, it is clear that entrepreneurial orientation is one important factor to determine the success of a business [1].

The performance of SMEs in Bima city is indeed very good terms of production and fulfillment of local market. However, if the SMEs have an entrepreneurial

orientation it will be very good for the growth and development of SMEs in the future. Therefore, immediet strategies need to be developed are differentiation of product motives and designs as compared to tradional as such, so that the values of the products are increased.

This study aims to determine the effect of the government's role and SMEs performance on increasing product value that mediated by entrepreneurial orientation in SMEs in Bima city. It can also contribute to the Government and SMEs as inputs to promote the entrepreneurship orientation in improving the entrepreneurial competencies and forms of diversification and innovative strategies to increase products value.

II. LITERATURE REVIEW

Small business is a productive economic activity that is formed by itself and conducted by a business entity that is not a subsidiary or not a branch of a company nor directly or indirectly become part of medium or large businesses. A medium-sized business is a productive economic activity that is formed by itself or a business entity that is not a subsidiary of a company, not controlled or be part directly or indirectly with the source of small businesses and large businesses with a total net worth or annual sales proceeds.

Company performance is the result of many individual decisions that made continuously by management [2]. To measure company performance and business performance, a "balanced score card" can be used [3]. In line with the above opinion that there are 4 main factors causing the low performance of small and medium enterprises (SMEs) in Indonesia, namely: 1). Nearly 60% of small businesses still using traditional technology; 2). The market share tends to decrease because of a lack of capital, technology and managerial weakness; 3). Most of small businesses are unable to complete administrative requirements to get help from the Bank; 4). The level of dependency on government facilities tends to be very large [4].

The obstacles that are generally faced by small and medium enterprises (SMEs) are; (a). Low productivity; (b). Low added value; (c). Very small amount of investment; (d). Narrow market coverage; (e). The business network is very limited; (f). Access to sources of capital and raw materials is limited; (g). Management that is still not

professional and human resources who generally do not have the quality to compete.

Based on Decree Number 20 of 2008 concerning Micro, Small and Medium Enterprises, the government has an important role in the empowerment of MSMEs. The purposes of business empowerment are: a). creating a balanced, developing, and equitable national economic structure; b). creating and developing the ability of MSMEs to become strong and independent businesses; and c). increasing the role of MSMEs in regional development, job creation, income distribution, economic growth, and alleviating people from poverty. Empowerment of SMEs in an era of globalization with the high competition makes SMEs must be able to face global challenges, such as increasing product and service innovation, developing human resources and technology and expanding marketing areas. It needs to be conducted to improve the quality of SMEs in order to compete with foreign products so that industries and manufacturers in Indonesia can develop, considering that SMEs are the economic sector that absorbs many workforces [5]. In the development of SMEs, the role of effective and optimal government is realized as a facilitator, regulator, and catalyzer [6].

In this research, the government is expected to have an important role in facilitating the activities of SMEs by making regulations that support to SMEs as well as a catalyzer in order to enable SMEs to innovate some of the products in accordance with the current global market developments. So, the indicators of the role of government in this case are: (a) Facilitator, (b) Regulator, (c) Catalyzer.

The concept of entrepreneurial orientation can be interpreted as a mental attitude, insight perception, mindset and someone's behavior towards tasks that are responsibility and always customer-oriented. Basically, entrepreneurial orientation is the nature, characteristics, and character of someone who has the ability to realize innovative ideas into the real world creatively [7].

Entrepreneurial orientations are formed by three main dimensions, namely innovative, proactive, and risk-taking. The indicators used in this study for the Entrepreneurship Orientation variable are: (a). Innovative, (b). Proactive, and (c). Risk-Taking [7]. The value of a product can be defined as the ratio between what consumers get and what consumers give. The consumers get the benefits of a product and provide the costs. The benefits in this case are functional and emotional uses, while those included are monetary costs (money), time costs, labor costs, physical costs [8].

A company can increase the value of bids to consumers in several ways, such as: (a) Increase the benefits; (b) Reducing the costs; (c) Increase the benefits and reduce the costs; (d) Increasing the benefits more than increasing the costs; (e) Increasing the benefits and reducing the costs. In more simple definition, value is the ratio between product quality and price. The value of product consists of several elements, that are: (a). Product performance, including the variation of product coverage, price, features, brands, packaging/size, warranty and retrieval; (b). Distribution, including the coverage area, location, access, queuing time, the comfort of the place of sale and service; (c). Quality assurance, including the fulfillment of the consumer's goal

of consuming products based on the quality obtained, the frequency of quality inequality and customer satisfaction with the product quality; (d). The company's reputation is the level of consumer confidence to the company's reputation.

The four dimensions of product values above are used by the researchers as indicators to measure the product value variable [9].

III. RESEARCH METHODS

This study is explanatory research that aims to analyze the relationship between one variable with another variable. This research was conducted in Bima city, West Nusa Tenggara Province. The population in this study was all SMEs in the City of Bima, but not all populations were chosen as the respondents. Rather, a purposive sampling technique was used to obtain the samples. The number of samples obtained in this study was 100 respondents. The data collected in this study were from interview techniques and Likert scale questionnaire 1 - 5 (very disagree to very agree). The data analysis technique was Structural Equation Modeling (SEM). The conceptual framework of this study is as follows:

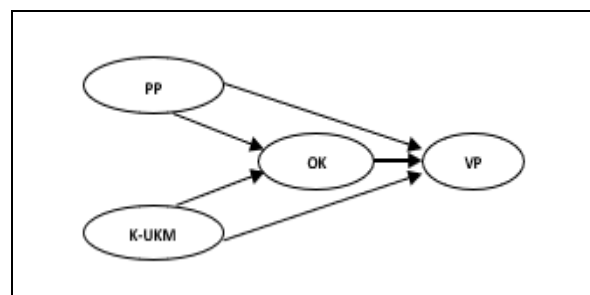


Fig. 1. Conceptual Framework

IV. RESULTS AND DISCUSSION

Respondents responses to the questionnaires are summarized in Table 1. Furthermore, causality relationships among variables as analysed by regression weight are shown in Table 2.

TABLE 1. RESPONDENTS RESPONSES

Variabel	Average	Category
Government role	3.58	High
SMEs performance	3.99	High
Enterpreunership Orientation	3.66	High
Product value	3.97	High

TABLE 2. HYPOTHESES TEST

Hypot thesis	Variabel	β	E	c.r	P	Label	Conclusion
H1	Govt role → E'prenurship orientation	0,52	0,524	1,878	,060	Significant	accepted
H2	SMEs performance → E'prenurship orientation	0,24	0,249	2,377	,017	Significant	accepted
H3	Govt role → Product value	0,41	0,315	-1,469	,142	Not Significant	Partially accepted
H4	SMEs performance → Product value	0,77	1,429	5,140	***	Significant	accepted
H5	E'prenurship orientation → Product value	1,43	1,523	-2,383	,017	Significant	accepted

A. *The Effect of Government Role in Increasing Product Value.*

Based on the results of the analysis, it is shown that the government gives an affect but does not significantly increase product values. It indicates that the proper function and role of the government through relevant agencies will increase the value of the product.

B. *The Effect of Government's Role on Product Value that mediated by Entrepreneurship Orientation.*

The results showed that the role of government had an indirect or not significantly effect on increasing product value through entrepreneurial orientation in SMEs, so that the mediation which is conducted by entrepreneurial orientation is full mediation. Therefore, the role of government in the increase of product value need to be mediated by entrepreneurship orientation.

C. *The Effect of SMEs Performance on Increasing Product Value.*

Based on the results of the study, it is shown that the performance of SMEs increases the product value because if the performance of SMEs works well, SMEs can increase the value of the product. This is shown through sales growth and actual respondents' perceptions by providing value to all indicators so that there is a direct effect on the performance of SMEs to increase product value independently

D. *Effect of SME Performance on increasing Product Value that mediated by Entrepreneurship Orientation.*

Based on the results of data analysis, it is indicatives that the performance of SMEs indirectly affects the increase in product value that mediated by entrepreneurial orientation. Therefore, the mediation which is conducted by entrepreneurial orientation is partial mediation.

V. CONCLUSION

Based on the results of the study, it can be concluded that the role of government has an effects but not significantly increase the product value. However, government significantly contribute to the increase the product value that mediated by entrepreneurial orientation. The performance of SMEs significantly affects the orientation of entrepreneurship and increases product value that mediated by the entrepreneurship orientation on SMEs in Bima city.

In order to have an comprehensive insights from this study, precautions to the following notes are to be taken:

- The role of the government in this research is to provide entrepreneurial orientation training to SMEs in increasing product value.
- The research subjects are limited to handcraft SMEs that have business permit, so comprehensive study need to be done to optimize the increase in product value.

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