Success Factors of Small and Medium-sized Enterprises in Jakarta

Kevin Hardi[1], Ida Puspitowati[2*]

[1]*Faculty of Economics and Business, Universitas Tarumanagara, West Jakarta, DKI Jakarta, Indonesia, 11440*
[2]*Faculty of Economics and Business, Universitas Tarumanagara, West Jakarta, DKI Jakarta, Indonesia, 11440*
Corresponding author. Email:idap@fe.untar.ac.id

ABSTRACT

SMEs have an important role in the economy, as an absorber of labor and contribution to GDP, in line with the development of SMEs. The purpose of this paper is to examine the success of small and medium enterprises (SMEs) in Jakarta, as well as to contribute to knowledge about the determinants of the success of SMEs in Jakarta, especially North Jakarta. This study was conducted using a convenience sample survey method on 60 SMEs operating in North Jakarta. With Smart PLS V.03 analysis to examine the effect of brand reputation, service excellence, and reliable delivery on the success of SMEs, it is found that brand reputation, service excellence and reliable delivery have a significant effect on the success of SMEs. Based on these results, it implies that the success of SMEs is generally related to customers and competition. Good brand reputation, excellent customer service and reliable delivery are the means of success for SMEs.

Keywords: Brand Reputation, Service Excellence, Reliable Delivery, SMEs Success

1. INTRODUCTION

At this time, SMEs is a rather hot topic of discussion. Small and Medium Enterprises are often being talked about, even being considered the saviors of the Indonesian economy during the 1999-2000 crisis [21]. SMEs are also an excellent business opportunity for economic growth, which will form new types of businesses, provide job opportunities for people looking for work, and reduce unemployment in a region or even a country.

The number of SMEs in Indonesia increases every year, due to promising results. According to data presented by the Ministry of Cooperatives and MSMEs, in 2014-2016 the number of SMEs was more than 740,000 units and in 2017 the number was estimated to have grown to more than 787,000 units, and is growing every year until now. SMEs in 2017 accounted for 815,717 business entities and increases every year. In 2016, the President of the Republic of Indonesia stated that MSMEs that are resilient will be able to support the country's economy, even during a global crisis.

In addition to being a pillar of the country's economy, MSMEs, which include SMEs, were able to absorb 96.5% of the total workforce in Indonesia in 2016 [17]. SMEs also contribute to reducing unemployment as MSMEs absorb 51.7-97.2% of the labor force in 2013-2018 according to the BPS. This means that SMEs are

considered to play a strategic role in fighting poverty and unemployment in Indonesia. The government and related parties have clear references to the factors that affect business performance improvement, and the role played by the SMEs sector is expected to continue [20].

The following is data on MSMEs in Indonesia in 2016.

Table 1. Businesses in Indonesia in 2016

Source: Ministry of Finance Publications

Table 2. Contribution of MSMEs in 2015-2018

Tahun	Nilai PDB Nasional (Rp. milyar)	Kontribusi UMKM dalam PDB Nasional (Rp. milyar)	Kontribusi (%)	Pertumbuhan Kontribusi (%)
2015	10.141.340,0	6.228.285,0	61,41	-
2016	11.712.450,6	7.009.283,0	59,84	12,54
2017	12.840.859,0	7.704.635,9	60,00	9,92
2018	14.038.598,5	8.573.895,3	61,07	11,28

Source: Ministry of Cooperatives and SMEs

For SMEs to succeed, brand reputation, service excellence, and reliable delivery are critical factors [12]. Success is an important component as one of the goals of a business venture. The brand must have developed an appropriate reputation because buyers tend to use the brand name as a signal of quality and value [11]. For this reason, an SMEs business must pay attention to the quality of its products and develop products that are in accordance with customer expectations of the brand so that the brand reputation is maintained. To achieve success, brand reputation is expected to uphold its commitment to remain loyal to the business. Today, customer service is one way to attract and retain consumers and customers. Good customer service has a positive impact on businesses which allows consumers to feel cared for by good customer service. This is in line with the statement [2] claiming that customer service is about providing services that exceed customer expectations and please them. In line with technological development, the ease of which consumers and customers receive their desired goods has become a positive value for business ventures. Delivery is a determinant in a business, and utilizing a reliable delivery process will make a business more efficient in its production and sales processes. A business can run smoothly without any obstacles that cause the business process to stop. This is in line with the statement [7]which claims that distribution is a step taken to store and transport products from the supplier stage to the customer stage in the supply chain.

2. LITERATURE REVIEW AND HYPOTESIS

2.1. SMEs Success

[9] said that the simplest way to define success is to measure whether the goals set for the company are met, but not taking into account the possibility of unclear goals. Success can also be determined by criteria such as profit, growth, and also by intrinsic factors such as personal satisfaction and sense of accomplishment [6]. [16] stated that success is a company's growth and financial performance as measured in volume growth, relative changes in net income, value growth and relative changes in equity.

2.2. Brand Reputation

Brand reputation is defined as a favorable estimation and public estimation of a product or service [18]. According to [11] reputation is an estimate of the consistency over time of an attribute of an entity. According to [4] reputation is the overall value, self-esteem and character of a brand as seen or judged by people in general.

2.3. Service Excellence

[10] stated that service excellence is the provision of services that goes beyond customer anticipation and satisfies customers. Service excellence can also train staff members so that they are committed to looking after clients to the best of their ability [19]. According to [2] service excellence means providing services that exceed customer expectations and please them.

2.4. Reliable Delivery

Distribution is a series of activities that involve the transfer of products directly from the point of supply to the point of demand or through the point of transfer of cargo and warehouses [22]. According to [7] distribution is the steps taken to store and transport products from the supplier to the customer in the supply chain. [3] claimed that distribution is a business activity related to the transportation of finished goods or raw materials to a designated place when needed and in usable condition.

2.5. The Effect of Brand Reputation on the Success of SMEs

Brand reputation that is identical to the reputation of a company has a positive influence on customer loyalty to the company's products [14]. Previous research by [1] and [5] show that brand reputation has a positive effect on the success of SMEs. Based on previous research, a hypothesis of this study is as follows:

H1 : Brand reputation has a positive influence on the success of SMEs.

2.6. The Effect of Service Excellence on the Success of SMEs

Service excellence means providing services that both exceed customers' expectations and delight them [2]. This is stated in a study conducted by [8] in Bangladesh. It was found that service excellence has a positive influence on the success of SMEs. Based on this, another hypothesis in this study is as follows:

H2 : Service excellence has a positive influence on the success of SMEs.

2.7. The Effect of Reliable Delivery on the Success of SMEs

Based on previous research by [1] and [8], it was found that reliable delivery has a positive influence on the success of SMEs. Based on this research, another hypothesis is stated as follows:

H3 : Reliable delivery has a positive influence on the success of SMEs.

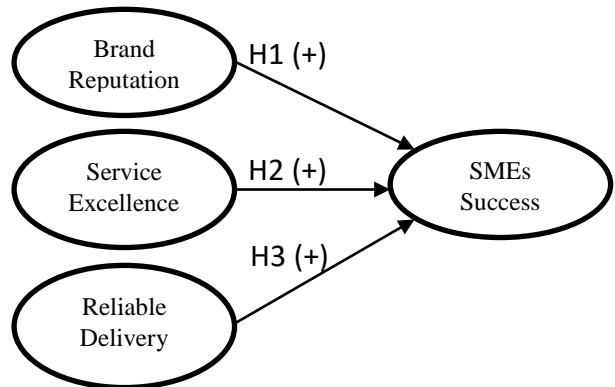Based on the explanation above, the framework is as follows:

Figure 1
Research Model

3. RESEARCH METHOD

This study includes 60 SMEs operating in North Jakarta. The sampling technique used is non-probability sampling with convenience sampling technique. The samples include those encountered by the researcher who fit the research criteria. Out of 60 respondents, who were managers and owners of SMEs in North Jakarta, 33 (55%) were men and 27 (45%) were women, with the majority being over 40 years old (40%), 28 people having highschool education (46.7%), and most of them have had their business for over 8 years (43.3%).

All data were analyzed using Smart PLS V.03. There are 23 indicators in this study consisting of 5 indicators of brand reputation, 6 indicators of service excellence, 4 indicators of reliable delivery and 8 indicators of business success. The research instrument includes a questionnaire using 5 options Likert scale ranging from strongly disagree to strongly agree.

4. RESULT AND DISCUSSION

Based on the validity and reliability testing of the variables, based on the 23 criteria used, the AVE value is greater than 0.5 and the loading factor is greater than 0.5 as shown in the following table:

Table 3 Loading Factor

	Service Excellence	SMEs Success	Reliable Delivery	Brand Reputation
KL1	0.842			
KL2	0.583			
KL3	0.703			
KL4	0.773			
KL5	0.610			
KL6	0.800			
KU1		0.872		
KU2		0.854		
KU3		0.752		
KU4		0.645		
KU5		0.761		
KU6		0.899		
KU7		0.867		
KU8		0.753		
PA1			0.737	
PA2			0.792	
PA3			0.764	
PA4			0.670	
RM1				0.769
RM2				0.800
RM3				0.734
RM4				0.797
RM5				0.660

Source: Smart-PLS 3.0

Table 4. Results of Discriminant Validity Analysis

| Variable	Service Excellence	SMEs Success	Reliable Delivery	Brand Reputation
Service Excellence	0.725			
SMEs Success	0.564	0.804		
Reliable Delivery	0.050	0.553	0.742	
Brand Reputation	0.183	0.544	0.125	0.754

Source: Smart-PLS 3.0

By using Smart PLS Ver. 3analysis, the theoretical model that has been described in the previous path diagram is analyzed based on the data that has been obtained. The t-statistics value from the processing results is as follows:

Table 5. *Path Coefficients (Mean, STDEV, T-Values)*

	Original Sample	Sample Mean	STDEV	T Statistics	P Value
Brand Reputation → SMEs Success	0.399	0.385	0.131	3.036	0.003
Service Excellence → SMEs Success	0.467	0.455	0.122	3.825	0.000
Reliable Delivery → SMEs Success	0.480	0.476	0.108	4.437	0.000

Source: Data Processing, 2021
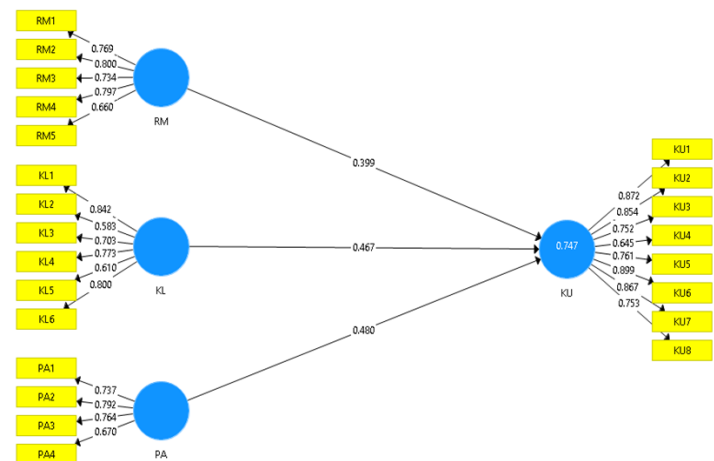
Figure 2
Path Coefficients

Based on the path coefficient in table 5, it is shown that reliable delivery has the most influence (0.480) compared to service excellence (0.467) and brand reputation (0.399). The table also shows that H1, H2 and H3 are supported.

The first hypothesis testing shows that Brand Reputation has a positive and significant effect on business success. This is in line with research conducted by [1] in Palestine and [5] in Thailand. Keni *et al.* (2021) also found that company reputation and brand satisfaction positively affect customer loyalty in the aviation industry in Indonesia, either directly or indirectly through brand attitude. Likewise, [13] found a positive influence between website reputation and purchase intention.

Thus, a reputable brand will have all-around advantages, one of which is consumer loyalty. When consumers are consistently pleased with a brand, they tend to be loyal to the brand's products and less likely to switch to other brands. Consumers will also share their good experiences with friends and relatives. With a good brand reputation, consumers will be loyal to the SMEs brand which paves the way to success.

When testing the second hypothesis, it was found that service excellence has a positive and significant effect on business success. This supports research conducted by [1], [5] and [8]. This is in line with the research of [15] that service quality has a positive effect on tourist loyalty. Good service towards customers allows them to feel comfortable during shopping. When a consumer feels comfortable, they will return as a customer to receive the same level of service. Then, the business has an advantage compared to other competitors because they can attract consumers to shop again while recommending the business to their peers. This plays a role on success of SME businesses.

When testing the last hypothesis, it was found that reliable delivery has a positive and significant effect on business success. This is in line with research conducted by [1] and [8] Delivery is one factor that supports the success of SMEs, because consumers want to get the products they purchased on time at a reasonable cost. When consumers receive the product they purchased quickly in pristine condition, they will become loyal, and subsequently have an impact on the success of SMEs.

5. MANAGERIAL IMPLICATION

The results of the study can be used as an input for SMEs in North Jakarta to maintain excellent customer service especially during the pandemic, and that easy, fast and reliable delivery is an important factor for consumers which leads to business success by attracting more consumers. Service excellence and brand reputation are two things that affect customer loyalty as indicated by various previous studies.

The quality of service and brand reputation of SMEs must be continuously improved to increase customer loyalty and further increase the success of SMEs. Improvement of brand reputation is achieved by improving customer's experience and the value of the goods. Improvement of service excellence is achieved by providing training for delivery employees to be more communicative with consumers.

6. CONCLUSION AND SUGGESTION

Based on the objectives of this study, it is found that reliable delivery has the greatest influence on the success of SMEs, followed by service excellence and lastly, brand reputation. This shows that reliable delivery is more attractive to customers than brand reputation and service excellence, thus impacting the success of SMEs.

REFERENCES

[1]Alfoqahaa, S. (2018). Critical success factors of small and medium-sized enterprises in Palestine. *Journal of Research in Marketing and Entrepreneurship*, *20*(2), 170-188.

[2]Asif, M. & Gouthier, M. H. J. (2014). What service excellence can learn from business excellence models. *Total Quality Management*, *25*(5), 511-531.

[3]Bowersox, D. J. (1969). Physical distribution development, current status, and potential. *Journal of Marketing*, *33*(1), 63-70.

[4]Chaudhuri, A. (2002). How brand reputation affects the advertising-brand equity link. *Journal of Advertising Research*, *42*(3), 33-43.

[5]Chittithaworn, C., Islam, M. A., Keawchana, T., & Yusuf, D. H. M. (2011). Factors affcting business success of small & medium enterprises (SMEs) in Thailand. *Asian Social Science*, *7*(5), 180-190.

[6]Chong, W. Y. (2012). Critical success factors for small and medium enterprises: perceptions of entrepreneurs in urban Malaysia. *Journal of Business and Policy Research*, *7*(4), 204-215.

[7]Chopra, S. (2003). Designing the distribution network in a supply chain. *Transportation Research Part E, 39*(2), 123-140.

[8]Chowdhury, M. S., Alam, Z., & Arif, M. I. (2013). Successfactors of entrepreneurs of small and medium sized enterprises: evidence from Bangladesh. *Business and Economic Research*, *3*(2), 38-52.

[9]Forsman, H. (2008). Business development success in SMEs: a case study approach. *Journal of Small Business and Enterprise Development*, *15*(3), 606-622.

[10]Gillani, A., Lodhi, R. N., Irfan, S. M., & Mehmood, Z. (2016). Examining the relationship between service excellence and customer delight: mediating role of customer satisfaction. *Science International*, *28*(4), 2081-2086.

[11]Herbig, P. & Milewicz, J. (1997). The relationship of reputation and credibility to Brand success. *PricingStrategy and Practice*, *5*(1), 25-29.

[12]Johnson, G. & Scholes, K. (2002). *Exploring corporate strategy: text and cases, 6th ed.* England: Edinburgh Gate, Pearson Education.

[13]Keni, K. & Jundrio, H. (2020). the influence of website quality, website reputation and perceived risk on purchase intention in e-commerce companies. *Jurnal Muara Ilmu Ekonomi dan Bisnis, 4*(2), 229-239.

[14]Keni, K., Dharmawan, P., & Wilson, N. (2021). the influence of company reputation, brand satisfaction, and brand attitude on customer loyalty in the aviation industry in Indonesia. *Management Journal*, *16*(1).

[15]Keni, K., Teoh, A. P., & Muthuveloo, R. (2019). The impact of service quality and corporate reputation toward tourist loyalty: a study of the indonesian hotel industry. *Advances in Social Science, Education and Humanities Research*, *439*.

[16]Lingegard, S. & Sandstrom, E. (2008). Dressed for success: a study of success factors for small and medium-sized manufacturing enterprises in Sweden. *Unpublished masterthesis, Department of Management and Engineering (IEI), Linköping university.*

[17]Ministry of Finance of the Republic of Indonesia. (2018). Anthology of Policy Recommendations (*Retrieved from*: https://www.kemenkeu.go.id/28-7-2021)

[18]Ngwese, E. & Zhang, M. (2007). Brand reputation in international marketing case of mobile telephone companies. *Unpublished master thesis, School of business and engineering, Halmstaduniversity.*

[19]Reed, J. & Vakola, M. (2006). What role can a training needs analysis play in organisational change?. *Journal of Organisational Change Management*, *19*(3), 393-407.

[20]Riwayati, H. E., Salim, U., & Indrawati, N. K. (2020). Financial inclusion and performance to mediate the effect of banking and tax regulation on the success of small and medium enterprises in Indonesia. *International Journal of Economics and Business Administration*, *8*(3), 517-533.

[21]Wahyuningsih, S. (2009). Peranan ukm dalam perekonomian Indonesia. *Jurnal Ilmu-ilmu Pertanian*, *5*(1), 1 – 14.

[22]Yang, X. (2013). A review of distribution related problems in logistics and supply chain research. *International Journal of Supply Chain Management*, *2*(4), 1-8.