

The Effect Of Entrepreneur Competency And External Factors On The Performance Of Small-Medium Industry In South Sulawesi

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ABSTRACT

This study examines the influence of entrepreneurial competence and external factors on the performance of small and medium industries in South Sulawesi Province. The results showed that the influence of Entrepreneurial Competence on the performance of small and medium industries was positive and significant, which means that an increase in the Entrepreneurial Competence factor would significantly impact the improvement of small and medium industries. The influence of external factors on the performance of small and medium industries is positive and significant, which means that an increase in external factors will significantly impact the improvement of small and medium industries.

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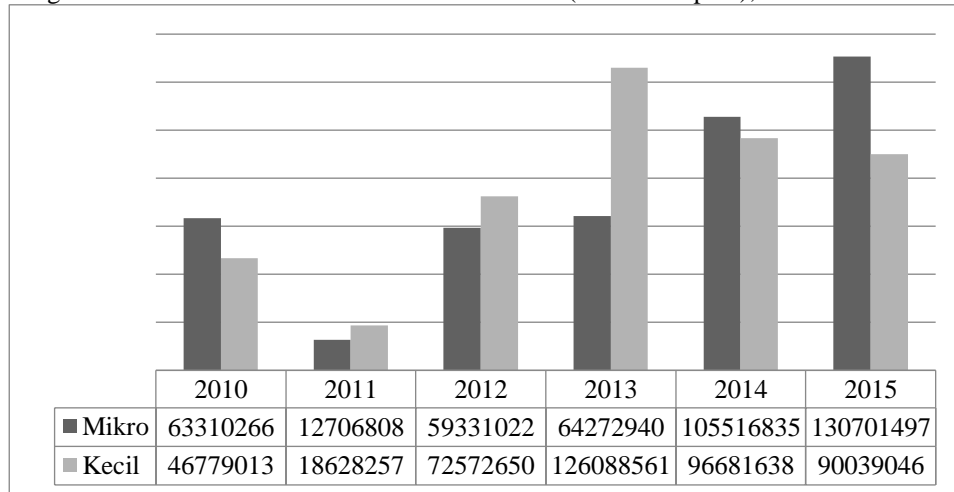
I. Introduction

The development of the industrial sector is part of the national development that must be implemented in an integrated and sustainable manner so that the development of the industrial sector can provide significant benefits to the community. Contributions to improving the community's economy must be made through various programs, including developing Small and Medium Industries (IKM). The industrial sector is one of the main components of national economic development [1].

In Indonesia, Small and Medium Industries (IKM) account for almost 100% of all enterprises and account for less than 61% of the GDP [2]. Not only in Indonesia, Small and Medium Industries (IKM), including micro-enterprises, have played an essential role in driving growth, employment, and income, and have become an integral part of Malaysia's economic transformation process. SMEs are essential to the Malaysian economy, comprising 99.2% of the total companies, of which SMIs contribute 32% of the Gross Domestic Product [3][4][5]. The industrial sector is believed to be a sector that can lead other sectors in an economy toward progress. Industrialization products always have terms of trade and create more excellent added value than other sectors. There is a big difference between the distribution of value added in the industry; small and medium industries are relatively large in terms of added value in agriculture, construction, trade, and services, while large companies dominate mining and manufacturing. Small and medium-sized industries contain more value-added per euro than large firms. The average added value generated from each small and medium industrial production for final demand is 41 cents compared to large companies of only 32 cents[6].

In Indonesia, the role of small and medium-sized industries in added value is still relatively weak, indicated by the added value produced every year that has not shown a consistent increase. The reason is apparent, small and medium industries, especially those in rural areas, face limited human resources, technology, and capital [7][8].

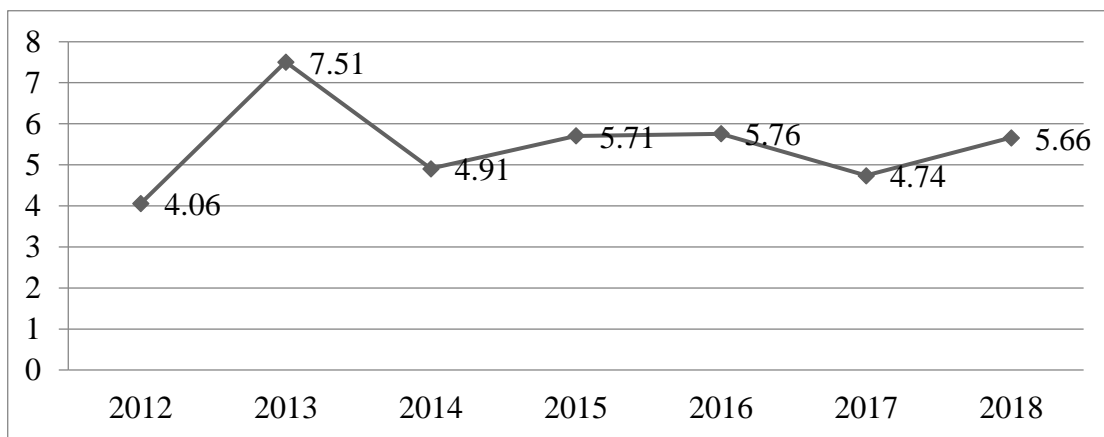
Fig. 1. Value Added Small and Medium Industries (Million Rupiah), 2010-2015



Source: Indonesian Central Statistics Agency, 2016

Based on graph one above, the added value generated by small and medium industries in Indonesia during 2010-2015 has not shown a consistent increase every year. In 2010 the added value of small and medium industries was Rp. 63,310,266,000,000 decreased to Rp. 12,706,808,000,000 in 2011, and again increased until 2015 to Rp. 130,701,497,000,000. The value added by small and medium industries in 2010 amounted to Rp. 46,779.013 million decreased to Rp. 18,628,257,000,000 in 2011 and increased again until 2013 by Rp. 126,088,561,000,000 before finally dropping back to Rp. 90,039,046,000,000 in 2015. In addition, the production growth of small and medium industries in Indonesia is also relatively slow. During 2012-2018, Indonesia's micro and small industries have not consistently increased every year.

Fig. 2. Production Growth (Percent) of Small and Medium Industries in 2012-2019

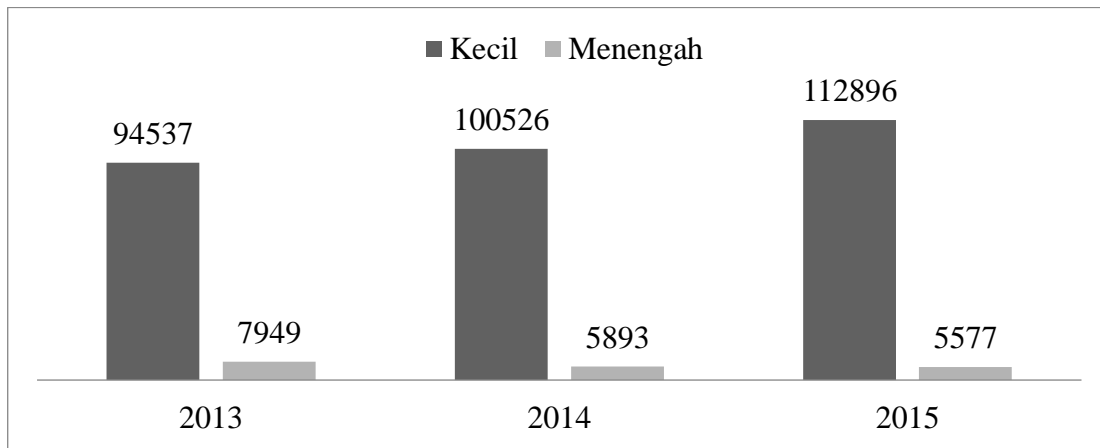


Source: Indonesian Central Statistics Agency, 2019

Based on graph two above, it can be seen that in 2012 the growth of small and medium industry production in Indonesia was 4.06%, increasing to 7.51% in 2013, and again decreased until 2018 to 5.66%.

One of the areas in eastern Indonesia where there are many small and medium industries in South Sulawesi Province. As one of the leading export commodities producing areas such as cocoa, coffee, cotton, seaweed, fish, and shrimp in Indonesia and even the world, South Sulawesi Province is the epicenter of economic business. This condition can directly or indirectly provide a multiplier effect for regional economic growth [9][10].

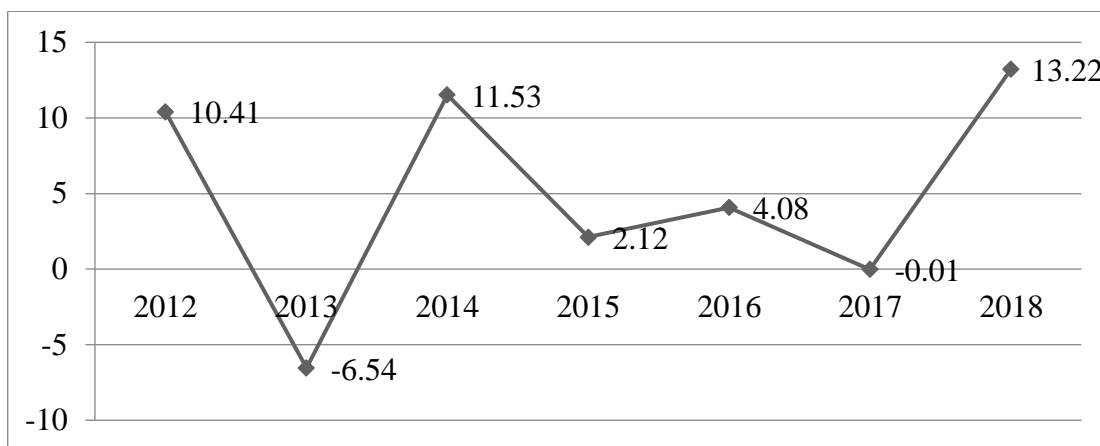
Fig. 3. Number of Small and Medium Industries (Units) in South Sulawesi Province Year 2010-2015



Source: Indonesian Central Statistics Agency, 2016

Based on graph three above, the number of small industries in South Sulawesi Province during 2013-2018 increased from 94,537 units in 2013 to 112,896 units in 2015. Meanwhile, medium industries in South Sulawesi Province decreased from 7,949 units in 2013 to 5,577 in 2015.

Fig. 4. Production Growth (Percent) of Small and Medium Industries in South Sulawesi Province in 2012-2019



Source: Indonesian Central Statistics Agency, 2019

Although the number of small and medium industries has increased in South Sulawesi Province, this increase has not yet impacted increasing production growth. Based on graph four above, it can be seen that the production growth of small and medium industries in South Sulawesi Province shows a fluctuating pattern and has not shown a consistent increase every year. In 2012 the growth of small and medium industry production was 10.41% and then decreased significantly in 2013, reaching -6.53% before finally increasing again in 2014 to 11.53% and decreasing slowly to reach -0.01 percent in 2017. The highest growth of small and medium industries in 2018 reached 13.22%.

An overview of the relatively large number of small and medium industries in South Sulawesi Province and the pattern of production growth that has not shown a consistent increase. This picture indicates that the performance of small and medium industries has not been maximized in encouraging the growth of small and medium industry production in South Sulawesi Province.

Various research findings reveal that to improve industrial performance; entrepreneurial competence is needed. Entrepreneurial competence has a positive impact on business performance; In contrast, entrepreneurs who launch businesses do not have competencies that are qualified to manage companies, there will be no increase in business performance [11]. Another research finding analyzes the impact of entrepreneurial competence on the business performance of small and medium enterprises in the restaurant and food industry in Pekanbaru City. The results show that in both types

of small and medium enterprises, entrepreneurial competence has a significant positive effect on business performance; entrepreneurs with high entrepreneurial competence in their business have a very high chance of surviving [12].

II. Methods

The research method used in this research is quantitative research by measuring the research variables numerically and then analyzing the data using statistical procedures. Data were collected from 205 respondents through questionnaires, direct observation and in-depth interviews.

The analytical method used in this study is Ordinary Least Square to determine the effect of entrepreneurial competence and external factors on the performance of small and medium industries. The equation of the multiple linear regression analysis model can be written into the following equation:

$$Y = \alpha_0 + \alpha_1x_1 + \alpha_2x_2 + \mu$$

Information:

Y = SME Performance

X₁ = Entrepreneurial Competence

X₂ = External Factors

α₀ = Constant

α₁, α₂ = Regression coefficient of variables X₁ and X₂

μ = Error Term.

III. Result and Discussion

This study used two exogenous and one endogenous. These three variables are latent variables that cannot be measured directly, so they need to be reduced to a number of indicators, which are the perspectives, views, and attitudes of respondents to the variables used in this study. To measure this variable, a questionnaire instrument was used whose measurement was using a Likert scale with answer choices ranging from 1 (one) to 5 (five) for each statement item. A value of 1 (one) means very dissatisfied, and alpha value of 5 (five) means very satisfied.

A. Characteristics of Respondents

In this section, research results will be presented regarding the general characteristics of respondents observed, including business experience, type of industry, length of business, and education level of 205 respondents representing small and medium enterprises in South Sulawesi Province.

Table 1. General Characteristics of Respondents

General Characteristics of Respondents	Frequency	%
1. Business Experience (Years)		
< 1	60	29
2-5	55	27
6-10	45	22
> 10	45	22
Total	205	100
2. Type of Industry		
Processing of Marine and Fishery Products	68	33
Processing of Plantation Products	62	30
Agricultural Product Processing	75	37
Total	205	100
3. Business Length (Years)		
< 5	68	33

6-10	62	30
> 10	75	37
Total	205	100
4. Education Level		
Senior High School	46	22
Bachelor	159	78
Total	205	100

Based on table 1 above, most of the respondents observed have business experience of less than one year, namely 60 respondents or 29%. Most respondents were observed to have a type of business in processing agricultural products, 75 respondents or 37%. Most of the observed respondents had a business duration of more than ten years, as many as 75 respondents or 37%. Most of the respondents, when observed, had a bachelor's degree, as many as 159 people, or 78%.

B. Data analysis

This study uses SPSS statistical software to determine the results of the validity test, the reliability test results, and the results of multiple regression analysis. Testing the validity of the instrument is carried out using the Product Moment Correlation method, namely by comparing the value of the correlation coefficient between the questions and the total answers, that is, if the r-calculated value is greater than the r-estimated value, it can be said that the questions used are valid.

Table 2. Validity Test Results

Variable	Statement Items	Correlation coefficient (r-calculated)	Information
Entrepreneurial Competence (X1)	X11.1	0.735	Valid
	X11.2	0.563	Valid
	X12.1	0.648	Valid
	X12.2	0.505	Valid
	X13.1	0.736	Valid
	X13.2	0.435	Valid
	X14.1	0.697	Valid
	X14.2	0.603	Valid
External Factors (X2)	X21.1	0.46	Valid
	X21.2	0.623	Valid
	X22.1	0.51	Valid
	X22.2	0.479	Valid
	X23.1	0.542	Valid
	X23.2	0.639	Valid
	X24.1	0.437	Valid
	X24.2	0.522	Valid
	X25.1	0.681	Valid
	X25.2	0.758	Valid
	X26.1	0.529	Valid
	X26.2	0.501	Valid
	X27.1	0.706	Valid

	X27.2	0.449	Valid
Small Business Performance (Y)	Y1.1	0.646	Valid
	Y1.2	0.552	Valid
	Y1.3	0.713	Valid
	Y1.4	0.643	Valid

Source: Data processing using SPSS

The results of the instrument validity test on the Entrepreneurial Competence statement item, which consists of 8 statement items, the Product Moment Correlation coefficient value (r-calculated) is between 0.435 to 0.736. The calculated r value is greater than the r-estimated value (0.361). Thus it can be concluded that the Entrepreneurial Competence statement item is valid.

The results of the instrument validity test on the External Factor statement items consist of 14 statement items; the Product Moment Correlation coefficient value (r-calculated) is between 0.437 to 0.758. The calculated r value is greater than the r-estimated value (0.361). Thus, it can be concluded that the External Factor statement item is valid.

The results of the instrument validity test on the Small Business Performance statement items consisting of 4 statement items obtained the Product Moment Correlation coefficient value (r-calculated) between 0.552 to 0.713. The calculated r-value is greater than the r-estimated value (0.361). Thus it can be concluded that the statement item on the Performance of Small and Medium Industries is valid.

Testing the instrument's reliability was carried out using Cronbach's Alpha method, namely by looking at the criteria of the Reliability Coefficient Index, where the lowest limit used in stating that the questions used were reliable was 0.600. The results of instrument reliability testing are presented as follows.

Table 3. Reliability Test Results

Variables	Cronbach's Alpha	Information
Entrepreneurial Competence	0.771	Reliabel
External Factors	0.835	Reliabel
Small and Medium Industry Performance	0.620	Reliabel

Source: data processing using SPSS

Based on table 3 above, the Entrepreneur Competence statement item, which consists of 8 statement items, has a Cronbach Alpha coefficient of 0.771 and is greater than 0.600. This means that the Entrepreneurial Competency statement instrument in this study is declared reliable. The External Factor statement item, which consists of 14 statement items, has a Cronbach Alpha coefficient of 0.835 and more than 0.600. This means that the External Factor statement instrument in this study is declared reliable. The Small Business Performance statement item, which consists of 4 statement items, has a Cronbach Alpha coefficient of 0.620 and more than 0.600. This means that the Small and Medium Industry Performance statement instrument in this study is declared reliable. The results of multiple regression analysis aimed to determine the effect of entrepreneurial competence variables and external factors on the performance of small businesses. The test results of multiple regression analysis can be seen in the following table:

Table 4. Results of Regression Analysis

No	Variable	Value	p-value	Information
1	The Influence of Entrepreneurial Competence on IKM Performance	0,152	0,028	Significant
2	The Influence of External Factors on IKM Performance	0,865	0,000	Significant

Source: data processing using SPSS

Based on table 4 above, the results show that the influence of Entrepreneurial Competence on SME Performance has a p-value of 0.049. This value is smaller than alpha 5% (0.05), indicating a significant influence between Entrepreneurial Competence and SME Performance. The regression coefficient

value of the influence of Entrepreneurial Competence on SME Performance is 0.152, indicating that the form of the influence of Entrepreneurial Competence on SME Performance is positive and significant, which means that an increase in the Entrepreneurial Competence factor will have a significant impact on increasing SME Performance.

The influence of external factors on SME performance has a p-value of 0.000. This value is smaller than alpha 5% (0.05), indicating a significant influence between External Factors on SME Performance. The regression coefficient value of the influence of External Factors on SME Performance is 0.865, indicating that the form of the influence of External Factors on SME Performance is positive and significant, which means that an increase in External Factors will have a significant impact on increasing SME Performance.

Discussions

A. *The Effect of Entrepreneurial Competence on the Performance of Small and Medium Industries*

The influence of Entrepreneurial Competence on IKM Performance is positive and significant, which means that an increase in the Entrepreneurial Competence factor will significantly impact the SME Performance factor. The results of this analysis can be explained as follows: small business owners/managers with entrepreneurial competence, namely marketing competence, will be able to improve business performance by increasing sales volume. This increase in sales volume assumes that the owners/managers of small and medium businesses understand how to market their products—starting from determining attractive packaging, determining the right price, and choosing the right distribution channel. The following analysis is that a small business owner/manager with human relations competence will be able to improve business performance by understanding and knowing the external conditions of his business so that various efforts are made to establish mutually beneficial relationships or create opportunities for business development. Likewise, small business owners/managers who have competence in the financial sector will be able to improve their business performance by increasing company profits. Financial management following correct procedures will create transparency and accountability for the company, creating trust for financial institutions and other institutions. Thus, it can be concluded that a small business owner/manager with entrepreneurial competence can improve his business performance.

The results of this analysis are in line with the results of research conducted by [11], which says that entrepreneurial competence has a positive impact on business performance, while entrepreneurs who launch businesses do not have competencies that meet the requirements to manage companies, there will be no increase in business performance. business performance,

B. *The Influence of External Factors on the Performance of Small and Medium Industries*

The influence of External Factors on SME Performance is positive and significant, which means that an increase in External Factors will have a significant impact on increasing SME Performance factors. This analysis proves that if the owner/manager of a small business can analyze external factors well, it will impact business performance. An example of an external factor is the direction of world market developments. Small business owners/managers can read the direction of world market developments and will be able to increase their sales volume and, at the same time, determine their market share. Understanding and knowing the direction of world market development will make adjustments to the chosen strategy. Another analysis of external factors, namely the emergence of new economic giants and countries with substantial exports, will positively and significantly impact business performance by changing sales volume and strengthening existing market share.

The results of this analysis are supported by research conducted by [13], who say that the strategic use of information technology is the main factor in improving SME performance; this allows SMEs to achieve competitive advantage and improve performance indicators. In addition to technology, according to [14], the environment is a critical factor that is no less important for a company's sustainable competitive advantage. There is a significant relationship between the company's environmental scanning improvement and the company's performance in SMEs.

IV. Conclusion

Based on the results of research, data analysis and discussions that have been carried out, it can be concluded that entrepreneurial competence has a positive and significant effect on the performance of small and medium industries, thus increasing entrepreneurial competence will create improved performance of small and medium industries. External factors have a positive and significant impact on the performance of small and medium industries, so improving and understanding external factors will create improvements in the performance of small and medium industries.

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