

## **The Factors under the Different Competence Entrepreneurship and its Effects on the Performance of a Small Business, Medium-Sized Enterprise (SMES) in the City of Makassar**

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**Abstract:** This study aims to determine the factors that affect the individual characteristics of the entrepreneurial competence, human resources towards entrepreneurial competence, entrepreneurship orientation towards entrepreneurial competence the environment to entrepreneurial competence and the competence of entrepreneurship against the business performance. This study was included in the category of explanatory research (explanatory research). The study was conducted on small and medium businesses that are scattered in the city of Makassar. The study population is small and medium enterprises in economic sectors textile entrepreneurs and businessmen apparel based on data in 2013-2014. The number of SMEs has decreased 1.85 and 5.36%, respectively in 2013 and 2014. The sampling technique using sampling techniques (stratified random sampling), (stratified random sampling) which is taking a random sample stratified (groups) by the number a sample of 300 employers. In this study, contextual factors as independent variables was tested as a potential predictor of the dimensions of each predictor for entrepreneurial performance components. Contextual factors namely business performance (Y1) as the dependent variable and entrepreneurial competence as an intervening variable (Y2). Conceptual factors as independent variables (X), consisting of individual characteristics (X1), human resources (X2), entrepreneurial orientation (X3) and environmental factors (X4). The results showed that the variables of individual characteristics, human resources, entrepreneurial orientation, and environment along with their respective dimensions indicate that there is significant influence between the variables exigent with endogenous variables simultaneously and partially to the entrepreneurial competence as well as on the performance of the business.

**Key words:** Individual characteristics, human resources, orientation entrepreneurship, environment, enterprise competence and business performance

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### **INTRODUCTION**

**Background:** Efforts to develop Small and Medium Enterprises (SMEs) will face certain constraints, namely when they 'asked' run production functions, then the person should have competence. A culture that has an entrepreneurial attitude creates a learning environment that is sourced from exploration and experimentation are realized in the form of creativity and innovation. While a clear indication of the success of learning is competence knowledge will henceforth be reflected in an optimal performance for personnel directly related to the market and bound in a pattern of formal and informal organizations. Currently, the entrepreneurial orientation has become something of a critical and urgent for the company to face competition and pressure in a growing

market. This is relevant to the business environment is also more dynamic, therefore, managers at every level must continue to pursue and continue learning in order to cope with the uncertainty of its strategic function can be more competitive.

Based on data from the Central Statistics Agency ([www.bps.go.id](http://www.bps.go.id)) note that the labor force who are unemployed have a different educational background. It has been recorded a number of unemployed college graduates has increased from year 2009 (August) to 2010 (February) by 1.16%. The increasing number of unemployed college level caused by a mismatch between the expertise of graduates with the qualifications required by the demands of companies' recruiters or a lack of knowledge possessed by college graduates to become an entrepreneur.

The development of SMES in 2010 rose by 0.12%, i.e., 51,409,612 units rose to 52,764,603 units in 2011. In 2011 fell by 0.63%, namely 52,764,603 units risen to 53,823,732 units in 2012. In 2012 to 2013 SMES rose by 0.56%, namely 53,823,732 units in 2012 to 55,206,444 units in 2013. Then in 2013 to 2014 Number of SMEs decreased by 0.16%, namely 55,206,444 units in 2013 to 56,534,592 units in 2014. While others such as the growth in the number of workers in 2014 rose by 5.83% from 2.33% in 2013, i.e., in the year 2014. Then the contribution of SMES in GDP (constant prices) of 9.9%, namely from 2013, i.e., USD 1,504,928.201,369,326.00 into in 2014 (in billion USD). Likewise, export value growth also grew by 11% in 2013 to 2014 (6.56-11.00%). Growth in the number of SMEs which in this case SMEs constitute a portion of SMEs in this case decreasing the amount of growth in the number of SMEs. Means that SMEs are also a problem because it's likely the cause of declining interest, the need to strive more tendency to decline.

According to the Tribune News.com Zulfadhli Stating that: "the rate of progress and prosperity of a country seen from how the number of entrepreneurs in a country which must be owned at least as much as 2 percent of the total population with a population of Indonesia as many as 237 million people, Indonesia needs about 4.5 million more entrepreneurs. Only Indonesia currently has about 0, 24% or about 590 thousand entrepreneurs. This amount is far from the minimum target of 2% or 4.5 million entrepreneurs".

In South Sulawesi growth in the number of SMEs from 2010 to 2014 is generally decreased while the growth in the number of workers has increased. The cause of the change in the SMEs sector because of the changing the individual characteristics such as behaviour, age level, education, competency human resources such as expertise, experience, risk, commitment. Entrepreneurial orientation as attitudes, motivations and intentions. And environmental factors such as the availability of credit facilities. If this all becomes weak, it means business productivity is decreased.

#### **Problem formulation:**

- Is there any influence simultaneously and partially individual characteristics, human resources, entrepreneurial orientation and environmental factors have on business performance in the Small and Medium Enterprises (SMEs)
- Is there any influence of each dimension of the individual characteristics, human resources, entrepreneurial orientation and environmental factors simultaneously and partially on the performance of businesses in the Small and Medium Enterprises (SMEs)

**Research objective:** This study aimed to get clarity on the phenomenon empirically the effect of entrepreneurial competence on the performance of Small and Medium Enterprises (SMEs) which are mediated by the ability of humans as the main resource in managing the business in South Sulawesi. Therefore, the aim of this study to investigate the empirical model is about.

Analyzing the simultaneous influence of individual characteristics, human resources, entrepreneurial orientation and environmental factors have on business performance in the Small and Medium Enterprises (SMEs).

Analyzing the partial effect of individual characteristics, human resources, entrepreneurial orientation and environmental factors through entrepreneurial competencies of the business performance in the Small and Medium Enterprises (SMEs).

Analyzing the effect of each dimension from the individual characteristics, human resources, entrepreneurial orientation and simultaneous environmental factors have on business performance in the Small and Medium Enterprises (SME).

Analyzing the effect of each dimension of the individual characteristics, human resources, entrepreneurial orientation and partially environmental factors have on business performance in the Small and Medium Enterprises (SME).

**Benefits of research results:** Contribution expected from the results of this study include the academic aspects, practical aspects and aspects pedagogies. Academic aspects relating to their scientific findings in accordance with the scientific field that is being focused, specifically in the development of science education, especially learning about entrepreneurial competence.

#### **Literature review**

**Small and Medium Enterprises (SMEs):** Under the Law No. 9 In 1995, small and medium enterprises have the following criteria: Maximum net worth Rp200 million, excluding land and buildings. Having an annual sales turnover of Rp1 billion. Owned Indonesian citizen (citizen) Independent, not subsidiaries or branches of companies owned or controlled by big business. The form of business to individual persons, legal entity not, including cooperatives. For the industrial sector has total assets of up to Rp5 billion. For non-industrial sectors has a net worth of at most Rp600 million (excluding soil and buildings) or an annual sales turnover of up to USD 3 billion in business is financed. Standard used Perindagkop agencies classify SMEs in accordance with Law No. 9 of 1995 were based investment company. The investments were as follows (Table 1).

Table 1: Criteria for household business, small, medium and large

Business group	Kriteria
Household enterprises	<5 million
Small business	5-200 million
medium-sized enterprises	1-201 billion
Big business	>1 billion

(Ministry of Law, 2008)

**Business performance:** Performance can be seen from the level of sales, profitability, return on capital, the level of turnover and market share obtained. Li used three performance indicators measuring efficiency, growth and profit. Performance is the actual behaviour shown by everyone as the resulting performance by employees in accordance with its role within the company. The achievement of business performance to make a sustained effort is highly dependent on individual characteristics, resource human orientation, environment, competence (Yusuff *et al.*, 2011).

**Individuals characteristics:** Characteristics is a strengths and weaknesses compared to those individuals have. Thus, data collection profiles, experience, skills and competency management, individual characteristics and motives businessman affect business performance. Policy makers should continue their efforts in preserving many entrepreneurs and also to facilitate their success.

**Human resources:** Christine and Ishengoma, according to human resources, learning as a training tool in the process of addressing the balance of employers. Most of the findings of the study showed that:

- The lack of accessibility to decision-making power
- Lack of access to capital
- Other factors such as lack of interest and motivation to become entrepreneurs

Human resources have access in entrepreneurship. The main obstacles to the efficient performance of some activities. This is because the decision-making and control over resources. Then in terms of the context of thinking, still need more in-depth development (Callaghan and Venter, 2011).

**Entrepreneurial orientation:** Entrepreneurial orientation which include self-confidence, courage, strong will, risk, creativity, innovation and so must have, if you want to be an entrepreneur. This can be achieved through the conclusion of education (Ismail *et al.*, 2012). A significant relationship between entrepreneurial orientation and performance while the competitive advantage was found

to mediate performance orientation towards entrepreneurship. Innovation, proactive, the tendency to take risks, competitive attitude, aggressive, autonomy is a variable that affects the performance of the business.

**Environmental factors:** Norsiah and Razak (2011) according to individual attributes such as education, experience and attitude towards risk-taking essential to the activity of entrepreneurs. Business environment factors such as those in credit. Norsiah and Razak (2011) stated that entrepreneurial orientation as was the person's intention. Likewise, the social environment (family and friend/friend).

**Competence entrepreneurship:** SMEs must be equipped with three competencies, namely strength (focus on the business opportunities and values innovation) the ability (focusing on management and effective planning, organization, coordination and control) and technical competence (focused on science and technology and innovation to consumer orientation (Song and Kee, 2013). The relationship between the competence of entrepreneurs and business performance. In the organization of the program thought that the collective which distinguishes the members of one organization with the other (Song and Kee, 2013).

**Research accomplished:** Katrin Anacker. Margaret Berger. Leora Klapper. Connie L. McNeely Amy Millman. That through training and education of potential entrepreneurs can be accommodated, Isidore Ekpe, Norsiah and Razak (2011). The moderating effect of social environment on the relationship between entrepreneurial orientation and entrepreneurial intentions of female students at Nigerian Universities. Analysing the influence of social environment and the relationship between entrepreneurial orientation and one's intention to entrepreneurship.

**Thinking framework:** Contextual factors as independent variables was tested as a potential predictor of the dimensions of each predictor for entrepreneurial performance components. Contextual factors in this study can be formulated as business performance (Y1) as the dependent variable and entrepreneurial competence as an intervening variable (Y2). Conceptual factors as independent variables, (X) consisting of individual characteristics (X1), human resources (X2), entrepreneurial orientation (X3) and environmental factors (X4). The conceptual framework can be seen in Table 2 as the following.

Tab 2: Nilai probabiliti variabel

Dependent variabel	Relation	Independent variabel				Probability value			
		1	2	3	4	VAR 1	VAR 2	VAR 3	VAR 4
Entrepreneurship competency	<---	Individual characteristic	Human resources	Business orientation	Environment	0.006	***	0.002	***
Business performance	<---	Individual characteristic	Human resources	Business orientation	Environment	***	***	***	***
Business performance	<---	Competency	Entrepreneurship competency	Entrepreneurship competency	Entrepreneurs competency	***	***	***	***

The results of data processing with path AMOS analysis 2016

**Hypothesis development:** The development of this hypothesis formulated the hypothesis that the four alleged that:

- There is a simultaneous and partial effect of individual characteristics, human resources, entrepreneurial orientation and environmental factors have on business performance in the Small and Medium Enterprises (SMEs)
- There is the influence of the dimensions of each individual characteristic, human resources and entrepreneurship and orientation in environmental factors simultaneously and partially on the performance of businesses in the Small and Medium Enterprises (SMEs)

**MATERIALS AND METHODS**

**Types of research and research sites:** Based on the research questions, this study included in research and development (Research and Development) which is the business development that are based on Enterprise Competence. This research was conducted in the city of Makassar.

**Sampling method:** This research study was conducted in Makassar was the unit of analysis is the effect on the performance of entrepreneurial competencies of Small and Medium Enterprises (SMEs). Sampling was done by stratified. The population in this study is the owner or founder of SMEs are scattered in several places in the two cities and one district, i.e., Makassar South Sulawesi Province. The number of samples to be taken as many as 300.

**Data collection methods:** Data collection methods used in this study are uestionnaire (questionnaire), observation, interview (interview).

**Operational definition:** The characteristics of individuals is a character or personality traits or personal characteristic of a person, every individual has innate characteristics (Heredity) and the characteristics that are influenced by the environment.

Human resources is the set of individuals that make up the organization’s workforce, the business sector or economy.

Orientation entrepreneurship is an entrepreneurial activity is regarded as economic development activities that support wealth creation and employment. Callaghan and Venter (2011) thinks attitude, motivation, motivation Intention is the factor that determines the development of entrepreneurial orientation.

Environmental factors according to Norsiah and Razak (2011) he says individual attributes (education, experience and attitude towards risk-taking) and factors such as the business environment, competition, credit, friends and family.

Competence entrepreneurship is the ability to implement all the tasks in the work in accordance with the standards expected. Norsiah and Razak (2011) according to factors such as the competence of entrepreneurship skill, ability, creativity and action.

The business performance is all the phenomena in the work environment, especially in sectors related to human activity to determine the success of a business activity such as profitability and sustainable satisfaction (Lung *et al.*, 2013).

**Sources and how to determine data:** The data source is a textile businessman and entrepreneur apparel in Makassar. How to determine the sample with the equation Slovin:

$$n = N/1 + N (e)^2$$

To determine whether or not valid data used in the study variables used test validity. Each of the indicators used show a significant Correlation value <math>\alpha</math> (5%) as the test results for all variables used in the indicator/valid research instrument.

**Data collection techniques:** The data used in this study is the first primary data obtained through observations made by direct observation on the activity of the research object (respondent). Data was planned by distributing questionnaires directly to the object of research (respondents) with several questions or written statements to the respondents. Lastly, interview (interview) which act as direct forms of data collection.

**Draft data analysis and testing hypotheses:** In this study the method of analysis used to test this hypothesis by using data analysis techniques SEM (Structural Equation Modelling) to see if there are relationships and linkages between either simultaneously or partially.

## RESULTS AND DISCUSSION

**Test instruments:** Research results with Anova output the results showed the value of  $F_{count}$  as big as 3.677 with a significant by 0.013 thus, to be concluded that there are significant differences between the instrument independent variable of the dependent variable or in other words the level of confidence in the research instrument is valid enough. Then, test the coefficient of t value of 6.523 with Sig. 0.00. 6.523 count  $t > t$  table 1.649 while Sig. level,  $0.00 < 0.05$ . This means the research instruments is valid enough to support the research.

Estimates analysis and individual characteristics test matches, human resources, entrepreneurial orientation, environmental, entrepreneurial competence and business performance. Each with its dimensions with variable dimensions that individual characteristics, the value of regression weight where CR 8.87, 8.92, 5.98  $> 1.96$  (standard significantly  $> 1.96$ ). Also, regarding the probability value is  $< 0.05$  ( $< 0.05$ ). It can be stated that all indicators of human resources declared invalid. For variable human resources CR value of 2.77, 2.81 and 2.55 is greater than the figure of 1.96 (standard significantly  $> 1.96$ ). Also, regarding the probability value is  $< 0.05$  ( $< 0.05$ ). It can be stated that all indicators of human resources declared invalid. For entrepreneurial orientation variable CR value of 6.51, 30.70, 44.53  $> 1.96$  (standard significantly  $> 1.96$ ). Also, regarding the probability value is  $< 0.05$  ( $< 0.05$ ). It can be stated that all the indicators of entrepreneurial orientation valid.

For environment variables declared value of CR 19.31, 5.40, 5.61  $> 1.96$  (standard significantly  $> 1.96$ ). Also, regarding the probability value is  $< 0.05$  ( $< 0.05$ ). It can be stated that indicators of environment in all dimensions declared invalid. For variable value CR 6.15 entrepreneurial competence. The 8.39, 8.30  $> 1.96$  (standard significantly  $> 1.96$ ). Also, regarding the probability value is  $< 0.05$  ( $p < 0.05$ ). It can be stated that indicators of environment in all dimensions declared invalid. For business performance variable value CR 15.33, 5.63, 3.09  $> 1.96$  (standard significantly  $> 1.96$ ). Also, regarding the probability value is  $< 0.05$  ( $< 0.05$ ). It can be stated that all dimensions of environmental indicators declared invalid.

**Testing the hypothesis:** There is a simultaneous and partial effect of individual characteristics, human resources, entrepreneurial orientation and environmental factors have on business performance in the Small and Medium Enterprises (SMEs).

Simultaneous relationships variable individual characteristics, human resources, entrepreneurship and environmental orientation, probability value of each variable is  $< 0.05$  at  $N = 300$  (0.18, 0.11, 0.002\*\*\*, \*\*\* $< 0.05$ ). This means simultaneously there human significant. Furthermore, the partial we test variables one by one in which each variable has a significant relationship is  $< 0.05$  ( $p < 0.05$ ). This means that the partial effect is significant.

The results of this study indicate that there is an influence simultaneously and partially independent variables on the dependent variable. It is based on the hypothesis of independent variables and the dependent variable significantly means the hypothesis is accepted.

There is the influence of the dimensions of each individual characteristic, human resources, and entrepreneurship and orientation in environmental factors simultaneously and partially on the performance of businesses in the Small and Medium Enterprises (SMEs). Of the exogenous variables can be tested by F test to determine the effect of independent variables jointly (simultaneously) on the dependent variable. F value in the analysis of SPSS is 23.101.

Furthermore, compared with a probability value of F table at 0.05, F count larger than F table (23.101  $> 2.25$ ), we conclude that there is significant influence between variable-exogenous to the individual indicators simultaneously towards endogenous variables (dimension). Fatherly determine significant or not will be tested by t test with a confidence level of 95% or  $\alpha = 0.05$ . To find the value of t table = ( $\alpha/2$ );  $n-k-1 = 0.05/2$ ;  $300-5-1 = 0.025$ ; 294 Values in the table  $t = 1.968$  while t for individual characteristic variables  $2.967 > 1.968$  t table means the independent variables together with their respective partial dimension effecting on the dependent variable partially.

## CONCLUSION

The results of this study indicate that there is an influence simultaneously and partially independent variables on the dependent variable. It is based on the hypothesis of independent variables and the dependent variable significantly means the hypothesis is accepted.

The results of this study also in line with the thinking Olabisi, Sherifat Yusuff. Andrew Akinola

Olagbemi. Adewole Akinwale Atere, asserts that business performance is influenced by individual characteristics, motivations and objectives, resources,

entrepreneurial orientation and environmental factors. Differences in the results of this study with Yusuff. Olabisi, Sherifat is the resources, motivation and objectives. Motivation and goal, researchers make the dimensions of entrepreneurial orientation while researchers made variable resource human resources as other resources depending on capital and is entered as a capital facilities supported by banks. Furthermore, the results of this study that all independent variables affect business performance. In this case hypothesis accepted.

### **CONCLUSION**

Predictor variables individual characteristics, human resources, entrepreneurial orientation and the environment jointly affect business performance through entrepreneurial competence as a variable intervening. The predictor variables partial entrepreneurial orientation affects business performance has a direct influence is stronger than the indirect effect as well as a stronger predictor environment directly influences compared with indirect influence on business performance. Both of these variables must have the support of the variable characteristics of the individual and human resources to influence business performance through an intervening variable. Because entrepreneurial orientation predictor variables and the environment are interconnected with variable predictor variable individual characteristics and human resources.

The results of this research to take part in the first hypothesis simultaneously and partially independent variables, i.e., variables individual characteristics, human resources, entrepreneurial orientation and the environment as predictors can simultaneously improve business performance through the intervening variable of entrepreneurial competencies influence the dependent variable (performance of the business). This means that the first hypothesis is accepted.

The results of this research to take part in the second hypothesis simultaneously and partially, the independent variable along each dimension that is individual characteristics with its dimensions namely age, education level, commitment, Perilaku. Human resources with its dimensions experience, rivals, risk, expertise. Entrepreneurial orientation with its dimensions, i.e., attitude, motivation, intention, innovation. Environment, with its dimensions that is family/descendants, social/ompanion, banks, security. Competence entrepreneurship with dimensions capabilities, strengths, action/execution, creativ and performance advantages of business with its dimensions, sustainable satisfaction, bank and growth effecting the dependent variable (performance of the business). This means that the third hypothesis is accepted.

### **RECOMMENDATIONS**

For small and medium entrepreneurs or who want to become entrepreneurs should really pay attention; characteristics of individuals with its dimensions, i.e., age, education level, commitment, Perilaku. Human resources with its dimensions, rivals, risk, expertise. Entrepreneurial orientation with its dimensions, i.e., experience attitude, motivation, intention, innovation environment with its dimensions, i.e., family derivative, social/companion, banks, security. Competence entrepreneurship with its dimensions, i.e., capabilities, strengths, action/execution, creative as factors that affect or improve the performance of the business, including factors that could establish someone to be an entrepreneur.

As a manager of small medium enterprises should pay attention to the factors that affect the performance of the business such as the results of this study all dimensions thoroughly independent variables must be owned by small entrepreneurs to realize continuity medium business life.

As a manager of small and medium businesses in managing their business should act and behave consistently so that, people who are involved in business activities do not feel discriminated against and remain solid in their duties. Managers of small and medium enterprises should have the ability to make other people involved in the business activity does not adversely affect business performance.

Cultural values, norms and beliefs should be embedded in the business activities, the involvement of people in business activity, business managers should set an example so that employees take responsibility and have a direct entrepreneurial competence to carry out the tasks given so that business performance can be improved and not difficult to achieve.

This study has several inflicts to realize increased business performance. As small and medium entrepreneur's predictor variables should really be given special attention, serve as a lesson. Both formal and non-formal. Some of dimension's variables that have big influence are the action/execution and creative as intervening dimension's variable of entrepreneurial competence. Furthermore, security as the environment variables, expertise as human resources dimension's variable, motivation as entrepreneurial orientation dimension's variable. Since, this is a powerful dimension of all the dimensions of the variables, does not mean that other dimensions can be ignored.

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