

The Influence of Entrepreneurial Orientation and Entrepreneur Competency of the Competitiveness of the Convection and Tailor Small Business Industries in Makassar City

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Abstract: This study aims to determine the effect of entrepreneurial orientation and entrepreneurial competence on the competitiveness of the convection and tailor small business industries in Makassar City. This research is categorized as analytical survey research. Data acquisition technique uses a questionnaire to 349 respondents as actors and managers of the convection and tailor's small business industry in Makassar City. Furthermore, in answering the research, hypotheses used Structural Equation Modeling (SEM) analysis. The results showed that Entrepreneurial Orientation had a positive but not significant effect on the competitiveness of the convection and tailored small scale industries in Makassar City. However, Entrepreneurial Competence had a positive and significant impact on the competitiveness of the convection and suited small business industry in Makassar City.

Keywords: Entrepreneurship Orientation, Entrepreneurial Competence, and Competitiveness

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I. Introduction

The existence of the Small and Medium Enterprises (SMEs) industry has contributed significantly to the Indonesian economy, not only adding to the Gross Domestic Product (GDP) but can also absorb employment. According to the Ministry of Cooperatives and SMEs (2014) that the contribution of SMEs in GDP in 2013 reached 57.56% of the total national GDP with 57.9 million units of business or 99% of the entire existing business units. SMEs are also able to absorb 97% of the total workforce in Indonesia. This condition provides information that the SME industry has made a significant contribution, but this has not yet made the SME industry in Indonesia highly competitive. Various obstacles faced by SMEs both internally and externally so that the SME Industry is then seen as not again highly competitive in encouraging economic growth and community income.

The low competitiveness of SMEs, caused by several factors including business scale, productivity and the level of technology application are factors that can affect the competitiveness of the SME Industry (Ministry of Cooperatives and SMEs 2014). According to Hitt, et al. (1999) that the competitiveness of small businesses is the degree to which a company can meet market demand, both domestic and international, in producing goods and services, while maintaining or increasing the income of companies and employees. According to Kuncoro (1997: 91), the competitiveness of companies shows the company's position in industrial competition.

Makassar City has the authority to develop the regional economy to improve the welfare of the community, public services, and regional competitiveness. One of the efforts to build the local economy is the development of the SME industry. According to data from the Makassar City Industry and Trade Office, there are various types of industries in Makassar City. Still, only a small portion of the industry has the potential to be developed. In detail, the kinds of commerce can be seen in the following table.

Table 1. Data on the Makassar City Small and Medium Enterprises Industry in 2017

| Business Field | Amount Industry (Unit) | Employee (/person) | Investation Number (Rp.000) | Production Value (Rp.000) |
|---|------------------------|--------------------|-----------------------------|---------------------------|
| Processed Food and Beverage Industry | 6 | 31 | 2.167.000 | 7.950.000 |
| Convection Industry | 391 | 490 | 2.425.324 | 30.471.820 |
| Sewing Measure | 133 | 2.155 | 2.365.000 | 8.072.427 |
| Manufacture and Production Clothes to Order | 15 | 72 | 3.024.00 | 9.777.810 |
| Furniture Industry from Wood | 296 | 1.930 | 24.723.852 | 46.373.883 |

| | | | | |
|----------------------|----|-------|-----------|------------|
| Woodworking Industry | 25 | 1.707 | 2.732.111 | 19.305.808 |
|----------------------|----|-------|-----------|------------|

Source: Makassar City Industry and Trade Office 2018

From Table 1 above, the small business industries that have the opportunity to be developed are the Convection, Sewing and Tailoring industries and tailor-made clothing. The data also provides information that the investment value of the convection industry is 8% with a total workforce of 490 people from 391 business units, a sewing industry with an investment value of 29% of the entire workforce of 2,155 people spread over 133 business units. This condition is an empirical fact that explains that the small cost of investment used is a determinant of not attracting this small business as a result of not having optimal competitiveness. While viewed from the ability of productivity has a promising opportunity to be managed well in the practice of the Small Business industry in Makassar City. It is a phenomenon that is encountered in the development of the small-scale convection industry, measuring sewing in Makassar City, so it needs research on entrepreneurial orientation and entrepreneurial competence in increasing the competitiveness of small businesses.

According to Suryana (2003) that entrepreneurship is a creative and innovative ability that is used as a basis, tips and resources to find opportunities for success. Entrepreneurship-oriented businesses will always strive to produce new products that are innovative and dare to face risks. As the results of Lumpkin and Dess's research (1996), which emphasizes the importance of entrepreneurial orientation factors consisting of innovative attitudes, risk-taking and the ability to compete which ultimately has a significant influence on MSME business performance.

One of the efforts in increasing the growth of SMEs is to develop human resources through increased competence. According to Wibowo (2009: 110), that competence is an ability to carry out or do a job or task that is based on skills and knowledge and is supported by the work attitude required by the situation.

One of the failure factors in running a small business is the lack of competency possessed by small business actors. It is as stated by Siropolis (1994) cited by Nitisusatro (2017) that the failure rate of small businesses by 44% is caused by a lack of competence in the business world. The lack of expertise here includes a lack of mastery of the line of business being run and the ability to manage business activities both physically. Research conducted by Absah (2008) states that companies with valuable and rare competencies will produce a more significant competitive advantage compared to competitors, which in turn results in superior financial performance.

Based on this phenomenon, theoretical description and empirical results, the authors are interested in research by examining the entrepreneurial orientation variables, and entrepreneurial competence on the competitiveness of the Convection, and Sewing Measure small-scale industry in Makassar City.

II. Literature Review

Entrepreneurship Orientation

Entrepreneurship is often associated with the process, formation or growth of a new business that is oriented to profitability, value creation, and the structure of new products or services that are unique and innovative (Coulter, 2000). Entrepreneurship and entrepreneurship are active production factors that can move and utilize other resources such as natural resources, capital and technology, to create wealth and prosperity through the creation of jobs, income and products needed by the community (Yuyun Wirasmita, 2003). By building entrepreneurship, it will strengthen the country's economy. As stated by Suryana (2010), that Entrepreneur is a person who breaks down the existing economic system by introducing new goods and services, by creating new forms of organization, or processing new raw materials. Whereas Looy et al. (2003), argues that people who do entrepreneurship are called entrepreneurs. An entrepreneurial orientation can indicate the form of application of entrepreneurial attitudes with an indication of the ability of innovation, proactivity, and the ability to take risks.

According to Drucker (1994) that entrepreneurial orientation as a trait, character, or traits attached to someone who has a strong will to realize innovative ideas into the real business world can develop them with resilience. While Keh et al. (2007) state that entrepreneurial orientation is the ability to create something new and different (the ability to create unique and unusual things). Daring to take risks is an entrepreneurial attitude that involves his willingness to tie up resources and dare to face challenges by exploiting or engaging in business strategies where the outcome is likely to be uncertain. Proactivity reflects the desire of entrepreneurs to dominate competitors through a combination and aggressive movements, such as introducing new products or services over competition and activities to anticipate future demands to create change and shape the environment. Innovative refers to the attitude of the entrepreneur to be involved creatively in the process of experimenting with new ideas that make it possible to produce new production methods to create new products or services, both for the current market and to new markets.

Entrepreneurial orientation (EO) is related to the psychomotor aspects seen from its innovation, proactive nature and courage to take risks. From these three dimensions, one can see the entrepreneurial

orientation (Covin and Slevin, 1991). Furthermore, according to Covin and Slevin (1991), entrepreneurial orientation is shown by the extent to which top managers tend to take risks related to business (risk dimensions), support change and innovation to gain a competitive advantage for their companies (innovation dimensions) and compete competitively. Aggressive with other companies (proactive aspect).

Indicators of entrepreneurial orientation variables in this study are innovative, proactive, and risk-taking.

Entrepreneurial Competence

Competence is an ability to carry out or do a job or task based on skills and knowledge and is supported by the nature of work that is supported by the post (Wibowo, 2009; 110).

Spencer and Spencer (1993) state that competence is an essential characteristic of an individual that is causally related to the criterion-referenced effective and very high performance of a job or situation. While Kiggundu (2002) states entrepreneurship competencies as overall entrepreneur attributes such as attitudes, beliefs, knowledge, skills, abilities, personalities, expertise and behavioural tendencies needed to sustain and succeed a business.

Successful entrepreneurs are entrepreneurs who have competencies, namely has knowledge, skills and qualities of an individual which includes attitudes, motivation, values and behaviour needed to carry out work/activities. The ability to possess, according to Suryana (2003):

a. Managerial skill

Managerial skill is provisions that must be owned by entrepreneurs. An entrepreneur must be able to carry out the functions of planning, organizing, mobilizing and supervising, so that the business he runs can achieve its objectives. The ability to analyze and develop markets, the ability to manage human resources, materials, money, facilities and all company resources is an absolute prerequisite for being a successful entrepreneur.

b. Conceptual skill

The ability to formulate business goals, policies and strategies is the main foundation for successful entrepreneurship. It takes extra hard work and wants to learn from various sources. The need to learn from one's own experiences and the experiences of others.

c. Human skills (skills to understand, understand, communicate and relate)

Sociable, easy to get along with, sympathy and empathy for others is a skilled capital that supports us towards business success. With skills like this, we will have many opportunities in pioneering and developing businesses.

d. Decision Making Skill (skills in formulating problems and making decisions)

Entrepreneurs are required to be able to analyze the situation and devise various issues to find alternative solutions. In order not to determine the wrong alternative, before making a decision.

e. Time managerial skill (the skill to manage and time use)

An entrepreneur must continue to learn to manage time. Time management skills can facilitate the implementation of work and plans that have been outlined.

Ahmad et al. (2010) recommend the measurement of entrepreneurial competencies, including strategic, conceptual, opportunity, relationship, learning, personal, ethical, familism.

Indicators of entrepreneurial competence in this study are knowledge, abilities, and skills.

Competitiveness

Porter (1988) reveals the conceptualization of the next generation, which states that a competitive advantage is the goal of a strategy to achieve superior performance.

Barney (2010: 10) said that a company has a competitive advantage when it can create economic value (Economic value) that is more than its competitors. In this case, economic value is the difference between the benefits received by the customer and the costs that they will incur to get/buy a product or service. It agrees with Longenecker, Moore and Petty (2003: 30), defines competitive advantage as follows: "Competitive advantage is a benefit that exists when a firm has a product or service that is seen by its target market as better than those of competitors".

Longenecker, Moore, and Petty (2003: 31) say that competitive advantage has a basis in the form of unique services, price/value, right products, consumer experience, and consumer convenience. The model designed by Longenecker, Moore and Petty (2003: 31), for competitive advantage, consists of results, strategy and basis. The outcomes desired by companies that have competitive advantages in the form of profits/profits, markets, customers, and the ability to continue to exist in the industry. While the strategy, adopting an approach from Porter (2004: 26) where competitive advantage provides an overview for companies in choosing and implementing a general strategy to improve and maintain company competitiveness, namely policies based on

costs and procedures based on differentiation. The first is the environment in terms of the broad scope in the ecosystem, technology, global and ecological. The second is the organization in terms of resources and capabilities.

III. Methodology

Types of research

This research belongs to the category of explanatory research (analytical research), namely research conducted by identifying facts and events arising from the object under study, and then performing an investigation to explain the phenomenon of the problem based on the variables studied (Sugiyono, 2017). The method used in this study is the testing hypothesis, namely research that aims to test hypotheses and generally explain the relationship between variables or determine the interdependence of two or more factors in a situation. This study aims to analyze the effect of entrepreneurial orientation, and entrepreneurial competence on the competitiveness of small industrial enterprises in Convection, Measuring Sewing, and Tailoring / Manufacturing of Clothes to Order in Makassar City.

Data collection technique

The survey conducted complete data collection in this study. The data needed is primary data, and secondary data, both types of data are collected through the following techniques:

1. The questionnaire, which is a technique of collecting data through the distribution of a set of written statements about the variables studied, which are addressed to respondents, namely the managers of the small-scale industry of convection, sewing, and sewing / making clothes based on orders in Makassar City. This questionnaire is intended to obtain descriptive data in order to test hypotheses and study models. The questionnaire used in this study, namely statements made in such a way that respondents were limited in giving answers to only a few alternatives or to just one answer. While the measurement scale is used the Likert s' Summated Ratings (LSR) method, with alternative options 1 to 4.
2. Interview, conducted to owners or entrepreneurs of micro and small businesses, and employees of companies who are competent in their fields.

Analysis Method

To analyze the data used The Structure Equation Modeling (SEM). SEM structural equation model. To facilitate the analysis process used, PLS (Partial Least Squares) which is a package in the SEM (Structural Equation Modeling) program.

Population and Sample

There are 539 units of small-scale convection and sewing industry in Makassar City with 2,717 employees. A large number of samples in this study was determined using the Slovin formula in Uma Sekaran (2006: 89), as follows:

$$n = \frac{N}{1 + N(e)^2}$$
$$n = \frac{2.717}{1 + 2.717(0.05)^2} = 349 \text{ respondents (rounding)}$$

IV. Research Results

| Characteristics of respondents | | Frequency |
|--------------------------------|--------------------|-----------|
| Gender | Male | 154 |
| | Female | 195 |
| Age | 16-28 | 193 |
| | 29-41 | 104 |
| | 42-54 | 45 |
| | 55-65 | 7 |
| Years of service | 10-Jan | 303 |
| | 20-Nov | 36 |
| | 21-30 | 5 |
| | 31-40 | 5 |
| Education | Elementary | 31 |
| | Junior High School | 164 |
| | Senior High School | 231 |
| | Diploma | 12 |
| | Bachelor degree | 86 |

Table 2. Characteristics of Respondents

Source: Questionnaire results, processed 2019

Table 3. Hypothesis Testing and Structural Model Testing (Inner Model)

Bootstrapping
Outer Loadings (Mean, STDEV, T-Value)

| | Original Sample Estimate | Mean of Subsample | Standard Deviation (STDEV) | Standard Error (STERR) | T-Statistic (O/STERR) | Explanation |
|--|--------------------------|-------------------|----------------------------|------------------------|-----------------------|-------------|
| Entrepreneurship Orientation (X1) | | | | | | |
| X11 Innovative | 0.741 | 0.734 | 0.113 | 0.113 | 6.534 | Valid |
| X12 Proactive | 0.826 | 0.819 | 0.075 | 0.075 | 10.957 | Valid |
| X13 Risk Taking | 0.755 | 0.755 | 0.093 | 0.093 | 8.139 | Valid |
| Entrepreneurial Competence (X2) | | | | | | |
| X21 Knowledge | 0.856 | 0.85 | 0.036 | 0.036 | 23.778 | Valid |
| X22 Ability | 0.845 | 0.84 | 0.056 | 0.056 | 15.089 | Valid |
| X23 Ability | 0.847 | 0.84 | 0.054 | 0.054 | 15.685 | Valid |
| Business Competitiveness (Y2) | | | | | | |
| Y21 Privileged Services | 0.647 | 0.649 | 0.142 | 0.142 | 4.564 | Valid |
| Y22 Quality | 0.884 | 0.884 | 0.032 | 0.032 | 27.572 | Valid |
| Y23 Price | 0.725 | 0.707 | 0.142 | 0.142 | 5.106 | Valid |

PLS Quality Criteria
Overview

| | AVE | Composite Reliability | R Square | Explanation |
|--|-------|-----------------------|----------|-------------|
| Entrepreneurship Orientation (X1) | 0.600 | 0.818 | | Reliability |
| Entrepreneurial Competence (X2) | 0.721 | 0.886 | | reliability |
| Business Competitiveness (Y2) | 0.576 | 0.800 | 0.614 | reliability |

Path Coefficients (Mean, STDEV, TValues)

| | Original Sample Estimate | Mean of Subsample | Standard Deviation (STDEV) | Standard Error (STERR) | T-Statistic (O/STERR) | Explanation |
|--|--------------------------|-------------------|----------------------------|------------------------|-----------------------|----------------|
| Entrepreneurship Orientation -> Business Competitiveness | 0.078 | 0.091 | 0.163 | 0.163 | 0.478528 | No Significant |
| Entrepreneurial Competence -> Business Competitiveness | 0.509 | 0.502 | 0.1300 | 0.1300 | 3.915385 | Significant |

Relationship between Entrepreneurship Orientation with Competitiveness

H1: Entrepreneurship Orientation has a positive and insignificant effect on Business Competitiveness.

Testing the structural model of Entrepreneurship Orientation with Business Competitiveness can be seen from the value of the parameter coefficient of 0.078, with a T-Statistics value of 0.478 smaller than the T-Table at alpha 5% of 1.96. So, it can be said that the Entrepreneurial Orientation in the form of innovative, proactive, and brave to face the risk of giving a positive influence on Business Competitiveness but not significant.

Relationship between Entrepreneurial Competence and Business Competitiveness

H2: Entrepreneurial Competence has a positive and significant effect on Business Competitiveness.

Testing of the structural model of Entrepreneurship Competitiveness can be seen from the value of the parameter coefficient of 0.509, with a T-Statistics value of 3,915 higher than the T-Table at alpha 5% of 1.96. Then it can be said that there is a positive and significant relationship between Entrepreneurial Competence and Business Competitiveness.

V. Conclusion

Based on the results of research and discussion described previously, it can be concluded as follows:

1. Entrepreneurial orientation has a positive and not significant effect on business competitiveness. It means that the lack of innovation, as well as being proactive, and the lack of courage to face the risk of causing low business competitiveness.
2. Entrepreneurial Competence has a positive and significant effect on Business Competitiveness. This means that the higher the competency of the business manager or employee, the higher the business competitiveness.

VI. Recommendations

1. Limitations of business managers and employees in terms of product innovation, as well as not proactively looking for consumers and market opportunities, and lack of courage to face risks, causing business competitiveness is also low.
2. It is necessary to increase competence in terms of knowledge, abilities, and skills to be able to increase the competitiveness of small industrial businesses in the city of Makassar.

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