

# Business Survival: Competence of Micro, Small and Medium Enterprises

Rahayu Mardikaningsih, Elok Imroatul Azizah, Natasya Nafa Putri, Muhammad Nur Alfian, Muhammad Mas Davit Herman Rudiansyah

Sunan Giri University, of Surabaya, Indonesia

## ARTICLE INFO

### Article history:

Received 15 December 2021

Accepted 10 January 2022

Published 20 January 2022

### Key words:

MSMEs,

Micro, Small and Medium entrepreneurs, entrepreneurial competencies.

## ABSTRACT

*As a form of business that is able to survive during the financial crisis, Micro, Small and Medium Enterprises (MSMEs) have received the attention of all parties. In practice, MSME entrepreneurs have several obstacles other than capital. The large number of public interest in MSMEs creates competition for MSMEs that have similar business sectors. The low performance produced by MSMEs is due to the low quality of entrepreneurial competence. This research was conducted to determine the competencies required by MSMEs. The research method used in this research is descriptive qualitative. The sample of this research is 56 MSME entrepreneurs in the Tropodo village area, Waru sub-district, Sidoarjo district, East Java. The results of the study indicate that business actors already know their entrepreneurial competencies. Human relations competence is the most mastered competence and the lowest competence possessed is financial competence.*

## INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have a strategic role in national economic development, because apart from playing a role in economic growth and employment, they also play a role in the distribution of development outcomes. As a form of business that is able to survive during the financial crisis, MSMEs have received the attention of all parties. In the recent economic crisis that occurred in several countries, where many large-scale businesses stagnated and even stopped their activities, MSMEs proved to be more resilient in facing the crisis. This resilience is considered not excessive if the development of the private sector is focused on MSMEs, moreover this business unit is often neglected just because its production is on a small scale and has not been able to compete with other business units.

People are starting to open their own businesses instead of applying for jobs as employees at big companies. The public's interest in becoming MSME entrepreneurs is always increasing every year. MSMEs play a very important role in building the community's economy. This is especially

so when it is associated with the economic empowerment of the community and the number of workers that can be absorbed by these small and medium enterprises (Darmawan, 2018). So that it can be a solution to the problem of unemployment that occurs. It is recorded that the contribution of small businesses in several developed countries such as in the United States which is able to absorb labor up to 58% and 40% of GDP is the result of small business contributions, but this is also not only in developed countries but also in developing countries which have a very important role. Quite high in a positive contribution to overcoming economic and social problems, in the form of high levels of poverty, large number of unemployed, inequality in income distribution, and others.

In practice, MSME entrepreneurs have several obstacles other than capital. The large number of public interests in MSMEs creates competition for MSMEs that have similar business sectors. MSME entrepreneurs are very worried if they cannot compete with other entrepreneurs. Empowerment of MSMEs in the midst of globalization and high

\* Corresponding author, email address: [rahayu.mardikaningsih@gmail.com](mailto:rahayu.mardikaningsih@gmail.com)

competition has forced MSMEs to be able to face global challenges, such as increasing product and service innovation, developing human resources and technology, and expanding the marketing area. This needs to be done to increase the selling value of MSMEs, especially so that they can compete with foreign products. The performance of MSMEs requires hard work because they are still very underdeveloped to express their creative product ideas to be able to compete in the business world because if you look at the conditions in the field, many of them are unable to compete and do not develop or even go out of business (Groenewegen, 2012). This is due to their low competence. Man et al. (2002) stated that the low performance of MSMEs was due to the low quality of entrepreneurial competence. This is also indicated by the low level of development and mastery of knowledge of MSME entrepreneurs in the fields of management, organization, technology, marketing and other competencies needed in managing a business (Zhang et al., 2012).

For this reason, MSME entrepreneurs must have adequate competencies to be able to compete in a healthy manner. Aaker (1989) states that assets and skills or assets and competencies are the most basic instruments to generate competitiveness. Organizational innovation is important for companies to compete dynamically with a growing business environment (Bessant & Tidd, 2007), as revealed by several researchers that innovation is one of the tools to maintain growth and achieve business performance (Coralo, 2007).

Entrepreneurial competence is needed in the face of competition locally and globally (Hsiao, 2016). Entrepreneurial competence becomes more important in order to take proactive steps towards the challenges of the business environment (Zahr et al., 2014). This is because small business owners generally act as managers, managers and business leaders who lead businesses and lead people, so that competencies as managers that include planners, organizers, administrators, and communicators are needed to improve their business performance (Cyhe, 2010).

Competencies are divided into two categories, namely: threshold competencies and differentiating competencies. Threshold competencies are the main characteristics that a person must have in order to carry out his work. But not to differentiate between high or average performers. Meanwhile, differentiating competencies are the factors that distinguish high and low performing individuals. Zimmerer & Scarborough (2002) states that core competencies are a unique set of capabilities devel-

oped in key operational areas, such as quality, service, innovation, team building, flexibility, responsiveness, and others that enable them to outperform competitors. These core competencies will form the basis of a company's competitive advantage and usually last a long time. The competence possessed by MSME entrepreneurs is certainly a very valuable capital.

Entrepreneurial competence is a fundamental factor possessed by someone who has more abilities, which makes it different from someone who has average abilities. Entrepreneurial competencies are individual characteristics including attitudes and habits, by which entrepreneurs can achieve and maintain business success. Meanwhile Baum et al. (2001) describes competence as individual characteristics such as knowledge, skills, and abilities needed to perform a particular job. Competence is a concept related to a person's knowledge, skills and abilities to achieve performance. This means that in a business, human resources play an important role, so it is necessary to maintain and develop their abilities in carrying out their business activities. To carry out his duties, an entrepreneur must deal with uncertainty about the success of his business.

An MSME actor needs adequate competence to be able to survive in MSMEs. By having good competence, business actors are ready for the challenges that will occur when doing the business. Therefore, this research was conducted to find out the competencies needed by MSME entrepreneurs

## RESEARCH METHOD

The research method used in this research is descriptive qualitative. This method seeks to explain and describe research findings sourced from journals or articles and other documentation. This study also conducted interviews and distributed questionnaires to 56 MSME entrepreneurs in the Tropodo village area, Waru sub-district, Sidoarjo district, East Java.

Entrepreneurial competence is an ability that must be possessed by someone to be able to think when facing challenges. The seven competencies that entrepreneurs must possess are: (1) human relations; (2) technique; (3) marketing; (4) finance; (5) conceptual; (6) take a decision; (7) set the time. The questionnaire contains a statement regarding the competencies that entrepreneurs must possess. The statement will be rated on a scale of 1 (never); 2 (Rare); 3 (Sometimes); 4 (often); 5 (Always). The number of scores on the questionnaire for each competency will be averaged and then categorized. The research categories used are 4.0-5.0 (High); 3.0-3.9 (Pretty high); 2.0-2.9 (Less) 1.0-1.9 (Low).

**DATA ANALYSIS AND DISCUSSION**

From the results of interviews, it is known that the sample of this research is 56 MSMEs with different productions. 64.3% of respondents were male and 35.75 were female respondents. The majority of respondents are 26-39 years old and have been in business for 4-6 years.

Table 1. Average Mastery of Competence

| No | Competences     | Average | Category    |
|----|-----------------|---------|-------------|
| 1  | human relations | 4,1     | High        |
| 2  | technique       | 3,32    | Pretty high |
| 3  | marketing       | 3,44    | Pretty high |
| 4  | finance         | 2,89    | Less        |
| 5  | conceptual      | 3,36    | Pretty high |
| 6  | take a decision | 3,31    | Pretty high |
| 7  | set the time    | 3,26    | Pretty high |

Source: Processed by Researchers

Based on the data obtained from the questionnaire, the conclusions are written in table 1. It can be seen from the results of interviews and answers to the questionnaire that MSME entrepreneurs have mastered the competencies required by an entrepreneur. Mastery of the highest competence is the competence of human relations. Entrepreneurs must be able to establish good relationships with employees and work partners, such as suppliers and agents who help market products, because they can have an impact on good relationships with consumers. The stronger the relationship, the smaller or more severe the relationship will end. The quality of a relationship that is nurtured well, really helps the company to control the future and survival of its business. Relationships can also provide inspiration for business actors to form innovative products. Human relations can be used as a market exchange. So that we can sell our products in our relationship area (Spigel, 2015).

The lowest competency controlled by MSME entrepreneurs is financial competence. Most MSME entrepreneurs have not been able to manage their business finances. There is often a combination of business income combined with the owner's personal expenses. With this merger, it will be difficult to detect the profit earned by MSME operations. In addition, only a small proportion, namely 21.4% of MSME entrepreneurs who became the research sample, had financial reports in accordance with the standards set for the MSME sector. This problem will make it difficult for business actors if they want to get capital at the bank. So that the development of MSMEs is difficult to do. Other competencies have the same level in this study. To develop MSMEs, it is necessary to conduct training so that the competence of MSME entrepreneurs can increase and be able to develop their MSMEs.

**CONCLUSION**

The results of the study indicate that business actors already know their entrepreneurial competencies. Human relations competence is the most mastered competence. MSME entrepreneurs will always have good relations with people related to their business. This is done because a sustainable relationship will facilitate the running of the business. The lowest competency possessed is financial competence. Some MSME entrepreneurs studied in this study still combine business finance with personal finance. This situation makes it difficult to determine the company's profit. Not all MSME entrepreneurs studied have financial reports that match entrepreneurship standards. This is also an obstacle for MSME entrepreneurs when they need business capital. Relationships can also provide inspiration for business actors to form innovative products. Human relations can be used as a market exchange. So we can sell our products in the area of our relations.

Business actors need training to achieve better competencies. Moreover, currently MSMEs have penetrated the world market. With training that is carried out on an ongoing basis, competence will increase and will have an impact on the resulting performance. Training can also increase relationships with other entrepreneurs. Based on this research, business actors need training to manage their business finances. For those who have more capital, MSMEs can use the services of a consultant. By having the financial statements that have been determined, business actors will know the profit received and current operating costs. So that you can plan for the future (Mardikaningsih, 2017).

Research shows that MSME entrepreneurs still use marketing for the local market. There are still many MSMEs who have not dared to face the global market. Support from the government is needed to create programs so that MSMEs can penetrate the global market, such as by creating limited markets in country representatives (embassies) in all regions of the world. So that MSME products can be known by the world community and open up new market opportunities. In addition, the existence of technological advances such as marketing activities such as promotion and online sales is an opportunity that must be utilized to develop a business. Businesses need to be prepared with digital marketing. E-commerce can help reduce costs and can convey detailed information about products and special prices given to consumers online and facilitate the transaction process without having to come to the store directly so that they can compete with similar stores and get maximum results. This is a challenge as well as an opportunity to develop a business.

## REFERENCES

- Aaker, D.A. (1989) Managing Assets and Skills: the key to a sustainable competitive advantage. *California Management Review*, 31, 91-106.
- Baum, J.R., Locke, E.A., & Smith, K.G. (2001). A Multidimensional Model of Venture Growth. *Academy of Management Journal*, 44(2), 292-303.
- Bessant, J., & Tidd, J. (2007). *Innovation and Entrepreneurship*. John Wiley & Sons. Chichester.
- Chye, L.T., Tat, H.H., Osman, M.H.M., & Rasli, A.M. (2010). Are Managerial Competencies A Blessing to the Performance of Innovative SMEs in Malaysia. *International Journal of Economics and Management*, 4(1), 120-136.
- Corallo, A., Passiante, G., & Prencipe, A. (Eds.). (2007). *The Digital Business Ecosystem*. Edward Elgar Publishing, Cheltenham.
- Darmawan, D. (2003). *Teori Pengambilan Keputusan*. Universitas Atmajaya, Yogyakarta.
- Darmawan, D. (2018). *Pengantar Ekonomi Makro*. Revka Prima Media, Surabaya.
- Darmawan, D & M. Hariani. (2020). *Pengantar Kewirausahaan*. Metromedia, Surabaya.
- Darmawan, D. (2021). Competitive Advantage and Service Marketing Mix, *Journal of Social Science Studies*, 1(2), 75-80.
- Darmawan, D. et al. (2021). *Psychological Perspective in Society 5.0*, Zahir Publishing, Jogjakarta.
- Dipta, W.I. (2012). Memperkuat UKM Menghadapi Masyarakat Ekonomi Asean Tahun 2015. *Infokop*, 21(1), 1-12.
- Groenewegen, G. & de Langen, F. (2012). Critical Success Factors of the Survival of Start-ups with a Radical Innovation. *Journal of Applied Economics and Business Research*, 2(3), 155-71.
- Hsiao, C., Lee, Y. H. & Chen, H. H. (2016). The Effects of Internal Locus of Control on Entrepreneurship: the mediating mechanisms of social capital and human capital. *The International Journal of Human Resource Management*, 27(11), 1158-72.
- Hutomo, S. & D. Darmawan. (2011). Optimalisasi Manajemen Sumber Daya Manusia Menuju Keunggulan Bersaing, *Jurnal Ilmu Sosial*, 5(1), 13-22.
- Khasanah, H., S. Arum, & D. Darmawan. (2010). *Pengantar Manajemen Bisnis*. Spektrum Nusa Press, Jakarta.
- Khayru, R.K., A. Chairunnas & Supitriyani. (2021). Study on The Relationship Between Social Support and Entrepreneurship Intention Experienced by Adolescents, *Journal of Social Science Studies*, 1(2), 47 - 51.
- Man, T.W.Y., Lau, T., & Chan, K.F. (2002). The Competitiveness of Small and Medium Enterprises – A Conceptualization with Focus on Entrepreneurial Competences. *Journal of Business Venturing*, 17 (2), 123-142.
- Mardikaningsih, R. (2017). *Perencanaan Bisnis*, Metromedia, Surabaya.
- Mardikaningsih, R. & Y. R. Al Hakim. (2017). *Manajemen Bisnis Ritel*, Metromedia, Surabaya.
- Mardikaningsih, R. & D. Darmawan. (2020). *Sistem Pengendalian Mutu*, Metromedia, Surabaya.
- Mardikaningsih, R. & Samsul Arifin. (2021). Study on Education Level and Consequences of Licensing and Interest in Making Small Business Licensing, *Journal of Social Science Studies*, 1(1), 19 - 24.
- Spigel, B. (2015). The Relational Organization of Entrepreneurial Ecosystems. *Entrepreneurship Theory and Practice*, 41(1), 49-72.
- Wahyudi, I, D. Bhaskara, D. Darmawan, Hermawan & N. Damayanti. (2006). Kinerja Organisasi dan Faktor-Faktor Pembentuknya, *Jurnal Ekonomi dan Bisnis*, 4(2), 95-108.
- Zahra, S. A., Wright, M., & Abdelgawad, S. G. (2014). Contextualization and the Advancement of Entrepreneurship Research. *International Small Business Journal*, 32(5), 479-500.
- Zhang, S., Yi, X., & Su, X. (2012). Rigor and Relevance: on the Development of Entrepreneurship Research in China. *Frontiers of Business Research in China*, 6(3), 418-434.
- Zimmerer, T W., & Scarborough, N. M. (2002). *Pengantar Kewirausahaan dan Manajemen Bisnis Kecil*. Prenhallindo, Jakarta.

\*Mardikaningsih, R., E. I. Azizah, N. N. Putri, M. N. Alfian, M. M. D. H. Rudiansyah. (2022). Business Survival: Competence of Micro, Small and Medium Enterprises, *Journal of Social Science Studies*, 2(1), 1 - 4.