

The HRs entrepreneurial competency development and the effects on the performance of small and medium enterprises in South Sulawesi

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ABSTRACT

Small and Medium Enterprises (SMEs) can expand employment and provide economic contribution to economic development, and increase public incomes as well as boost economic growth. Thus, they play a role in achieving national economic stability. However, the quality of human resources in SMEs still low, as well as advanced production techniques, low innovation, and lower banking access. This study aimed to analyze the influence of the knowledge, skills, and abilities of entrepreneurship of human resource of SMEs towards the performance of SMEs in South Sulawesi. The population study was all SMEs in South Sulawesi by clustering at four cities: Makassar, Pare-Pare, Takalar, and Bulukumba totaled 680,610 business units with 3,403,150 workers. The purposive sampling and random sampling of 160 respondents was employed and the analysis was by using multiple linear regressions. It shows that knowledge of entrepreneurship has positive but not significant influence towards the performance of SMEs. Entrepreneurial Skills and competence both have positive and significant influence towards the performance of SMEs because they were able to manage the business, although not evenly. Entrepreneurship ability more dominantly affects the performance of SMEs due to the volume of business or sales began to increase, with net profit rising.

ABSTRAK

Usaha Kecil dan Menengah (UKM) dapat memberi lapangan kerja dan kontribusi ekonomi bagi pembangunan ekonomi, dan meningkatkan pendapatan masyarakat serta meningkatkan pertumbuhan ekonomi. Mereka berperan dalam stabilitas ekonomi nasional. Namun, kualitas sumber daya manusia pada UKM juga teknik produksi yang maju masih rendah, inovasi dan akses perbankan yang rendah. Penelitian ini menganalisis pengaruh pengetahuan, keterampilan, dan kemampuan kewirausahaan sumber daya manusia terhadap kinerja UKM di Sulawesi Selatan. Populasinya adalah semua UKM di Sulawesi Selatan dengan empat kota yaitu Makassar, Pare-Pare, Takalar, dan Bulukumba, 680.610 unit usaha dengan 3.403.150 pekerja. Purposive sampling dan random sampling dari 160 responden dan analisis dilakukan dengan regresi linier berganda. Hasilnya, bahwa pengetahuan kewirausahaan berpengaruh positif tetapi tidak signifikan terhadap kinerja UKM. Keterampilan dan kompetensi kewirausahaan keduanya memiliki pengaruh positif dan signifikan terhadap kinerja UKM karena mampu mengelola bisnis, meskipun tidak merata. Kompetensi kewirausahaan lebih dominan mempengaruhi kinerja UKM karena volume bisnis atau penjualan mulai meningkat, dengan laba bersih naik.

1. INTRODUCTION

It has been noted that the contribution of Small and Medium Enterprises (SMEs) is great in Indonesian economy. They can provide about 99.04 percent of jobs for the people. In addition, they also contribute

to the Gross Domestic Product (GDP) of non oil and gas, and it is quite convincing with 63.11 percent. SMEs also contribute to the non-oil exports of about 14.20 percent. It means that the sectors are open to the public at large, small and medium en-

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terprises have a real contribution. Therefore, the ability to deliver economic recovery will be determined by the ability to move the SMEs.

In connection with the phenomenon above, the development of SMEs sector can not be done partially, but it requires a workable approach that is simultaneously from all some parties. During this development, it is still constrained in business management in which it is still traditional, quality of human resources are not adequate, the scale of business and production techniques, innovation capability is still low and the limited access to the banking financial institutions.

The process of economic recovery that walks during this and several studies have shown that Indonesian economy is not just relying on the role of big business, but small and medium enterprises have proven relatively better resistance compared with larger scale enterprises. It is not surprising that during the crisis of 1997 and continued in 2008 and the recovery of Indonesia's economy, small and medium enterprises have a very strategic role and importance in terms of various aspects. The role is related to the aspects such as increased employment, income distribution, rural economic development and improvement of non-oil exports.

Based on the survey results the Central Bureau Statistics (BPS), the SMEs' contribution to GDP in 2003 and 2005 was in from small scale micro enterprises which grew by 11.61 message, medium business and large business of 13.71 13.86 percent. The SMEs have a median percentage of GDP based on the employment structure and scale for the period 2003-2005 amounted to 55.74% and the remaining 44.26% is generated big business. For non-oil GDP, the SMEs have an average percentage of GDP based on business structure and scale for the period 2003-2005, with 61.49% and the remaining 38.51% is the big generated business. It means that SMEs contribute to the national economy in a larger scale than large businesses (www.depkoop.go.id 2008).

The SMEs are the business activities that are capable of expanding employment and gave the waiter a broad economic community, and play a role in the distribution process and improve household incomes and encourage economic growth and play a role in achieving national stability in general and economic stability in particular. Availability of local raw materials for small and medium industries is a distinct advantage that allows operating efficiently. On the other hand, the working capital needs of small relative thus provide opportunities to the people that have mental entrepreneurship to establish business units with higher levels of tech-

nical sophistication production affordable. Within certain limits, activities of SMEs may reduce some of the burden of imports so that the strategic framework, this can save foreign exchange.

Studies conducted by the International Labor Organization (ILO), as stated in the Sethuraman (1993), provides evidence that the activities of SMEs are not limited to certain jobs, but even also include a wide range of economic activities, among others, characterized by: easy to enter, standard on local resources, self-owned businesses, operating on a small scale, labor intensive and adaptive technology, skills can be acquired outside the formal school system and were not directly affected by the regulation and the market is competitive. The study also mentions that the SME sector has characteristics: size small, family ownership, employment incentives, the status of individual effort, no promotions and no barriers to entry.

In general, SMEs in Indonesia still are facing various problems that hinder their business activities. Various obstacles include the difficulty of marketing, financial limitations, limited qualified human resources, lack of entrepreneurial competencies, raw material problems, limitations of technology, support infrastructure and lack of government commitment. In connection with the various problems faced by SMEs of course not only imposed on SMEs themselves, but must obtain the support of all stakeholders. Support includes expected to come from business associations, universities, government related agencies in the environment regencies or towns, and provinces.

Besides the above efforts, the necessary government policies should encourage the development of SMEs consistent economic development programs in Indonesia, where the starting point is directed at improving the welfare and poverty reduction through economic empowerment of the people. It is predicted that Indonesia requires an additional approximately 20 million units of new businesses outside the agricultural sector in the next 15 years in order to increase the carrying capacity of economic growth and job creation work for the Indonesian population. It means that every year should grow to 1.3 million units of new businesses in Indonesia, even though the infrastructure to make it happen relatively very limited.

For that reason, the empowerment of SMEs must be accompanied by the development of entrepreneurial competencies in various aspects of human resources, both as businesses and builder. Improving the quality of human resources is needed, especially in the field of entrepreneurial

competencies, such as knowledge, ability and attitude skill related to entrepreneurship. This effort should be done not only to the owners but also the workers, including the institution of Trustees. Entrepreneurial spirit and productivity must also be supported by technology since it is very important.

According to Norman M Scarborough (1993), entrepreneurial competencies are required as a condition of business includes: (1) Proactive, always have the initiative and firmness in carrying out the task; (2) Oriented achievement or progress, characteristics: always looking for opportunities, oriented towards efficiency, concentration to work hard, systematic planning and always monitor; (3) Commitment to the company or another person, typically: committed in the employment contract, recognize the business relationship.

Generally, entrepreneurs have competence over a big chance to succeed. Therefore, the provision of entrepreneurial knowledge and skills must be undertaken among other things: knowledge of business organization and management, production and services, promotion, and marketing, knowledge of roles and responsibilities, personality and ability of self and business experience. Entrepreneurial skills are among other skills production or business, communication skills, financial and accounting skills. Entrepreneurship skills include the ability to manage the business, lead, make decisions and the ability to innovate.

In this context, the comprehensive study was conducted becomes very important. With this study the data and information obtained shows how entrepreneurship competence profile of HR Small and Medium Enterprises in South Sulawesi is and how they affect the performance of small and medium enterprises themselves subsequently made a model for the development of entrepreneurial competencies of HR SME proper and in accordance with the objective conditions in South Sulawesi. This is consistent with the government's commitment that SMEs continue to be directed to the human resources capacity, market share and technology so that they can compete in the global market and become leading enterprises in the world market.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Definition of Competence

According LQMA Competency Dictionary (1998), driven by Veithzal Rivai (2009), competence is defined as the personal aspects of a worker who allows him to achieve superior performance. Personal aspects include the nature, motives, value

systems, attitudes, knowledge and skills. Competence directs behavior, and the behavior will result in performance. According Mitrani (1995), competence is a basic knowledge which itself relates to the implementation of an effective job or success (and the underlying characteristic: an individual who is casually related to effective or superior performance in a job).

Inequality in competencies distinguishes a superior actor of actors who excel average. Competence limits or special competence for the job is a pattern or guideline in the selection of employees, planning task shifting (succession planning), performance appraisal and development. Lyli M. Spencer and Signe M. Spencer (1993) define competence as: an underlying characteristic of an individual who is causally related to criterion-referenced effective and or superior performance in a situation. It can be the underlying characteristics of a person and dealing with the effectiveness of individual performance on the job.

Based on the definition above, an individual competence is inherent in an individual that can be used to predict the level of performance, regarding motives, self-concept, character, knowledge and abilities, and expertise. Competence of individuals in the form of skills and knowledge can be developed through education and training, while the competence motive can be obtained at the time of the selection process.

Competence can be divided into two (2) categories, namely the "threshold competencies" and "differentiating competencies". Threshold competencies are the main characteristics that must be possessed by a person in order to carry out his work. But, it does not to distinguish high-performing and average ones. The differentiating competencies distinguish individuals between their high and low performers. For example, a teacher must have the ability to teach primary students that means at the level of "threshold competencies" and when the lecturer can teach well, the way of teaching is easy to understand and give sharp analysis, it can be distinguished level of performance. This has been categorized as "differentiating competencies" (Spencer and Spencer 1993).

According to David McClelland in Rivai (2009), competence is the fundamental characteristic of a person who can directly influence or predict excellent performance. Details of each of these competencies are as follows:

- a. Skills: expertise or skill to do something well, e.g. driving skill.
- b. Knowledge: information owned or controlled

by a person in a particular field, such as science understands financial management.

- c. Social Role: projected image one person to another, e.g. a follower or opposition.
- d. Self-image: the individual's perception of himself, such as leader
- e. Trait: a relatively constant characteristic in a person's behavior, such as a good listener.
- f. Motive: thoughts or intentions constant basis that encourages individuals to act, such as the wish is always appreciated, encouragement affect others.

Stoner and Freeman (1996) identify three kinds of basic skills, namely:

- a. Technical skills, i.e. the ability of humans to use the procedures, techniques and knowledge of the specific field.
- b. Human skills, the ability to cooperate, understand and motivate others as individuals or groups.
- c. Conceptual skills, the ability to coordinate and integrate all interests and activities of the organization, including the overall organization, understand how its parts interdependent and anticipate how changes in one part will affect the entire organization.

Entrepreneurship

John J. Kao (1998) define entrepreneurship as follows: "Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking to the opportunity, and through the communicative and management skills to Mobilize human, financial, and material resources Necessary to bring a project to Fruition "In other words, entrepreneurship is an attempt to create value through recognition of business opportunities, appropriate risk management decision, and through the communication and management skills to mobilize people, money and materials or other resources required to produce projects that are carried out.

According to Robert D. Hisrich et al. (2005), Entrepreneurship is the dynamic process of creating incremental wealth. The Wealth is created by individuals WHO assuming the major risk in terms of equity, time, and/ or carrier commitment or provides value for some product or service. The product or service may not be new or unique, but value must somehow be infused by the entrepreneur by receiving and locating the necessary skills and resources ". Entrepreneurship is a dynamic process for the creation of additional wealth. Wealth is created by individual who dare to take

major risks with the terms of fairness, time and or career commitments or providing values for various goods and services. Products and services are not or may be new or unique, but the value must also be pumped by businessmen with the acceptance and placement of skills needs and resources.

Entrepreneurship has a similar nature, which refers to the nature, character and characteristics inherent in a person who has the willpower to realize innovative ideas into real business world and can develop it tough. Entrepreneurship is the ability to create something new and somewhat different (Peter F. Drucker 1994). Based on these definitions, it can be referred to as the entrepreneurial process, which begins with an axiom that is the challenge. These challenges create the idea, the will, and the drive to take the initiative, which is none other than creative thinking and innovative action, so that the initial challenges can be overcome and solved earlier. For if there is no challenge there would be no creative and uncreative mean there will not be a challenge. All challenges must have a risk, which is likely to be successful or unsuccessful.

According to Carson, MC (2002), entrepreneurship learns about the values, abilities and behavior of people in a creative and innovative. In this case, entrepreneurship is the values and abilities which are realized in the form of behavior. Day, John et al. (2006) argue that entrepreneurship is essentially the characteristics and nature of a person who has the ability to realize innovative ideas into real world creatively. The essence of entrepreneurship is the ability to create something new and different. Thus, it can be concluded that the essence of entrepreneurship is the ability to think of creative and innovative behavior are used as a basis, resources, propulsion, objectives, tactics, tips and processes in the face of life's challenges.

Entrepreneurs are the people who dare to face the risk and love the challenge. Creative ideas and innovative entrepreneurship begins with the process of imitation and duplication, then evolved into the development process and led to the creation of something new and different. It is referred to as the entrepreneurial stage. Development of entrepreneurial competencies Small and Medium Enterprises to be important, with the following reasons:

- a. Entrepreneurship contains whole field of knowledge and real, where there are theories, concepts and scientific methods are complete.
- b. Entrepreneurship has two concepts, namely the start position and management discipline that separates between the management and busi-

ness ownership.

- c. Entrepreneurship is a discipline that has its own object, namely the ability to create something new and different.
- d. Entrepreneurship is a tool for creating business equity and income or welfare of the people a fair and prosperous.

Recently, entrepreneurship has become a core competency in order to create change, reform and progress. It can be not only used as a short-term business strategy, but also as an issue of life in general in the long run. In the field of business, for example, Small and Medium Enterprises will be successful and earn great opportunity if you have the creativity and innovation. Through creativity and innovation, entrepreneurship creates added value of goods and services. Value of goods and services created through the creative process and innovation to create competitive advantage many, including performance.

Small and Medium Enterprises

SME is an abbreviated term referring to a type of small businesses that have a net worth of at most Rp 200 million, not including land and buildings (the free encyclopedia 2012). The concept of small businesses in Indonesia is very diverse. Before issued Law No. 20 of 2008, the SME has at least six agencies that provide an understanding of the small business. It is the sixth agency Central Bureau of Statistics, Ministry of Industry, Bank Indonesia, Ministry of Commerce, Ministry of Cooperatives and SMEs and the Chamber of Commerce.

Ministry of Industry and Bank Indonesia defines a small business based on the value of its assets. According to these two agencies, small business is a business that its assets (excluding land and buildings), a value of less than USD, 600 million.

Commerce of small business is based on working capital, which is a business (trade) with the working capital which is worth less than USD, 25 million (Baswir 1998). Undang-undang RI No. 20 2008 (Law RI Number 20, 2008) defines a small business as an economic activity undertaken by an individual or household or an agency aimed to produce goods or services for commercial businesses, and have a turnover of sales of Rp. 1 billion.

Chamber of Commerce small business differentiates into two groups. The first group is engaged in trade, agriculture and industry and the second group is engaged in construction. Small businesses for the first group according to the Chamber of Commerce has a working capital of less than USD 150 million and have a business of less than USD,

600 million. The second group, has a working capital of less than USD 250 million, and has a value of less than Rp. 1 billion (Baswir 1998). Yet, the BPS (central burro of statistics) is not intended for small businesses in general, but specifically intended for small businesses sector. According to BPS, small industries involving labor between 5 and 19 people. On the other hand, the domestic industry employs less than five people (Baswir 1998).

According to Law No. 20 Year 2008 on Micro, Small and Medium Enterprises (MSME) has given clear boundaries, that Small Business is a productive enterprise owned by the individual or business entity that is not a subsidiary or branch company is not owned, controlled or become part either directly or indirectly from a medium or large businesses that meet the criteria of a small business as defined in this Act, the Asset-500 million between 50 million and 300 million-2.5 M.

The medium enterprises are economic and productive enterprises stand-alone, which is conducted by individuals or businesses and not by subsidiaries or branches of companies owned, controlled, or be part either directly or indirectly with a small business or a large business with total net assets or annual proceeds as provided in this Act, the assets between 500 jt-10 M, and turnover between 2.5 M-50 M. With the development of Small and medium enterprises, they can be grouped into several criteria, namely:

- a. Livelihood Activities, Small and Medium Enterprises which is used to earn a living or better known as informal. For example, they are street vendors.
- b. Micro, Small and Medium Enterprises is craftsmen, who is certain product, but do not yet have entrepreneurial characteristics.
- c. Dynamic Small Enterprise, Small and Medium Enterprises are those who have had entrepreneurial traits and ready to transform into a big business.

According to Chris Manning et al. (1991), the SME sector is part of the economic system of towns and villages that have not received economic assistance from the government or have not been able to use the help that has been provided or has received assistance but have not been able to be developed.

Performance

Performance is the result of work that can be achieved by a person or group of people within the organization, in accordance with the authority and responsibilities of each organization in the numbers achieving the goal. When individual performance is

good, then it is likely related to company or organization's performance which tends to be good too. According Sedarmayanti in Rivai (2009), the performance of the system is used to assess and determine whether an employee has carried out his work as a whole or a blend of the work of (what should be accomplished person) and competence (how does one achieve it).

It is also in line with the opinion of Anwar King (2002) that the performance is the result of the quality and quantity of work achieved by an employee in carrying out their duties in accordance with the responsibilities assigned to him. Later confirmed by Ambar True (2003), that a person's performance is a combination of ability, effort, and opportunity can be accessed from the results of the work.

Robbinson (1979) argues that performance is the achievement of a person with respect to the tasks assigned to him. Mathis and Jackson (2001) also argued that performance is a function of ability, effort and support. Empirically, it can be expressed by the following equation:

$$\text{Performance} = f(A \times E \times S). \quad (1)$$

Note:

A = Competence; E = business; S = Support.

Factor (A) is associated with the recruitment and selection of the natural ability to pick talented people and have a proper interest with the work presented. Factor (E) is a business that is carried out by someone who is affected by human resources issues, such as motivation, incentives and job design. Factor (S) is such organization support, training, consistency management, employee career development are clear and fair, adequate equipment provided and expectations.

The factors that affect the performance according to Surya Dharma in Rivai (2009), among others: (1) mental attitude (work motivation, work discipline, work ethic), (2) education, (3) skills, (4) management leadership, (5) income level, (6) salary and health, (7) social security, (8) working climate, (9) infrastructure (10) technology, and (11) the chance of achievement. E.al According to Gibson (1998) in Lupiyoadi Creep (2007), individual factors that affect performance include physical ability, mental ability (intelligence) and skills, demographic factors (age, sex, race, ethnicity and culture), and psychological variables (perception, attribution, attitude and personality). The variable of work environment includes job design, regulations and policies, leadership, resources, rewards and sanctions and non-work includes family, economic situation as well as a hobby. These also affect the work behavior that

eventually someone creates his performance.

According to Rivai and Veithzal (2009), the performance is the result of a person or the overall success rate for a certain period in the task compared with the various possibilities, such as work, targets or goals or criteria predetermined and mutually agreed. Performance reflects a job as much success has been achieved. Furthermore, it is said that the human performance has a function and level of ability, attitude and degree of motivation. Performance is the quantity and the quality of one's work, whether completed by individuals or groups within a business activity caused by natural abilities or skills gained from the process of learning and experience, and the desire to operate. For that reason, performance is closely linked to an organization's productivity problem.

In this context, the performance (business performance) is the level it refers to the attainment or achievement of Small and Medium Enterprises in a certain time period. The variable is developed from the performance that has been studied by Lee and Tsang (2001), represented by growth venture consisting of growth of the sales, business profit growth.

Research Framework and Hypotheses

The researcher examines and analyzes in what degree is the influence of entrepreneurial competencies towards Small and Medium Enterprises performance in South Sulawesi. The basic theory and previous research, the research framework is shown in Figure 1.

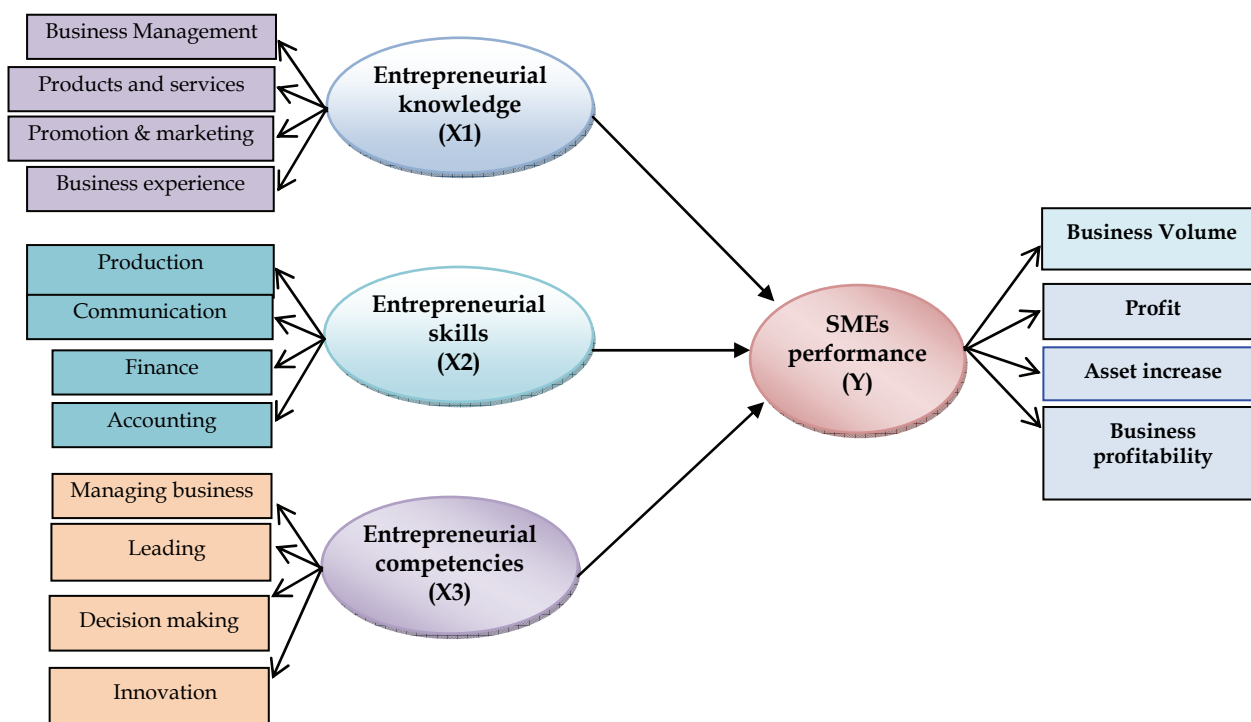
As the theoretical underpinning the concept above, it can be hypothesized as the following:

- a. Entrepreneurial knowledge of human resources affects the performance of Small and Medium Enterprises.
- b. Entrepreneurial skills of human resources affect the performance of Small and Medium Enterprises.
- c. The entrepreneurial ability of human influence affects on the performance of small and medium enterprises.
- d. The variables of entrepreneurial competencies of human resources have the most dominant influence on the performance of Small and Medium Enterprises in South Sulawesi.

3. RESEARCH METHOD

This is a descriptive research that aims to describe a state of entrepreneurial competence with the populations or empirical facts and their effects on the performance of small and medium enterprises. The

Figure 1
The Theoretical Concept of the Research



condition of population or empirical facts that are described in this study are related to the effect of entrepreneurial competencies of human resources in small and Medium Enterprises, covering the knowledge, Skill, and competence on the performance of Small and Medium Enterprises in South Sulawesi province.

It takes primary data from the business practitioners from Small and Medium Enterprises and the secondary data are the profile data taken from Center for Small and Medium, consisting of the human resources such as the owners or the management of Small and Medium contained on *Usaha Sentra* centers in South Sulawesi.

Population and Sample

It includes all the business people of Small and Medium Enterprises in South Sulawesi (Makassar, Pare-Pare, Takalar and Bulukumba) who are still active until in 2012 accordance with the profile of data centers of Small and Medium Enterprises in South Sulawesi. There are 680 610 business units in 23 districts or cities, with the number of their employees (HR) of 3.40315 million people (Department of Cooperatives and SMEs in South Sulawesi Province 2012). The sampling technique is purposive and random sampling, with consideration and criteria stipulated as the following:

a. Small and Medium Enterprises engaged in

manufacturing for the reason that these types of business do require human resources in entrepreneurial competencies to compete in the business world.

- Small and Medium Enterprises, with a workforce of at least 10 persons / minimum turnover of Rp. 50.000.000, -
- Respondent (sample) is the owner / caretaker and the management in the Small and Medium Enterprises.
- Small and Medium Enterprises have been running at least 3 (three) years
- Of the number of business units are selected according to the criteria described above, which will be sampled only by 25% and is determined in proportion, having regard to the representation of the region / area sampled.

Methods and Data Collection Process

The data were collected by interview that is equipped with questionnaires. The questionnaire is used as a guide to more structured interviews which are conducted and standardized. Steps taken in the process of data collection in this research are as follows:

- Prepare a questionnaire and to test the validity and reliability
- Recruiting surveyors and supervisors as implementers

Table 1
Dimensions of Research Variables

Variables	Indicators	Sources
Entrepreneurial knowledge (X1)	X1=Business management knowledge X2=Product and service knowledge X3=Promotion and marketing strategy X4=Business experience	Hamburg, Hoyer and Fassnacht (2002); Ardiana, Brahmayanti, Subaedi (2010).
Entrepreneurial skills (X2)	X5=Production skills X6=Communication skill X7=Finance X8=Accounting	Lumpkin and Dess (1996); Ardiana, Bragmayanti, Subaedi (2010).
Entrepreneurial competencies (X3)	X9=Business management knowledge X10=Leading ability X11=Decision making X12=Innovation skill	Kohli and Jaworski(1993); Ardiana, Bragmayanti, Subaedi (2010).
SMEs performance (Y)	Y13=Sale volume Y14=Net profit Y15=Asset increase Y16=Business Profitability	Lee and Tsang(2010); Ferdinan (2005); Robbins (1998).

- c. Training for the surveyor and supervisor who have been recruited
- d. Implementation of surveys for data collection
- e. Submission of the results of the data collection team.
- f. Data gathered are then tabulated, processed and interpreted in accordance with the purpose of research.

Data Analysis Methods

The data-entry on verifiable evidence and completeness were prior to analysis. Data processing was done using Excel and SPSS programs and other software. The results of the analysis are displayed both qualitative and quantitative descriptive and comes with using the table to be more communicative. However, the data analysis is used inferential statistical analysis, the multiple linear regression analysis (simultaneously) to determine the effect of several independent variables (X) on the dependent variable (Y) either simultaneously. And, simple linear regression analysis (partial) is used to determine the effect of the single independent variable (X) on the dependent variable (Y). Thus, to prove and test whether there is a significant partial effect or not, it will be used t test, whereas to test whether the effect of simultaneous F test will be used

Variable Dimension

The dimensions of variables are presented in Table 1.

Validity and Reliability

- a. Test of Validity is to see the ability of the construct indicators to measure the level of accuracy of a concept. It means that if the concept has been constructed and whether it is accurate or not. If it is

accurate, the variables or constructs can be continued. When it is not accurate it is necessary to re-testing. The main purpose of the second test is to test the indicators formulated in question so that the research reliable and valid.

- b. Test Reliability (reliability); this test indicates the extent to which a measuring instrument can provide relatively similar results when measured again in the same subjects. Test reliabilities obtained through the formula Hair et al. (1995):

4. DATA ANALYSIS AND DISCUSSION

Profile of the Respondents

It covers 160 small and medium businesses which are classified into four age groups. There are differences in preferences between age structure, gender, and social status, where the older people are also higher certainty to make a choice or preference because it is based on experience, information, and perceptions that are more mature when compared with age more easily. The characteristics of the respondents are presented in Table 2.

It shows that the dominant respondents were from the age between 26-40 t (44.4%). The age groups are dominated by food and beverage businesses. The age between 15-25 years (11.3%) were the most group which is a mix of goods and apparel business. At the age between 41-55 years (17.5%), the majority of the age group is the business of clothing. The group above 55 years (26.9%), in this age group is the dominant field of household appliances and home crafts. The Age is not an indicator of a person's ability to succeed in entrepreneurship, but the experience, and personality determine the attitudes and actions to the business. If a comparison between the sexes is trying, then most of the SMEs are run by men (73.1%) than women (26.9%).

Table 2
Age and Gender

No	Categories	Total	Percentage (%)
Age			
1	15-25	18	11.3
2	26-40	71	44.3
3	41-55	28	17.5
4	>55	43	26.9
Gender			
1	Males	117	73.1
2	Females	43	26.9
	Total	160	100.0

Source: Primary data processed 2013.

Table 3
Education of the Respondents

No	Education level	Total	Percentage (%)
1	Junior high school	20	12.5
2	Senior high schools	44	27.5
3	Academy	26	16.2
3	S1/undergraduate	63	39.4
4	S2/S3/ postgraduate	7	4.4
	Total	160	100.0

Source; primary data processed 2013

Table 4
Sample of SMEs

No	Type of Business	Total	Percentage (%)
1	Food	34	21.3
2	Beverages	32	20.0
3	Clothes/ Bags	32	20.0
3	Metal-Plastic	28	17.5
4	Handicrafts	34	21.3
	Total	160	100.0

Source: Primary data processed 2013.

Table 5
Number of Employees

No	Number of Employees	Total SMEs	Percentage (%)
1	1-5 people	91	56.9
2	6-10 people	24	15
3	11-15 people	13	8.1
3	15-20 people	14	8.8
4	21-25 people	12	7.5
5	25 people	6	3.7
	total	160	100.0

Source: Primary data processed 2013.

Table 3 shows that the level of education of the respondents in majority is S1 (undergraduate) 39.4% and the second is that 27.5% of high school. SMEs in South Sulawesi has a high school education is good enough up, it can be used as a motivator that college graduates do not have to look for a

job, but rather they can create work with entrepreneurship.

Table 4 shows, the type of food business 34 peoples (21.3%), beverages 32 people (20.0%), clothing / shoes / Bags 2 people (20.0%), hand-crafted 34 people (21.3%). Metal and plastic 28 people (17.5%).

Table 5 shows that the number of employees owned by the SMEs between 1-5 people (56%) and between 6 and 10 people (15%).

As in Table 6, it shows that respondents in majority do the new business in less than 5 years which is equal to 26.2% and from 5.1 to 10 years as much as 25.6%. The oldest do the business over 25 years at 5.6%. This means they are quite experienced in entrepreneurship.

Model of Conformance Test (Goodness-of-fit Test)

The test using SEM for testing the model aims to look at the suitability of the model. The model can be continued when the results of the overall model test or F-test is at $\alpha = 5\%$ or they are outside the limits of ± 1.96 in two-way test. The indicator means indicates no relationship between fellow variable exogenous. Chi-square test shows a value close to zero indicates a low difference between expectations and observations, in addition to the probability level must be greater than 0.05 when the chi-square close to zero.

The Comparative Fit Index indicator (CFI) of this study is greater than 0.80. The value of Root Mean Square Error of Approximation (RMSEA) is less than 0.06 or smaller. If the model has been fit, the parameter estimates have been tested. If the model does not fit then it can be fixed. CMIN or DF relatively is less than 2.0. TLI (Tucker Lewis Index) with values showed very good fit. The results of testing the suitability of the overall early models in this study are presented in Table 7.

As based on the test above, here are the results as presented in Figure 2. Calculation is based Reliability (R) and Variance Extracted (VE) against the indicator variable Knowledge, Skills and, Ability Enterprise and SME Performance obtained CR values of 0.7 and VE above at above 0.5. This value indicates that both of these indicators (entrepreneurial knowledge and entrepreneurial skills) is reliable and valid to measure latent variables. To the researchers decided to maintain the variables and indicators in the research model, with consideration of the five variables is valid as predictors of performance variables of SMEs in the South.

Test of Classical Assumptions

The results of the test can be seen in Table 8.

Table 6
Period of the Business

No	Period of Business	Total	Percentage
1	< 5 year	42	26.2
2	5.1-10 year	41	25.6
3	10.1-15 year	38	23.7
4	15.1-20 year	18	11.3
5	20.1-25 year	12	7.6
6	25 year	9	5.6
	Total	160	100.0

Source: Primary data processed 2013.

Table 7
Goodness-of-fit Test for Early Model

Criteria	Cut-Off	Results	Evaluation
Chi-Square	Expected to be small	0.016	Good
Probability	≥ 0.05	0.067	Good
RMSEA	≤ 0.06	0.033	Good
TLI	≥ 0.95	0.997	Good
CFI	≥ 0.80	0.921	Good
CMIN/ DF	≤ 2.00	0.000	Good

Source; AMOS IV 18.00 processed 18.00

Normality Test

Data normality test aims to determine the normality of data distribution independent variables and the dependent variable. Based on the results of the processed data in Table 9, it shows that the slope of the data is above the 1.96 level, or it can be said that all the data are normally distributed. Thus, the results of the data collection can continue to process the model test and the accuracy of estimates between the independent variables towards the dependent variables.

Multicollinearity Test

Multicollinearity is a linear correlation between the independent variables. It can be measured by looking at the calculation of the VIF and tolerance. If the value of VIF and tolerance is $\leq 10 \geq 0.1$, then the variable is free of multicollinearity. Based on Table 8, the results of the test multicollinearity is between the independent variables using tolerance and the Variance Inflating Factors (VIF), and the results of multiple linear regression of data processing do not show multicollinearity.

Test Heteroscedasticity

The heteroscedasticity nx R2 test is done by comparing the value of table Chi-Square degrees of freedom 2 and Alpha 5%. The criteria, if n.R2 is > Chi-Square table value then it can be undertaken; heteroscedasticity, otherwise if n.R2 is < Chi-Square table value then it is not experiencing heteroscedasticity. SPSS results in Table 10 indicate that the regression model $R^2 = 0.518$, so $n.R^2 = 160 \times 0.518 < \text{table Chi-Square value of } 546.413$, so in Table 10,

the E did not experience heteroscedasticity.

Autocorrelation Test

Autocorrelation is an effort to get the variables studied so as to have consequently a disturbance variable (e) which also contains a trend. It occurs when the distance between e_t and e_{t-1} , there is a high correlation. For example, if there is autocorrelation, the parameter b obtained still linear and unbiased. But, the bias Sb variable significance test result is performed by t-test in which it can not be done. Based on the test results data in a multiple linear regression, it showed the value of Durbin Watson (DW) of 1.269 and thus no autocorrelation.

Test of Coefficient of Determination

This test is used to determine the effect of independent variables on the dependent variable based on empirical models. Based on SPSS results in Table 7 and 10, it shows that the coefficient of determination (R^2) is equal to 56% of the existing variables in the model can explain the variable performance of SMEs, while the remaining 44% is explained by other variables outside the model.

As shown in Table 11, the multiple regression equation obtained as follows:

$$Y = 0.207 + 0.492X_3 + 0.781X_2 + 0.538X_1.$$

Here is an explanation of the multiple regression equation as formed which is as follows:

- Knowledge of Entrepreneurship has a β value of 1.893 for the coefficient B was 0.538, and the significant level of 0.057. This indicates that the variable coefficient of Knowledge of Entrepreneurship (X_1) has a positive but not significant

Figure 2
Results of Goodness of Fit Test

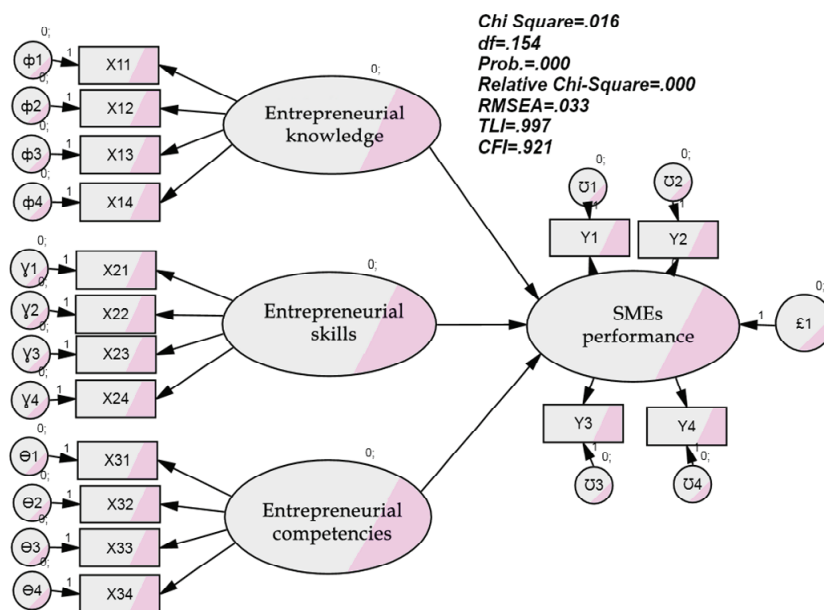


Table 8
Results of SPSS Output Test

Variables	B	R Square	Adjusted R Square	R	F	Sig.	Durbin-Watson	Std. Error	Beta	t	Sig.	Tolerance	VIF
X1	0.207	0.560	0.551	.748	66.068	.000	1.269	0.538	0.284	1.893	0.057	0.750	1.334
X2	0.222							0.781	0.234	3.339	0.000	0.720	1.388
X3	0.098							0.492	0.104	4.729	0.000	0.955	1.048

Source: SPSS result processed (2013).

effect on the performance of SMEs (Y). Entrepreneurship Skills β 2 has at 3.339, the value of the coefficient B of 0.781, and a significant level of 0.000. This indicates that the variable coefficient of entrepreneurship skills (X2) has a positive and significant impact on the performance of SMEs (Y).

- Entrepreneurial competence has a β of 4.729, the value of the coefficient B of 0.492, and a significant level of 0.000. This indicates that the variable coefficients Entrepreneurial skill (X3) has a positive effect of 0.00 and significant impact on the performance of SMEs (Y)
- Based on the results of the multiple regression equation, it appears that the SME human resources' entrepreneurial competence is more dominant effect on the performance of SMEs (4.729) compared to variable of entrepreneurial knowledge (1.893) and entrepreneurial skills (3.339).

Interpretation

It can be interpreted that there are some different variables influence such as the following.

- Knowledge of HR SME Entrepreneurship has a positive but not significant effect on the performance of SMEs because knowledge of business management is adequate but not focused. For example, they are knowledge about the products and services that the average professional is not in their control, promotion and marketing strategies have been carried out long-term, and business experience is still new. Thus the first hypothesis which states that the higher knowledge of HR entrepreneurial SMEs in South Sulawesi, the higher the performance of SMEs are not accepted or rejected because it was not proven true.
- The HRs of the SME Entrepreneurship Skills has positive and significant effect on the performance of SMEs in South Sulawesi as much as skilled labors in the production of, skills in communication, they are able to control their spending patterns, and have a continuous recording of the method of accounting. Thus, the second hypothesis which states that the higher the entrepreneurial skills of the higher SME HR SME performance is acceptable.

Table 9
Skewing Coefficient Curve (Skewness)

Variables	Skewness	
	Statistic	Std. Error
Entrepreneurial knowledge	-.280	.192
Entrepreneurial skills	-.492	.192
Entrepreneurial competency	-.968	.192
SMEs performance	-.085	.192

Source: SPSS V.20 Results Processed.

Table 10
Output Chi Square

	Entrepreneurial knowledge	Entrepreneurial competency	Entrepreneurial skill	SME Performance	Total
Chi-Square	61.1	163.25	223.31	98.75	546.413
df	3	4	4	3	
Asymp. Sig.	.000	.000	.000	.000	
r	0.5680	0.2880	0.3360		1.192
r2	0.3226	0.0829	0.1129		0.518
n=160				n.r2	82.954

Source: Data result processed SPSS V 20.0 (2013).

Table 11
Output of Chi Square

Variable relationship		B	δ	β	t-calculated	Description
SME	← Entrepreneurial knowledge	0.538	0.284	1.893	0.057	Not Significant 5%
Performance	← Entrepreneurial skill	0.781	0.234	3.339	0.000	Significant 5%
	← Entrepreneurial competence	0.492	0.104	4.729	0.000	Significant 5%

Source: AMOS data processed V.18.0.

- c. Entrepreneurial competence of the HRs for the SME has positive and significant effect on the performance of SMEs in South Sulawesi because they have been able to manage the business, although not evenly distributed, with the capital's ability to lead the many existing workforce in the field and that of the administration, then rapidly and in a timely decision-making, as well as to motivate its employees to continuously do so innovation. For that reason, the third hypothesis which states that the higher the ability of the higher entrepreneurial SME HR SME performance is acceptable.

Entrepreneurial competence of the SME HRs has more dominant effect on the performance of SMEs in South Sulawesi, compared with entrepreneurial knowledge and entrepreneurial skills due to the volume of business or sales which began to increase, followed by a net profit increase as well, then the effort and increase the capitalization of capital assets increasing, and basically already have increased profitability. Thus the fourth hypothesis which states that the variable entrepreneurial ca-

pacity of HR SME has the most dominant influence on the performance of SMEs can be acceptable.

5. CONCLUSION, IMPLICATION, SUGGESTION AND LIMITATIONS

Entrepreneurial knowledge appears to have positive but not significant effect on the performance of Small and Medium Enterprises in South Sulawesi. It is due to the very small and negative value. It indicates their entrepreneurial knowledge is not adequate.

Their entrepreneurship skill has positive and significant effect on the performance of SMES in South Sulawesi. Therefore, such skill must be paid attention for further development for improving the performance of Small and Medium Enterprises in South Sulawesi.

The competence of entrepreneurship in SMEs has positive and significant effect on the performance of SMEs. They are able to manage the business, although not evenly distributed and not developed as expected. This indicates that there must be a concern in the development and improvement

of the performance of the SMEs in South Sulawesi. Among the three variables: knowledge, skill, and competence of entrepreneurship, the most dominant influence on the performance of SMEs is entrepreneurial competence.

It implies that The SMEs in South Sulawesi should focus and pay attention to the competence of their human resources in the operations so that their business can exist and can increase its performance and finally can compete with better regionally and globally.

Some government programs to increase the competence and performance of Small and Medium Enterprises in Indonesia, particularly in the province of South Sulawesi. However, the implementation is not yet complete. Therefore, the increase at the same competency and the performance of small and medium enterprises should be considered more especially the knowledge, skills, and competence of human resources in SMEs. As results, they can increase their efficiency as well.

It should be noted all the aspects of the entrepreneurial competence of human resources involved in the SMEs operations so that they can exist and increase their performance and can be so competitive. At the same time, it can be done by improving the performance by increasing their entrepreneurship competence. This study suggests that these three aspects such as knowledge, skill, and competence of the entrepreneurship be enhanced so that the SMEs' performance can also be increased.

This study is limited to only analyze the effect of entrepreneurial knowledge, entrepreneurial skills, and entrepreneurial competence but not the aspects related to the flexibility of strategies in the SMEs in the development of its business, which include the production strategy, marketing and finance. Therefore, for further study, such factors must be included to have more general conclusion.

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