

SOCIAL RESPONSIBILITY AS COMPETITIVE ADVANTAGE IN GREEN BUSINESS

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SOCIAL RESPONSIBILITY AS COMPETITIVE ADVANTAGE IN GREEN BUSINESS



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Surabaya, January 30th, 2014

Dear Mr. Endy Sarwoko,

Congratulations! Your abstract entitled **“DETERMINING FACTORS OF ENTREPRENEURIAL COMPETENCY”** has been accepted for presentation in our International Annual Symposium Management (INSYMA) UBAYA on March 15th, 2014 in Batu. Each of the abstracts for this conference was reviewed by several experts in the field. You could begin to complete your full paper. The due date for final paper submission is on February 17th, 2014.

Participants who wish to attend this event is expected to fill out the registration form and sent with proof of transfer payment to our email address: ubayainsyma@gmail.com. Please read carefully the terms and conditions on registration form to make sure your personal data and the amount of payment accuracy.

For your information, we offer you an early bird for registration fee (tour package included) at IDR 800.000 before February 7th, 2014.

The Representatives will be contacting you shortly about the time, and location of your presentation. They will also be giving you instructions for the steps you must take to submit your paper for publication.

If there is anything we can do to assist you in your preparations for this conference, please do not hesitate to contact us.

Again, congratulations and I look forward to seeing you at the conference.

Sincerely,

Dr. Dudi Anandya

Chairman of the 11th INSYMA Committee

Certification of Participation

Endi Sarwoko

Paper Presenter

in the International Annual Symposium on Management

**SOCIAL RESPONSIBILITY AS COMPETITIVE
ADVANTAGE IN GREEN BUSINESS**

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**Dra. cc. Liliانا Inggrit Wijaya, M.M., RFP-I.,
CFP., AEPP., QWP™**

Head of the Department of Management

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Chairman of the Committee

DETERMINING FACTORS OF ENTREPRENEURIAL COMPETENCY

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Entrepreneurship is one of critical importance to the modern economy. Researchers have studied entrepreneurship for decades. In recent years, significant relationship between entrepreneurial competencies and business performance has been reported in empirical studies. This study aims is to empirically test the determining factors of entrepreneurial competencies and to analysis significant relationship between entrepreneurial competencies and business performance. A survey is conducted among the SMEs owner and the manager in Malang regency region using survey instrument. Data analysis using confirmatory factor analysis (CFA) and Linier Regression. The results of this study indicate that determining factors of the entrepreneurial competencies consisting of strategic competency, conceptual competency, opportunity competency, learning competency, and personal competency, while the relationship competency is not as decisive entrepreneurial competencies. Among the five competencies required of SMEs, strategic competency and learning competency are the two most decisive competence realization of entrepreneurial competencies. The results also indicate that the entrepreneurial competency has a significant influence on business performance, it means the more powerful entrepreneurial competency will ultimately have an effect on SMEs performance.

Keywords: entrepreneurial competency, business performance, SMEs.

Research Background

Studies of factors that influence success of the businessin small business generally can be categorized in to external factors and internal factors. Research with a focus on external factors examines the role of government in creating a conducive environment for the growth of small businesses, while the internal factors examines organizational variables and characteristics of the entrepreneur. According Ahmad (2010) entrepreneur characteristics variables include knowledge, skills, attitudes and behavior of entrepreneurs, and how it impacts on the business performance.

Previous studies have identified factors that influence the success of the business, including srategies factor (Li et al, 2005; Chen et al, 2006), entrepreneurial orientation, owner/manager personal value (Kotey and Meredith, 2007; Zoysa and Herath, 2007; and Li et al, 2009), and lately is developed entrepreneurial competency factor. Man et al. (2005) stated that entrepreneurial competency affect the success of business, this is supported research results from Ahmad et al. (2010) in Malaysia that entrepreneurial competency as a predictor of business success of SMEs.

Entrepreneurial competency is an important thing that support business performance. Kiggundu (2002) stated that concept of entrepreneurial competencies is the whole attributes entrepreneurs that includes attitudes, trust, knowledge, skills, abilities, personality, and behavior that are directed to achieve success. The theory of Entrepreneurial Competency is trying to describe the relationship between the behavior and attributes of the business owners with business success.

The SMEs is the backbone of the Indonesian economy, and provedable to survive in the times of crisis. But the problems in the empowerment of small and medium enterprises in Indonesiain generalis performance or success rate remains low. This study attempted to add references about entrepreneur competencies with a focus on testing the determinant sof entrepreneurial competencies, and its influence on the business performance.

Literature Review

Entrepreneurial Competency

Entrepreneurial competency is an individual characteristics includes knowledge, skills, and/or ability required to perform a specific job (Baum, 2001).. Entrepreneurial competency is an overall entrepreneurial attributes such as attitude, beliefs, knowledge, skills, abilities, personality, expertise and behaviors necessary tendency to maintain and entrepreneurial success (Kiggundu, 2002).

Man et al (2002) recommend 6 components to measure entrepreneurial competency that are strategic competencies, conceptual competencies, opportunity competencies, relationship competencies, organizational competencies, and commitment competencies.

An entrepreneur has three roles, namely: entrepreneurial, managerial, and functional. Required the development of a combination of competency in accordance with the demands of the task-related with a role for increase the effectiveness of the entrepreneur. Personal competency is seen as an important area of competency for the entire role played by the entrepreneur (Chandler and Jansen, 1992).

Ahmad (2010) stated that the role of decision makers focused on the development of entrepreneurial competency includes relevant aspects are opportunity recognition, the capacity to act on opportunities, conceptual thinking, learning, personal effectiveness.

Small Business Performance

Business performance is one thing that determine the development of company. The purpose of the company in getting profits, and *growth* can be achieved if the company has the optimal performance. Company's performance can be seen from the level of sales, rates of return, rate of return on capital, the level of turnover and market share achieved (Jauch and Glueck, 1998).

Laitinen (2002) shows that the performance can be defined as the ability of an object produces results within specified dimensions apriori, in connection with the target. He also shows that a well-organized system of performance measurement may be the most powerful mechanisms of management to increase the probability of successful strategy implementation. The literature shows that the sales turnover is the

most frequently used indicator of the performance (Delmar, 1997), O'Regan et al. (2004) using financial performance by using gross profit a measure of performance.

Conceptual Framework

The success or failure of SMEs determined by the competency the own/manager, competencies reflected from the skills and abilities of the owner/manager. The role of the entrepreneur provides insight in to competencies required by the entrepreneur to ensure the survival of the business as well as business success (Akhmad, 2010). The research result from Man et al (2008) shows that entrepreneurial competency is a predictor of entrepreneurial success. Kiggundu (2002) Entrepreneurial competency is an overall entrepreneurial attributes such as attitude, beliefs, knowledge, skills, abilities, personality, expertise and behaviors necessary tendency to maintain and entrepreneurial success.

Referring to the competency indicators from Man et al. (2002) that recommends 6 components to measure entrepreneurial competency which are *strategic, conceptual, opportunity, relationship, organizational, commitment*. These indicators will be test edits role in determining entrepreneurial competency.

Based on the description above, the conceptual framework of the study is structured as follows:

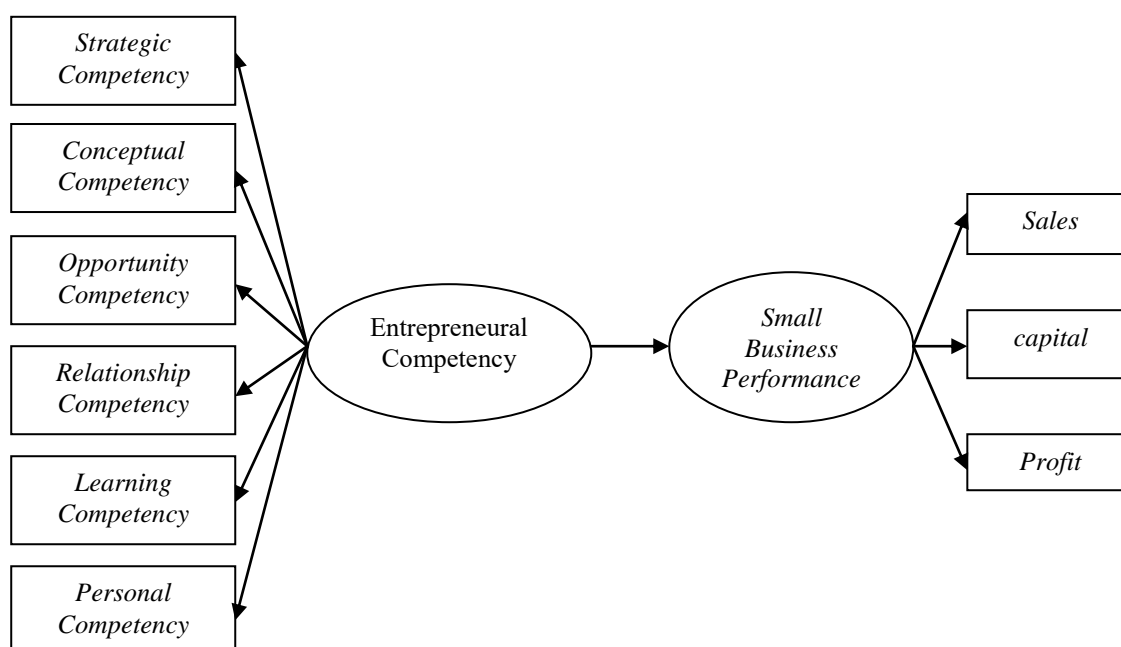


Figure 1. Conceptual Framework

Research Methods

Variables

1. Interpreneurial competencies

Overall entrepreneurial competency attributes of owner/manager includes internal and external aspects. Measurement of entrepreneurial competency adopted from Man et al. (2002) by using 6 dimensions, which are strategic competency, conceptual competency, opportunity competency, relationship competency, learning competency, personal competency

2. Business Performance

Business performance in research is the perception of the owner/manager of a business performance compared to objectives. Measurement of business performance is adopted from Li et al. (2009) consists from 3 dimensional: sales, capital, profit.

Data Collection Techniques

Methods of data collection using questionnaires, which is designed in the form of a closed questionnaire. The questionnaire were prepared using 5-point Likert Scale, scores ranging from 1 to negative responses to a score of 5 for a positive response.

Research Sample

The sampling methodis non probability sampling with the technique of Purposive Sampling that is sampling based on criteria that SMEs has export product and has the potential to export which is as many as 55 SMEs.

Data Analysis Technique

Data analysis techniques are used to answer the problem formulation in this study, namely Confirmatory Factor Analysis further results of factor analysis (factor scores) are used for data input Linear Regression Analysis. Data analysis using SPSS statistical software.

Result and Discussion

a. **Confirmatory Factor Analysis**

Factor analysis is used to analyze the factors that determine entrepreneurial competencies is confirmatory factor analysis, that is confirm the existing factor to the formation of entrepreneurial competencies. Based on the analysis results obtained from the six factors examined there is 1 factor which is Strategic competency had a loading factor less than 0,5 while 5 other factors had loading factor above 0,5. Thus the factors forming entrepreneurial competenciesis namely Strategic competency, Conceptual competency, Opportunity competency, Learning competency, and Personal competency. While relationship competency is less significance in shaping the entrepreneurial competencies.

b. Regression Analysis

The results of the model test (F-Test) obtained significance value $F = 0,000$ is less than $0,05$ shows that the model can explain the effect of entrepreneurial competency on SMEs performance, with the ability to explain $25,8\%$ ($r^2 = 0,258$). Regression coefficient values of entrepreneurial competencies $0,232$ shows the entrepreneurial competencies has a positive influence on the performance of SMEs, meaning that the higher the entrepreneurial competencies, the higher performance achieved SMEs or the opposite. Significance value $0,000$ less than $0,05$ shows that entrepreneurial competencies have a significant effect on the performance of SMEs.

Discussion

Entrepreneurial competency is an individual characteristics includes knowledge, skills, and/or ability required to perform a specific job (Baum, 2001). Based on the results of analysis show that on small and medium enterprises in Malang Regency, competencies that required by owners of SMEs include Strategic competency, Conceptual competency, Opportunity competency, Relationship competency, Learning competency, and Personal competency.

Strategic competency is the competency to perform regular monitoring of the progress of the achievement of business objectives, and the ability to identify issues in the future. The measurement result of entrepreneurial competency shows the owner/manager SMEs already has a good ability in terms of strategy routine monitoring of the progress in achieving the business goals, but still needs to be improved on the ability to identify issues in the future related to the occupied areas of the business. Recognizing that small and medium enterprises is a business group that is easy to grow, but also easy to die, then the ability to identify future issues become very important for entrepreneurs, because with the ability to identify issues in the future, then the entrepreneur/owner will quickly read business opportunity the goods/services is no longer demanded by the customers, then the new goods/services is ready generated, eventually able to secure business continuity.

Conceptual competency is the entrepreneurial competencies in terms of developing new ideas, and impose new problems as opportunities. The measurement results of conceptual competencies owner/managers of small and medium enterprises shows that conceptual competencies possessed still needs to be improved because it is still in the category of sufficient. This indicates that the ability of the owners/managers of SMEs developing new ideas need to be improved, as well as in solving business problems.

Opportunity competency is the ability of owners/managers in identifying the goods or services that consumers want, and the ability to measure unfulfilled consumer needs. The measurement result of opportunity competency shows the owners/managers of SMEs general has had a high opportunity competency either ability in terms of identifying the goods or services that consumers want, as well as the ability to understand unfulfilled consumers' needs. This ability is the advantages of the owners/managers of SMEs in maintaining their business because by knowing the goods/services that the customer wants, then the owner/entrepreneur could produce goods/services received by consumers that have a competitive advantage compared to competitors.

Relationship competency is the ability of the owners/managers of SMEs in maintaining or establishing interpersonal relationships in a working relationship with the workers, as well as the ability of to develop long-term trust with stakeholders. The results showed that the owner/manager already has had a good relationship competency, in terms of inter-personal relationships in the working relationship with the workers, as well as the ability of to develop long-term trust with stakeholders.

Learning competency is the ability of the owners/managers of SMEs in developing businesses through a continuous process of learning about the occupied business, and applying the results of learning in to everyday practice managing company. The measurement results shows that in general the owner/manager has already had a good learning competency, that is the ability to learn as much as possible in occupied areas, as well as the ability to apply skills learned in real practice.

Personal competency is the ability of the owners/managers of SMEs in terms of motivating themselves to achieve optimal performance, and the ability to identify possessed strength to take advantage of the opportunities and facing the threats. The measurement result of personal competency shows that the owner/manager has already had a good learning competency particularly supported by the ability to motivate themselves to always achieve the optimal performance, while the ability to identify the possessed strength still need to be increased.

Results of confirmatory factor analysis to the six variables formers entrepreneurial competencies shows only 5 variables that form the entrepreneurial competencies namely Strategic competency, Conceptual competency, Opportunity competency, Learning competency, and Personal competency, while Relationship competency do not had significant importance in shaping the entrepreneurial competencies. The results of this study indicate that the competencies required by the owners/managers of SMEs to their business succeed are Strategic competency, Conceptual competency, Opportunity competency, Learning competency, and Personal competency.

Relationship competency has no significance in shaping the entrepreneurial competencies could be due to the lack of the ability negotiate from the owners/managers with the stakeholders such as with suppliers, and business partners (distributors). Internal relations owners/managers and workers are already well established, as well as the trust with stakeholders has also been well established, but both these capabilities do not sufficient to contribute to the entrepreneurial competencies that will ultimately determine the performance of the business.

Results of regression analysis between entrepreneurial competencies on business performance shows that entrepreneurial competencies are the variables that significantly influence the performance of the business, the higher the competency of the owner/manager namely Strategic competency, Conceptual competency, Opportunity competency, Learning competency, and Personal competency will lead to the higher business performance achieved.

Competence is the ability to be able to run an activity, entrepreneurial competencies in this regard are the terms of the ability of the owner/manager in running the business in order to become more developed and succeed in accordance with the objectives. The owners/managers of SMEs that succeed run the business must had Strategic competency, Conceptual competency, Opportunity competency, Learning competency, and Personal competency. Nevertheless the contribution of entrepreneurial competencies to the achievement of business performance is relatively

small that is only 25,8% meaning entrepreneurial competency only as a condition to achieve business performance, certainly achieve business performance will be influenced by other factors for example, how the owner/manager that already had all 5 of these competencies define the business strategy, how the policy is taken in the face of tight competition, how to operate more effectively and efficiently.

The limitations of this study is the performance of the business viewed from the personal perspective, not consider external factors such as environmental, and managerial factors such as the implementation of strategy and business management. Therefore, further research needs to include variables strategy as well as entrepreneurial orientation as variables that influence business performance.

Conclusion

The conclusion that could be stated from the results of this study are as follows:

1. Entrepreneurial competencies that needed to form the entrepreneurial competencies of the owners/managers of SMEs include Strategic competency, Conceptual competency, Opportunity competency, Learning competency, and Personal competency. While relationship competency less significance in shaping the entrepreneurial competencies. From 5 competencies that has an important meaning to the formation of entrepreneurial competencies, strategic competency and learning competency are the two most decisive the ability of establishment of entrepreneurial competencies.
2. Entrepreneurial competencies had significant positive effect on the performance of small businesses, meaning that the higher the entrepreneurial competencies possessed by the owners/managers include Strategic competency, Conceptual competency, Opportunity competency, Learning competency, and Personal competency, then the higher the performance of the business.

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