

THE EFFECT OF ENTREPRENEURIAL ATTITUDE AND MANAGER'S BUSINESS ABILITY ON SMEs ORGANIZATIONAL PERFORMANCE

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Abstract: This study aims to explain (1) the effect of entrepreneurial attitude of SME managers on SME organizational performance and (2) the effect of business manager's ability on SME organizational performance. Data are collected using questionnaires with a sample size of 35 respondents. The data come from the respondents as SME owners or representatives who are familiar with the SME operational and management activities. Research data are processed using multiple regression analysis. The results show that entrepreneurship attitude has an effect on the performance of SME organization, while business ability has no effect at all.

Keywords: *Entrepreneurial Attitude, Business Ability, Organizational Performance*

In this global era, business competition in the global era is growing very rapidly and has affected this country too. Industrial companies, including small and medium-sized industrial companies, will compete for existing markets. Business competition occurs due to the invasion of products from overseas countries, resulting competition among companies that produce similar products. Besides increasing community's selectiveness in preferring the product, this also requires small and medium entrepreneurs to change their business orientation to be competence-based to make them able to compete in the global era.

SMEs are one sector that becomes this country's main concern in order to accelerate economic growth and resilience. The growth of SMEs has been increasingly fertile since the monetary crisis that hit Indonesia in 1997. Small industries as one of SMEs are often the choice for many people who intend to open their own

business, therefore entrepreneurs are often identified with small-scale businesses (including micro). The scale of business is relatively small, both in terms of employees and in terms of production capacity so the capital needed to start this business is not large. Therefore, small industries are often viewed as flexible and easy to do. According to Isyanto, *et al.* (2003), the contribution of large small industries includes its ability to create jobs, reduce poverty, and increase income and welfare.

Small-scale enterprises (including micro) in 2010 looked as a very passionate business, since it involved women as the second motor to improve family economy. According to Chotimah (2010), based on the survey conducted, the number of entrepreneurs in Surabaya reached 362,000 units, where 98.5 percent of them were micro and small. The empowerment of micro, small and medium entrepreneurs through "Economy Heroes" program is needed to reach economic growth in Surabaya. According to the mayor of Surabaya, Tri Rismaharini, micro, small and medium business actors as economic heroes and are expected to become lord and lady

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of their own town and can reach stable economic situation. There are still many poor families in Surabaya (those who have ID card of Surabaya) and the income is still low.

The success penetration of micro, small and medium enterprises into modern market depends on the attitude of entrepreneurs with entrepreneurial spirit to show their existence in reaching the market, managing finances, empowering their workforces in terms of both quantity and quality, and increasing productivity to obtain optimal results. In fact, there are SMEs that can develop without financial assistance. Besides that, entrepreneurs are demanded to have good management skills. This business skill is highly required in order to compete in global era which is characterized by its unpredictable situations and environmental conditions. This view is in accordance with Winardi's statement (2003: 3), success in a highly competitive business and non-predictable environment highly depends on the so-called entrepreneurship. According to Suseno (2003: 66), in its essence, the spirit of entrepreneurship provides added value to the public and improve regional or national economic growth.

According to Amins (2010), managers who possess characteristic of entrepreneur will be motivated to improve their company performance into better and more efficient working performance. Amins's research (2010) aims to test and find empirical evidence on the effect of member's participation entrepreneurship, and the government's role on work motivation, either directly or indirectly, on the performance of multi-purpose cooperative in East Kalimantan Province.

This research is also based on research by Tengtarto (2006) which is conducted in Surabaya with aims to test and find empirical evidence on

the influence of entrepreneurship attitude on business ability, either directly or indirectly, to the success of small leather shoe industry in East Java. Other research that inspires this research is also from Man, *et al.*, (2002) with aims to test and find empirical evidence on the influence of Entrepreneurial Competencies on Competitive Scope and Organizational Capabilities, either directly or indirectly, on the performance of small and medium enterprises. Another research that inspires this research is from Covin and Slevin (1989) on small firms hostile and benign environments with findings revealing that there is no effect of entrepreneurship on performance.

This recent research focuses on the effect of entrepreneurial attitudes and business capabilities of SMEs managers in Surabaya on the organizational performance of SME organizations with the following considerations:

- There has been research on the effect of entrepreneurial attitudes and business abilities but is limited on the success of small leather shoe industry in East Java.
- Other related research has examined SMEs organizational performance but is limited on entrepreneurial competencies as independent variable towards competitive scope and organizational capabilities.
- Another research has examined the effect of entrepreneurial attitudes on performance, yet the research is conducted in East Kalimantan.

There have been two opposite discussions in relation to the relationship of entrepreneurial attitudes and performance. The first side states that there is a significant positive relationship between entrepreneurial attitudes and performance, for example, a research conducted at one cooperative in East Kalimantan (Amins,

2010). However, on the second side, there is empirical study proves that there is no relationship between entrepreneurial attitude and performance, since the study is done in small firms hostile and benign environments (Covin and Slevin, 1989). Spain and U.S. have different cultures and regulations from Indonesia, and therefore East Kalimantan Province has different culture from provinces in Java.

This gap research review (two opposing discussions) is intended to further clarify the relationship between the entrepreneurial attitude and performance. This study attempts to develop a theory in relation to the relationship between entrepreneurial attitude and business ability towards performance. Based on the background and the fact of limited employment opportunities and large number of unemployment due to the large number of employment termination done by big companies, it is necessary to do research on the influence of entrepreneurial attitude and manager's business ability on the performance of SME organizations.

METHOD

The nature of this research is *explanatory research* with aims to explain the effect of entrepreneurial attitude and manager's business ability on SMEs' organizational performance in Surabaya. The independent variables being tested were manager's entrepreneurial attitude and business capabilities of managers, while the dependent variable was SMEs' organizational performance. Questionnaire was used to gather data and later were compiled based on the indicators (as shown in Table 1). The sample size was 35 respondents, among them were the SME owners or those representing them who were familiar with the SMEs operational and management activities.

Table 1. Variable, Indicators and Measurement Scale

Variable	Indicator	Measurement Scale
Entrepreneurial attitude	Innovation, risk taking, vision, planning, motivation, opportunity, self confidence, adaptation	Likert used as values for respondents, ranges from 1 to 5
Business ability	Raw material, workforce, product quality, price, product variants, market reach, easy to buy, stock availability	Likert used as values for respondents, ranges from 1 to 5
Organizational performance	Return on Asset, Profitability, Liquidity, Solvability	Likert used as values for respondents, ranges from 1 to 5

FINDINGS AND DISCUSSIONS

The research questionnaires were distributed to 35 respondents (the owner or who represent the owner). The following figure displays the general characteristics of all samples.



Figure 1. Characteristics of SMEs Owner Based on Gender

Source: Data Processed (2015)

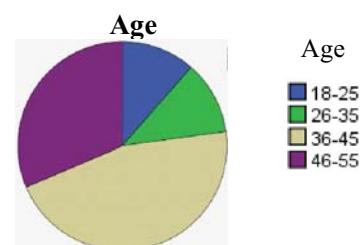


Figure 2. Characteristics of SMEs Owner Based on Age

Source: Data Processed (2015)

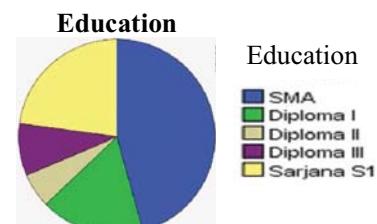


Figure 3. Characteristics of SMEs Owner Based on Education

Source: data processed (2015)

Empirical model of multiple linear regression formed in this research is as follows:

$$Y = 1,039 + 2,7X_1 - 0,110X_2$$

Y = organizational performance

X_1 = entrepreneurial attitude

X_2 = business ability

Based on this equation, entrepreneurship attitude has effect on SMEs organizational performance, while business ability has no effect. The determinant coefficient found at 21.5 percent, means that the performance of SME organizations is only 21.5 percent influenced by entrepreneurial attitude and business ability, while the other 78.5 percent are influenced by other variables which are not examined in this research.

CONCLUSION

Based on the research result, entrepreneurial attitude has effect on SMEs organizational performance, while manager's business ability has no effect on organizational performance. There are several conclusions derived from this research.

- Managers' entrepreneurial attitude need to be improved by attending entrepreneurship seminars and trainings in order to improve their SME performance.
- Business ability of managers is considered as low and needs improvement through formal and informal education.
- Managers must be more courageous in taking risks and policies in managing SMEs, to improve SMEs and organizational performance.

- The awareness and support provided by the government in terms of entrepreneurship for SMEs must be utilized for mutual benefit.

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