

The Data Analysis on Business Communication and Entrepreneurial Competency in Influencing Business Performance

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Abstract

MSMEs (Micro, Small, and Medium Enterprises) have great potential in the local economy and can be a solution to reduce the unemployment rate by absorbing more workers. One business sector that has received great attention is the culinary sector. MSMEs in the culinary segment have great potential to contribute to the local and national economy. The unsatisfactory performance of MSMEs in Indonesia is caused by a lack of quality human resources (HR) or a lack of expertise in entrepreneurship. This can be seen from the lack of progress in the knowledge of MSME players in aspects of management, organization, information and communication technology, marketing, and other skills that are essential in running a business. This research aims to obtain, know, study, and analyze the variables that will be mapped into the entrepreneurial model and their influence on business performance. The research method approach used is a Systematic Literature Review (SLR) which is carried out by identifying relevant research, assessing its quality, and scientifically summarizing the results of previous research. The results of research discussions found variables that would become entrepreneurial models in improving business performance. This research uses a human resource management approach, especially regarding factors that influence business performance. In this research, three variables were found to be used as research objects, namely two independent variables and one dependent variable. The novelty of the resulting research is creating an entrepreneurship model consisting of communication and entrepreneurial competence and their influence on business performance.

Keywords

MSME, Business Communication, Entrepreneurial Competency, Business Performance

Introduction

The Industrial Revolution 4.0 and the concept of Society 5.0 have changed the basis of various aspects of life throughout the world. This change shows increased creativity and innovation using information technology, which ultimately influences many aspects of global life, including economic dynamics. The Advanced Indonesia Mission emphasizes sovereignty, independence, and identity based on the principle of cooperation, one of which is emphasized through increasing individual competence, an economy oriented towards independence and competitiveness, as well

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as equitable and just development. Thus, entrepreneurship development is very important to accelerate the achievement of the vision and goals of Advanced Indonesia.

Indonesia's demographic bonus, which will reach its peak in 2030, demands that more young people become entrepreneurs. With 2.9 million young individuals entering the job market each year, it is important to prepare for new job opportunities, and entrepreneurial initiatives are the solution. MSMEs (Micro, Small, and Medium Enterprises) have great potential in the local economy and can be a solution to reduce the unemployment rate by absorbing more workers. One business sector that has received great attention is the culinary sector. MSMEs in the culinary segment have great potential to contribute to the local and national economy. (Sugiarto, 2021; Ogunlana, 2018)

Based on the ASEAN Investment Report which was launched in September 2022 as in Figure 1, Indonesia stands out as the country with the highest number of Micro, Small and Medium Enterprises (MSMEs) in the ASEAN region. Data in the report shows that in 2021, Indonesia will have around 65.46 million MSMEs, a significant figure when compared with surrounding countries, as shown in Figure 1.1. During 2021, MSMEs in Indonesia succeeded in absorbing around 97% of the total workforce, contributing 60.3% to Gross Domestic Product (GDP), and also contributing around 14.4% to the country's total exports. The labor absorption factor by MSMEs in Indonesia is the highest among other ASEAN countries. (Bank Indonesia, 2023)

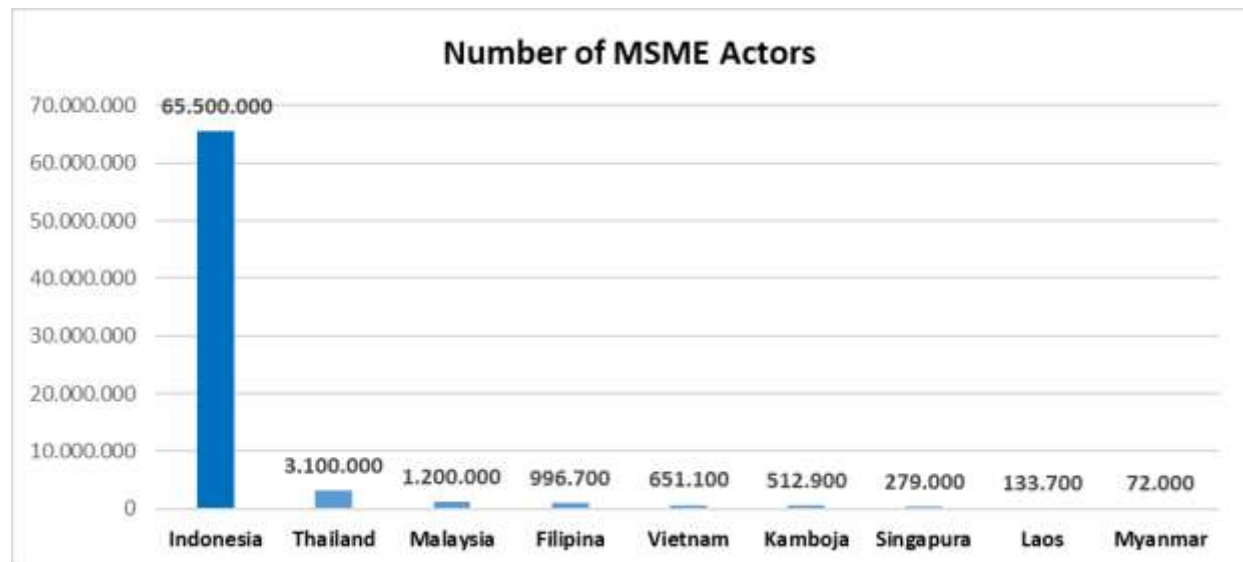


Figure 1. Number of MSME Actors in ASEAN

In several countries around Southeast Asia, MSMEs usually absorb between 35% and 85% of the workforce. However, in terms of contribution to GDP, Indonesia is still below Myanmar, where MSMEs in that country contribute 69.3%. Indonesia also shows lower performance compared to other countries such as Singapore, whose MSMEs contribute 38.3% of exports, Thailand 28.7%, Myanmar 23.7%, and Vietnam 18.7%. Currently, the Indonesian government is trying to improve the performance of MSMEs through initiatives such as digitalization. (ASEAN Secretariat, 2021; KataData, 2022)

The unsatisfactory performance of MSMEs in Indonesia is caused by a lack of quality human resources (HR) or a lack of expertise in entrepreneurship. This can be seen from the lack of progress in the knowledge of MSME players in aspects of management, organization, information and communication technology, marketing, and other skills that are essential in running a business. Apart from that, a less professional culture among MSMEs is an obstacle in improving the quality of human resources. Another problem is that MSME players often have limited educational background, so they have difficulty understanding or implementing product quality improvement, standardization, access to wider financing, application of technology for MSME growth, marketing at local and international levels, and building business networks. global. (Claudia and Sangen, 2020; Eka, et al, 2022)

Good business communication can help MSMEs in the culinary segment to interact with various related parties, such as customers, suppliers, and other business partners. Apart from that, effective communication can also help MSMEs to build a strong brand image and expand market reach. If communication is not done well, this can be detrimental to the business, not only in product sales but also in the development of business ideas or innovation. (Sudarwati and Izzaty, 2022; Firmansyah and Roosmawarni, 2019)

On the other hand, entrepreneurial competence is also a key factor in determining business performance. Entrepreneurial competency includes the skills, knowledge, and attitudes needed to manage and develop a business well. MSMEs in the culinary sector with brilliant entrepreneurial skills are usually more skilled at recognizing market opportunities, overcoming business obstacles, and making accurate decisions. Based on various studies and literature, several entrepreneurial skills are important for MSME owners, such as the ability to manage operations and finances, skills in reducing risk, autonomy in decision making, information analysis skills, efforts to improve the quality of work, as well as communication and social networking skills. Good. Apart from that, other aspects such as adaptability, change management, initiative, innovation, integrity, leadership, self-discipline, focus on results, social mobility, negotiation skills, problem-solving, responsibility, and teamwork are also very essential. Therefore, understanding and developing entrepreneurial competencies is very critical because it can have a direct impact on business performance. (Hasanah, Utomo and Hamid, 2019; Roblesa and Rodriguez, 2015)

According to data released by the Central Statistics Agency (BPS) in 2022, around 36.7% of all MSMEs operate in the culinary sector, especially food and beverages. Several micro and small scale entrepreneurs in this sector have recorded a decline in income in recent months, although public consumption continues to increase. Masbukhin Pradhana, Chair of the Indonesian Culinary Entrepreneurs Association (Apkulindo), also stated that sales in the culinary sector, especially in MSMEs, experienced a decline of around 20% in the second half of 2023. (BPS, 2023; Ramli and Djumena, 2023; Rhamadanty and Laoli, 2023)

Data from the Retail Sales Survey (SPE) conducted by Bank Indonesia (BI) indicates that retail sales in the food and beverage sector experienced a decline between December 2021 to December 2022 and June 2023 to November 2023 as shown in Figure 2.

No	Business Group	Jun 2021	Des 2021	Jun 2022	Des 2022	Jun 2023	Nov 2023
1	Parts and Accessories	22,80	-3,40	3,40	-8,20	-5,20	9,40
2	Food, Drinks & Tobacco	7,30	23,90 ↑	11,30 ↓	0,50 ↓	12,00 ↑	2,70 ↓
3	Motor Vehicle Fuel	47,40	37,90	18,60	-10,40	0,20	15,40
4	Information and Communication Equipment	-31,80	-16,20	-26,50	16,60	-16,30	-31,50
5	Other Household Supplies	-5,70	-24,00	-27,70	-10,20	-6,90	2,30
6	Cultural and Recreational Items	-4,50	-11,90	5,40	8,20	-0,90	-7,00
7	Clothing	39,90	-0,10	-3,80	12,70	15,00	8,40
8	Other Items	25,10	-5,10	-8,40	3,50	1,80	1,10
Total Indeks		2,50	13,80	4,10	0,70	7,90	0,10

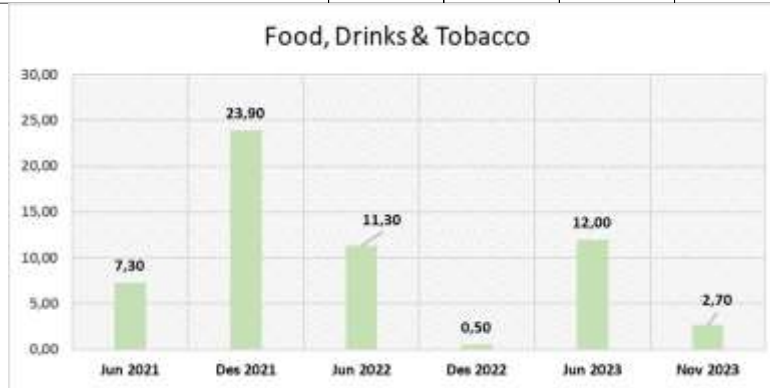


Figure 2. Growth of Real Sales Index by Business Group

Methodology

This study employs a human resource management perspective, particularly focusing on its impact on business performance. It examines two types of variables: independent and dependent variables. The research methodology entails a Systematic Literature Review (SLR), which involves identifying relevant studies, evaluating their quality, and synthesizing their findings using rigorous scientific methods.

The Systematic Literature Review adheres to the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines. Digital searches for literature were conducted across various online databases, including Web of Science (WoS), Emerald, Science Direct, Google Scholar, Research Gate, and Academia. These databases were selected based on several factors: their international prestige and impact, assurance of sample representativeness by researchers and international bodies, and the relevance and specificity of the inclusion criteria. The research criteria used are: (Hutton, Catalá-López, dan Moher 2016)

1. Published in the Online Journal System, both academic journals and peer-reviewed journals.
2. Search descriptors are specified in the title, keywords, and abstract.
3. Related to the field of Management; and
4. The keywords used to obtain research-based articles are Entrepreneurial Models and Business Performance.

Results and Discussion

The presence of small and medium-sized enterprises (SMEs) in Indonesia will contribute to the movement of the Indonesian economy, so its growth is an essential part that must be considered by the government. The goal of this study was to explore the role of innovative capabilities in improving the performance of Indonesian SMEs. The findings show that social capital does not explicitly have a substantial impact on the business performance of SMEs in Pekanbaru, but if it is mediated by creative capacities, social capital indirectly plays a role in improving the performance of SMEs. Entrepreneurial leadership has a big influence on SMEs. In the current business context, entrepreneurial competency has been highlighted as key to improving firm performance. Despite the overall positive evidence on the association between entrepreneurial competency and firm performance considering the Business Model as a mediating variable, scholars have stressed the importance of taking into account and properly managing intermediate capabilities. Results reveal that entrepreneurial competency contributes to the Business Model and firm performance. Some suggestions for managers and future lines of research are proposed. (Purwati, et al, 2021; Ferreras, et al, 2021)

To bolster entrepreneurial models aimed at enhancing business performance, it's pivotal to amalgamate innovative capabilities with strategic networking initiatives. While the study underscores that social capital may not directly influence SME performance, fostering intentional collaborations and knowledge-sharing endeavors within the SME ecosystem can magnify the impact of social capital on innovative capacities. By nurturing an environment conducive to partnership and information exchange, SMEs can leverage their collective strengths to drive innovation and ultimately enhance business outcomes. This underscores the importance of cultivating a dynamic innovation ecosystem tailored to SME needs, encompassing access to funding, technology, mentorship programs, and collaborative platforms to foster a culture of innovation and knowledge exchange.

Furthermore, it's imperative to prioritize the development of entrepreneurial leadership skills among SME owners and managers. Investing in training programs that nurture competencies such as opportunity recognition, strategic decision-making, and risk management can empower SME leaders to navigate complexities and seize opportunities effectively. By fostering a culture of entrepreneurship within SMEs, business owners can instill a mindset of innovation and agility, enabling them to adapt to evolving market dynamics and drive performance improvement. This aligns with the notion that entrepreneurial competency serves as a cornerstone for business model innovation, underpinning SMEs' ability to refine their value proposition, revenue streams, and operational strategies to remain competitive in today's dynamic business landscape.

Factors That Are Components of Entrepreneurial Models to Improve Business Performance

Communication is a process of sending and receiving messages or information carried out by two or more people with the hope of a positive influence or causing certain desired effects. In economics, a business is an organization that sells goods or services to consumers or other business parties. Communication in the business world has an important role in conveying messages to all

stakeholders, both verbally and nonverbally to achieve certain goals. Good business communication within an organization can improve business performance by increasing organizational commitment, employee loyalty and productivity. (Harapan, 2022; Raharjo, et al, 2023)

Business communication is the exchange of information messages, views, ideas, or emotions between individuals or groups to build mutual understanding and action. In the view of several researchers, business communication is a process of sending relevant and meaningful messages through various channels to create shared understanding between individuals in a business context. Business communication is the exchange of information and messages related to economic and organizational goals, involving various media and communication channels. Business communication is also the flow of information, views, and insights between individuals in and around an organization to build effective and productive relationships. (Guffey, Loewy, Griffin, 2021; Bovée & Thill, 2018; Cardon, 2018; Hynes, 2012)

Entrepreneurial competency is a combination of technical, social, and cognitive skills that support the ability to identify opportunities, overcome challenges, and manage a business well. Entrepreneurial competency is a combination of knowledge, skills, and attitudes that include innovative ideas, the courage to take risks, and the ability to mobilize resources. Other research in the book "Entrepreneurship" defines entrepreneurial competencies as the skills, knowledge, and attitudes that enable a person to design, develop, and run a successful business. (Bygrave and Zacharakis, 2014; Hisrich, 2017)

Performance is the work result achieved by a person or group within an organization, by authority and responsibility, to achieve organizational goals legally, without violating the law, and by morals and ethics. Business performance is the accumulation of the results of activities carried out within the company itself. Business performance because of organizational goals achieved through effective strategies and techniques. (Tampenawas, et al, 2023)

The productivity and efficiency of an organization are obtained comprehensively through business performance at the level of profits, sales growth, product quality, service quality, level of customer service, new products that are successfully marketed, and return on investment. Measuring business performance uses two dimensions, namely the first dimension is financial performance or performance based on marketing such as usage level, profitability, and market share, while the second dimension is subjective performance. Subjective performance is a performance measurement based on measuring customer and employee satisfaction, such as service quality, consumer satisfaction, and employee job satisfaction. (Adindo, 2023)

Overview Of Research Variables That Form Entrepreneurial Models in the MSME

The research variables contributing to entrepreneurial models in Micro, Small, and Medium Enterprises (MSMEs) encompass communication, entrepreneurial competency, and performance. Communication within a business context serves as a critical conduit for conveying messages among stakeholders to achieve organizational goals. Effective business communication, as elucidated by scholars, involves the exchange of relevant information through various channels to foster shared understanding and constructive action. This communication flow not only enhances

organizational commitment and loyalty but also amplifies productivity, thereby positively impacting business performance. Entrepreneurial competency constitutes a blend of technical, social, and cognitive skills essential for identifying opportunities, navigating challenges, and adeptly managing business affairs. This competency, as highlighted in entrepreneurship literature, encompasses innovative thinking, risk-taking propensity, and resource mobilization abilities. Scholars underscore its pivotal role in designing, developing, and steering successful businesses, thereby underscoring its significance in entrepreneurial models aimed at enhancing MSME performance.

Performance, the culmination of organizational efforts aligned with goals and ethical principles, encapsulates the outcomes achieved within a company. Business performance reflects the efficacy of strategies and techniques deployed, gauged through various dimensions including financial metrics such as profitability and market share, as well as subjective assessments such as customer and employee satisfaction levels. This comprehensive evaluation of performance underscores its multifaceted nature, encompassing both quantitative and qualitative measures that collectively drive organizational productivity, efficiency, and success.

The analysis of the influence of business communication and entrepreneurial competency on business performance in Micro, Small, and Medium Enterprises (MSMEs) underscores their pivotal roles in driving organizational success. Effective business communication, as highlighted by scholars such as Harapan (2022) and Raharjo (2023), plays a fundamental role in fostering shared understanding among stakeholders and aligning efforts toward common goals. By facilitating the exchange of relevant information and ideas, business communication enhances organizational commitment, employee loyalty, and productivity, thereby contributing positively to business performance. Moreover, insights from Guffey, Loewy, and Griffin (2021); Bovée & Thill (2018), and Cardon (2018) emphasize that business communication serves as a linchpin for building effective relationships both within and outside the organization, which further bolsters performance fostering collaboration and synergy.

Entrepreneurial competency, as elucidated by Bygrave & Zacharakis (2014) and Hisrich (2017), emerges as another critical determinant of business performance in MSMEs. This multifaceted competency, encompassing technical, social, and cognitive skills, empowers entrepreneurs to identify opportunities, navigate challenges, and effectively manage their enterprises. With its blend of innovative thinking, risk-taking propensity, and resource mobilization abilities, entrepreneurial competency not only drives business innovation but also fosters resilience and adaptability, essential traits for thriving in dynamic business environments. By leveraging entrepreneurial competencies, MSMEs can enhance their competitive edge, innovate more effectively, and ultimately improve business performance.

The multifaceted nature of business performance, as highlighted by Tampenawas (2023), Adindo (2023), and colleagues, underscores the comprehensive evaluation required to gauge organizational success. Business performance encompasses various dimensions including financial metrics such as profitability, sales growth, and market share, as well as subjective measures like customer and employee satisfaction. By considering both quantitative and qualitative indicators, MSMEs can gain a holistic understanding of their performance drivers and areas for improvement. This nuanced approach to performance measurement enables MSMEs to

align strategies with organizational goals, optimize resource allocation, and enhance overall productivity and efficiency, thereby fostering sustained success in competitive markets.

Entrepreneurial Model in Improving Business Performance

Based on the points above, an Entrepreneurship Model was produced which contains the influence of business communication and entrepreneurial competence on Business Performance as shown in Figure 3 below:

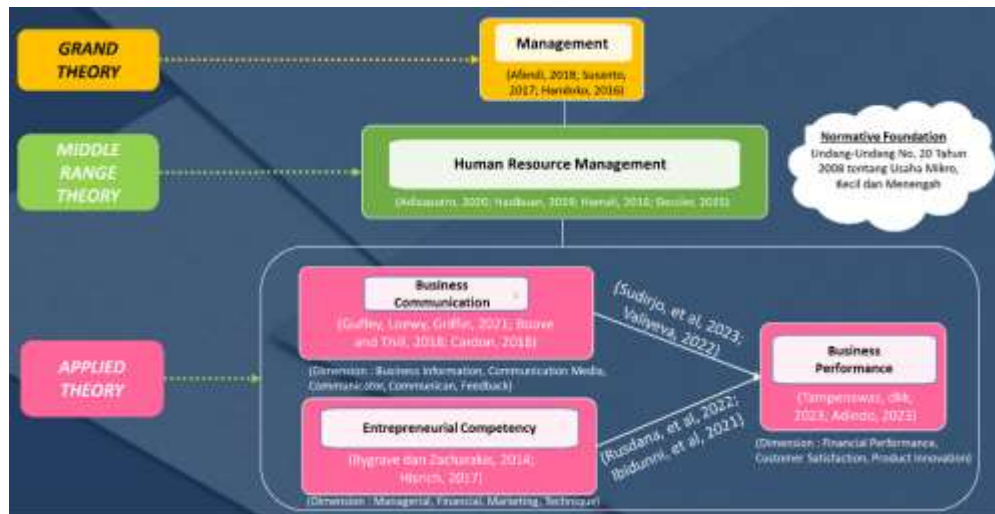


Figure 1. Theoretical Foundation Structure, Framework of Thought, and Research Paradigm on Entrepreneurial Models in Improving Business Performance

Conclusion

Based on the results and discussion above, conclusions that can be drawn from this research include:

1. Business Communication and Entrepreneurial Competency influence each other.
2. The formulation of Business Communication and Entrepreneurial Competency can improve Business Performance

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