THE ROLE OF ENTREPRENEURIAL COMPETENCIES: SUCCESSFUL KEY SMES A LITERATURE REVIEW

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ABSTRACT

Purpose: SMEs have been shown in various previous studies to contribute significantly to GDP and survive in different economic conditions. However, entrepreneurs must possess key competencies to be competitive and stay in the long run. This paper aims to describe the role of entrepreneurial competencies in SMEs success through a literature review.

Theoretical framework: This study provides a summary of the literature on entrepreneurial competence topics which include knowledge, attitudes and skills which are the basis for effective business performance, potential for success in work, creating a business environment to increase entrepreneurial will. The important role of entrepreneurial competence is part of the literature review providing a strong basis for further research.

Desain/metodologi/approach: By conducting a literature review and analyzing empirical data, we seek to deepen our understanding of entrepreneurial competence and identify its key role in the success of SMEs.

Finding: Our findings suggest that entrepreneurial competencies, including business skills, management, human relations, conceptual understanding, and attitude, are crucial to the success of SMEs. Developing these competencies can lead to more competitive and sustainable SMEs businesses, ultimately contributing to national economic growth.

Research, Practical & Social implications: This study contributes to a better understanding of the important role of entrepreneurial competence in achieving maximum performance in an effort to develop entrepreneurial attitudes and behavior skills which form the basis of economic growth and become the main competence for developing employability in society.

Originality/value: The added value of this study serves as a guide on how important the role of entrepreneurial competence is in achieving entrepreneurial success. Continuous improvement of entrepreneurial competence in business is urgently needed to achieve maximum performance for SMEs in Indonesia so that they can grow and develop as pillars of economic growth.

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O PAPEL DAS COMPETÊNCIAS EMPREENDEDORAS: UMA REVISÃO DA LITERATURA SOBRE AS PRINCIPAIS PMES BEM-SUCEDIDAS

RESUMO
Objetivo: Em vários estudos anteriores, foi demonstrado que as PMEs contribuem significativamente para o PIB e sobrevivem em diferentes condições econômicas. Entretanto, os empreendedores devem possuir competências essenciais para serem competitivos e permanecerem no longo prazo. Este artigo tem como objetivo descrever o papel das competências empresariais no sucesso das PMEs por meio de uma revisão da literatura.

Estrutura teórica: Este estudo fornece um resumo da literatura sobre tópicos de competência empreendedora que incluem conhecimento, atitudes e habilidades que são a base para o desempenho eficaz dos negócios, potencial de sucesso no trabalho, criação de um ambiente de negócios para aumentar a vontade empreendedora. O importante papel da competência empreendedora faz parte da revisão da literatura, fornecendo uma base sólida para pesquisas futuras.

Descrição/metodologia/abordagem: Por meio da realização de uma revisão da literatura e da análise de dados empíricos, buscamos aprofundar nossa compreensão da competência empreendedora e identificar sua função fundamental no sucesso das PMEs.

Conclusões: Nossas descobertas sugerem que as competências empreendedoras, incluindo habilidades de negócios, gerenciamento, relações humanas, compreensão conceitual e atitude, são cruciais para o sucesso das PMEs. O desenvolvimento dessas competências pode levar a negócios de PMEs mais competitivos e sustentáveis, contribuindo, em última análise, para o crescimento econômico nacional.

Implicações sociais, práticas e de pesquisa: Este estudo contribui para uma melhor compreensão do importante papel da competência empreendedora na obtenção do desempenho máximo, em um esforço para desenvolver atitudes empreendedoras e habilidades comportamentais que formam a base do crescimento econômico e se tornam a principal competência para o desenvolvimento da empregabilidade na sociedade.

Originalidade/valor: O valor agregado deste estudo serve como um guia sobre a importância do papel da competência empresarial na obtenção do sucesso empresarial. O aprimoramento contínuo da competência empreendedora nos negócios é urgentemente necessário para atingir o desempenho máximo das PMEs na Indonésia, para que elas possam crescer e se desenvolver como pilares do crescimento econômico.

Palavras-chave: Competência Empreendedora, Pequenas e Médias Empresas (PMEs).

EL PAPEL DE LAS COMPETENCIAS EMPRESARIALES: REVISIÓN BIBLIOGRÁFICA DE LAS PRINCIPALES PYMES DE ÉXITO

RESUMEN
Objetivo: En varios estudios anteriores se ha demostrado que las PYME contribuyen significativamente al PIB y sobreviven en diferentes condiciones econômicas. Sin embargo, los empresarios deben poseer competencias básicas para ser competitivos y permanecer a largo plazo. Este artículo pretende describir el papel de las competencias empresariales en el éxito de las PYME a través de una revisión bibliográfica.

Marco teórico: Este estudio ofrece un resumen de la literatura sobre temas de competencia empresarial que incluyen conocimientos, actitudes y habilidades que son la base para un rendimiento empresarial eficaz, el potencial para el éxito laboral, la creación de un entorno empresarial para aumentar el impulso empresarial. El importante papel de la competencia empresarial forma parte de la revisión bibliográfica, proporcionando una base sólida para futuras investigaciones.

Descripción/metodología/enfoque: Mediante una revisión bibliográfica y el análisis de datos empíricos, pretendiamos profundizar en nuestra comprensión de la competencia empresarial e identificar su papel clave en el éxito de las PYME.

Conclusiones: Nuestros resultados sugieren que las competencias empresariales, incluidas las habilidades empresariales, la gestión, las relaciones humanas, la comprensión conceptual y la actitud, son cruciales para el éxito de las PYME. El desarrollo de estas competencias puede conducir a empresas PYME más competitivas y sostenibles, contribuyendo en última instancia al crecimiento económico nacional.

Repercusiones sociales, prácticas y para la investigación: Este estudio contribuye a una mejor comprensión del importante papel que desempeña la competencia empresarial en la consecución de un rendimiento máximo, en un esfuerzo por desarrollar actitudes empresariales y aptitudes de comportamiento que constituyan la base del crecimiento económico y se conviertan en la competencia básica para desarrollar la empleabilidad en la sociedad.

Originalidad/valor: El valor añadido de este estudio sirve de guía sobre la importancia del papel de la competencia empresarial en la consecución del éxito empresarial. Se necesita urgentemente una mejora continua de la competencia empresarial para lograr el máximo rendimiento de las PYME en Indonesia, de modo que puedan crecer y desarrollarse como pilares del crecimiento económico.
INTRODUCTION

The advent of the Fourth Industrial Revolution has ushered in profound changes across various domains of global life. This transformation has been fueled by the development of creativity and innovation, spurring entrepreneurship to the forefront of international competition. Indeed, entrepreneurship is a crucial driver of a country's economic growth and has an unmistakable unidirectional relationship with it (Ministry of State Affairs, 2021). If a country experiences an uptick in entrepreneurship, it will invariably translate into an increase in economic growth. Across the globe, small and medium-sized enterprises (SMEs) are widely recognized as a critical pillar of any country's economy. Despite challenging economic conditions, their ability to thrive and contribute to the economy underscores their invaluable role in economic development. As such, nations compete fiercely to optimize the advantages of their financial resources by fostering continuous innovation through their entrepreneurs (Fritsch, 2017).

The importance of small and medium-sized enterprises (SMEs) to the economy is generally acknowledged. As a result, they are constantly pushed to grow their businesses and improve their competitiveness. Strengthening the entrepreneurial skills of SMEs working in many areas is essential to accomplishing this goal. Initiatives have been made to enhance skills and promote competency development in new industries to build these competencies to announce the expansion of small and medium-sized businesses. Enhancing entrepreneurial skills based on tested models is considered a way of tackling social challenges and creating jobs, given the enormous potential of the population to contribute to the economy through entrepreneurship (Lawal et al., 2018). This can be realized if entrepreneurship competence continues to be increased to survive the level of entrepreneurial competence must be raised to achieve these goals and maintain competitiveness in the age of globalization. To do this, the government has led several programs, and these programs must have the support and collaboration of all stakeholders. An issue that needs to be overcome is that not all SMEs recognize how necessary entrepreneurial competence is to enhance their company's success. Bahari, et al (2023) stated that SMEs with limited resources and competence would make it difficult for them to expand their target market. SMEs constitute Indonesia's most significant business entity, accounting for 99% of businesses and contributing to 89% of job creation, although their contribution to GDP remains relatively small. Indonesia's performance on the
The role of entrepreneurial competencies: successful key SMEs a literature review

Global entrepreneurship index ranks 75th out of 137 countries, trailing behind Singapore and Malaysia within the ASEAN region (GEI Report, 2019). Enhancing entrepreneurial competence in Indonesia poses a significant challenge for SMEs. A recent study suggests that sustained government efforts are required to improve entrepreneurial competence across all segments of society to foster the growth and competitiveness of community entrepreneurship in the era of globalization. Ghosh & Bhowmick (2014) further contend that creating a dynamic entrepreneurial environment must be accompanied by sufficient entrepreneurial competence to facilitate business growth and sustainability.

According to Man, Lau, and Chan (2002), a study revealed that several competencies, namely analytical, innovative, operational, human, strategic, commitment, learning, and personal strength, directly or indirectly impact the performance of SMEs. Entrepreneurial competence is a crucial factor for business actors, as it encompasses a combination of attitudes, knowledge, and skills that contribute to maximizing business performance. Entrepreneurial competence is essential in developing entrepreneurial attitudes and behavioral skills, which are the foundation for economic growth and social employability (Bolzani & Luppi, 2021).

Entrepreneurial competence is widely recognized as a significant element for developing skills, attitudes, and behavior in fostering economic growth and enhancing individual development and workability in society (Volkmann et al., 2009). It is a competency that goes beyond mere company management and requires education and training from an early age. As a vital driver of economic resources in achieving business success, SMEs need knowledge supporting company performance. As a close correlate to individual values such as personality, attitudes, traits, and self-image, entrepreneurial competence involves skills, knowledge, and experience acquired from the workplace and through education and training (Phelan & Sharpley, 2012). In measuring business success, entrepreneurial competence plays a crucial role, given that knowledge, attitudes, and skills are essential elements in improving the performance of SMEs (Garavan et al., 2016). This view is echoed by various literature, which suggests that entrepreneurs' knowledge, attitudes, skills, and behavior are vital components of entrepreneurial competence and significantly affect performance and competitiveness (Wirda et al., 2019).

Based on the studies mentioned above, entrepreneurial competence constitutes a personal skill set that individuals endeavor to enhance to optimize business performance, particularly in SMEs. Against this backdrop, this paper seeks to investigate the pivotal role of entrepreneurial competence in bolstering the performance of SMEs. Exploring the significance
of entrepreneurial competence will shed light on how SMEs can achieve sustainable growth and drive job creation, ultimately contributing to overall economic expansion.

LITERATURE REVIEW

Entrepreneurial Competence

Since 1997 the concept of competence has been developed; it has been a difficult task because it includes aspects of attitude, personality, and knowledge (Baraycoa and Lasaga (2009), which are all considered fundamental for effective business performance (Mitchelmore & Rowley, 2010).

Entrepreneurship is a strategic process that aims to develop organizational structures needed to achieve innovation in empowering resources (Mars, 2016). Another opinion explains that entrepreneurship is a process that creates value intending to serve people and society for individuals who are aware of economic opportunities that can cause changes in the economic system through innovations created (Muzyka et al., 1995). An entrepreneurial approach to developing potential entrepreneurs may be made by providing the practical skills and knowledge to set up and run a business independently.

A study conducted by Man et al. (2002) categorized ten entrepreneurial competence areas from a behavioral perspective as follows: opportunity, relationship, analytical, innovative, operational, human, strategic, commitment, learning, and personal strength competencies, which have been proven to have a direct or indirect impact on performance. To understand the concept of entrepreneurial competence more broadly, it is essential to recognize the important components of personality, attitude, social roles, and self-image, which are formed from knowledge, skills, and experience (Man et al., 2002). As business actors, entrepreneurial competence is a combination of attitudes, knowledge, and skills to achieve maximum business performance. Entrepreneurial competence is crucial for developing the attitudes and behavior skills that form the basis of economic growth and serve as the primary competency for enhancing social employability (Bolzani & Luppi, 2021). The importance of developing entrepreneurial competence is also emphasized by Chaker and Jarraya (2021), who suggest that more is needed to provide content; an environment that fosters a realistic business situation must also be created to encourage and enhance the desire to become an entrepreneur. In summary, entrepreneurial competence describes the success factors that must be achieved in running a business (Mitchelmore & Rowley, 2010). This concept includes a range of cognitive,
personal, and interpersonal competencies that comprehensively cover social areas (Luppi & Bolzani, 2019).

Entrepreneurial competence constitutes a set of qualities encompassing knowledge, motives, traits, self-image, and skills essential for establishing and growing businesses (Mitchelmore & Rowley, 2010). This view is supported by Ferreras-Garcia, Sales-Zaguirre, and Serradell-López (2021), who contend that competency-based training is vital in promoting entrepreneurial learning and developing entrepreneurship as a competence. Moreover, Haruna and Marthandan (2017) assert that basic competence is positively linked to working involvement. Therefore, managers and policymakers should conduct training and coaching sessions to enhance these competencies, ultimately strengthening employee engagement and facilitating career development. Such initiatives may be particularly advantageous for graduates embarking on their careers.

Considering these arguments, entrepreneurial competence encompasses various elements, including attitudes, personality beliefs, behavior, knowledge, skills, and abilities crucial to achieving business success. In addition to creating a favorable environment for entrepreneurship, developing entrepreneurial competence, which supports business success, requires a combination of attitudes, knowledge, and skills. These three dimensions must be present to foster entrepreneurship, and an individual's belief in success serves as a distinct drive or motivation to attain it. Finally, Sanches (2011) emphasized the significance of entrepreneurial competence for business practitioners.

**Small and Medium Enterprises (SMEs)**

Small and medium-sized enterprises (SMEs) are vital in driving economic growth in developing countries. SMEs encompass a wide range of business types, and they are typically distinguished from larger companies based on the number of employees, sales value, and assets owned. In Indonesia, SMEs are defined by Law No. 20 of 2008 as enterprises with initial total assets of less than Rp. 200 million (excluding land and buildings) and a total sales value of up to Rp. 2.5 billion. However, facing global competition remains a significant challenge for SMEs, as they must develop more capabilities to remain competitive (Cahyadi, 2015). To support and motivate SMEs, the government has initiated various programs to enhance their competitiveness in the global market. By optimizing the utilization of SMEs, the government hopes to increase their success and contribute to the country's economic growth.
Based on data from the Ministry of Cooperatives and SMEs of The Republic of Indonesia, the number of SMEs in 2021 will reach 64.2 million with a contribution value of 60.51% or Rp. 9,580 trillion contributions to GDP with a workforce absorption of 96.52% of the total workforce. The same data source shows that the SME sector in Indonesia accounted for 99.98% of the total companies in Indonesia. Therefore, support from various parties is needed for SMEs to become one of the essential pillars of the Indonesian economy (https://ekon.go.id/publikasi). Based on these data, this study illustrates the role of SMEs in driving Indonesia's economic growth, especially in providing jobs and producing products of economic value.

Despite the significant contributions of SMEs to the economy, they still face numerous internal barriers, such as the limited ability to export, as only 15.65% of total exports are made by SMEs, and the low utilization of e-commerce, which currently stands at a mere 24% of total SMEs. Considering these challenging circumstances, enhancing entrepreneurial competence is crucial to enable SMEs to compete effectively in the global market, despite the formidable obstacles they face, such as limited experience in promoting their products in international markets, which constitutes the primary impediment to market expansion. Moreover, SMEs often lack market knowledge, hindering access to information about potential markets and impeding their efforts to reach international markets (Cahyadi, 2015). Furthermore, inadequate access to capital is another significant obstacle that SMEs confront. Many SMEs do not have the right strategies, skills and competencies needed to sustain business let alone fend off tough competition from competitors (Chong, et all. 2022)

**METHODOLOGY**

This review adopted a systematic approach to identify and analyze the relevant literature on entrepreneurial competence. A comprehensive search was conducted in reputable and accredited journals published within the last decade using targeted keywords to identify relevant articles. Through a rigorous screening process, 50 articles were initially identified and narrowed down to a final selection of 20 articles deemed to provide the most relevant and insightful references on entrepreneurial competence.

In the preliminary stage of the literature analysis, a mapping exercise was conducted to provide a comprehensive overview of the key concepts and themes related to entrepreneurial competence. This mapping exercise provided a foundation for the subsequent in-depth analysis and synthesis of the selected articles. The articles ultimately decided for inclusion in this review.
provide valuable insights into the critical role that entrepreneurial competence plays in the success of small and medium-sized enterprises. Through a detailed analysis of these articles, this review provides a comprehensive and nuanced understanding of the key dimensions of entrepreneurial competence and its practical implications for SMEs seeking to thrive in today's dynamic and competitive business environments.

RESULTS AND DISCUSSION

Entrepreneurial competence has emerged as a crucial factor in developing necessary skills, attitudes, behaviors, and knowledge of economic growth (Volkmann et al., 2009). Although numerous studies have explored entrepreneurial competence, there still needs to be more consensus on the most appropriate competencies. Nonetheless, it is widely recognized that entrepreneurial competence is key to employability, self-directed learning, and business development (Servicio Público de Empleo Estatal, 2016). Identifying the competency categories that entrepreneurs use is necessary to appreciate the important role of entrepreneurial competence fully. These competencies are typically classified into five categories: business competence, management, human relations, conceptual, and attitude (Smith & Morse 2005). Business competence requires entrepreneurs to formulate strategies to leverage opportunities, develop business plans, implement program development strategies, and evaluate performance while fostering innovation and business creation.

On the other hand, management competence necessitates developing a management system and a conducive organizational culture. Human relations competence is vital for entrepreneurs to manage customer relationships and create networks that foster customer loyalty. Conceptual competence is equally essential, enabling entrepreneurs to coordinate activities, analyze, and think logically. Conclusively, attitude competencies require entrepreneurs to be diligent, creative, innovative, result oriented, and self-confident.

Based on the above explanation, the discussion results show that entrepreneurial competence is the spirit of entrepreneurship. It can be synthesized that entrepreneurial competency is a reference for compiling an entrepreneurial vision, forming the basis for collecting a business plan, and developing a business model. Business actors who continue to improve their competence have excellent opportunities to build their businesses because they can identify business opportunities. Collaboration of knowledge, attitudes, and skills is essential in improving performance and growing business by encouraging innovation and creating a business (Servicio Público de Empleo Estatal, 2016). The problem is that not all
businesspeople, especially SMEs, fully understand entrepreneurial competence's role in developing a business. One contributing factor is the lack of readiness for human resources to improve entrepreneurial competence. This can be demonstrated by the weakness in identifying the right competency as a set of skills that UMM actors must possess.

SMEs must develop their businesses by developing entrepreneurial competencies by increasing knowledge, attitudes, and skills. However, increasing entrepreneurial competence when running an SME business is important to achieve competitive and sustainable performance. Adequate knowledge, a good attitude, and adequate skills are indicators of the achievement of business performance. This study provides a better understanding of the importance of entrepreneurial competence for business actors, particularly SMEs. Thus, this study shows that entrepreneurial competence plays a considerable role in the growth and development of SMEs. UKM actors who actively improve their entrepreneurial competence can utilize resources better. Mitchelmore and Rowley (2010) suggest that the main competencies entrepreneurs must possess are entrepreneurial skills, business skills, management, human interaction skills, and conceptual skills.

Numerous studies have focused on entrepreneurial competence; however, relatively few have translated their findings into practical business success. This may be attributed to the lack of comprehensive data on achieving organizational objectives. Entrepreneurs must recognize that cultivating entrepreneurial competence is essential for the success of their business ventures. The significance of entrepreneurial competence cannot be overstated in improving a company's competitive positioning, devising practical strategies, mitigating risks, analyzing financial data, leveraging information, and communicating persuasively.

In summary, entrepreneurs keen to enhance their business operations may enhance their entrepreneurial competence through continuous improvement. It is undeniable that entrepreneurial competence is the cornerstone of success and business growth as it encompasses broad knowledge, a positive attitude, and adequate skills. This assertion is echoed by Sánchez (2011), who posits that entrepreneurial competence is a critical aspect of entrepreneurship. Therefore, business actors seeking to establish and run successful businesses consider entrepreneurial competence a key factor in gaining a competitive and sustainable edge in their respective industries.
CONCLUSION

This study wants to contribute to broadening knowledge about the role of entrepreneurial competence in improving performance so that entrepreneurial skills can be developed, which are very important for business actors in improving their performance to be competitive and sustainable. Few businesspeople understand the importance of entrepreneurial competence in improving performance, competitiveness, and sustainability, so further research is needed to identify the benefits of entrepreneurial competence for SME business development.

The results of the review conducted in this study seek to analyze writings in the scientific literature on the role of entrepreneurship competence as the key to SME business success. Thus, it has been obtained that many studies related to entrepreneurial competence support success in business development. However, only a few studies fully understand the importance of entrepreneurial competence in SMEs. Thus, entrepreneurial competence is important in increasing business success, competitiveness, and sustainability, which can encourage economic growth. It is hoped that this paper will encourage writers to conduct further research related to growing entrepreneurial competency values in the SME environment so that the behavior of UKM will also increase and be competitive in realizing their contribution to increasing economic growth.

Further research needs to measure the magnitude of the influence of entrepreneurial competence on the entrepreneurial performance of SMEs. Another alternative is to conduct a comparative study of SMEs operating in other manufacturing industries, which can help identify and compare the uses of various production qualities in these various industries. This might also paint a more comprehensive view of the important role of entrepreneurial competence for the entire SME sector. Future studies can examine this relationship in more detail to understand its consequences more clearly. However, this research shows that Indonesian SMEs in the food manufacturing industry work based on specific characteristics in practicing certain entrepreneurial competencies and the role of government support in improving the performance of SMEs. Therefore, further research is needed.

REFERENCES


