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The Opportunities and Threats of Small and Medium Enterprises in Pekanbaru: Comparison between SMEs in Food and Restaurant Industries

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Abstract

The development of Small and medium enterprises (SMEs) showed growing trend in Indonesia and also in Pekanbaru. Although small-scale enterprises, but it has very meaningful role to contribute to prop up the national economy and create many new jobs. The purpose of this study is to identify the effect of entrepreneurial competencies on business performance, and its opportunities and threats in the two types of small and medium enterprises that is, food and restaurants industries. Data was collected using a questionnaire. As many as 52 respondents from SMEs in food industries and 58 respondents SMEs in restaurants industries are participating in this study. Data is processed descriptively and quantitatively. The result of the study showed that both types of SMEs have high entrepreneurial competencies in their business. Based on quantitative analysis using regression, it was found that both entrepreneurial competencies have positive and significant effect on performance. Opportunities held by SMEs in Pekanbaru, among others, are economic growth above the national average, high level of public consumption, the conducive atmosphere to investment, geographically located close to the neighboring countries and so on. Nevertheless we can not deny the empowerment of the SME sector is still faced with the challenges, such as limited access to capital, raw material, information technology, qualified human resources, marketing the product or services, lacked of guidance from government, exchange rate, high interest rate, and so on. Therefore, increasing competitiveness of SMEs is urgently required especially in dealing with the ASEAN Economic Community in 2015.

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1. Introduction

Competition in today's business world is increasingly tight. This is experienced not only by large companies but also small and medium enterprises. SMEs are the most dynamic businesses and the most vulnerable in the global economy. SMEs have an important role in supporting the economy of a country. Hill (2001) said that one of a pivotal role in economic development is achieved through their development SMEs. They naturally employ almost 60% of a country's industrial workforce and generate up to half of the sector's output. SMEs in the Asia Pacific region contribute significantly to the local economy. Indonesia as one of the countries in Asia also feels the benefits derived from the development of SMEs. According to Minister of Cooperatives and Small and Medium Enterprises, SMEs is one of the supporting economic growths in Indonesia. It must be realized that the presence SMEs as an integral part of national development could not be ignored. SMEs currently represent more than 90 percent of Indonesia's business and accounted for 57 percent of the Gross Domestic Product (GDP) of Indonesia. In Indonesia, the government put its attention in development of SMEs by including it in key government document, such as five-year plans (Repelita), the Broad Outlines of Government Policy (GBHN), and many official statements. According to Berry, Rodriguez, and Sandee (2001), compared with larger enterprises, SMEs was found to better cope with the crisis, although many SMEs are experiencing difficulties too in crisis. SMEs are considered to be able to respond more quickly and flexibly to environmental conditions or external change frequently than large companies.

There are some reason many countries develop its SMEs. On average, SMEs achieve sufficient levels of productivity, especially of capital and all factors taken together. SMEs also create job opportunity, thus it could decrease unemployment rate. SMEs have considerable growth potential to be large firms in the future. Some researchers say that one of SMEs advantage is it relatively flexible to a larger firm. The other characteristic of SMEs is the entry and exit rates is high, and its raise a set of issues SMEs efficiency and the policies that may restrict such efficiency losses as are associated with it (Berry, Rodriguez, and Sandee, 2002).

The development of SMEs in Riau Province, continued to show a positive increase. There are some SME sector in the district /cities in Riau. Among them, agriculture, mining and quarrying, manufacturing, electricity, gas, water, construction, trade, hotels, restaurants, transport communications, finance, leasing and other services. From all districts/cities in Riau Province, the most SMEs are located in Pekanbaru. These developments can be seen from the increasing number of businesses in various fields of business and various industrial sectors. One area of business that is growing rapidly in Pekanbaru city today is in the restaurant industry. Number of restaurants in 12 districts spread across the city of Pekanbaru is as much as 556 units consisting of 72 type A, 141 type B, 283 type C and 69 type D. Besides SMEs in restaurant industry, SMEs in the food industry also showed an increasing trend. SMEs in food industries are one of prospective businesses in Pekanbaru and it contributes 9% of the total number of SMEs from various sectors. Even it has good prospective, various kinds of environmental influences can affect these businesses, because of it is open and easily accessible by competitors, as well as dynamically changing environment. To overcome these obstacles, the small business owners should have a variety of entrepreneurial competence in order to survive. The purpose of this study is to identify the effect of entrepreneurial competencies on SMEs business performance, and its opportunities and threats in the two types of small and medium enterprises that is, food and restaurants industries. By understanding their entrepreneurial competencies, opportunities, and threat faced, it is expected to improve the competitiveness of SMEs thus better prepared for the ASEAN Economic Community in 2015.

2. Literatur Review

The entrepreneur is defined as the owner of a business enterprise who takes the initiative and the risk to raise benefit. The other definition state an entrepreneur is someone who does a combination of resources and someone

who has the ability to identify and evaluate business opportunities, gather the resources needed to get the benefit of them and initiate appropriate action to ensure success. (Tiernan et al., 1996 as cited in Henry, Hill and Leitch, 2005)

Attention in the subject of entrepreneurship reflects an emerging economic environment caused by the change in technological development, world markets, and corporate world. In the light of such changes, entrepreneurship is proven to be beneficial. The chances for SMEs to grow and evolve are constantly accompanied by a variety of environmental uncertainty facing. The reduction of trade barriers, advancement in technology, information, communication, and transportation is SMEs opportunity to grow. On the other hand, at the societal level, privatization, deregulation, new forms of governance, and the growing recognition of the human rights are all presenting society with greater complexity and uncertainty. Next, decentralization, downsizing, re-engineering, strategic alliances, mergers and the growing demand for flexibility in the workforce, all contribute to an uncertain climate at the organizational level. Finally, at the individual level, a wider variety of employment options, the probability of ending up with a portfolio of jobs, more responsibility at work and more stress are problems faced by individual nowadays. Given the opportunity and the challenges that must be faced, then entrepreneurs need entrepreneurial skills and competencies to meet the current challenges and an uncertain future.

Entrepreneurial competencies are important characteristic or behavior to enhance business growth and success. An understanding of the nature and role of such competencies can have important consequences for practice. The terms competency and competence have been much debated in the managerial literature, and the term competency has been defined from several different perspectives and accordingly has a number of meanings. The term competency was initially used in education to describe trainee teacher behaviors. Then it has been widely used and discussed in the management domain, initially in the USA and led by Boyatzis (1982). In the USA in the 1970s the idea of competencies was developed as part of an initiative by the American Management Association to classify the characteristics which differentiate superior from average management performance (as discussed in Iles, 1993). Competencies are not seen as the task of the job, but rather that which enables people to do the task. These can be described in terms of essential personal traits, skills, knowledge and motives of the employee that leads to superior managerial performance. Through a research of over two thousand managers, Boyatzis (1982) built the model of managerial competency. A main aspect of his work is the three levels of competencies that it proposes: motives and traits; social role and self-concept; and, role transitions. This work from the American school focussed on the concept of competency as an underlying characteristic of a person, which results in effective action and/or superior performance in a job.

There are many definitions of competence in the competence literature. Sometimes the scholars used the terms “skills”, “expertise”, “acumen” and “competency” interchangeably in the literature (Smith and Morse, 2005). Hunt (1998) proposed that competent behavior results from a range of factors including an individual’s motivation, personality traits, self-concept, knowledge or skill and it is perhaps therefore not surprising that the boundaries and relationships between these terms are ill-defined. There are at least two important meanings of the term competency: competency as behaviors that an individual shows; and, competencies as minimum standards of performance (Strebler, Robinson, and Heron, 1997). Competency, according to the American school and encouraged by Boyatzis is seen as an underlying characteristic of a person which results in effective action and/or superior performance in a job. Competence, on the other hand, has been preferred in the UK and developments have been supported by government, since 1988, through the Management Charter Initiative. Competence is seen as a description of something which a person who works in a given occupational area should be able to achieved, it is a description of an action, behaviour or outcome which a person should be able to demonstrate (Cheng and Dainty, 2003).

In the context of entrepreneurship, entrepreneurial competencies have been identified as a specific group of competencies relevant to the exercise of successful entrepreneurship (Mitchelmore and Rowley, 2010). Sometimes it is often associated with the development of small and medium enterprises. Man, Lau, and Chan (2002) suggested that entrepreneurial competencies are needed to start a business, while managerial skills are needed to grow the business, although competence in entrepreneurship requires competencies in both areas. The concept of entrepreneurial competency has its foundation not only in the competency and competence literature, but also in the literature of entrepreneurship. Entrepreneurial competencies are carried by individuals – the entrepreneurs who begin or transform organization and who add value through their organizing of resources and opportunities (Bird, 1995). In her study, she coincides with researchers on managerial competence when she notes the importance of distinguishing

between competency which contributes towards success and competence as a minimum or baseline standard. She suggests that the competencies necessary to launch a new enterprise or to plan a new enterprise may be conceived as “baseline” and highly effective entrepreneurs are those who go beyond launch into organizations who survive and grow. Of further importance is that competencies are learnable, therefore recognizing the importance of competencies and identifying these is crucial for educators and the development of learning opportunities. Further, she defines entrepreneurial competencies as underlying characteristics such as specific knowledge, motives, traits, self images, social roles and skills which result in venture birth, survival and/or growth. Man *et al.* (2002) defined entrepreneurial competencies as the total ability of the entrepreneur to perform a job role successfully. There is a general consensus that entrepreneurial competencies are carried by individuals, who begin and transform their businesses. Johnson and Winterton (1999) observe that the range of skills and competencies required to run a small firm are qualitatively as well as quantitatively different from those needed in larger organizations.

2.1. Competency Need for Entrepreneurship

Based on many studies, Escan is developed to determine the successful entrepreneurship. It is primarily stem from psychology and business studies (Driessen, 2005 as cited in Oosterbeek *et al.*, 2008). The Escan is broadly used in the Netherlands to determine people’s entrepreneurial competencies. Research by Oosterbeek *et al.*, 2008 found that the most important determinant of successful entrepreneurship consist of traits and skills. Competencies included in entrepreneurs traits, among others are need for achievement, need for autonomy, need for power, social orientation, self efficacy, endurance, and risk taking propensity. While entrepreneurial skills are market awareness, creativity, and flexibility.

The first competency is *need for achievement*. Successful entrepreneurs score high on need for achievement by striving for performance adequately and competing, if necessary. Their professional goals in mind, is built in their company. They put high target levels and much effort to reach them. *Need for autonomy* is often the (sub) conscious reason for choosing entrepreneurship. Successful entrepreneurs score high on this competency that reflects independent decision making, the ability to resolve their problems and to bring activities to a successful end on their own. The *need for power* is the need to have control over others, to influence their behavior. Successful entrepreneurs score high on this competency indicating that they know what they want and how to influence others to achieve their own goals. *Social orientation* reflects the understanding (of successful entrepreneurs) that connections with others are required to realize their ideas. They make these connections easily and are driven by professional considerations in their social activities. They set their social needs aside and focus on their business. *Self efficacy* reflects the belief in one’s own ability, i.e., self-confidence. Successful entrepreneurs are usually convinced that they can bring every activity to a successful end. Also, they feel that they can control their own success, which does not depend on others. Successful entrepreneurs have a high degree of *endurance*. It involves the ability to continue willfully, in spite of setbacks or objections. *Risk taking propensity* reflects both the ability to deal with uncertainty and the willingness of risking to take a loss. These are important competencies for successful entrepreneurs.

The first entrepreneurial skill need is *market awareness* - the ability to sympathize with the needs of (potential) clients and to link these to one’s own business. Successful entrepreneurs appeal to the specific needs of a clearly defined target group of customers and have the ability to anticipate changes in the market based on their awareness of the needs and wants of customers and the (planned) activities of competitors. *Creativity* is the ability to adopt views from different perspectives and to see and try new possibilities based on open observations of (changes in) the environment. Moreover, creativity reflects the capability to turn problems into new opportunities. It is an important ingredient for successful entrepreneurship. *Flexibility*, finally, is based on a measure of the ability to adapt. Successful entrepreneurs react to changes they observe in their environment, such as new needs of clients or new competitors in their market.

In a study conducted by Man *et al.* (2002), ten areas of entrepreneurial competencies, also from a behavioral perspective, have been distinguished, namely; opportunity, relationship, analytical, innovative, operational, human, strategic, commitment, learning and personal strength competencies. They were demonstrated to have either direct or indirect impacts on SME performance. In a survey conducted by the Queen’s School of Business in Canada (Orser and Riding, 2003) to investigate management devolvement for growth, the changing role of the entrepreneur during

growth is emphasized. They note that the entrepreneur must identify the skills needed at each stage of growth, and choose whether to help existing team members develop new aptitudes, or to face the challenge of adding new talent and skills through recruitment. In some instances they suggest that the founder/founding team with appropriate coaching, education and mentoring can make the transition through all the stages of venture growth, acquiring new skills as their roles change. Canada's fifty best managed companies list the following in order of their top ten challenges: managing growth and change; human resources issues; market development and sales; business planning and strategy; implementing strategies; leadership skills; economic conditions; competitiveness; and, capital and cash flow and taxation.

Baum (1994) formed a list of nine entrepreneurship competencies based on the work of others (Chandler and Jansen, 1992; Herron and Robinson, 1993); these were: knowledge, cognitive ability, self-management, administration, human resource, decision skill, leadership, opportunity recognition, and opportunity development. They also contributed another category, organization skill which included human relations and administration practices. The interviewees discussed knowledge competency, a specific ability or skill, in terms of technical skill and industry experience. The results of his study show that self-efficacy, technical skill, personal marketing, innovation/production focus, and passion for work had the strongest direct positive relationships with venture growth. Vision, organization, skill, growth goals, opportunity skill, industry experience, and participant size had significant, but less positive relationships.

Evidence from Israel is found in research by Lerner and Almor (2002). They measured a sample of 220 female Israeli entrepreneur's skills on a five point Likert scale. Through factor analysis, they found that managerial skills (finance, human resource management, operations and strategic management) and entrepreneurial skills (innovation and marketing) are separate factors. Chandler and Jansen (1992) researched a sample of companies in the State of Utah; their study was based on identifying entrepreneurial, managerial, and technical functional functions as the three roles that founders must competently enact in order to be successful. They suggested that effective performance in the entrepreneurial role requires the founder to have the ability to recognize business opportunities and the drive to see firms through to fruition. Effective execution of the managerial role requires conceptual, interpersonal and political competence. To be competent in the technical role they state that founders must be able to use the tools or procedures required in their specialized field.

Managerial and entrepreneurial competencies are thought to be multidimensional constructs (Smith and Morse, 2005). In their overview of the competencies literature, they observed that there are two broad themes in managerial competencies, functional competencies such as marketing and finance, and organizational competencies such as the skills related to organizing and motivating, personal skills and leadership. According to Ronald J. Ebert in Suryana, (2009) competencies that should be owned by an entrepreneur or manager are technical, conceptual, human relation, decision making, and time management competence. Technical competence is skills required for specific tasks. Conceptual competence is personal ability for abstract thinking, analyzing and reading different situations. This conceptual competence needed to gain new market opportunities and face the challenges. Human relations competence is skills for communicate, understand and relate to others both within and outside the organization. Decision making competence is skills to formulate problems and decision-making. The last, time management skills is skill set and use time as productive as possible

2.2. Entrepreneurial Competencies and Business Performance

One of the main drivers for research and practice relating to entrepreneurial competencies is their supposed association with business performance and growth, and thereby with economic development. Policy makers, in particular, have been concerned about both avoiding small business failure, and promoting business growth. Venture growth has been identified in the literature as a crucial indicator of venture success (Covin and Slevin, 1997; Low and MacMillan, 1998).

Growth is characteristically equated with high performance and offers the opportunity for financial gain, return on investment (ROI) and also increased chances for survival (Taylor & Cosenza 1997). Growth is also regarded as an indication of continued entrepreneurship. Entrepreneurship is a matter of degree and can show itself in different ways, such as start-up, growth, innovation, etc. (Davidsson 1991).

Various types of entrepreneurial characteristics have been suggested and examined for their relationships with firm performance. One category of these characteristics is demographic characteristics like gender, age, ethnic, and parental background. A common theme in these literatures is that whether possessing some certain characteristics will make the firm more successful or less successful. A second category is the entrepreneur's psychological and behavioral characteristics by making use of different approaches like motivation, personality attributes, values, goals and attitudes. While the approaches may vary, prior studies have highlighted the importance of individual characteristics like need for achievement or achievement motivation, internal locus of control, risk-taking propensity, tolerance of ambiguity, type A behavior, creativity, and innovativeness. These characteristics are found to have effects not only on the decision to start up. The third category is human capital factors like their education level, work experience, start-up experience, training and skills and technical know-how. These characteristics determine whether an entrepreneur possesses the appropriate abilities, the possession of which in turn affects his or her decision to start up the business and also its success. A particular kind of human capital is the entrepreneur's networks or social relationships, which are affected by the entrepreneur's background, affiliation with different associations, and also his or her personality. These relationships may in turn affect the entrepreneur's ability to seek resources, supports, and business opportunities (Li, 2009).

2.3. Threats and Opportunities to Business Growth

Despite the importance of growth for the SMEs, there is a wide recognition in the literature about the obstacles and barriers faced by the SMEs. To develop a framework relevant to small and growing businesses, Churchill & Lewis (1993) used a combination of experience, a search of the literature, and empirical research. The framework has five stages of development. Each stage is characterized by an index of size, diversity, and complexity and described by five management factors: managerial style, organizational structure, the extent of formal systems, major strategic goals, and the owner's involvement in the business. The first stage is existence. In this stage, the main problems of the business are getting the customers, creating value and delivering the product or service. The second stage is survival. In reaching this stage, the business has demonstrated that it is a workable business entity. It has enough customers and satisfies them adequately with its products or services to keep them loyal. The key problem thus shifts from simply existence to the relationship between revenues and expenses. In the survival stage, the enterprise may grow in size and profitability and move on to third stage. Or it may stay at the same level, earning marginal returns on invested time and capital, and eventually go out of business when the owner gives up or retires. Third stage is success. The decision facing owners at this stage is whether to exploit the company's accomplishments and expand or keep the company stable and profitable, giving base for alternative owner activities. Fourth stage is take-off, where in this stage the key problem are how to grow fastly and how to finance that growth. Fifth stage is resource maturity. The greatest concern of a company entering this stage are consolidate and control the financial gains brought on by fast growth, then retain the advantages of small size, including flexibility of response and entrepreneurial spirit. If the company can preserve its entrepreneurial spirit, it will be a formidable force in the market. If not, it may enter a sixth stage of sorts: ossification. Ossification is characterized by a lack of innovative decision-making and the avoidance of risks.

Some of the existing literature (e.g. Saleh & Ndubisi 2006), highlighted many challenges facing the SMEs, such as the lack of financing, low productivity, lack of managerial capabilities, lack of access to management and technology as well as heavy regulatory burden. In the context of this study, according to Gomez and Jomo (1997), since 1980s, the government policies tended to assist larger businesses rather than the smaller companies. Larger, politically well-connected enterprises have enjoyed better access to tenders. In addition, commercial banks have also been more inclined to provide credit to large establishments. These and other problems have restricted the ability of small businesses to accumulate capital, in turn limiting their voice and political influences, and subsequently, access to government patronage. Lack of technological capacity and skilled labor, market limitations and competition have also kept their turnover and profit low, thus inhibiting their ability to grow.

In addition, small Malay enterprises have to compete with companies owned or controlled by politicians who are generally assured of favorable government treatment, particularly in the awarding of licenses and contracts, and in terms of access to finance and information. Therefore, Shukor (2006) suggested that values and attitudes, entrepreneurial skills, managerial skills and entrepreneurial characteristics are required and important for

entrepreneurial success. His study was based on Malay businesses and he found that the Malay participation in the economic sector is still lagging behind when compared to non-Malays. According to him, this is due to some cultural aspects and attitudes of the Malays that obstruct their business growth. This conformed to Mahathir's (1970) argument about the Malays. He stated that the Malay culture has certain deficits that impede business growth, resulting in a poor rate of Malays' business successes.

3. Method

In order to investigate the relationship between entrepreneurial competencies and business performance, a structured questionnaire was distributed among the owner of SMEs in food and restaurant industries Pekanbaru. A five-point Likert Scale was used to measure the intensity of responses, where 1 mean strongly disagree and 5 mean strongly agree. For SMEs in restaurant industries, the subjects were non-franchise restaurant entrepreneurs who already run their business over 3 years, the authors are distributing questionnaires to 62 entrepreneurs in accordance with these criteria. Of the 62 selected respondents, only 58 questionnaires returned to be processed and analyzed. While from the food industries the number of SMEs registered in the Department of Cooperatives and SMEs were 83 SMEs. From the 83 questionnaires distributed, only 52 questionnaires which can be further analyzed. After testing its validity and reliability, the data were analyzed descriptively and quantitatively using regression analysis.

4. Result and Discussion

Descriptive statistics of the entrepreneurs characteristic showed at Table 1-4. Regarding to entrepreneurial competency, entrepreneurs' experience, training, education, family background and other demographic variables are considered as factors influencing entrepreneurial competency (Bird, 1995). Based on the data in Table 1, majority of the restaurant industries managers are male, while conversely in the food industries, the majority of managers are female. For the restaurant industry, although the percentage is smaller but the presence of women as entrepreneurs in this business needs to be taken into account due to the fact that some of the restaurants run by women continued to progress and compete. Restaurant like Hj.Upik, Pondok Asam Pedas Baung, Sri Mersing, Suharti Fried Chicken and Yurika is a restaurant run by women entrepreneurs. With competence and spirit of women entrepreneurs owned by its managers, the above restaurants are able to offer typical dishes with high taste. It can even be an alternative choice of culinary for people in Pekanbaru and the tourist from other region and country.

Table 1. Gender of the SMEs Owner

Gender	Restaurants Industries	Food Industries
Male	65.52%	38.5%
Female	34.48%	61.5%

According to Levie and Hart (2012), in 2010 about 104 million women in 59 economies which represent more than 52 per cent of the world's population and 84 per cent of world GDP embarked on new business creation and development. These self-employed women comprise between 1.5 per cent and 45.4 per cent of the adult female population in their respective economies. Lerner and Almor (2002), in one of the few studies to examine a range of entrepreneurial competencies in women, found evidence of the link between an entrepreneur's skills and venture performance and growth. Mitchelmore and Rowley (2013) study's in women entrepreneur found four main clusters of competencies, that is personal and relationship, business and management, entrepreneurial, and human relations competencies. Whilst previous research on the competencies of entrepreneurs has identified the two clusters of business and management, and entrepreneurial competencies, but the competencies in the other two clusters have received less attention and have not been identified as clusters. Arguably, competencies in these clusters are valued more highly by female entrepreneurs than by their male counterparts.

Different authors have identified different skills, knowledge and experience as being at the heart of entrepreneurial success, for example: its personal background and experience such as commercial experience, history of innovation, production and marketing experience, status, entrepreneurial experience, and previous contact with venture capitalists (Murray, 1996). Basu and Goswami (1999) considered the influence of socio-economic

factors such as educational attainment, previous business experience including family background in business and years in business, reliance on bank finance and informal sources of finance at start-up.

Table 2. Education Attainment of the SMEs Owner

Education	Restaurants Industries	Food Industries
Elementary	-	5,8
Junior High School	1,72%	17,3
Senior High School	46,55%	59,6
Bachelor/Undergraduate	50,01 %	17,3
Post Graduate	1,72%	-

Regarding the age of respondents, the highest responding age group among respondents was between 40 and 60, followed closely by those aged 20 to 39. Other studies such as the GEM report (Hart and Levie, 2010) have noted that these are the most entrepreneurially active age groups.

Table 3. The Current Age of the SMEs Owner

Age	Restaurants Industries	Food Industries
20-39	44.83 %	42.3%
40-60	51.72 %	52.0%
Above 60	3.45%	5.7%
Total	100%	100%

Table 4 represents entrepreneurial experience in running their business. Based on the data, the highest respondent experience was 6-10 years for SMEs in restaurant industries, while in the food industries, the highest respondent experience was 11-15 years. The relationship between the entrepreneur experience as an important dimension of knowledge and firm performance was studied by Piercy *et al.* (1998) as cited in Omerzel and Antoncic (2008) who confirmed the positive impact of the experience on the return on investment and sales growth. Contrary to Piercy *et al.* (1998) Chandler and Jansen (1992) find a somewhat surprising result that previous experience as a founder is not related to the self-assessed entrepreneurial competencies. Majocchi, Bacchiocchi, and Mayrhofer (2005) try to test the effect of firm size and business experience on export performance. The results show that it is not business experience per se which is important but that it is the relative change in experience that truly impacts upon export performance.

Table 4. SMEs Owner Experience

Experience	Restaurants Industries	Food Industries
1-5 years	20.69 %	28.9%
6-10 years	32.76 %	15.4%
11-15 years	25.86%	30.8%
More than 15 years	20.19%	24.9%
Total	100%	100%

Empirically, significant relationships between entrepreneurial competencies and firm performance are reported. Chandler and Jansen (1992) find that the founder's self-assessed entrepreneurial competencies are positively related to firm growth. Baum et al. (2001) find that CEOs' specific competencies, which consist of industry skill and technical skill, have significant direct effects on venture growth, while CEOs' general competencies, which are composed of organizational skill and opportunity recognition skill, have significant indirect effects on venture growth. In a more recent paper, Sony and Iman (2005) confirm that entrepreneurial competencies which comprise management skill, industry skill, opportunity skill, and technical skill are positively related to venture growth. Many entrepreneurial characteristics are found to be positively related to firm performance. It highlighted the importance of psychological characteristics, managerial skills, as well as background and experience factors. The current research on entrepreneurial competency has examined its components and has shown significant positive relationship between entrepreneurial competency and firm performance. (Li, 2009). The same result in this study can be seen in Table 5

Table 5. The Effect of Entrepreneurial Competence On Business Performance

Entrepreneurial Competence	Restaurants Industries	Food Industries
t	7.347	3.120
Sig	0.000	0.003
B	0.651	0.381

Based on the results, entrepreneurial competencies have a significant effect on the performance of the SMEs in food industries. The same result also found for SMEs in restaurant industries in the city of Pekanbaru. In entrepreneurship and SMEs research, the entrepreneur's demographic, psychological and behavioral characteristics as well as their skills and technical know-how are often cited as the most influential factors to performance. The literature highlights three different mechanisms through which competencies can affect performance. First, the more competent entrepreneurs choose to exploit better venture opportunities, the quality of opportunity and the fit matter equally. Second, management competencies are related to venture strategy, the more competent entrepreneurs can formulate superior strategies that fit their business. Resource-based theorists have noted that entrepreneurs and their competencies are a critical and valuable resource of the firms. Bird (1995) suggests since competency refers to the quality of action taken by entrepreneurs, it is directly related to venture outcomes. Chandler and Jansen (1992) operationalize founder competencies identified in the literature and cluster these according to three fundamental roles, traditional entrepreneurial skills; managerial role and technical-functional role. Their results revealed that self reported competencies of founders were correlated with venture performance.

Opportunities held by SMEs in Pekanbaru, among others, are economic growth above the national average, high level of public consumption, it conducive atmosphere to investment, geographically located close to the neighboring countries and so on. Nevertheless we can not deny the empowerment of the SME sector is still faced with the challenges, such as limited access to capital, raw material, information technology, qualified human resources, marketing the product or services, lacked of guidance from government, exchange rate, high interest rate, and so on. Specifically in food and restaurant industries, SMEs also face a number of challenges such as the rise of imported food, substitution food and processed food from other areas with varied flavour. It was felt that the SMEs in food industry is quite susceptible to the influence of the environment so that these conditions are a challenge, whether it can continue to exist and compete in the market or even vice versa.

5. Conclusion

This paper analyze the impact of entrepreneurial competencies on business performance of two types of SMEs in restaurant and food industries. We compare from two separated research on different type of SMEs. The result show that in both two type of SMEs, entrepreneurial competencies have a positive significant effect on the business performance. Based on self-reported questionnaire, the entrepreneur showed that they have high entrepreneurial competencies in their business. The opportunity for SMEs to thrive in the city of Pekanbaru is very promising, with a look at the development of an increasing number of SMEs every year. Some opportunities held by SMEs in Pekanbaru, among others, are its economic growth, high level of public consumption, conducive atmosphere to investment, geographically located close to the neighboring countries and so on. In addition to the opportunity to grow, as any existing business, SMEs also face several challenges, such as limited access to capital, raw material, information technology, qualified human resources, marketing the product or services, lacked of guidance from government, exchange rate, high interest rate, and so on. Considering the role of SMEs in promoting economic growth, various stakeholders have to provide assistance in order to maximize the opportunities that exist and minimize obstacles faced, particularly in dealing with the ASEAN Economic Community in 2015.

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