
**THE GOVERNMENT ENTREPRENEUR STRATEGY IN
DEVELOPMENT OF SMES AND ITS IMPACT TOWARD
PERFORMANCE OF SME'S (STUDY IN FASHION BATIK SME'S IN
SURAKARTA)**

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Abstract

This study aims to determine the effect: the use of core strategies for performance; use of strategy consequences for performance; influence with the use of customer strategies for performance; use of control strategies for performance; cultural strategy towards the performance of SMEs in Surakarta.

This research was conducted on SMEs in Surakarta. The population in this study were 391 SMEs. The sample in this study was 115 respondents. Data collection methods used in this study were documentation and questionnaires. The analysis technique used includes the test of the research instrument, namely the validity test and reliability test; Classic assumption tests include: normality test; multicollinearity test and heteroscedasticity test. Testing the hypothesis using multiple linear regression analysis, t test, F test and coefficient of determination analysis.

The results of this study indicate that the use of core strategies proved to have a positive and significant effect on the performance of SMEs, the use of consequence strategies proved to have a positive and significant effect on the performance of SMEs, the use of customer strategies proved to have a positive and significant effect on the performance of SMEs. MSMEs, the use of cultural strategies has a positive and significant effect on the performance of SMEs.

Keywords: core strategy, consequence strategy, customer strategy, control strategy, cultural strategy, performance of SMEs

1. Introduction

The role of government has a very big role in promoting SMEs through various policies to improve business performance in SMEs. Government policies can improve the quality of human

resources through training in small businesses, strengthen capital by providing easy access to capital, and encourage partnerships and provide protection for small businesses and thus expect improvements in business performance. Therefore, the authors want to explore government policy variables measured by three indicators taken from the previous three researchers (Antonio et al., 2003; Dimitris, 2004, and Stuart, 2000) namely the frequency of training, access to capital access and partnerships.

Thurik and Wennekers (2004) state that government policies for economic supervision through the involvement of customer participation in technology and stability will drive business performance. The role of the Government in having a very large role in promoting SMEs through various policies to improve business performance in SMEs. Government policies can improve the quality of human resources through training in small businesses, strengthen capital by providing easy access to capital, and encourage partnerships and provide protection for small businesses and thus expect improvements in business performance. Therefore, the authors want to explore government policy variables measured by three indicators taken from the previous three researchers (Antonio et al., 2003; Dimitris, 2004, and Stuart, 2000) namely frequency of training, access to capital access, and partnerships. Anthony and Entebang (2015) state that the relationship between government policy and the performance of small and medium enterprises (SMEs) in Nigeria. This study offers several recommendations that are relevant to policy makers, entrepreneurs, and SMEs managers to ensure the right scheme to improve the SME sector in Nigeria.

Osborne and Plastrik (2000) propose several strategies that must be considered to be able to lead an entrepreneurial-style government, namely: (1) Core strategies, (2) consequence strategies, (3) customer strategies, (4) control strategies. (5) cultural strategy. Entrepreneurial government variable loading factor in research conducted by Niode (2008) with the title of research on the effect of compensation on entrepreneurial government implementation and performance of regional government apparatus includes: (1) efficiency, (2) competitive, (3) team work, (4) innovative / creative and (5) community service.

According to Furtwengler (2002) performance seen in terms of speed, quality, service and value means speed in work processes that have reliable quality and good and value services are things that are seen from the achievement of performance or not. Gilbert (2001) the concept of strategy can be defined based on 2 different perspectives, namely: (1) from the perspective of what an organization wants to do (intends to do), and (2) from what the organization's perspective ultimately does (eventually does). Based on the first perspective, strategy can be defined as a program to determine and achieve organizational goals and implementation of its mission, meaning that managers play an important role that is active, conscious and rational in formulating organizational strategies. While based on the second perspective, the strategy is defined as a pattern of response or organizational response to its environment at all times. In this definition, every organization must have a strategy, even though the strategy has never been explicitly formulated. This view is applied to managers who are reactive who only respond and adapt to the environment passively when needed. Explicit statement of strategy is the key to success in facing changes in the business environment. The strategy provides a unified direction

for all members of the organization. If the concept of strategy is not clear, then the decisions taken will be subjective or based on mere intuition and ignore other decisions.

Osborne and Plastrik (2000) propose several strategies that must be considered to be able to lead an entrepreneurial-style government, namely: (1) Core Strategy whose purpose is to explain organizational intentions, is a core strategy because if you do not know the clear direction and objectives of the organization it will create ambiguity and multiple goals in the process and running of government, (2) Consequences Strategy, the aim of which is to implement consequences for organizational performance. This strategy determines the right incentive system. The output of each public organization can be measured so that the incentive system is developed like a private organization that is market oriented, (3) Customer Strategy whose goal is to create accountability for government organizations towards customers / society. This strategy focuses on the accountability of activities to service users / communities and leads to problems of accountability. Customers are given choices that should be accepted, (4) Strategy of control the purpose is to empower organizations and their employees to be able to innovate, (5) Culture strategy aim to change the behavior, feelings, and ways of thinking public servants. This strategy aims to put stakeholders' values, norms, attitudes, and expectations in line with the organization's goals, its intensive system, its accountability system and the power structure.

The changes in the public bureaucracy introduced by these theorists are changes in the public bureaucracy through the New Public Management approach as a new paradigm in an effort to 'transform rigid, hierarchical, official bureaucracy into a flexible and market-oriented service or customer-oriented administration form of public management (Hughes, 2011). (2005) has described historically the concept of entrepreneurship and is considered as one of the economic functions. Hisrich (2005) is meant by entrepreneurship: entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and time risks and receiving the resulting rewards financially and personal satisfaction.

The research of Soares (2014) entitled effect of entrepreneurial orientation on business performance moderated by government policy (study on SMEs in Timor Leste) shows the results that business orientation influences business performance. The study of Eniola (2014) entitled government policy and performance of small and medium business management shows that government policies influence the performance of SMEs. The Niode (2016) study entitled implementation of government and local government performance (a theoretical review and empirical experience) shows the results that entrepreneurial government works on the performance of local government.

This study aims to determine the effect of the use of core strategies on performance, the effect of the use of consequence strategies on performance, the influence of the use of customer strategies on performance, the influence of the use of control strategies on performance and the effect of using cultural strategies on the performance of SMEs in Surakarta.

2. Research Method

This research was conducted at the Surakarta City Government which became a trading center and had 391 MSMEs. The sample used in this study amounted to 155 respondents. The

method of data collection is done with documentation and questionnaires. The analysis technique used in this study is a test of research instruments including validity and reliability testing; while the classic assumption test includes normality test, multicollinearity test and heteroscedasticity test; Hypothesis testing includes multiple linear regression analysis, t test, F test and analysis of the coefficient of determination (R^2).

3. Results

The results of the research instrument test show that all statement items are in a valid condition, while the questions in all variables are reliable. The classic assumption test results show that the data are normally distributed, there is no interference with multicollinearity and heteroscedasticity.

Data analysis on hypothesis testing is intended to determine whether there is the use of core strategies, the use of consequence strategies, the use of customer strategies, the use of control strategies, and the use of cultural strategies on the performance of SMEs in Surakarta City. This analysis was carried out using multiple linear regression analysis. The results of data analysis for hypothesis testing can be seen as follows:

Table 1
Summary of Multiple Linear Regression

Variable	Coefficien t Regressio n	β	t test	Sig
Constant	.458			
Use of core strategies	.135	.139	1.986	.049
Use of consequence strategies	.228	.232	3.029	.003
Use of customer strategies	.240	.246	3.545	.001
Use of control strategies	.187	.190	2.514	.013
Use of cultural strategies	.174	.166	2.333	.021
R-Square	.701	F test	69.724	
Adj. R-Square	.691	sig F	.000	

Source: data processed (2016)

Variable use of core strategies, use of customer strategies, use of control strategies and use of cultural strategies have a significance value of .049; .003; .001; .013 and .021 < .05, it can be concluded that the variable use of core strategies, the use of consequence strategies, the use of customer strategies, the use of control strategies and the use of cultural strategies have a significant effect on the performance of SMEs.

The determination coefficient is .837, this means that 83.7% variation in changes in SMEs performance is explained by variations in changes in the factors of use of core strategies, use of consequence strategies, use of customer strategies, use of control strategies, and use of cultural strategies. while the remaining 16.3% of MSME performance is explained by other variables not examined.

4. Discussion

The use of core strategies proved to have a positive and significant effect on the performance of SMEs. The use of core strategies is a strategy carried out by entrepreneurs. The aim of this core strategy is to explain the improving aims of SMEs so as to improve the performance of SMEs in Surakarta. This should be a concern for SMEs entrepreneurs to understand the goals of SMEs so that they know clear direction and goals and can ultimately create ambiguity and goals

The use of consequence strategies proved to have a positive and significant effect on the performance of SMEs. Use of consequence strategies to apply consequences to organizational performance. This strategy determines the right incentive system. The output of each public organization can be measured so that the incentive system is developed like a private organization which is market oriented.

The use of customer strategy has proven to have a positive and significant effect on the performance of SMEs. The use of customer strategy is the goal of creating accountability for government organizations towards customers / society. This strategy focuses on the accountability of activities to service users / communities and leads to problems of accountability. Customers are given choices that should be accepted.

The use of control strategies has a positive and significant effect on the performance of SMEs. The use of control strategies is aimed at empowering organizations and their employees to be able to innovate. The use of cultural strategies has a positive and significant effect on the performance of SMEs. The use of this cultural strategy to change the behavior, feelings, and ways of thinking of public servants. This strategy aims to put stakeholders' values, norms, attitudes, and expectations in accordance with the organization's goals, its intensive system, its accountability system and the power structure

5. Conclusion

The results of this study indicate that the use of core strategies proved to have a positive and significant effect on performance, the use of consequence strategies proved to have a positive and significant effect on performance, the use of customer strategies proved to have a positive and significant effect on performance, the use of control strategies had a positive and significant effect on strategy performance and use culture has a positive and significant effect on performance.

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