



Global Competitiveness of Riau Small and Medium Enterprise (SME) Special Food Products Entrepreneur in Pekanbaru, Sumatera, Indonesia

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In this globalization era, Indonesian entrepreneurs of SME food product need to be more competitive in order to growing some level in the entrepreneurs from other countries. The competitiveness of entrepreneurs is strongly required and emphasized by the government to growth the economy. Therefore, this study is conducted to identify category of global competitiveness of Riau SME special food products entrepreneur in Pekanbaru, Sumatera, Indonesia. This study also examine the differences between global competitiveness and education level of Riau SME special food products entrepreneur in Pekanbaru, Sumatra, Indonesia. The study is quantitative using a questionnaire instrument to 103 entrepreneurs from Riau SME special food products' entrepreneurs in Pekanbaru. The findings show that the level of global competitiveness of SME entrepreneurs of Riau food products in Pekanbaru is at a moderate level (Min = 3.29, SP = 0.64). This means that the global competitiveness of SME entrepreneurs of Riau food products in Pekanbaru is categorized as neither high nor low. It indicates that Riau SME special food products' entrepreneur in Pekanbaru have not competitiveness as recommended by the Indonesian government as well as they are not ready to face the increasingly competitive challenges of globalization. Therefore, to improve the level of competitiveness will need to improve the aspects that affect the competitiveness of the ability to explore market opportunities, ICT usage, innovation activities and self-development of entrepreneurs. The result of research also show that there is difference global competitiveness based on education level [F (3, 99) = 145.06, p = 0.00 <0.05]. In the higher education level, also higher global competitiveness of SME entrepreneurs of Riau food products in Pekanbaru, Riau, Sumatra, Indonesia.

Keywords: Global Competitiveness, Entrepreneur, SME, Food Product, Riau, Pekanbaru.

1. INTRODUCTION

Small and medium enterprise (SME) have important role in the economic and industrial activities over development country. The field of entrepreneurship around the world is largely based on small and medium-sized enterprise [1]. In the era of economic crisis in Indonesia in 1997, many large-scale businesses suffered losses and had to discontinue their operations, while the small and medium enterprises were still able to withstand at that time. Hence, the development of small and medium enterprises needs great attention, both from the

government and the community in order to grow and be competitive [2]. The increase of competitiveness is indispensable for Riau food products industry in Pekanbaru city. Pekanbaru is the main city of Riau Province and the center of food industry in Riau Province. The number of SME in Pekanbaru is the most compared to other areas in Riau Province [3]. In Pekanbaru, there are four main sectors of SME namely food products industry, handicraft, agriculture, and services [4]. The food products industry is the most attractive sector in Pekanbaru city. Food products industry in Pekanbaru produces many types of products with their own

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distinctive characteristics. The famous food products in Riau such as lempuk durian, bolu komoyo, kue bangkit, wajik tape melayu, etc [4]. Enhancing the global competitiveness of entrepreneurs in every industry field, especially the food industry is important [5]. This is because the industry will be able to compete in the local market or overseas market [6]. However, the improvement of global competitiveness is a major challenge for SME entrepreneurs [7]. This can be seen that the competitiveness of Indonesian SME entrepreneurs globally still low [8]. SME entrepreneurs are difficult to face the increasingly open and competitive market mechanisms [9]. The ability to explore SME entrepreneur's market opportunities is still low. The problem in expanding the market and penetrating the global market can be solved by the use of ICT. The use of the internet as a marketing medium can be an opportunity for SME to expand their markets even to the international market. However, the mastery of ICT among SME entrepreneurs has not reached the optimum level. SME entrepreneurs are still struggling to optimize the use of ICT in their businesses. The SME entrepreneurship innovation and development activities are still a problem for many SME entrepreneurs, while this aspect is needed to optimize the use of ICT and successful marketing [10]. This situation will complicate SME because the ability to explore market, self-development of entrepreneurs, ICT usage and innovation activities are an important aspect to enhance the global competitiveness of SME entrepreneurs [11, 12, 13]. The study of the global competitiveness of small and medium entrepreneurs in Indonesia generally focuses on agricultural products. Meanwhile, SME food products in Riau are favorite sectors for entrepreneurs. The snack industry also contributes greatly to the increase in economic income. In 2015, the hand-held snack industry contributed about 73 US Dollar million, which is 3.83 per cent of the total industry income of Indonesian entrepreneurs. This means the food products industry still has a great opportunity to grow. But SME food products including those in Riau are still difficult to improve their efficiency.

2. METHODOLOGY

2.1 Literature Background

Global entrepreneurship competitiveness is a complex and dynamic interaction between governments, companies, and organizations in society [14]. Lack of competitiveness has a negative impact especially on the financial condition of SME which eventually led to bankruptcy among SME. Competition is the driver of market competitiveness in an economic system. Competition in business is indispensable for business development. Meanwhile, competitiveness is the most important condition for determining a business success as a whole. The rapid growth in technology and market

globalization has had a major impact on business competition and the creation of new innovations to strengthen the SME development.

There are four aspects that are very influential to the competitiveness of SME entrepreneurs. First, the ability to explore market. Applying business opportunity is needed to identify buyers, understand buyer habits, and make products according to market needs, promotion and price [14]. The entrepreneur must produce a product that can be sold based on what the prospective buyer needs and not sell the goods based on what can be produced. Most entrepreneurs know about the importance of this marketing to enhance the competitiveness of the company, but few are deeply in mind to achieve it. Even only few entrepreneurs who provide funding for support marketing [15]. Second, the ability usage of information and communication technology (ICT). Technology greatly affects the competitiveness of an industry at present. Entrepreneurs are required to be able to compete in technology and ICT. Entrepreneurs need to consider the usage of technology and knowledge of the latest ICT applications used to improve the company's performance. The situation is very burdensome if they do not have the skills in ICT field. Competitive competitiveness using state-of-the-art technology is very important in improving business performance [16]. Third, Innovation is the ability to apply creativity to solve problems and find new opportunities. Basically innovation activity is the ability to do something new and different. An entrepreneur must have new ideas generated from creativity. Ultimately, this creativity will encourage entrepreneurs to innovate their business [17]. The ability of innovation activities is a very important part of entrepreneurship. The company will not be able to compete and will not survive long without any innovation activities. This is because customers are always looking for products that can meet their needs and wants. Fourth, Self-development of entrepreneurs is needed to improve the ability of good human resources. The good human resource capability is useful for improving the quality of goods produced, prices, designs and good environmental factors. This self-development of entrepreneurs is important because the entrepreneurs themselves are a very important element in the organization. These entrepreneurs will have a big role in creating innovation and causing the organization to grow and become widely known [18].

Most of the small and medium enterprises (SME) grow traditionally and are a family owned enterprise. The shortage of SME in both formal and non-formal education is very influential on SME management performance. This makes the business difficult to grow optimally. In addition, the lack of human resources makes SME hard to adapt to the development of new technology to enhance the competitiveness of its products. Therefore, self-development activities of entrepreneurs are needed to

improve their skills, which in the end it can increase the performance of company [18]. Generally, entrepreneurs of SME participate in almost all line of business activities within the company. Thus, entrepreneurs have an important role in the company's growth process. The education of entrepreneurs has a positive influence on the growth of the company. Entrepreneurs who have higher education proved to better understand their business compared to those who have lower education. Education level is one of the important factors influencing SME and has significant relationship to entrepreneurship culture. Good management quality is supported by the level of education [19].

2.2 Conceptual Framework

The global competitiveness of entrepreneurs is an entrepreneur's ability to face challenges by raising value that is not easily imitated by others [20]. Important elements that build competitiveness include self-development of entrepreneurs, product excellence, innovation and the usage of ICT. The researcher modifies the study concept framework from Ahmedova by replacing the product excellence factor to the ability exploring market opportunities to further strengthen the study. SME entrepreneurs will not be able to create superior products if they do not have the ability to explore good market opportunities. The ability to explore market opportunities is required by SMEs to find out what kind of products is needed by the customers. Good products also will not work if they are not marketed in a good way. Entrepreneurs should strive to improve the skill of marketing, promotion and advertising of the products. Therefore, entrepreneurs must have ability in exploring the market to increase the company's performance. The factors of self-development of entrepreneurs are also a very important element in improving the global competitiveness of SME entrepreneurs [21]. Self-development of entrepreneurs has a great role in creating a good innovation. Entrepreneurs who have a good innovation spirit also will create SMEs grow and become widely known. Entrepreneurs who are always engaged in self-development will be more prepared to face challenges, obstacles and competition in the future. Therefore, self-development is an important asset for SME growth. Elements of Information and communication technology (ICT) in the global competitiveness of SME entrepreneurs are also an important factor [22, 23]. ICT is a medium that facilitates international marketing activities such as conducting specialized research activities such as analysing local and international consumer behaviour. Competitiveness with advanced technology is very important in achieving business performance.

Varadarajan also supported the opinion by stating that there was a very strong relationship between the ability to master a skill such as ICT skills and business performance in a competitive context [24]. In this study, the ability to explore market, self-development of entrepreneurs, ICT usage, innovation activities are factors that influence competitiveness as independent variables and education level as dependent variable.

2.3 Methods

The population in this study are Riau specialty food entrepreneurs in Pekanbaru, Sumatera, Indonesia. Entrepreneurs of food products recorded at the Dinas Koperasi dan UMKM of Riau Province are a total of 140 entrepreneurs. This amount is also used as a population in this study. While the sample size in this study is based on Krejcie and Morgan formula [25]. The sample for population 140 respondents in Krejcie and Morgan table is 103 respondents. Considerations for using Krejcie and Morgan tables are simple and many researchers use it. The sample selection technique in the study was random. Researchers first made a list of entrepreneurs around the city as the main sample, then choosing 103 samples of the desired sample. Random sampling can provide the basis for making estimates that are closest to the characteristics of the population that are indirectly obtaining accurate estimates of the sample being examined. Based on these advantages, researchers use this method as the technique of selecting the sample of the study. In this study, researchers used quantitative methods as a research approach. In this study, researcher used questionnaires by distributing them to Riau specialty food entrepreneurs in Pekanbaru, Sumatera, Indonesia. The questionnaire was conducted to obtain information from food product entrepreneurs more accurately and correctly. This study used the instruments developed by Nor Aishah because this instrument is very specific that includes the four elements of global competitiveness to be studied. The researcher compiled a questionnaire form that corresponds to the subject being reviewed. Researchers distribute randomly to respondents in Pekanbaru City. Researcher used descriptive analysis and one-way ANOVA to find out mean score and if sample the group is identical or different. Then the data was processed using the SPSS 20.0 program for windows.

3. RESULT AND DISCUSSION

The level of global competitiveness SME entrepreneurs of food products in Pekanbaru divided into three groups such as low level, moderate level, and high level. Groups with a mean score of between 1.0 and 2.50 were at a low level, groups with a mean score between 2.51 and 3.50 were at moderate levels and entrepreneurs with a mean score between 3.51 and 5 were at high levels [26].

Table I. Global Competitiveness Stage of SME Entrepreneurs of Riau Food Products

Category	Frequency	Percentage
Low	9	8.7
Moderate	67	65.0
High	27	26.2

From Table I it was found that the level of global competitiveness of SME entrepreneurs showed low category, 9 (8.7%), medium category with frequency 67 (65%) and high category with frequency 27 (26.2%).

Table II. Mean Competitiveness of global SME entrepreneurs of Riau Special Food products

	n	Min	sd
Level of Global Competitiveness	103	3.29	0.64

Table II shows that the average level of global competitiveness of SME entrepreneurs of Riau food products in Pekanbaru is at a moderate level (Min = 3.29, SP = 0.64). The results show that the majority of SME of Riau food products in Pekanbaru have a simple level of competitiveness. Competitiveness is a effort that SMEs and entrepreneurs should do to survive in their activities [27]. Entrepreneurs are innovators that increase the level of quality and better production. Entrepreneurs will also compete in forming a market both within the country and abroad. This competition will also make entrepreneurs an innovator capable of maintaining quality products and increasing the country's income and economy. Other researchers also point out that innovation for entrepreneurs in the quest for competition by mastering certain markets to achieve the company's goals and to help the economy of a country [28]. This study is in line with some studies state that the global competitiveness of SME entrepreneurs is moderate [29, 30].

Table III. Mean score global competitiveness entrepreneurs based on education level

Level of Education	Global Competitiveness of Entrepreneur		
	N	Min	Sd
Elementary School	10	2.03	0.46
Secondary School	37	2.98	0.30
Diploma	29	3.46	0.19
Bachelor	27	4.02	0.24
Total	103	3.29	0.64

Based on Table III, shows that global competitiveness entrepreneur with bachelor level is higher (Min = 4.02, SP = 0.24) than elementary school group (Min = 2.03, SP = 0.46), secondary school group (Min = 2.98, SP = 0.30), and Diploma group (Min = 3.46, SP = 0.19). Overall

global competitiveness based on education level is at a moderate level (Min = 3.29, SP = 0.65).

Table IV ANOVA test result global competitiveness entrepreneurs based on education level

	SS	df	MS	F	Sig.
Between Groups	34.63	3	11.54	145.06	0.00
Within Groups	7.87	99	0.080		
Total	42.51	102			

Based on the ANOVA test, there is difference global competitiveness based on education level [F (3, 99) = 145.06, p = 0.00 <0.05]. Due to there is difference, the test is continued with Post Hoch test.

Table V Post Hock Test Global Competitiveness Base On Level Of Education

Variable	Education Level	Mean Difference	Sig.
Bachelor	Elementary School	1.98	0.00
	Secondary School	1.03	0.00
	Diploma	0.55	0.00
Diploma	Elementary School	1.43	0.00
	Secondary School	0.48	0.00
Secondary School	Elementary School	0.94	0.00

Based on Table V, there is difference global competitiveness between entrepreneurs who have elementary school qualification with entrepreneurs who have secondary school qualification (p = 0.00 <0.05), global competitiveness of entrepreneur who have secondary school qualification (Min = 2.98, SP = 0.30) is higher than entrepreneurs with elementary school (Min = 2.03, SP = 0.46). There is also a difference global competitiveness of entrepreneurs who have elementary school qualification with diploma qualification (p = 0.00 <0.05), global competitiveness of entrepreneurs who have diploma qualification (Min = 3.46, SP = 0.19) is higher than entrepreneurs who have elementary school qualification (Min = 2.03, SP = 0.46). In addition, there is difference global competitiveness between entrepreneurs who have elementary school qualifications with entrepreneurs who have bachelor qualification (p = 0.00 <0.05), global competitiveness of the entrepreneurs with bachelor qualification (Min = 4.02, SP = 0.24) is higher than entrepreneurs with elementary school qualifications (Min = 2.03, SP = 0.46). There is also difference global competitiveness between entrepreneurs who have secondary school with diploma qualification (p = 0.00 <0.05), global competitiveness entrepreneurs with diploma qualification (Min = 3.46, SP = 0.19) is higher than entrepreneur who have secondary school qualification (Min = 2.98, SP = 0.30). There is also difference global competitiveness between entrepreneurs who have high school qualification with bachelor

qualification ($p = 0.00 < 0.05$), global competitiveness entrepreneurs with bachelor qualification (Min = 4.02, SP = 0.24) is higher than entrepreneurs who have secondary qualification (Min = 2.982, SP = 0.300). Then, there is difference global competitiveness between entrepreneurs who have diploma qualification with bachelor qualification ($p = 0.00 < 0.05$), global competitiveness entrepreneurs who have bachelor qualification (Min = 4.02, SP = 0.24) is higher than entrepreneurs who have diploma qualification (Min 3.46, SP = 0.19). Therefore, the higher education level, also higher global competitiveness of SME entrepreneurs. The findings also show that entrepreneurs with bachelor qualification have the highest mean value (Min = 4.02, SP = 0.24) compared with other groups. This indicates that entrepreneurs with bachelor qualification contribute to the significant global competitiveness of of SME of Riau food products in Pekanbaru. However, overall global competitiveness based on education level is at a simple stage (Min = 3.30, SP = 0.65).

4. CONCLUSION

The global competitiveness of SME entrepreneurs has a direct impact on the performance of a company. When a country has a good SME, this will affect the competitiveness of the country. Therefore, SME can support the economy in a country. This can be seen when the Indonesian economic crisis in 1997 was a lot of big companies that were bankrupt, but at the same time SME were able to survive even part of the SMEs to expand to export their products out of the country. Currently, studies on Riau specialty food entrepreneurs can be linked with external variables, such as employee salaries, job security, job environments, leadership styles, supervision, and others. The internal variables are less interested by the researchers so that the number of competitiveness and globalization studies related to internal variables is very limited. This study is one of the answers to the needs of entrepreneurship education on studies that explain internal factors as a factor that supports a phenomenon that occurs. The conclusion, this research show that the level of global competitiveness of SME entrepreneurs of Riau food products in Pekanbaru is at a moderate level (Min = 3.29, SP = 0.64). Entrepreneur should increase the level of global competitiveness by improving the aspects that affect the competitiveness such as the ability to explore market opportunities, ICT usage, innovation activities and self-development of entrepreneurs. The result of research also show that there is difference global competitiveness based on education level [$F(3, 99) = 145.06, p = 0.00 < 0.05$]. The higher education levels of entrepreneur have global competitiveness of SME food products in Pekanbaru, Riau, Sumatera, Indonesia over manufacturing company in near future.

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