

# SWOT ANALYSIS APPROACH ON SME'S ENTREPRENEURIAL COMPETENCY

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## ABSTRACT

*The competence of entrepreneurship is one of the supports for the growth and success of a business, where their entrepreneurial of competency play the important role. This study uses a case study approach, with qualitative and quantitative methods for its data collection process, through in-depth interviews to SMEs with the support of literature study. The aim of this research is to analyse the strength, weakness, opportunity and threat that SMEs have on their entrepreneurial competency. The results of data that the researchers have collected indicate there are many different entrepreneurial competencies possessed by informants on SWOT analysis and some of them are believed by majority of informants as competencies that have an impact on the success of their business.*

**Keywords:** Entrepreneurial Competency, SWOT Analysis, SME's Entrepreneurial Competency.

## INTRODUCTION

There are many opinions about the definition of entrepreneurship; generally entrepreneurship is the process of starting a business, organizing/combining the necessary resources and assuming risk by acting innovatively to pursue profitability in an uncertain and ambiguous environment (Abdullah, Hamali, Deen, Saban & Abdurahman, 2009). Exploring typical characteristics of entrepreneurs in a traditional way, can be seen from the motivation, personality, experience, company size, target market, access to capital and performance (Jamali, 2009), which can be a barrier or opportunity for an entrepreneur. Indonesia is one of the developing countries in the world, where the role of SMEs is very influential on economic growth in the country. Unfortunately, the ratio of SMEs in Indonesia to the national population in 2014 is 1.38%. (BPS, 2016; BPS, 2015). The lack of entrepreneurial competencies possessed creates difficulties Small Medium Enterprises (SMEs) to grow (Díaz-Pichardo, Gutiérrez-Garza & Arriaga-Múzquiz, 2011). Entrepreneurial competencies are seen as important to business growth and success. Therefore, a strategy to grow or develop entrepreneurial competency is important to do in order to create a strong and optimistic entrepreneurial character and competent (Mitchelmore & Rowley, 2010). This study aims to design a strategy in developing entrepreneurship competency in SMEs. Thus, it is expected that this research will form a choice of strategies that can be applied to build entrepreneurship competency in SMEs.

## LITERATURE REVIEW

### SME and Their Entrepreneurial Competency

In the context of SMEs in this study, the notion of SMEs refers to Law No. 20 of 2008, Article 6, paragraphs 1-4. Interpretation categorization of SMEs is based on the capital, assets, number of employees and sales annually (Kushnir, 2010). In both developed and developing countries, Small Medium Enterprises (SMEs) are growing and playing an important role in their country. The concept of competence is divided into components of behavioural competence (attitude) and components of technical or functional competence (cognitive) (Kovac, Mesko & Bertoneclj, 2010). Where the concept of competence type here is like what is reviewed by Nassif, Ghobril & Siqueira da Silva (2009), with the focus of entrepreneurship competency study. Focusing on the limitations of this study, this study focuses on the entrepreneurial competency of SMEs viewed from the SWOT analysis. SWOT analysis as described by David (2009), as cited in Widyastuti, Haryono & Tiarawati (2017) is to maximize the existing or owned strengths and opportunities (internal) and minimize the weaknesses and threats (external) that will come. In their interpretation, the researchers refer to the study of Nassif, Ghobril & Siqueira da Silva (2009), which describes many of the entrepreneurial process reviews and entrepreneurial competencies of some researchers. Internal factor analysis of entrepreneurial competency here refers to the individual person in the form of cognitive and affective aspects, to the individual characters in running the organization's business that covers the team, strategy planning, structure organization, culture and the products and services offered. While the external factors of entrepreneurial competency here refers to the individual personal form of cognitive and affective aspects of the action conditions or changes that occur on environmental factors affecting their organization's business, the influence of the environment such as; conditions of competitors, customers, suppliers, investors, bankers, lawyers, resources and government policy. Environmental conditions are very uncertain, so it can create opportunities and threats simultaneously.

## METHODOLOGY

Approach method for this research is by using single case study (Aberdeen, 2013). In this study, the case study used is the analysis of entrepreneurial competency by SMEs in Bandung. Bandung is the city known as the city of the creative economy (Ekonomi Kreatif Bandung, 2018). Therefore, with the growth and development of SMEs and local government support, this case study becomes interesting to discuss deeper. This study aims to design a strategy in developing entrepreneurial competency in SMEs. Thus, it is hoped that this research will form a selection of strategies that can be applied to build entrepreneurial competency in SMEs. Qualitative data were collected based on in-depth interviews with unstructured question and answer, observation and literature data (Creswell, 2007) to 6 SMEs regarding the entrepreneurial competency and the influence of internal and external factor on their entrepreneurial competency and their business. They are engaged in property developer, fashion, web developer, game developer, culinary and holding company. For the results of qualitative data based on generic SWOT analysis, the researchers reconfirmed to informants for numerical or quantitative analysis following the SWOT method Quantitative analysis by Rangkuti (2015); Lee, Huang & Teng (2009).

## ANALYSIS AND DISCUSSION

### Entrepreneurial Competency as a Strategy for Success

The results of the data that the researchers have collected show there are many different entrepreneurial competencies possessed by informants, which have an impact on the success of their business. The entrepreneurship competency data came from in-depth interviews (unstructured questions and answered), which researchers collected based on the keywords on entrepreneurial competency that affect their business success. Table 1 is the result of qualitative data of entrepreneurial competencies that are grouped to each suitable SWOT element. The data show that there are similarities in some entrepreneurial competencies among informants.

<b>Strengths</b>	<b>Weakness</b>
Commitment and focus in pursuit of vision	Creative and sustainable thinking
Hard work and perseverance	Learning through literature
Self-awareness	Not well prepared on planning and management
Networking	
<b>Opportunities</b>	<b>Threats</b>
Learning through experience	Dealing and coping with uncertainty
Establish a good relationship (business and non-business relation)	Taking risks without calculation
Communication/negotiation	Not well on team work

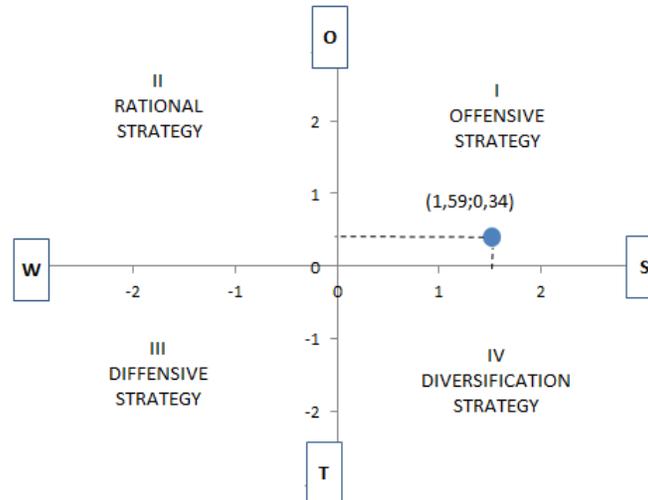
In a deeper analysis, the SWOT data in Table 1 has similarities with the concept of entrepreneurial competency reviewed by Nassif, Ghobril & Siqueira da Silva (2009). However, this analysis uses further and deeper SWOT analysis to determine the position of entrepreneurial competency in the quadrant. The results of the quadrant are obtained from the qualitative data in Table 1 that researchers do, reconfirm to the informants to be analysed through a quantitative approach based on the state of the informant and their perspective. This is done following the quantitative SWOT method by Rangkuti (2015); Lee, Huang & Teng (2009).

The quantitative data is obtained from the value that is derived from the multiplication of SWOT proportion weight and the rating obtained. The calculation of weight proportion is obtained from the percentage of total internal factors (total strength + total weakness=1) as well as for external factors. This calculation describes the views of informants on the influence of entrepreneurial competency in Table 1 in the future. While for the rating, it is obtained from the average value of each factor of entrepreneurial competency in each SWOT analysis element that is shown in Table 1 on the impact of entrepreneurial competency in the current conditions or entrepreneurial competency that they have.

The multiplication value is the basis of determining the coordinate point, which will assist in the analysis of coordinate graphs that have 4 quadrants consisting of quadrant I that is strength-opportunity, quadrant II that is weakness-opportunity, quadrant III that is threat-weakness and quadrant IV that is threat-strength (Lee, Huang & Teng, 2009) To determine the coordinate point, the first thing to do is to add all the values (the result of weight proportion x rating) in each of the SWOT elements. The sum shows the value as below:

The strength is 2.5297619; the weakness is (-0.931548); the opportunity is 2.21513; the threat is (-1.8771158).

In determining the x-axis and y-axis coordinates, the following calculations are performed; Strength + Weakness=1.5982139 (x-axis); Opportunity + Threat=0.3380142 (y-axis); the coordinate points of the x-axis and the y-axis is (1.59; 0.33).



**FIGURE 1**  
**GRAPHIC COORDINATES FOR ENTREPRENEURIAL COMPETENCIES IN SWOT ANALYSIS**

As seen in the figure above, based on the calculation of coordinate points (x, y), the position of entrepreneurial competency analysed using SWOT analysis approach is in quadrant 1, which is offensive strategy. As Lee, Huang & Teng (2009) have pointed out in their research, quadrant I can overcome the uncertainty of external environmental conditions by using the strengths and opportunities they have.

### **Strength-Opportunity Strategy for Entrepreneurial Competencies of SMEs**

#### **Market Development**

Market development is vital for every SME. Therefore, the competency of entrepreneurship can help develop the market and increase the competency of entrepreneurship. Strategies that can be undertaken to improve entrepreneurial competency in terms of market development by the government are to provide training and facilities to develop markets, such as the provision of consultation tools and ease of regulation. This is considering SMEs are businesses that are still vulnerable to failure.

#### **Horizontal Integration**

Collaboration is a strategy that can be done to support the competency of SMEs entrepreneurship, with network competency and communication/negotiation owned can open tap innovation through collaboration. Therefore, collaborative programs between SMEs can be one effective strategic way. The role of the government here is to bring together SMEs that have the potential to collaborate and fully support the collaborative program with financial support,

mentors and research and development consultancy and assistance in marketing tools. Government support can be tailored to the needs of SMEs.

### **Market Penetration**

Certainly in the market penetration, it takes a strategy that can support entrepreneurial competency and business growth. Strategies that can be done with the support of the government are providing facilities to market and providing a place for their products or services more widely known.

## **CONCLUSION AND RECOMMENDATION**

### **Conclusion**

Analysis of entrepreneurial competency based on SWOT method in qualitative and quantitative data becomes interesting to be studied. Since in this research, the researchers analyse deeper the position of entrepreneurial competency within a quadrant. SWOT analysis based on the quadrant graph shows that the position of entrepreneurial competency held by the informant is in quadrant 1; quadrant 1 indicates that the strategy that can be used by utilizing strength and opportunity advantage is by offensive or aggressive strategy. This strategy can include weaknesses and threats to entrepreneurship competencies held by SMEs by continuing to market development, market penetration and horizontal integration, with the support of government programs and facilities that can support their entrepreneurial competency will be more effective. They need more direct field training with business assistance by employers and are supported by entrepreneurship programs by governments that can stimulate their entrepreneurial competency. Naturally, monitoring and evaluation needs to be done to measure how successful the entrepreneurship program is for entrepreneurship competency for SMEs.

### **Recommendation**

Recommendations that can be applied in the strategy to build entrepreneurial competency such as the following: (1) Counselling or dissemination of government programs on SME development to SMEs equally and sustainably; (2) Provision of free facilities or ease to support management aspects of SMEs; and (3) Reactivate or create entrepreneur's community by region or type of business (there are successful SMEs and new SMEs in it).

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