Test Determinants of SME Performance: Relationship Between Leadership Strategy, Knowledge Management, and Business Orientation

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Abstract

In theory, there are only two types of entrepreneurs typology items, namely craftsman entrepreneur and opportunistic entrepreneur. Both of them have unique and distinct characteristics in Reviews their business running wheel Including the techniques and strategic steps to Determine sustainability in their business. In this case, the pattern of leadership and knowledge of the business, as well as business orientation, certainly plays the role the which in turn will Ultimately give the final confirmation of what is actually a “pioneer” or a “follower” in business activity. The purpose of this study is to analyze the extent to the which the role of leadership, knowledge of management and business orientation to business performance.

This study takes 60 samples of SME’s there was operated in Makassar City. Research approach with choosing the Quantitative Analysis and Regression Analysis as a method of the analysis. The results of this study stated that the leadership strategy has a significant effect as well as a dominant factor in building a better SME performance. Knowledge management into random principal goals and objectives of a business.

Keywords: Leadership; Knowledge; Business Orientation; Business Performance

I. INTRODUCTION

SME performance can occur if it involves elements of proper management and appropriate target. One of them is the strategy of good leadership, knowledge of business management and orientation towards .. Effectiveness of leadership is what will have an impact on improving the performance of the company, in this case, SMEs [8].

SME performance can be seen not only on financial factors, but also on other factors, such as customer loyalty, the company's work processes, and managerial impact on employees. Thus, the characteristics of SMEs that have a good performance is financially sound, have customers who are always loyal to the company, the work process of SMEs standardized and controlled, as well as the action leaders who affect both to its employees which is characterized by increasing innovation and knowledge [4 and 17]. Business orientation and knowledge management have also become the basis for determining that SMEs can survive or not. By objective of this study is to analyze the role that the leadership in the SME strategy, knowledge management and business orientation of SMEs.

II. LITERATURE REVIEW

Leadership Strategy

If the situation or condition in a state good enough members, accustomed to working in organizations, leaders still need to provide guidance to members about the work of responsibility. Only leaders need to build better human relationships, by providing encouragement or motivation to him to work with good, conscientious, and diligent, for example by giving praise for his work or greeting at any time.

H1: Leadership strategy on the performance of SMEs

Knowledge in Business Management

Knowledge communities is an attempt to encourage each other between the members of the company's internal order to increase knowledge. Therefore, to get a good performance required integration of dispersed knowledge at all levels of companies [6], [7], which is where the dissemination of knowledge about management performed at the stage of the regular education and training for employees [2]. Thus the hypothesis is built are:

H2: Knowledge management on the performance of SMEs

Business orientation of SMEs

The results of the study conducted by Azin, et.al in the year 2014 [1], By Yu Chang in 2018 [3], And Giri Jogaratnam in 2017 [5] stated that the business orientation affect the performance of the company. Thus the hypothesis is built are:

H3: Business orientation affect the performance of SMEs

III. RESEARCH METHOD

The analytical method used is SEM-PLS with linear regression statistical tools. A sample of 60 SMEs in the city of Makassar. Leadership Dimensions variable measurement strategy (X1), Knowledge of management (X2), Business orientation (X3). The conceptual framework as follows:

IV. RESULT AND DISCUSSION

Here is presented a due diligence test model as a prerequisite.

Table 1. Eligibility Test Data

|   | Validity test | Correlation | significance |
|---|---------------|-------------|--------------|
|   | LS_1          | 0.643       | 0.000 <0.01  |
|   | LS_2          | 0.567       | 0.000 <0.01  |
|   | LS_3          | 0.566       | 0.000 <0.01  |
|   | LS_4          | 0.640       | 0.000 <0.01  |
|   | BO_1          | 0.241       | 0.000 <0.01  |
|   | BO_2          | 0.527       | 0.000 <0.01  |

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SMEs but the orientation does not have a simultaneous effect on the performance of SMEs. Knowledge management has a simultaneous effect on the performance of SMEs. So the statistical hypothesis test states that:

1. Leadership strategy has a significant effect on the performance of SMEs. With the value of regression coefficient (β = 0.596), Value Standard Error (SE = 0.034), The value of the effect (t = 17.431) and the significance value (0.000 <0.01).

2. Business orientation does not affect the performance of SMEs. With coefficient (β = -0.020), Value Standard Error (SE = 0.036), The value of the effect (t = -0.549) and insignificant (0.058 > 0.05).

3. Knowledge of the management of a significant effect on the performance of SMEs. With the regression coefficient (β = 0.093), Value Standard error (SE = 0.039). The value of the effect (t = 2.372) and significant (0.018 > 0.05).

Regression test results stating that all values are very small standard error (SE < 1), and the regression coefficient (β) is positive and concluded strategic leadership and knowledge management has a direct influence except business orientation.

V. CONCLUSION

Leadership strategy has a significant effect as well as a dominant factor in building a better SME performance. Knowledge management into random principal goals and objectives of a business.

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