

## COMPETENCY, ENTREPRENEUR CHARACTERISTIC AND BUSINESS PERFORMANCE: STUDY OF THE PEMPEK BUSINESS IN PALEMBANG

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### ABSTRACT

*The purpose of this study was to examine empirically the effects of entrepreneurial competencies and characteristics on business performance. Previous studies found that competencies and entrepreneurial characteristics significantly influenced business performance. A quantitative method was used and 122 respondents were involved as the sample in this study, who were pempek business owners in Palembang, South Sumatra. The results indicated an effect from entrepreneurial competencies on business performance. It was also found that the entrepreneurs' characteristics (owners' ages) significantly affected the businesses' performance. This implication requires some sort of course or program for the entrepreneurs to improve their competence to direct the owners to gain better business performance. The growing age of the business owners requires equal insights to ensure age does not stop the owners from improving their business' performance.*

**Keywords:** *competency, characteristics, performance, age, entrepreneur*

### INTRODUCTION

The development of the pempek business should be increasingly ensured in Palembang, South Sumatra, considering that Palembang is known internationally. Some international events held recently in Palembang included the S.E.A. games in 2011 and the third Islamic Solidarity Games in 2013. These occasions promoted Palembang's well known tourism spots and also its unique food. Recently, the pempek business has not only been growing regionally but also nationally, with the spread of Pempek Wongkito 19 in Bekasi, West Java (92 outlets with annual sales ranging from fifteen to sixty million dollars), Pempek 8 Ulu Cik Ning (25 outlets spread across Java, Riau and Lombok), and Pempek Tjek Entis (36 outlets in Jakarta, Peka-

longan, Semarang, Gresik, Jember, Malang, Purwokerto, Sidoarjo, Tasikmalaya, Mojokerto, Denpasar and Ambon) (Yohana et al., 2013). Pempek businesses could be provided the opportunity to develop globally through international events which may be held in Palembang. Nila (2012) concluded the statement of the Mayor of Palembang, Mr. Eddy Santana Putra, who commented on the remarkable pempek sales which had reached one trillion rupiah annually. It is evident that the real economy sector is growing rapidly in Palembang. The development of pempek businesses is closely related to the increase in economic activities in Palembang. The pempek business is a popular culinary business compared to other culinary businesses. This kind of food is not only recognized by local people as their traditional food but also as a staple, primary

meal. Furthermore, it is present in both formal and informal occasions.

The pempek business is one of the local entrepreneurial lines which plays a role in promoting the success of the entrepreneurial movement in Indonesia. Therefore, the effort to improve pempek's business performance is very important. Pempek businesses have unique characteristics, they are frequently found in the middle of thriving local markets because this business is growing around formal and informal institutions. Currently, there has not been any formal institution which could organize and unite the pempek entrepreneurs. Moreover they encounter complex problems, such as the availability of their primary raw material, raw material prices, and competition from informal institutions. Pempek entrepreneurs (as they are involved in economic transition) are required to have high capabilities in human resources and financial capital. The success of this business cannot be separated from the internal factor, namely the owner's capability. Internal factors are described as being competent and having entrepreneurial characteristics. Competence is a vital concept for organizational growth and success. Owners with high entrepreneurial competence will be able to face intense competition and the current situation of globalization, while the entrepreneurial characteristics are the supporting factors for a successful venture. It is in line with the results of previous research which determined that the entrepreneurial characteristics were the supporting factors to establish business performance optimization (Adegbite *et al.*, 2006; Islam *et al.*, 2011; Sarwoko *et al.*, 2013).

Research by Ahmad *et al.* (2010) and Sarwoko *et al.* (2013) showed the important role of entrepreneurial competence in business performance. Entrepreneurial competence improves the capability, competitiveness, and performance of the firm (Sancez, 2011). Another previous study by Xiang (2009) described that entrepreneurial competence was different from managerial competence. Business owners tend to have a higher entrepreneurial competence than their managers. Furthermore pempek owners mostly consider themselves as a manager, but as a busi-

ness owner and manager, they must have entrepreneurial competencies. The research problem was formulated based on the owners' views. They implied that their businesses were successful enough to cover their daily needs. Limited owners' capabilities are considered to be one of the obstacles to developing the businesses to their maximum potential.

Previously, research into competency and entrepreneurial characteristics had been performed on different backgrounds of economic and social-cultural conditions in such places as the Ukraine, Malaysia, Nigeria, Hong Kong, and Norway. However, it has rarely been explored in Indonesia. A similar study was conducted in Malang, East Java by Sarwoko *et al.* (2013). Other studies (Adegbite *et al.*, 2006; Ahmad *et al.*, 2010; Islam *et al.*, 2011; and Akande, 2012) had investigated the competency or performance characteristics, and their effects on businesses/organizations, separately, while Sarwoko *et al.* (2013) reviewed both variables at great depth. This became our main reference to continue the investigation into the competencies and characteristics, and their effects on business performance in a different situation, namely the pempek businesses in Palembang, South Sumatra. The purpose of this study was to examine the effect of entrepreneurs' competencies on business performance, and the effect of the entrepreneurial characteristics (gender, owner's age, business age, funder/ line ownership, business size/number of employees, educational background) on business performance.

## THEORY

### A. Definition and Role of Entrepreneurship

An entrepreneur is a person who creates a new business and is prepared to take the risks and uncertainty inherent in this, in order to achieve profits and growth by identifying significant opportunities and combining resources so these necessary resources can be capitalized (Zimmerer and Norman, 2008). Entrepreneurship is the process of creating something new and of a certain value by using the required time and effort, financial risk, physical and social

risks, to receive monetary rewards and personal satisfaction and independence (Hisrich *et al.*, 2008). The role of entrepreneurship in economic development includes more than just an increase in output and income per capita; it also includes the initiative and determination to make changes in the structure of business and society (Hisrich *et al.*, 2008). Government, as one of the mediators to commercialize the results of the combination between social and technological needs. Corporate entrepreneurship is a business entrepreneurship which might merge the gap between science and market. While independent entrepreneurship creates new organization to bridge the gap between science and the market (Hisrich *et al.*, 2008).

### B. Competency of Entrepreneurship

Entrepreneurship competence is defined as the entrepreneur's ability to face critical situations effectively by considering environmental constraints and establishing relationships and internal resources (Iandoli, 2007: 17 in Solesvic, 2012). In the online business dictionary, competence is defined as "*A cluster of related abilities, commitments, knowledge, and skills that enable a person (or an organization) to act effectively in a job or situation.*" Competence indicates the availability of knowledge and skills that enable a person to make decisions in various situations. Competence may occur at any stage of life or career. Competencies can be acquired through formal education, and also through life, career and experiences.

The roles and tasks of entrepreneurs and managers are identical in some aspects, such as organisational abilities, and personal managing. Entrepreneurial competencies are generally found to be higher than those of business owners/managers (Xiang, 2009). Entrepreneurs, who have better incentives to succeed, do not only work longer hours, but also harder (Bitler *et al.*, 2005).

According to Baumol (1968) in Grieco (2007), managers are people who implement efficiencies in a continuous process, including controlling, scheduling, and decision making related to prices as well as to marketing pro-

cesses. Managers practice things routinely while entrepreneurs focus on the development and implementation of new ideas. An entrepreneur is more than just an innovator. Despite any bad situation, the entrepreneur will work harder than a manager. Sadler-Smith *et al.* (2003) found that an "entrepreneurial style but not managerial behavior" positively influenced the possibilities for a high growth type company.

In a study of managerial competence, competence is assessed as the actual observed behavior in the workplace and it is usually defined by personal characteristics such as the nature, knowledge, expertise and personality of the individual manager. According to Bird (1995) in Xiang (2009), as well as managerial competence, entrepreneurial competence could be defined by characteristics such as general and specific knowledge, motives, traits, self-images, social roles, and skills that result in the birth of speculation, and its survival and/or growth. Competence can only be shown by attitudes and actions, and it is also related to the dynamic characteristics of the competitive environment. Competence can be changed and studied. Entrepreneurial competence characteristics indicate that competition can be controlled. Entrepreneurial competence with respect to the number of attributes required to achieve success entrepreneurs and entrepreneurship resistance (Dixon *et al.*, 2005).

### C. Theory of Entrepreneurship

According to Simpeh (2011), there are six theories of entrepreneurship.

First, *the Economic Entrepreneurship theory*. This theory has a deep connection with classical economic theory, neoclassical, and Austrian Market Process (AMP). This theory explores the economic factors that increase entrepreneurial behavior. Classical theory suggests three factors of production, namely land, capital and labor. Neoclassical models offer growing criticism against the classical models, and indicate that economic phenomena can be reduced to pure changes, reflecting an optimal ratio, and occurring within an economic system that is basically not used. The economic system consists of par-

ticipants' changes, the changes in events, and the impact on other market participants' changes. There is some criticism of the neoclassical, alleging that (a) the aggregate demand ignores the uniqueness of entrepreneurial activity at the individual level, (b) whether the use or change in value reflects the future value of the outcomes of innovation, (c) a rational allocation of resources does not capture the complexity of the market-based system, (d) performance is based on innovation, and efficiency does not include non-uniform output; knowledge tools/destination and perfect knowledge/semi-perfect which does not describe the uncertainty. Perfect competition does not include innovation and entrepreneurial activity, (e) it allows the imitation of all inputs and outputs in a market system, (f) of entrepreneurial activity is destructive demands of a market system. The Austrian Market Process (AMP) is a new movement of the neoclassical. AMP is focused on human activities in the context of the knowledge economy. An important function of a company is to create something new that is produced from a process that is run as a market economy a boost. AMP rejects the assumption that the state repeatedly, always leads to the same outcome in an economic system. However, AMP is considered entrepreneurial incentives do not always use the knowledge (probably never seen before, or never seen again later), to increase the value. AMP is based on three main concepts, namely (a) the market arbitrage opportunities that provide views for market participants of the opportunities or the passage of certain suboptimal activity, (b) attention to the profit-making opportunities, (c) conceptualizations that differ between entrepreneurial ownership. Entrepreneurship does not require the ownership of resources, but an additional idea of the context of uncertainty and risk. This conceptualization suggests that every opportunity is unique and therefore previous activities cannot be used to reliably predict the outcome. Critics of the AMP claim: (a) the system is not purely competitive market, but it can improve collaboration antagonist, (b) the monopoly of resources can interfere with competition and entrepreneurship, (c) fraud/fraud and tax/control

systems also contribute to the activities of the market, (d) private companies and governments are different, but both can become entrepreneurial, (e) entrepreneurship can occur in a non-social situation in the market without competition.

Second, *the Entrepreneurship Psychological theory*. This theory emphasizes the personal characteristics that determine entrepreneurship. Personality traits, the need for achievement, and the locus of control are reviewed in this theory and empirical evidence suggests three new characteristics are associated with entrepreneurial tendencies - risk-taking, innovativeness, and a tolerance for ambiguity.

Third, *the Entrepreneurship Sociological theory*. This theory emphasizes the social context, ie. the level of analysis of the general community. There are four social contexts, namely (a) the social network, (b) the context of the stages of a person's life path which is to analyze the situation and characteristics of an individual's life who decides to become an entrepreneur, (c) identification of ethnicity, (d) population ecology.

Fourth, *the Entrepreneurship Anthropological theory*. This theory studies the origin, development, customs/habits, and beliefs of a community. In other words, studying the culture of a person in a community. According to this theory, if a person wants to be successful he/she must initially pay attention to his/her social and cultural factors.

Fifth, *the Opportunity-Based Entrepreneurship theory*. It uses the approach of opportunities, that is change is not caused by an entrepreneur, but he/she will exploit the opportunities which will create change. An entrepreneur has the possibility to change the direction of creation.

Sixth, *the Resource-Based Entrepreneurship theory*. This theory argues that access to resources by owners is a more important predictor. The emphasis is on the importance of the theory of financial factors (financial capital/liquidity theory), social (social capital/social network

theory), and human resources (human capital entrepreneurship theory).

#### D. Previous Research

Man (2001) linked the entrepreneurial characteristics of the performance of small and medium enterprises in the context of the service sector in Hong Kong. Identification of entrepreneurial competencies with qualitative analysis was performed on 19 samples of business owners/managers using successful interview strategies. The quantitative analysis was conducted by distributing questionnaires via email which were answered by 153 business owners/ managers of small and medium businesses. Tests were then carried out using multiple regression analysis. The results showed that competence in entrepreneurship did affect the performance of the small and medium businesses in the services sector in Hong Kong.

Baum and Edwin (2004) investigated the relationship between entrepreneurial traits and skills (passion, persistence, and new resource skills) and specific situational motivation (communicated vision, self-efficacy, and goals) with the growth of the next business. The data were derived from 299 entrepreneurs and 106 chief executive officers in a single industry, which was studied for a 6 year period. Testing involved using a Structural Equation Modeling, which showed goals, self-efficacy, and communicated vision directly influenced the subsequent growth of businesses, and these factors influences were mediated by passion, persistence, and new resource skills. Furthermore, acquired and communicated vision, and self-efficacy all related to the goals, and persistence was associated with new resource skills.

Dixon *et al.* (2005) aimed to identify entrepreneurial competence in managers at 10 training academies operated by the Training Agency of Jamaica. 10 managers and 10 deputy managers were selected as the sample. 53 items on a questionnaire identified competencies in the first phase of data collection, while the second and third questionnaires had 66 items related to competence. 20 questionnaires were distributed, and 15 returned (response rate of 75%). The

manager of the Jamaica Training Academy believed that 39 of the 66 entrepreneur competencies in the survey list were very important for instructors to successfully pass on to the students to help perform their function. The manager also looked at the performance of the instructors, who met more than half of the identified requirements for entrepreneurial competence.

Ahmad (2007) examined the relationship between entrepreneurial competencies and business success in the context of small and medium enterprises in Australia and Malaysia. This was conducted in 2 parts, the first was a qualitative method based on individual interviews with 10 entrepreneurs from Australia and 10 from Malaysia who ran small and medium enterprises in the manufacturing and service sectors. The purpose of the first part of the study was to obtain behavior data that reflected competencies that were relevant to the business environment. Analysis of this interview data identified 12 competencies that comprised of strategy, commitment, conceptual, opportunities, organizing and directing, relationships, learning, personal, technical, social responsibility, and familiarity. The second part of the study was an analysis of the causal link between entrepreneurial competencies and business success in small and medium enterprises in Australia and Malaysia. The results revealed that entrepreneurial competence was a strong predictor for business success in Australia and Malaysia. It was also noted that the environmentally-friendly and stable business conditions had influential effects on business success in Australia, while in Malaysia only the stable business environment had any influence.

Ahmad *et al.* (2010) evaluated the effect of entrepreneurial competencies and the moderating influence of the business environment on business success in small and medium sized enterprises in Malaysia. He sampled 212 business owners in Malaysia, and his hypotheses were tested using a Structural Equation Model (SEM). The results showed that competence of entrepreneurship was a strong predictor for the success of small and medium business enterprises in Malaysia. Other findings showed that the relationship of entrepreneurial competencies

and business success grew stronger in a hostile and dynamic environment than in a benign and stable environment.

Jane *et al.* (2011) examined the interaction between the ages and education of women entrepreneurs with the business dynamics of small and medium enterprises in Kenya. The survey was conducted using a cross sectional exploration. The research sample comprised of 128 women entrepreneurs in small and medium enterprises. Results of the interaction with a UNIANOVA analysis showed that there was a significant interaction between age and education and their influence on the locus of planning. Age and education also had a significant impact on the profitability (Return on Assets) of the businesses. The implication was the need for early education programs and special courses for women entrepreneurs to raise their levels of education.

Sancez's research (2011) studied the effects of entrepreneurial competence in small companies in Spain, by building causal models using data of entrepreneurship. The research model was constructed to not only study the influence of entrepreneurial competence on firms' performance, but also to look at the competitive environment, and organizational capabilities, and describe the direct and indirect influences. Data was collected using a questionnaire, distributed to 700 potential respondents either by phone or email. 460 questionnaires were returned (65 percent response rate). The questionnaire consisted of 53 items using a Likert scale of seven points (1 = strongly disagree, and 7 = strongly agree). Testing was conducted using Structural Equation Models, while the parameters of the goodness of fit were RMSEA, NFI, CFI, and normed chi square. The results of this research demonstrated entrepreneurial competence affects the performance of companies.

Sarwoko *et al.* (2013) examined the effects of entrepreneurial characteristics and competencies on business performance in small and medium enterprises in Malang, East Java. 147 business owners were selected as respondents by using a survey instrument. Data were analyzed by using Structural Equation Modeling. Results of this

study indicated a significant effect on the characteristics of entrepreneurial business performance. Entrepreneurial competence mediated the relationship between entrepreneurial characteristics and business performance. This means that better entrepreneurial characteristics will lead to an increase in the business owner's competence, which in turn affects the performance of the business.

#### E. Hypothesis Development

The success of the organization/business will be determined by the skill and ability (competence) not only of the owners/ managers but also the employees. Entrepreneurial competency such as the ability to convey the business' vision and goals has an influence on business growth (Baum and Edwin, 2004). The role of the decision maker should be focused on the development of entrepreneurial competence (Ahmad *et al.*, 2010). Entrepreneurial competence played an important role in the organization's capabilities and the scope of the competition, and also directly affected the performance of the company (Sancez, 2011). Entrepreneurial competencies could be a positive influence in new product development for the medium and long term, but negatively for the company's short-term profit (Lumpkin and Dess, 1996 in Sancez, 2011). Therefore, the first hypothesis raised was:

H<sub>1</sub>: entrepreneurial competencies positively affect business performance.

According Sarwoko *et al.* (2013) only the business owners who had strong entrepreneurial characteristics may have an impact on business performance. Adegbite *et al.* (2006) found that entrepreneurial characteristics such as the amount of experience the owner had, and the length of time the business had been operating contributed positively to the company's performance. Adegbite *et al.* (2006) also stated that not all characteristics contribute positively, some had a negative contribution to business performance. Therefore, the second hypotheses raised were:

H<sub>2a</sub>: gender impacts the business performance.

- H<sub>2b</sub>: the age of the business owner influences the business performance.
- H<sub>2c</sub>: the age of the business influences the business performance.
- H<sub>2d</sub>: ownership impacts the business performance.
- H<sub>2e</sub>: the number of employees impacts the business performance.
- H<sub>2f</sub>: education affects the business performance.

## METHODOLOGY

The intended respondents of this study were the pempek business owners in Palembang. They were selected through convenience and a snow ball sampling technique. Primary data were collected by using an interview technique with the questionnaire as a guide. The data were surveyed only from pempek businesses in Palembang, South Sumatra. This was an empirical study which was based on data and factual reports. Considering its explanation level, it may be said that this research is also categorized as a causality study, due to the examination of the influence of competency and entrepreneurial characteristics on business' performance.

The variables of this study were measured by using a 5 point Likert scale (1 = strongly disagree to 5 = strongly agree), and business performance was used as the dependent variable measured by three statements: (1) the increased growth in sales, (2) the increased profit, and (3) the increased assets. Independent variables used were competency entrepreneurship. Entrepreneurship competence indicators (entrepreneurial competence) used here were taken from the work of Man (2001) and Ahmad *et al.* (2010) and consisted of: strategy competency (C\_1), the development of a vision, strategy, future plans, the setting of goals and standards, and ideas offered. Commitment competency (C\_2), the display of a strong motivation to compete, driven by the achievement of future results, and the capacity to make an impact, plus motion and dedication. Conceptual competency (C\_3), the demonstration of cognitive ability, the ability to make decisions, the ability to measure risks, analytical thinking, innovation, creativity, show

grounds, and with a capacity to reduce the risk. Opportunity competency (C\_4), the ability to recognize and seize opportunities and the ability to identify customers' needs. Relationship competency (C\_5), possessing and using good interpersonal communication skills, and the ability to influence others and give support. Organisational competency (C\_6) the ability to direct, lead, delegate, motivate, plan and schedule work, to develop programs, and prepare budgets. Personal competency (C\_7) the ability to recognize shortcomings, to keep in high spirits, to respond to constructive criticism, prioritize work and manage time, managing personal career development, self-motivate to function at optimum performance levels, to identify strengths and weaknesses and to adapt to opportunities and threat. Learning competency (C\_8) the ability to learn as much as possible in one's own field, to learn in a variety of ways, to proactively learn, to stay up to date/current in one's own field, to apply learned skills and knowledge in practice. Ethical competency (C\_9) the ability to admit mistakes and tell the truth, to be honest and transparent in business dealings, to be committed to offering goods/services at a price that is fair, to be responsible, and always take into account any actions taken. Familism competency (C\_10) to cooperate and help others in the business (especially close colleagues), to identify and seek help from trustworthy employees, get support and input/suggestions from family and peers, share knowledge and resources with others (especially close colleagues).

The characteristics of entrepreneurship which acted as the other independent variables were gender, the age of the owner, the age of the business, whether the owner was the founder of or successor to the business, the business's size measured by the number of employees, and the educational background of the owner.

Stages in the data analysis techniques included the presentation of the number of data samples obtained, the profile of the respondents, the descriptive statistics, and the data's validity and reliability. Final data analysis were done to meet the criteria of BLUE (Best Linnier Unbiased Estimation), which is the classical

assumption test. The purpose of the study was investigated by the use of ANCOVA models in the hypotheses testing. These were used since metric variables (competence) and non-metric variables/categorical variables (gender, age of owner, age of business, ownership, number of employees, and education) for the independent variable were found out. Specifically, the model was described as follows:  $Performance = \alpha + Competency + gender + age\ of\ owner + age\ of\ business + number\ of\ employees + ownership + education + \epsilon$ . The research model in figure 1 illustrates the relationship among the proposed variables.

Description:  $\alpha$  = regression intercept, is the mean of the performance for all the independent variables which were used. Competency = continuous variables (metrics) and was a variable that included the overall (total) strategic competence, commitment, conceptual, opportunity, relationship, organisational, personal, learning, ethical, and familism. Gender = variable category (non-metric) was given the value of 1 for men and 2 for women. The age of the owner = variable category (non-metric) was allocated the value of 1 for those aged 0-30 years old, 2 for those aged between 31-50 years old and 3 for those aged above 50. The age of the business = variable category (non-metric) had the value of 1 for businesses aged 0-2 years, 2 for those between 3-10 years, and 3 for those above 10 years. Ownership = variable category (non-metric) had the value of 1 for the founders, and 2 for non-founders. The number of employees = variable category (non-metric) was given the value of 1 for 0-5 people employed, 2 for 6-10 people and 3 for over 10 people. Education = variable category (non-metric) had a value of 1 for not S1 and 2 for S1.

Questionnaires were distributed through enumerators numbering 135. 133 questionnaires were returned, of which 122 were completed and suitable to be used for hypotheses testing. Both pempek owners and business managers were involved as respondents. Data were distributed to various business places around Palembang, including: Kenten, Sekip, Sudirman Street, Dempo Street, K.H Burlian Street, and the Seberang Ulu area. 70 percent of the respondents were female, and 30 percent male. 66 percent were between the ages of 31-50 years old, of the remainder 8 percent were under 30 years old, and 26 percent were aged over 50. Most respondents (49 percent) had been in business between 3-10 years, of the remainder, 25 percent had started their business less than 3 years ago and the other 26 percent had business experience of more than 10 years. 93 percent of the respondents were the direct owner and manager of the pempek business, 7 percent of them were the successor to a business that had been founded by a family member. 88 percent of the respondents had less than 5 employees. (They did not specifically recruit permanent employees, but the term refers to members of the family, a child, the wife, her husband or others), 6 percent of them had 6-10 employees, and the other 6 percent had more than 10 employees. For their educational background, 89 percent of the respondents did not complete S1 (high school, secondary and elementary school), and the remaining 11 percent were educated to the S1 level. Based on the minimum value of the variable performance, all the pempek businesses experienced growth in both their sales and their profits and assets.

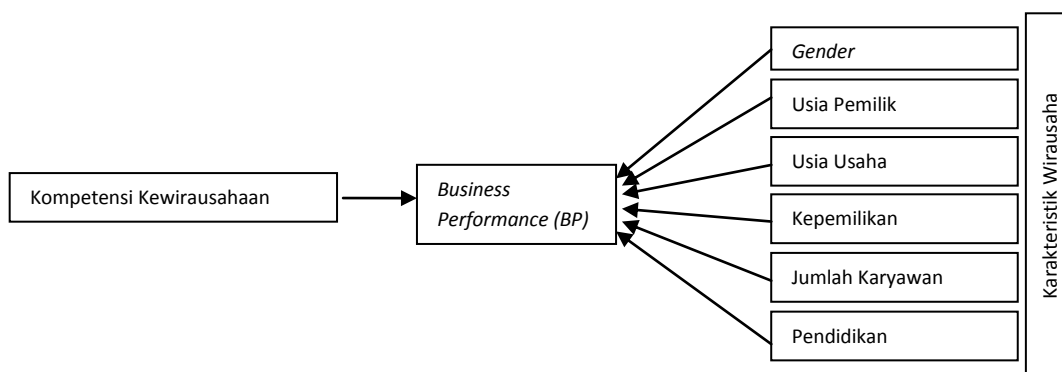


Figure1. Research Model



Reliability measurements were performed with a one shot or one-time measurement that used a statistical test Cronbach Alpha. Both constructs of competency and performance met Cronbach's Alpha value of more than 70 percent, meaning they were reliable. Test the validity of the statements made on which is an indicator of Competency and Performance (Business Performance). There were 48 questions used to measure competence and 3 questions to measure performance (business performance). A validity test was done by using a bivariate correlation between each point score declaration (indicator) with a total score for the variables/constructs. Each indicator of the competence variables (C\_1 to C\_48) had a significant correlation to the total score of the construct (competence). So it can be concluded that each indicator competency statement was valid. The performance of each indicator variable (P\_1 up to P\_3) had a significant correlation to the total score of the construct (performance). So it can be concluded that each statement Performance indicator was also valid.

Tolerance values for each variable independent were at value  $\geq 0.1$ , while the VIF value was close to 1. This meant that multicollinearity did not happen between the independent variables in the regression model. There was no autocorrelation in the model seen from the residual lag (Lag\_res1) which gave a probability of significance above 5 percent. Autocorrelation used the Lagrange Multiplier test (LM test) or the Breusch-Godfrey test. A Glejser test was conducted which showed no detectable heteroskedasticity because the significant value of each independent variable was above 5 percent. The value of the Kolmogorov-Smirnov test was significant at 1.364 and 0.048, which indicated that the data were normally distributed residuals at the 1 percent level.

The test results showed that entrepreneurial competency affected business performance (performance) in the pempek business in Palembang. An F test value of 56.714 with a significant probability of less than 1 percent was 0.000. This meant that the first hypothesis was supported (Table 1).

Entrepreneurial characteristics in this case were the age of the pempek business owners, the F test value for this of 2.406 with a significance level of below 10 percent was 0.096. Therefore, it could be said that age affected the performance of the owners. While other entrepreneurial characteristics such as gender, the age of the business, the ownership, the number of employees, and the educational level of each significant had a probability above 10%. The second hypothesis was supported only on the one entrepreneurial characteristic, the owners age (Table 1).

**Table 1.** Hypothesis Test

Variabel	Nilai F	P-value
Competency	56,714	0,000
Gender	0,790	0,377
Age of Owner	2,406	0,096
Age of Business	0,660	0,519
Ownership	1,074	0,303
Number of employees	0,537	0,587
Education	0,923	0,339

Based on Table 2, a pairwise comparison provided more detailed data on the variables of gender, the age of the owner, the age of the business, the ownership, the number of employees, and education. In the gender variable values, a mean difference of -0.030 meant pempek businesses owned or managed by men had a lower performance than that of the pempek business enterprises that were owned or managed by women, which scored 0,030. However, the mean difference had a significance probability value of more than 10 percent, at 0.938, which meant that the performance of the pempek businesses owned or managed by men were no different from the pempek businesses owned or managed by women.

For the age of owner variable, we found that the performance of business owners aged 30 or less scored more than 0,100, which was more than the owners aged 31-50 years, but it did not show significant differences (see significance probability of 1.00 of greater than 10 percent). The performance of business owners aged less than 30 years was more than 1,294 over the

**Table 2.** Pairwise Comparison

Variabel	Mean Difference	P-value
Gender:		
Male – Female	-0,030	0,938
Age of Owner:		
a. 0-30 years – 31-50 years	0,100	1,000
b. 0-30 years – above 50 years	1,294	0,089
c. 31-50 years – above 50 years	1,194	0,019
Age of Business:		
a. 0-2 years – 3-10 years	-0,403	1,000
b. 0-2 years – above 10 years	0,271	1,000
c. 3-10 years – above 10 years	0,674	0,435
Ownership:		
Not Founders – Founder	0,022	0,967
Number of Employees:		
a. 0-5 people – 6-10 people	-0,902	0,346
b. 0-5 people – above 10 people	0,522	1,000
c. 6-10 people – above 10 people	1,424	0,201
Education:		
Not to S1 – S1	-0,711	0,132

owners over the age of 50 years, and the difference was significant (significance probability was less than 10 percent ie 0,089). While the performance of business owners aged between 31-50 years was more than 1,194 over the owners over the age of 50 years and the difference was significant.

For the age of the business variable, we found that business performance was greatest when the business was still between 3 to 10 years old. With new businesses (2 years or less) and when over 10 years old, the performance of the business dropped off to be lower than that of the 3 to 10 year old businesses. However the significance probability of greater than 10 percent for this age of business variable showed no significant difference in performance.

For the ownership variable, it appeared that businesses not managed by the founder do not differ significantly from the businesses managed by the founder in their performance. Business performance as managed by the founder of the business scored 0,022 compared to business enterprises run by the founder. The variable for number of employees that the business employed showed little significant difference in performance value between pempek businesses that had the varying numbers of employees. For the education variable we found that the business

performance did not differ significantly between the pempek business owners with S1 or without.

Entrepreneurial competence was defined as the competence strategy, commitment competence, conceptual competency, relationship competency, organisational competence, personal competence, learning competence, ethical competence, and competence familism needed to have a positive and significant impact on the business performance of the pempek business in Palembang, South Sumatra. The higher the competency that a business owner possessed, the greater the improvements would be in his/her business's performance. These results were consistent with the findings of Ahmad (2007) for businesses in Australia and Malaysia, Ahmad *et al.* (2010) for businesses in Malaysia, Sancez (2011) for self-employment in Spain, and Sarwoko *et al.* (2013) for small and medium enterprises in Malang, East Java.

The entrepreneurial characteristic that most affected the performance of the pempek businesses in Palembang, South Sumatra was the owners age. Pempek business owners aged 50 and under had a business performance which was better than that of the owners of over 50 years of age. This was consistent with the results of research by Jane *et al.* (2011), namely that the age of the owner had a significant impact on the

profitability of the business. Other entrepreneurial characteristics, namely gender, the age of the business, the ownership, the number of employees, and education had no significant effect. These results contrast with the results of the research and explanation by Jane *et al.* (2011) and Sarwoko *et al.* (2013) who both stated that both the individual characteristics (gender, owner/non-owner, and education) and organizational characteristics (age of business, and number of employees) had a significant effect on the performance of the business.

## CONCLUSION

The results of the hypothesis test of the 122 respondents concluded that there was a significant impact of entrepreneurial competency on the business performance of the pempek business in Palembang. It was also found that the owner's age significantly impacted on the business performance. In addition, the investigation implied that the entrepreneurial characteristics (gender, business period, founder/successor, business size/number of employees and educational background) did not impact on the business performance of the pempek business. The implication of this study is the requirement for courses or educational programs for the owners to improve their competence, to allow them to gain better business performance. The pempek business owner is positioned as a producer as well as a marketer. Each of them should possess entrepreneurial competency to enable their sales growth, profit enhancement, and asset growth. The characteristics of the business owners, in particular their age, also played a role in improving their business performance. The growing age of the business owners also requires equal insight enhancement to ensure this does not stop the owners from improving their business performance.

It was also clear that the sampling technique used in this study probably did not represent the whole data from the expected sample. Convenience sampling methods were used due to the respondent's affordability and limited area coverage. Future studies are suggested to use an expanded and broadened sample, and to imple-

ment the multiple regression models with a variable interval scale for entrepreneurial characteristics for gaining better results. Testing and research analysis might also be carried out by using the entrepreneurial characteristics variable in the form of the category/ non-metric.

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