

The Influence of Managerial Competence on the Success of Micro, Small, and Medium Enterprises (MSMEs)

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Abstract

The success of Micro, Small, and Medium Enterprises (MSMEs) is closely tied to the managerial competencies of their leaders. This study aims to examine the influence of managerial competence, which includes planning, organizing, leading, decision-making, and controlling, on the success of MSMEs in Kuningan Regency. A quantitative research method was employed using a descriptive and correlational approach, with data collected through questionnaires distributed to MSME managers. The managerial competence and success of MSMEs were measured using a 1-5 Likert scale. The results indicate that managerial competence significantly contributes to the success of MSMEs, with a contribution of 65% as reflected in the coefficient of determination (R^2). Among the competencies, decision-making was identified as the most influential, while planning showed the greatest need for improvement. These findings emphasize the importance of enhancing managerial competence through targeted training programs, which are essential for ensuring the sustainability and competitiveness of MSMEs in the dynamic business environment.

Keywords: Managerial Competence, MSME Success, Strategic Planning, Decision Making, Kuningan Regency

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) serve as a critical pillar of the Indonesian economy, contributing over 60% to the national Gross Domestic Product (GDP) and generating more than 97% of employment opportunities, according to the Ministry of Cooperatives and MSMEs (2023). Despite their significant contribution, many MSMEs struggle to maintain business sustainability, particularly in the face of intense market competition. These challenges are exacerbated by various factors, with managerial competence emerging as a crucial determinant of success. Managerial competence, encompassing the ability of owners or managers to plan, organize, lead, make decisions, and control their businesses (Suparjo, 2023), is pivotal in addressing these challenges and ensuring sustained growth.

Previous research highlights the significant role of managerial competence in driving business success. Fitriani (2024) identified weaknesses in strategic planning as a major factor contributing to stagnant growth among MSMEs in rural areas. Additionally, Sari and Nugraha (2024) found that MSME actors with strong decision-making skills are better equipped to adapt and thrive, even amidst market uncertainty. However, these studies have yet to fully explore other

critical barriers, such as limited market access and capital constraints, which may also significantly influence the growth and sustainability of MSMEs (Tripathi & Singh, 2018).

One example of an MSME that has successfully utilized managerial competencies to achieve success is MSME A in Kuningan Regency. With an average managerial competency score of 4.6 on a scale of 1-5, this MSME has achieved average revenue growth of IDR15 million per month and a 20% increase in customers in the past year. This shows that proper decision-making and effective team management can drive sustainable business growth (Abubakar et al., 2019).

Although MSMEs in Kuningan Regency contribute significantly to the local economy, many still face challenges in enhancing their managerial competencies (Djuniardi et al., 2022). This study seeks to analyze the managerial competence levels of MSME players, assess their success rates, and examine the impact of managerial competence on the success of MSMEs in the region. By focusing on this specific context, the study provides novel insights into the managerial capacity of MSMEs and its relationship to their success. The findings are anticipated to support the development of targeted strategies for enhancing managerial competence and align with government policies to empower the MSME sector effectively (Gupta & Barua, 2016).

This study aims to provide a comprehensive understanding of the role of managerial competence in supporting the success of Micro, Small, and Medium Enterprises (MSMEs) in Kuningan Regency. The first objective is to analyze the level of managerial competence of MSME actors, which includes their ability to plan, organize, lead, make decisions, and control the business. Furthermore, this study aims to measure the success rate of MSMEs, which is seen from indicators of revenue growth, customer satisfaction, and business sustainability. In addition, this study also aims to examine the extent to which managerial competencies influence the success of MSMEs so as to provide relevant recommendations for the development of the managerial capacity of MSME actors in the region (Soomro et al., 2024).

This research holds significant urgency due to the strategic role of MSMEs in the national economy. With MSMEs contributing over 60% to Indonesia's Gross Domestic Product (GDP) and serving as a key sector for job creation, particularly in regions like Kuningan Regency (Ichsan et al., 2023), their sustainability is crucial. Despite their potential, many MSMEs encounter obstacles in maintaining business continuity due to limited managerial competencies, such as inadequate planning, organization, and decision-making skills. These challenges can impede their growth and resilience, particularly amidst intensifying market competition (Suparjo, 2023). To enhance the impact of these findings, actionable recommendations for policymakers and MSME actors could address these challenges, fostering stronger managerial capabilities and sustainable development in the sector.

Low levels of managerial competence not only impact business sustainability but also hinder the contribution of MSMEs to the local economy. Previous studies show that weaknesses in strategic planning are a major cause of small business stagnation in rural areas (Irawati et al., 2024). Conversely, training that improves managerial capabilities, as revealed by Sari and Nugraha (2024), can have a positive impact on the productivity and success of MSMEs. Therefore,

understanding the extent to which managerial competencies affect the success of MSMEs is crucial to supporting MSME empowerment and development programs at both local and national levels.

Kuningan Regency, as one of the regions with large MSME potential, requires this research to identify the constraints faced by business actors and provide data-based strategic recommendations (Rahmawati et al., 2024). This research is expected to serve as a basis for designing more effective and relevant managerial training programs for MSME actors, as well as providing input to local governments in formulating policies that support the growth and sustainability of the MSME sector.

This research is not only relevant for the development of academic literature, but also provides practical benefits for MSME actors and policy makers. By improving managerial competencies, MSMEs are expected to be able to face competitive challenges, increase competitiveness, and contribute more to regional economic development.

RESEARCH METHOD

This research employs a quantitative approach using descriptive and correlational methods to analyze the impact of managerial competence on the success of MSMEs in Kuningan Regency. The research population comprises all MSME players registered in Kuningan Regency, totaling 1,200 business units. A sample of 100 respondents was selected using purposive sampling, guided by specific criteria such as a minimum of three years of operation and active involvement of owners in business management.

Data collection was conducted through a structured questionnaire divided into two sections: (1) managerial competence, with indicators including planning, organizing, leading, decision-making, and controlling; and (2) MSME success, measured by revenue growth, customer satisfaction, and business sustainability. The indicators were selected based on their relevance to the research objectives and were assessed using a Likert scale ranging from 1 to 5.

Data were analyzed by validity, reliability, descriptive analysis, and simple linear regression using SPSS. The regression model used is:

$$Y=a+bX+e$$

where Y is the success of MSMEs, X is managerial competence, and e is error.

RESULT AND DISCUSSION

Respondent Description

Of the 100 respondents who participated, the majority of MSME players are engaged in the culinary sector (40%), followed by the handicraft sector (30%), services (20%), and others (10%). Most businesses have been running for 3-5 years (60%), with 25% having been running for more than 5 years and the rest less than 3 years. The MSME under study is the owner of Bayunicake, which is located in Kuningan and is engaged in the culinary sector. This MSME has been operating for five years and has 10 employees. With an average income of IDR 15 million per month (Shinozaki, 2022).

Variable Description

Managerial Competence

The results of the descriptive analysis show an average managerial competence score of 4.2 (scale 1-5), which indicates that MSME actors have good managerial competence. The highest indicator is decision-making (4.5), while the lowest indicator is planning (3.8).

1) Success of MSMEs

The average MSME success score is 4.0. The highest indicator is customer satisfaction (4.3), while the lowest indicator is business sustainability (3.7).

Table 1. Descriptive Results of Managerial Competence and MSME Success

Indicator	Managerial Competence (Average Score)	MSME Success (Average Score)
Planning	3.8	3.7
Organizing	4.1	4.0
Leadership	4.2	4.1
Decision Making	4.5	4.3
Control	4.3	4.2

This table shows that the decision-making indicator has the highest score on managerial competence (4.5) and MSME success (4.3), while planning has the lowest score on both variables.

2) Validity and Reliability Test

Validity: All questionnaire items have a Pearson correlation value > 0.3, so they are valid.

Reliability: Cronbach's Alpha for the managerial competency variable is 0.89, and MSME success is 0.85, indicating excellent reliability.

3) Simple Linear Regression Test

A simple linear regression model was used to test the effect of managerial competence on the success of MSMEs. The results of the analysis show:

$$\text{Regression equation: } Y=2.1+0.65X$$

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Where:

Y : MSME Success

X : Managerial Competence

Coefficient of Determination (R²): 0.56

This means that 56% of the variation in MSME success can be explained by managerial competence, while the rest is influenced by other factors.

Significance Test (t-test)

This MSME shows excellent performance, supported by a marketing strategy through social media that has succeeded in increasing the number of customers by 20% in the past year. The level of managerial competence of the owner of Bayunicake is in the excellent category with an average score of 4.6 on a scale of 1-5.

The decision-making aspect recorded the highest score of 4.9, indicating the owner's ability to solve problems and respond quickly to market changes. The success of these MSMEs is also reflected in the average score of 4.5 in the success indicators, where revenue growth and customer satisfaction have the largest contributions. Linear regression analysis shows that managerial competencies have a significant influence on the success of these MSMEs, contributing 65% to the variation in business success (Esubalew & Raghurama, 2020). This finding confirms the importance of developing managerial competencies, particularly in aspects of strategic planning and marketing innovation, to support the sustainability and growth of MSMEs amid market competition (Sari et al., 2024).

The t value = 9.43, with $p < 0.05$, indicates that managerial competence has a significant effect on the success of MSMEs. The results of this study indicate that the managerial competence of MSME actors in Kuningan Regency is at a good level, with an overall average score of 4.2 on a scale of 1-5. The decision-making indicator has the highest score (4.5), indicating that MSME actors are able to make the right decisions in critical situations. This is in line with management theory, which states that decision-making ability is a core skill in management when facing business challenges (Intezari & Pauleen, 2018).

However, the planning aspect has the lowest score (3.8), which indicates that there are still shortcomings in the ability of MSME actors to develop long-term strategies and set business goals. This finding is consistent with Fitriani's research (2024), which states that a lack of understanding of strategic planning is one of the main obstacles to the management of MSMEs in local areas.

MSME success is also at a good level, with an average score of 4.0. The customer satisfaction indicator has the highest score (4.3), indicating that most MSMEs have successfully met customer expectations. However, the business sustainability indicator had the lowest score (3.7), indicating that some businesses still face difficulties in maintaining long-term business stability.

Simple linear regression analysis revealed that managerial competence has a significant influence on the success of MSMEs, with a regression coefficient value of $b = 0.65$ and a significance of $p < 0.05$. This result means that every increase in managerial competence by one unit will increase the success of MSMEs by 0.65 units. The coefficient of determination (R^2) of 0.56 indicates that 56% of the variation in MSME success can be explained by managerial competence, while the rest is influenced by other factors, such as market access, product innovation, or business capital.

This finding supports Tambunan's (2023) research, which shows that managerial competence contributes significantly to the success of small businesses, especially in the face of market dynamics. However, these results also highlight the need for improvement on the planning aspect through training and mentoring to MSME actors to help them be more strategic in developing their businesses. Overall, this study illustrates that managerial competence is a key factor in the success of MSMEs. Therefore, collaboration between the government, educational institutions and business organizations is needed to provide needs-based training for MSMEs to improve their managerial competencies (Suyatno & Suryani, 2024).

CONCLUSION

The conclusion of this study reveals that MSME actors in Kuningan Regency demonstrate a commendable level of managerial competence, with an average score of 4.2 on a scale of 1-5. Decision-making emerges as the most prominent indicator, achieving the highest score of 4.5, signifying strong capabilities in making effective business management decisions. Conversely, the planning aspect records the lowest score of 3.8, indicating the need for improvement in developing long-term strategies and systematic business planning. To address this, stakeholders should focus on providing targeted training and support programs aimed at enhancing strategic planning skills and fostering a more structured approach to business growth. MSME success is also in the good category, with an average score of 4.0. Customer satisfaction is the highest success indicator with a score of 4.3, reflecting the success of MSMEs in meeting consumer needs and expectations. On the other hand, business sustainability recorded the lowest score of 3.7, indicating the challenges MSME players still face in maintaining the long-term stability of their businesses.

The results of simple linear regression analysis show that managerial competence has a significant influence on the success of MSMEs. With a regression coefficient of 0.65 and a coefficient of determination (R^2) of 0.56, it can be concluded that 56% of the variation in MSME success can be explained by managerial competence, while the rest is influenced by other factors such as innovation, market access, and business capital. This confirms the importance of managerial competence in supporting the growth and sustainability of MSMEs. Overall, this study underscores that managerial competence is one of the key factors in the success of MSMEs. However, improvements are still needed in the planning aspect through training and mentoring for MSME actors. Local governments, educational institutions and related organizations are expected to collaborate in providing capacity-building programs that focus on the needs of MSME actors, so as to improve their competitiveness and business sustainability in the future.

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