

Competency Development Strategies for MSMEs: Driving Performance Improvement in Makassar

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ABSTRACT

The Micro, Small, and Medium Enterprises (MSMEs) sector has been vital to Indonesia's economy since 1995, significantly contributing to GDP, employment, and investment. Despite these contributions, MSMEs in Indonesia, particularly in Makassar, face challenges in global competitiveness. This study investigates competency development strategies to enhance MSME performance in Makassar. A qualitative research design with a descriptive phenomenological approach was employed, focusing on three stages of competency development: pre-incubation, incubation, and acceleration. Data were collected through observations, in-depth interviews, and documentation, involving key informants from the Makassar City Cooperative and MSME Office, the MSME incubator center, and MSME business owners. Findings indicate that the structured approach of competency development significantly impacts MSME performance. During the incubation stage, business owners undergo specific technical skills training in five main areas: product quality, human resource management, financial management, customer service, and digital marketing. These training programs are tailored to address the identified strengths and weaknesses of each MSME. The acceleration stage focuses on applying acquired skills in real-world scenarios with advanced mentorship and support, leading to improvements in product quality, management practices, financial stability, customer satisfaction, and digital presence. However, the study identifies limitations, such as varying levels of baseline competency among MSME owners and potential bias in self-reported data. Future research should incorporate larger, more diverse samples and employ quantitative methods to validate findings. Longitudinal studies could provide deeper insights into the long-term impacts of these strategies. This research highlights the importance of targeted competency development programs in enhancing the competitiveness and sustainability of MSMEs in Makassar.

Keywords: MSMEs, competency development, business performance

INTRODUCTION

The Micro, Small, and Medium Enterprises (MSMEs) sector has played a crucial role in Indonesia's economy since 1995, driven by community-based businesses managed either individually or as business entities (Campagnolo et al., 2022; Hudson et al., 2022; Steiner & Atterton, 2014). The presence of MSMEs aims to foster and develop businesses to build a just economic democracy-based national economy. The renewal of Law Number 20 of 2008 highlights the government's significant attention to MSME management, emphasizing their strategic role and potential in realizing a balanced, developing, and just national economic structure. This law underpins the Ministry of Cooperatives and MSMEs and local governments' efforts to develop MSMEs. According to the Ministry of Cooperatives, Small and Medium Enterprises there are currently 64.2 million MSMEs in Indonesia, contributing 60.51% to the Gross Domestic Product (GDP), amounting to IDR 9,580.762 trillion, which surpasses the contribution of large enterprises (42.76%) .

MSMEs also account for 97% of the total employment in Indonesia, making the sector the highest employment provider among ASEAN countries. Furthermore, MSMEs attract 60.42% of total investments in Indonesia and significantly contribute to poverty alleviation . In Makassar, MSMEs also play a vital role in the local economy. As of 2021, there were 176,637 MSMEs in Makassar, with a production value of IDR 68,357.590 billion and an employment absorption of 3,286 people across 15 sub-districts .

Despite these contributions, MSMEs in Indonesia face significant challenges in the global competition brought about by the ASEAN Economic Community (MEA) since 2016. Indonesian MSMEs are less competitive on the global stage, reflected in their low participation in the Global Value Chain (GVC) with an index of 43.5, below the ideal developing country index of 48.5 . This limited competitiveness is due to several fundamental issues, such as market information access, price changes, consumer behavior shifts, technological innovations in production, access to capital, and the quality of human resources .

Researchers believe that these challenges stem from internal factors, particularly the competency of MSME actors. Competency issues in management, marketing, and finance significantly hinder MSMEs' development and competitiveness . Management competency problems include a lack of professionalism in business governance and inadequate educational backgrounds of human resources, resulting in poor understanding of product quality improvement, business networking, and sales creativity through technology optimization (Corsi et al., 2019). Marketing competency issues are evident in limited educational backgrounds in marketing, lack of digital marketing skills, and limited marketing budgets . Financial competency issues include poor financial management, difficulty accessing financial resources, limited financial education and training, and a lack of long-term financial planning .

This study focuses on three main aspects: strategies for developing MSME actors' competencies in Makassar, the role of these strategies in improving MSME performance, and the factors that hinder and support competency development strategies in Makassar. Given the unique characteristics of MSMEs in Makassar, which have persisted through various conditions, particularly during the COVID-19 pandemic, this study aims to fill the gap in the literature by exploring competency development strategies to enhance MSME performance in Makassar.

METHOD

Research Approach

This research employs a qualitative research design with a descriptive phenomenological approach. Qualitative research is a form of research based on a postpositivist paradigm that emphasizes a naturalistic approach to understanding phenomena experienced by research subjects. According to Creswell (2017), qualitative research aims to describe, explore, and articulate social and humanitarian issues, producing rich descriptive data. This study uses a descriptive phenomenological approach to delve deeply into the subjective experiences of MSME actors in Makassar related to competency development strategies and their impact on MSME performance.

Research Participants

This research is conducted in the city of Makassar, one of the MSME development centers in Eastern Indonesia, which shows significant growth every year. The research locations include the Makassar City Cooperative and MSME Office, the MSME incubator center in Makassar, and various MSME business sectors existing in Makassar. This location selection aims to obtain relevant and in-depth data on competency development strategies and MSME performance in Makassar.

This study uses purposive sampling techniques to determine informants. Informants are selected based on representation from the Makassar City Cooperative and MSME Office, the MSME incubator center, and MSME actors who have participated in training at the MSME incubator center in Makassar. The chosen informants include the head of the department, staff members of the UKKM section, incubator trainers, and several MSME owners, who are deemed capable of providing in-depth information related to the research topic. The information obtained from these informants is expected to explain the relationship between competency development strategies and MSME performance improvement in Makassar.

Data Collection Techniques

This research employs several data collection techniques, namely observation, in-depth interviews, and documentation. Observations are conducted passively to directly observe MSME activities. In-depth interviews are conducted using a structured model to gather information from selected informants. Interview guidelines are prepared beforehand to focus on competency development strategies and MSME performance. The documentation study is used to complement the observation and interview methods by collecting supporting documents such as event records, regulations, policies, and relevant reports to this research (Creswell & Creswell, 2017).

Data Analysis Techniques

This research utilizes the descriptive qualitative analysis model of Miles & Huberman, which includes data collection, data reduction, data display, and conclusion drawing and verification. Data is collected through observation, interviews, and documentation. The collected data is reduced by editing and summarizing it to present a clear picture. Data is then displayed in an organized narrative form to facilitate understanding. Conclusions are drawn and verified to answer the research questions based on the interpretation of the collected data (Miles et al., 2014).

RESULT AND DISCUSSION

Result

The competency development strategy for business owners at the incubator follows three stages: pre-incubation, incubation, and acceleration. During the incubation stage, specific technical-skills training programs are designed to develop the competencies of MSME business owners. These training programs comprise five main areas: (a) product quality competency training, including hygiene training for culinary businesses, craft training for handicraft businesses, and stock management training for service sector businesses; (b) human resource

management competency training; (c) financial management training; (d) customer service training; and (e) digital marketing training.

In the pre-incubation stage, the focus is on preparing MSME owners with the necessary foundation to enter the incubation phase. This includes preliminary assessments and orientation sessions that provide a comprehensive overview of the skills and knowledge required for successful business management. The pre-incubation stage aims to identify the strengths and weaknesses of each MSME and tailor the subsequent training programs to address specific needs.

The incubation stage is the core of the competency development process, where MSME owners undergo intensive training and mentorship. This stage is designed to equip them with practical skills and knowledge essential for business growth and sustainability. The product quality competency training emphasizes improving the quality standards of products, ensuring that they meet market demands. Human resource management training focuses on developing effective team management skills, while financial management training aims to enhance financial literacy and budgeting capabilities. Customer service training is tailored to improve customer interaction and satisfaction, and digital marketing training provides the skills needed to leverage online platforms for business promotion.

During the acceleration stage, MSME owners apply the skills and knowledge gained during the incubation phase to real-world business scenarios. This stage involves advanced mentorship and support to help business owners scale their operations and achieve sustainable growth. The acceleration stage also includes networking opportunities and access to potential investors, which are crucial for expanding the market reach and financial capabilities of MSMEs.

Overall, the structured competency development strategy at the incubator has shown significant positive impacts on the performance of MSMEs in Makassar. Business owners who participated in the training programs reported improvements in product quality, management practices, financial stability, customer satisfaction, and digital presence. These improvements have contributed to increased business efficiency and competitiveness, enabling MSMEs in Makassar to thrive in the challenging economic environment.

Discussion

The competency development strategies implemented at the Makassar MSME incubator align well with the established literature on effective business training and development. The structured approach, spanning pre-incubation, incubation, and acceleration stages, provides a comprehensive framework for nurturing business owners' skills and capabilities. This multi-stage approach ensures that MSME owners receive targeted support tailored to their specific needs, which is crucial for sustainable business growth (Belhaj-Bouabdallah, 2017; Kanig, 2013; Prihanto & Kurniasari, 2019).

The training programs designed for the incubation stage, which focus on technical skills such as product quality, human resource management, financial management, customer service, and digital marketing, are consistent with the findings of previous studies. For instance, according to (Hitka et al., 2019), targeted training in these areas significantly enhances the operational efficiency and market competitiveness of small businesses. The emphasis on product quality and

digital marketing is particularly pertinent in the current market landscape, where consumers increasingly prioritize quality and digital presence.

Human resource management and financial management training are essential for the internal stability of MSMEs. Effective HR management leads to better team performance and employee satisfaction, which directly impacts productivity and business outcomes (Subroto et al., 2016). Similarly, robust financial management practices are critical for maintaining financial health and making informed business decisions, thereby reducing the risk of financial instability (Ratnasingam et al., 2020).

The customer service training provided during the incubation stage also addresses a crucial aspect of business operations. High-quality customer service fosters customer loyalty and positive word-of-mouth, which are vital for the growth and sustainability of MSMEs. Seraj et al., (2022) highlight that businesses with strong customer service capabilities are more likely to retain customers and achieve long-term success. Additionally, digital marketing training equips MSME owners with the skills to leverage online platforms effectively, expanding their reach and attracting a broader customer base (Mohamed Hashim et al., 2022).

Despite the positive outcomes observed, the study also identifies several challenges and limitations. One significant limitation is the varying levels of baseline competency among MSME owners, which can affect the uniformity of training outcomes. Furthermore, the reliance on self-reported data from MSME owners may introduce bias in assessing the effectiveness of the training programs. Future research should consider incorporating a more diverse sample and utilizing objective performance metrics to validate the findings. Additionally, longitudinal studies could provide deeper insights into the long-term impacts of competency development strategies on MSME performance (Bruce, 2022).

Limitations and Future Research

This study has several limitations. First, the sample size is relatively small and may not fully represent the diversity of MSMEs in Makassar. Second, the reliance on qualitative data from interviews and observations may introduce subjective bias. Future research should incorporate larger, more diverse samples and employ quantitative methods to complement the qualitative findings. Additionally, exploring the long-term effects of competency development programs through longitudinal studies would provide a more comprehensive understanding of their impact on MSME performance. Investigating the role of external factors, such as market conditions and policy changes, in shaping the outcomes of these strategies could also offer valuable insights for policymakers and practitioners.

Conclusion

The competency development strategy for business owners at the Makassar MSME incubator follows a structured approach encompassing three stages: pre-incubation, incubation, and acceleration. During the incubation stage, specific technical skills training programs are implemented to enhance MSME owners' competencies in five key areas: product quality, human resource management, financial management, customer service, and digital marketing. The pre-incubation stage focuses on preparing MSME owners with foundational skills and knowledge,

while the incubation stage provides intensive training and mentorship to equip them with practical skills essential for business growth. The acceleration stage allows MSME owners to apply their acquired skills in real-world scenarios, supported by advanced mentorship and networking opportunities. This structured competency development strategy has demonstrated significant positive impacts on MSME performance in Makassar, with improvements reported in product quality, management practices, financial stability, customer satisfaction, and digital presence. These enhancements have contributed to increased business efficiency and competitiveness, enabling MSMEs in Makassar to thrive in a challenging economic environment..

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