Interpersonal Competence, Entrepreneurial Characteristics as Market Orientation Basis and Micro and Small Enterprises in Start-up Business Phase

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Abstract: This study aims to examine the effect of direct and indirect influence interpersonal competence, entrepreneurial characteristics towards market orientation and business performance of micro and small enterprises in the start-up phase of business. This research is an explanatory study, the unit of analysis is the micro and small enterprises in the start-up phase of a business in the city of Ambon. The samples using non-probability sampling methods (purposive sampling), the selection of the sample in this study using sampling techniques judgment sampling, the number of samples in the study as many as 128 units. Data analysis using inferential statistical tool that is Path Analysis. The results of the study explain that entrepreneurs interpersonal competence affect market orientation, entrepreneurial characteristics affecting the market orientation. Interpersonal competence entrepreneurs directly affect business performance. Entrepreneurial characteristics directly influence business performance. Market orientation affects the performance of small businesses and micro-enterprises that are in the start-up phase of business. Market orientation proved to mediate the effects of interpersonal competence and entrepreneurial characteristics on the performance of small businesses and micro-enterprises that are in the start-up phase of a business in the city of Ambon.

Keywords: interpersonal competence, entrepreneurial characteristics, market orientation, business performance, phase start-up business

The achievement of business performance optimally is the goal of business organization and is perceived as the main guarantee for business organization to be able to stand in the business environment dynamics. Business performance can be explained as the depiction of the performance of business organization/company and is the achievement that reached by a business organization/company that can be measured from the result. Narver and Slater (2000) explained that business performance is measured from the profitability compared to the target set. Micro and small Enterprises business performance is the measurement of effectivity, efficiency and adaptivity dimensions in business activities, this performance measurement dimensions are widely used relatively in the performance measurement of small and medium enterprises (Pelhalm, 2000; Pelhalm and Wilson, 2001).

The determinant of micro and small enterprises business performance achievement tends to be variative and complex. The results of empirical review
proved that the determinant variation of business performance of micro and small enterprises, for example Kim and Jee (2007) proved that information technology investment and information technology utilization strategy influence the business performance. Herath and Mahmood (2013) proved that market orientation, entrepreneurial orientation, learning orientation interactions influence the business performance. Slavec (2014) proved the entrepreneurial openness in terms of idea development, entrepreneur involvement in proactive behavior, novelty orientation, and feedback, as well as improvement orientation and exploration motivation have positive impact on company's performance. Chen (2012) proved the influence of strategy orientation, organization capability towards performance. Affendy, et al. (2015) proved entrepreneurial orientation and market orientation has positive impact on company's business performance.

Other empirical study results proved the variation on business performance determinants in Indonesia, such as Rahmawati (2005), Sangen (2005), Robinson (2005), Atkinson (2006), Anomsari. and Mahmud (2012), Nurdhiana (2012), Suryaningrum (2012), Febriatmoko and Raharjo (2015) concluded that business performance is influenced by organizational culture, business strategy, company policy, knowledge management, entrepreneurial orientation, market orientation, capital, management capabilities, innovation and superiority in competition factors.

Limitation in organizational resources is the general prohibitive factor for the achievement of maximum performance for micro, and small enterprises, including during the start-up business phase. This argument is relevant with the argument of Suryana (2007) that reveals the fact of weakness and the obstacle for Medium, Small and Micro enterprises in Indonesia as the obstacle of the achievement for maximum performance, including the lack of capital, limited human resources, the weak business network, uncondusive business climate, limited business infrastructure, and limited market access. Lung (2008) concluded that, capability composition characteristic and resources owned by small scaled business is not variative with relatively limited amount, compared to big enterprises. Lung's (2008) empirical study as well as theoretical concept stated by Suryana (2007) revealed the maximum performance achievement of small and micro enterprises.

Small and micro enterprises condition, especially during start-up business phase tends to be in an unstable condition in the business process, but relatively more reactive and proactive, continuously trying to find new chances to meet customers’ demand in order to reach maximum performance. Micro and small enterprises business activity in start up business phase tends to try to adapt the resources with external environment or actualizing operational adaptation with stakeholder or market.

According to Narver and Slater (1990), sensitivity towards business environment and company’s respond towards stakeholder is the manifestation of market orientation. Market orientation dimensions are customer orientation, competitor orientation, coordination between functions, long term focus. Jaworski (1990); Narver and Slater (1990) as well as Matear at al. (2000) concluded that market orientation as organizational phenomenon give contribution in the superior performance achievement. Ruokonen (2008) proved that market orientation gives positive and significant contribution in promoting high performance although empirical proof shows positive influence of the market orientation towards performance. Matanda and Ndubisi (2009) research as well as Susilowati, et al. (2011) show relatively different result, which is market orientation does not directly influent the company’s performance, this result reveals the controversion related to market orientation with business performance.

Micro and small enterprises determinants relatively holistic, it is proven by the research by Kotev and Meredith (1997), Lee and Tsang (2001), Cunningham (2003) in Riyanti (2006), Sangen (2005), Nga and Shamuganantha (2010), and Risna, et al. (2011) proved that non-economical factors, such as entrepreneur personality, and ethnic culture influence the performance of micro, small and medium enterprises. Those research results reveal as well as justify the relation of non technical aspect with business performance.

Nandeshwar (2006) concluded that technical capabilities are not enough for individual career success (including business actors), and it is identified
that people that suffer from difficulties for success in their jobs have technical capabilities, but they relatively do not have interpersonal competence. Stephenmarks’ (2006) statement strengthen the opinion of Nandeshwar (2006) that affirm interpersonal competence is the basic of success. Costa and McCrae (1992;1998) reveals the concept of “the big five” that becomes the entrepreneurial characteristic indicator and interpersonal competences superior in business activities, such as openness (open personality), extroversion (easy to socialize), agreeableness (hospitality), conscientiousness (thorough personality), neuroticism (individual emotional stability). Littunen (2000) stated that those personalities are generally named as interpersonal-personal which is he capability of: 1. self-control. 2. hardwork. 3. learning process. 4. good relations. 5. master of communication. Specifically, Hayes (2006) argues that interpersonal competence is the key that differs between well-performed managers and bad-performed managers. Buhrmester, et al. (1988) explain that interpersonal relation is the relation between one individual with the others that influence each other. Interpersonal relation is understood as harmonious communication capability, teamwork that acts for result and productive work relation (Pusdiklatwas, 2007). Relevant logic related to interpersonal competence encept with business activity, such as micro and small enterprises is identical with entrepreneurship that actualize the attitude and behavior of entrepreneurs in the achievement of goals through creative actions, hardwork, building value from something that is practically none, search of chance, developing relation with customers, suppliers, workers and others with limited resources, and calculated risk-taking. Barret (2000); Wiklund and Shepherd (2005) oncluded in their research that entrepreneurship gives positive impact on business performance.

The performance of small, and micro enterprises in start-up business phase maximally assumed to have relation with competence owned by the business actors in terms of capability, skill, and strength. This argument is relevant with the model proposed by Spencer and Spencer (1993:13) that explains the systematic relation between competence, behavior and performance. Linkage relevance of competence with performance is proven by Isa (2011) that concludes that in micro, small enterprises business activities, knowledge, behavior and skill development of the business actors is needed to achieve best performance. It forms entrepreneurial characteristic which is actualized in the attitude and behavior of business favored, strong, confident, and have self-determination or locus of control, risk management, change is seen as chance, tolerant for the number of choice, initiative and have need for achievement, creative, perfectionist, have vast perspective, effective in using time and have strong motivation (Lambing, et. al., 2000). The result of research by Risnawati (2012) strengthen the relevance of the assumption of linkage between competence and micro, and small enterprises performance, that stated that competence grows entrepreneurial soul, and then influence the maximum performance achievement of the business unit. The research result by Liu Yu, et al. (2001), Borch (2004) and Tehseen, et al. (2015) strengthen the evidence of competence, characteristic and entrepreneurial orientation have positive relation with small enterprise performance.

Reality of activity and business performance of micro and small enterprises in each area in Indonesia tends to be varied, especially in start up business phase. BPS data (2014) shows that the growth of micro enterprises number in Maluku Province in 2013-2014 is 0.006% and the growth of output value is 0.37%, growth of small enterprise number is -0.67% and the growth of output value of small enterprise in Maluku is -0.84%, this data is generally reveals the reality of micro, and small enterprise business activities, growing well but tends to not stand. The data indicates the tendency of micro and small enterprises in Ambon city moves in relatively short period of time. The facts stated by Balik (2007) explains the actors of micro and small business enterprises in Ambon city started business without any proper feasibility study, and in start up business phase, especially in the business age of 1 to 3 years, tends to emphasize the spirit and confidence, but ironically business management effectivity tends to be minor, which then influence the business performance. Business actors shows extraordinary optimism level, tends to have a kind of “euphoria” related to the business start up. Yet, excessive
optimism level has the potential to make a bias in decision making, interpersonal bias that has potential as the obstacle of support from the investors, customers, and workers to get the optimum results.

Corporate lifecycle explains that business organization in start up business phase starting to use the investment for business activities established (Thoyib, 2005). Micro and small enterprises in start up business phase is equivelnt as the stage of introduction and relatively do not have the stability of business actor as the continuous business carrying activity, ideally micro, and small enterprises have long term focus by building effective communication and business interaction with various parties, in this term are investors, workers and customers so that can effectively work as team, negotiate, promoting business and avoiding business conflict so that investment can give additional value. The condition of micro, and small enterprises in start up business phase is assumed to really need good and satisfying interpersonal relations to achieve the business goal.

Although interpersonal competence, entrepreneurship characteristic and market orientation are seen as the most significant determinant for business achievement. Micro, and small enterprises in start up business phase. In terms of quantity, empirical study on cause and effect relation of the competence, especially interpersonal competence, entrepreneurial characteristic market orientation and business performance of micro, and small enterprises in business start up phase relatively small, empirically, the relation of those variables must be proven further to emphasize the consensus about the relation of interpersonal competence, entrepreneurial characteristic, market orientation and company’s business performance in business start up phase. This research aims on doing empirical verification of the direct and indirect influence of interpersonal competence, entrepreneurship characteristic, market orientation and business performance of micro and small enterprise in start up business phase. Starting from the description of the literature review and previous research result review, the hypotheses are formulated as follow.

Hypothesis 1 : interpersonal competence has direct influence on market orientation.

Hypothesis 2 : entrepreneurial characteristic has direct influence on market orientation.

Hypothesis 3 : interpersonal competence has direct influence on business performance of micro, and small enterprises in start up business phase.

Hypothesis 4 : Entrepreneurial characteristic has direct influence on business performance of micro and small business enterprises in start up business phase.

Hypothesis 5 : Market orientation has direct influence on business performance of micro and small enterprise in start up business phase.

METHOD

This research is survey research, the data source of this research is primary data, collected using questionaire instrument, data measurement using interval scale, with five point Likert Scale score. This research conducts analysis to 136 micro and small enterprises units in start up business phase in Ambon City as sample. The sampling in this research uses non probability sampling, the selection of sample in this research uses judgement sampling method. Sample criteria that must be owned by respondent to be considered for sampling in this research are:

1. Respondents are small and micro entrepreneurs that have done micro and small business activity in Ambon City Area at the longest of 3 years period.

2. Respondents are small and micro entrepreneurs that have small and micro business units, or not in the form of joint business.

Data analysis model used is path analysis statistic method.

RESULT

Instrument test using validity and reliability tests prove that the coefficient value of Product Moment (r) indicator is bigger than 0.5 and cronbach alpha value is bigger than 0.6, these results prove that research instruments are reliable. Data normality test in the research is done by using data transformation technique with cumulative distribution function method that standardizing residual value, this method uses one sampel Kolmogorov Smirnov test, based
on the test it is proven that ssig value is 0.582 (first equation) and 0.505 (second equation), these results mean that standardized residual value is stated as normally distributed, therefore the data distribution can be said to be normally distributed.

Table 1 explains the result of calculation produce the path coefficient magnitude of OPKI and OPKK that defines the positive and significant direct influence of interpersonal competence, entrepreneurial characteristic on market orientation of micro and small enterprise in start up business phase in Ambon City.

Table 2 explains the path coefficient calculation result of p3KBKI, p4KBKK and p5KBOP explains the verification of positive and significant direct influence of interpersonal competence, entrepreneurial characteristic and market orientation on micro and small enterprise business performance in start up business phase in Ambon city.

The result of the research proves two lines of influence between variables that has indirect characteristic which is the influence of interpersonal Competence variable (KI) on business performance (KB) mediated by Market orientation (OP) variable and Entrepreneurial Characteristic (KK) variable on business performance (KB) mediated by Market orientation (OP) variable.

Table 1 explains the path coefficient calculation result of OPKI and OPKK towards market orientation (OP).

<table>
<thead>
<tr>
<th>Endogenous variable</th>
<th>Eksenogenous variable</th>
<th>Standardized Coefficients Beta</th>
<th>t value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>OP</td>
<td>KI</td>
<td>0.189</td>
<td>2.834</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>KK</td>
<td>0.596</td>
<td>8.890</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Calculation result
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**Table 2. Path coefficient of Interpersonal Competence (KI), Entrepreneurial characteristic (KK), Market Orientation (OP) on Business Performance (KB)**

<table>
<thead>
<tr>
<th>Endogenous variable</th>
<th>Eksogenous variable</th>
<th>Standardized Coefficients Beta</th>
<th>t value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>KB</td>
<td>KI</td>
<td>0.116</td>
<td>2.673</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>KK</td>
<td>0.121</td>
<td>2.285</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>OP</td>
<td>0.755</td>
<td>13.856</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**Source:** Calculation result

**Table 3. Direct and indirect influence between variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Direct</th>
<th>Indirect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>KI</td>
<td>ToOP = 0.189</td>
<td>0</td>
<td>0.189</td>
</tr>
<tr>
<td>KK</td>
<td>ToOP = 0.596</td>
<td>0</td>
<td>0.596</td>
</tr>
<tr>
<td>KI</td>
<td>ToKB = 0.116</td>
<td>Melalui OP = 0.189 x 0.755 = 0.142695</td>
<td>0.941</td>
</tr>
<tr>
<td>KK</td>
<td>ToKB = 0.121</td>
<td>Melalui OP = 0.121 x 0.755 = 0.091355</td>
<td>0.876</td>
</tr>
<tr>
<td>OP</td>
<td>ToKB = 0.755</td>
<td>0</td>
<td>0.755</td>
</tr>
</tbody>
</table>

**Source:** Calculation result

significant influence of Interpersonal Competence (KI) on the improvement of business performance of micro and small enterprises in start up business phase (KB) \((p\text{-value} = 0.000 < \alpha = 0.05)\) nd, justified that the research result supports hypothesis 3. Test result \((p\text{-value} = 0.000 < \alpha = 0.05)\) proves significant influence of Entrepreneurial Characteristic (KK) on business performance of micro and small enterprise in start up business phase (KB) and, it can be justified that the research result supports hypothesis 4. The result of comparison test of \(t\) value \((p\text{-value} = 0.000 < \alpha = 0.05)\) proves that market orientation has direct and significant influence on business performance, as well as justified that the research result support hypothesis 5.

**DISCUSSION**

This research results prove that there are direct influence of Interpersonal competence aspect on market orientation. Interpersonal competence is indicated in terms of entrepreneurial personality and superior workers, such as **openness, extraversion, agreeableness, conscientiousness, neuroticism, and self-control** influence directly the market orientation indicated or understood as customer orientation, competitor orientation, coordination between functions, long term focus. The verification of relation between interpersonal competence in the context of micro and small enterprise in start up business phase with market orientation is long term focus implementation by building mutual understanding, effective communication or business interaction with various parties, in this terms are investors, workers and customers, negotiating, promoting business and avoiding business conflicts so that investment can get additional value.

Direct relation between interpersonal competence on market orientation explain those two aspects have uniformed perspective in business activities, especially business units in start up business phase. Interpersonal competence of entrepreneurs and workers actualized in micro and small enterprises in start up business phase is the basis of network closeness and the quality of business activities between company with workers, customers, investor as well as other parties that have agenda with these business activities. Interpersonal competence is proven as the basis to build business unit capabilities in startup business phase which is oriented to customers, competitors, coordinating between functions, long term
focus. The result of this research is relevant and strengthen several previous studies, such as Liu Yu, et al. (2001), Borch (2004), Nandeshwar (2006), Hayes (2006), Isa (2011) and Risnawati (2012), which are in principle proving the influence of interpersonal competence on market orientation.

Research result proves the direct and significant influence of entrepreneurial characteristic on market orientation. The verification of the significant direct influence of entrepreneurial characteristic indicated in confidence, risk-taking, result-orientation, challenge-likeness, effective leadership on orientation for customers, competitors, coordination between functions, and long term focus. This research proves that entrepreneurial characteristic directly influence the implementation of market orientation by small and micro enterprises in start up business phase. Good entrepreneurial characteristic owned by small and micro entrepreneurs in start up business phase as the basis of market orientation implementation in the form of customer orientation, competitor orientation, coordination between functions, long term focus. The result of this research is relevant with the research result by Barret (2000) and Wiklund and Shepherd (2005) that concludes that entrepreneurial aspect influence business activity. This research result support the study done by Wasty Sumanto (1989), Meredith (1989) and Vitale, et al. (2001) that prove the interaction between entrepreneurial characteristic and market orientation has positive and significant impact with business performance.

Test result reveals that the verification of direct influence between interpersonal Competence on business performance. The verification related to interpersonal competence owned by entrepreneurs and workers in business activities with the business performance of micro and small enterprises in start up business phase in terms of sales growth, profit growth, and asset growth. The result of this research is relevant with the result of study by Stephenmarks (2006), Nandeshwar (2006), Purwanto (2007), Nga and Shamuganathana (2010), Risna, et al. (2011) and Tehseen, et al. (2015) concluded that competence influence business performance.

The result of this research proves that entrepreneurial characteristic influence the business performance of micro, and small enterprises in start up business phase. The result of this research support the result of the study by Meredith (1995), Lambing, Peggy and Kuehl, (2000), Barret (2000) and Wiklund and Shepherd (2005) that give conclusion in their studies that entrepreneurship will give positive impact on business performance. The result of this research proves that customer orientation, competitor orientation, coordination between functions, long term focus influence the achievement of business performance indicated in terms of sale growth, profit growth, and asset growth optimally by micro and small enterprises in start up business phase. Micro enterprises, and small enterprises are focused and flexible towards market trend, understanding customer needs, strengthening the competitiveness as the respond towards competitors, utilizing resources optimally, coordinating various functions in a company effectively and efficiently, as well as long term focus influence business performance. The result of this research support the result of the study by Harris and Ogbonna (2000), but not the same with the study result by Matanda and Ndubisi (2009) and Susilowati, et al. (2011) that proves that market orientation does not have direct influence on company’s performance.

Statistic test explain the verification of market orientation as the mediator of the influence of interpersonal competence on business performance and entrepreneurial characteristic on business performance. The personality of micro and small entrepreneurs in start up phase that shows openness, extro-version, agreeableness, conscientiousness, neuroticism and self-control, supported by customer orientation, competitor orientation, coordination between functions, long term focus influence the achievement of business performance. Entrepreneurial characteristic owned by entrepreneurs in terms of confidence, result-orientation, risk taking, challenge-likeness, effective leadership is proven to be supported by the implementation of market orientation that influence the achievement of business performance of micro and small enterprises in the start up phase.

Model accuracy test (using determination coefficient method with the total of 98%) explains that model contribution is very good in explaining the causal relation from all variables studied. This result shows empirically the relation of interpersonal competence, entrepreneurial characteristic, as the basis of market
orientation and the achievement of business performance of micro and small enterprise in start up business phase in Ambon City. Interpersonal competence, entrepreneurial characteristic, as the basic of the activity of the micro and small enterprises in start up business phase that has the characteristic of empowering investment for business activities established. Micro and small business in start up business phase need interpersonal competence, entrepreneurial characteristic as market orientation basis, so that it will form knowledge, attitude and skill of entrepreneurs in terms of harmonious communication, interpersonal relation between entrepreneurs, workers (forming team work culture), investors and customers influence each other, the flexibility capability for market trend adaptation (understanding the customers' dynamics, knowing the competitors' potentials) for the result and productive work relation. It is as the basis of investment management effectively and efficiently for the maximum achievement of business performance of micro and small enterprises in start up business phase. The result of this research is relevant with the study result of Lee and Tsang (2001) that concludes that personality, entrepreneurial characteristic forms productive business network. This research explains interpersonal competence, entrepreneurial characteristic direct and indirect relation towards orientation and business performance, is a holistic model of effectivity and efficiency strengthening path of micro and small enterprises business activities in start up business phase in Ambon City. The result of this research reveals the proof of the non economic integrated aspect influence holistically as the determinant of business performance.

CONCLUSION AND SUGGESTION

Conclusion

Interpersonal competence is the capability of micro, and small entrepreneurs in start up business phase in establishing individual relation with workers, investors and customers harmoniously and influence each other to achieve the business success actualized in extraversion, agreeableness, conscientiousness, neuroticism influence the entrepreneurial characteristic. Better interpersonal competence of micro and small enterprises in start up business phase can improve the customer orientation, competitor orientation, coordination between functions, long term focus. The entrepreneurial characteristic improvement in terms of confidence, result orientation, risk taking, challenge-likeness, effective leadership directly improve the customer orientation, competitor orientation, coordination between functions, long term influence the achievement of business performance mediating the influence of interpersonal competence and entrepreneurial characteristic on performance of micro and small enterprise in start up business phase, which is indicated by the growth of sales, growth of profit and growth of asset optimally.

Suggestion

Micro and small entrepreneurs in start up business phase need to adapt the interpersonal competence aspect as well as strengthening entrepreneurial characteristic in business behavior which are effective for the achievement of market orientation which then can improve the achievement of superior performance as the guarantee of business success. There need to be special attention and related institution support especially the Local Government of Ambon City for micro and small enterprises in start up business phase through interpersonal competence strengthening program as well as entrepreneurship characteristic strengthening for entrepreneurs and market orientation to support the achievement of superior performance.

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