

## Entrepreneurial Competencies of The household Industries of Local Foods in Bogor District West Java

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**Abstract:** The purpose of the study is to analyze individual characteristics of the entrepreneurs from household industries of local foods, the government policy support, entrepreneurial competence level as well as the determinant factors of the entrepreneurial competence of household industries of local foods in Bogor district's, West Java . The study uses survey methods using descriptive statistical analysis and inference statistics to 231 home-based local food manufacturing industries in 14 sub-districts and 20 villages in Bogor. The results of this study indicate that the entrepreneurial competencies of household industries of local foods in Bogor district's is low. The determinant factors of the entrepreneurial competence consist of formal education, motivation, and cosmopolitan mindset of the household industry entrepreneurs of local foods as well as the government policy support for the development of household industries of local foods. To increase the entrepreneurial competence of the entrepreneurs from household industries of local food, the entrepreneurs need to increase their non-formal education, motivation, and cosmopolitan mindset as well as the government policy support.

**Keywords:** *competence, entrepreneurial, entrepreneur, household industry, local food*

### 1. INTRODUCTION

In accordance to the mandate of the Constitution of the Republic of Indonesia Number 18 Year 2012 on food, Indonesia with a population of more than 100 million people needs to have self-sustaining food, which is capable of producing diverse food to ensure the fulfillment of domestic food needs by utilizing the potential of local food resources and building food industries (Hariyadi, 2012; Pemerintah Indonesia, 2012 and Suradi, 2015)

Bogor district's has abundant sources of food, such as taros (*Colocasia esculenta L*), cassavas (*Manihot utilissima*), yams (*Ipomea batatas*), and bananas as the mainstay commodity (Badan Perencanaan Pembangunan Daerah Kabupaten Bogor, 2015) that is very potential to actualize food sustainability independently. Some types of local food made from raw taros, cassavas, yams, and bananas are taro layer cakes, taro brownies, taro dodols, taro chips, taro cheese cakes, porridge, chiffon cakes, donuts and cookies, cassava brownies, cassava chips, yam chips, and banana chips (Nurbaya & Estiasih, 2013 and Koswara, 2015).

The era of free market with wider market opportunities and an increasingly competitive business climate becomes a challenge in strengthening food-sustainability. That is why actualize local food industries which mostly belongs to household industries of local food to have competitiveness (Tambunan, 2010) is important. Such challenges may only be faced by the presence of the entrepreneurs from household industries of local foods who have entrepreneurial competence. Questions which need to be answered are how the level of entrepreneurial competence of the entrepreneurs is, how the support of government policy is and what characteristics of the entrepreneurs from household industries of local foods, and what the determinant factors are.

Entrepreneurial competence such as basic and specific knowledge, motives, personality, self-image, roles and skills can be defined as key characteristics needed to start,

sustain and grow a business (Bird in Shenura, Haile, & Negash, 2016; and Tehseen and Rahmayah, 2015). A number of indicators that can be used to measure entrepreneurship competence are: (1) *strategic competencies*; (2) *commitment competencies*; (3) *conceptual competencies*; (4) *opportunity competencies*; (5) *organization competencies*; (6) *relation competencies*; (7) *learning competencies*; (8) *personal competencies*; dan (9) *technical competencies* (Sarwoko, 2013) ; Ahmad, Ramayah, Wilson, & Kummerow, 2010; McClelland, 1987).

This research specifically aims to analyze individual characteristics of the entrepreneurs from household industries of local food, the government policy support, entrepreneurs' competence level as well as the determinant factors of the entrepreneurial competencies of household industries of local food in Bogor district, WestJava.

## 2. METHOD

The research was an explanatory research using survey method at 14 sub districts and 20 villages with 231 respondents of the entrepreneurs from household industries of local food determined by Stratified Random Sampling with Slovin formula (Babbie, 2004; Singarimbun & Effendi, 2012; Sevilla, Jesus, Twila, Bell, & Gabriel, 1993). The observed variables consist of entrepreneurial competencies, individual characteristics of the entrepreneurs from household industries of local food including formal education, experience, motivation, and the cosmopolitan mindset, as well as government policy support for the development of household industries of local food including the provision of business capital assistance, business facilities and infrastructure, training and counseling, partnership facilitation and supporting regulations. Data collecting techniques to explain the research variables were questionnaires (Kerlinger, 2000). Based on the test results, the instrument used had the required validation and reliability levels (Azwar, 2003; Ancok, 2011 and Sekaran, 2003). Data analysis was measured using descriptive statistical analysis and inferential statistical analysis.

## 3. RESULT AND DISCUSSION

### Individual characteristics of the entrepreneurs from household industries of local food

The research findings showed the characteristics of the entrepreneurs from household industries of local food in Bogor district as described in following Table 1

Table 1. Distribution of the characteristics of the entrepreneurs of household industries of local food in Bogor District in 2018

Characteristic	Category	Percentage (%)
Age (year)	Middle-age Adults (41 – 58)	53.7
Formal Education	Low (Primary School and Junior High School)	81.8
Non Formal Education (training frequency)	Low (0-2 times)	92.6
Business Experience (year)	Low (< 13)	80.5

Motivation (score)	Low (< 50)	62.8
Cosmopolitan Mindset (score)	Low (<50)	65.4

Source: Primary data processed, (2018)

As indicated in Table 1, in term of age, the majority (53.7%) of the entrepreneurs of household industries of local food in Bogor district is classified as middle-aged adults, the age at which the entrepreneurs have passed very productive periods towards a state where the physical condition, the drive to explore and foster ideas, learning abilities and the courage to face risks begins to decline. This tendency will increase in old ages. Thus, the entrepreneurs who are mostly middle-aged adults have lower entrepreneurship competence level compared to young adult entrepreneurs.

Most (81.8 %) of the entrepreneurs' formal education of household industries of local food in Bogor district is low (elementary to junior high schools). The same goes to the level of non-formal education. Most (92.6%) of entrepreneurs' non-formal education is low. Most of them did not attend non formal education. Even if they did, they came to training or counseling activities only twice mostly.

In term of long-of-effort, most (80.5%) of the entrepreneurs' business experience of household industries of local food industries in Bogor district is low (<13 years). Short duration of effort restricts their opportunities to gain learning while working (discovery learning) and can subsequently affect their entrepreneurship competence.

In terms of motivation, most (62.5%) of the entrepreneurs' motivation of household industries of local food in Bogor district have low motivation, reflected by the drive to run their business just because they want to imitate other people's business or just to be able to finance their daily life. In this case, there are only few entrepreneurs who have the drive or enthusiasm to increase income, take advantage of business opportunities and become successful entrepreneurs.

Most of the entrepreneurs of household industries local food in Bogor district have a relatively low level of cosmopolitan mindset, indicated by behaviors such as never or rarely follow exhibitions, seminars and trainings required in or related to the need to increase their entrepreneurship competence and business development, never or rarely access information and knowledge resources from various communication media, such as newspapers, magazines, radio, and tv which are needed to improve their entrepreneurship competence, finding opportunities and business development, never or rarely try to find the technology, equipment, consumers and business partners which are needed to improve and enhance entrepreneurship competence.

### **Government Policy Support**

Government policy support embodied in the provision of business capital assistance programs, provision of facilities and infrastructure, training and/or counseling, regulation and partnership facilitation are measured in terms of afford ability of the entrepreneurs of household industries local food manufacturing industries to the programs, and the their perception of the entrepreneurs from household industries of local food the suitability of the programs to their business development needs.

The accessibility of the entrepreneurs' behavior to government policy support can be illustrated in Table 2 below.

Table 2 Distribution of the entrepreneurs from household industries of local food based on the accessibility to government policy support in the development of Local Food Business in Bogor district in 2018

Program	Accessibility Category	Percentage (%)
Provision of Capital Assistance	Low	93.5
Business Infrastructure Support	Low	85.7
Training and Extension (Counseling)	Low	81.8
Partnership Facilities	Low	89.2
Availability of Support Regulations	Low	77.5

Source: Primary data processed, (2018)

Most (93.5%) of the entrepreneurs of household industries of local food have a low level of accessibility to the provision of capital assistance programs, where they never or rarely (1-2 times) over the past 3 years access business capital assistance. Those with a higher level of accessibility to this provision of capital assistance programs generally are the entrepreneurs who are closer to the authorities or related parties in the provision of business capital assistance from the village to the district levels.

Government has already launched a program of providing assistance in the form of equipment or machinery required in local food production processes, such as fryers and burners, supporting equipment such as gas tubes and stoves, and press packaging machines. However, the findings of this study indicate that the level of accessibility of most (87.5%) entrepreneurs to the provision of facilities and infrastructure is low. This condition is indicated by most entrepreneurs who never or rarely (only once) accessed facilities and infrastructure for food production during the last 3 years.

Government through supervisory agencies for household industries of local food such as Department of Cooperatives and SMEs, Department of Industry and Commerce, and the SME forum have facilitated the trainings, such as training on food process and production techniques, business management, book keeping and/or finance, packaging and marketing. However, the findings of the study indicate that the access level of most entrepreneurs (81.8%) to the training and extension (counseling) program is low, indicated by most of the entrepreneurs have not been attended training and extension (counseling) only 1 to 2 times and extension (counseling) related or required for the development of their business.

Through supervisory agencies for household industries local food manufacturing industries, the government has also launched partnership facilitation programs through exhibitions to bridge home-based local food manufacturing industries and local food product markets. However, the findings of this study indicate that the level of accessibility to this program is low, indicated by the majority (89.2%) of household industries of local food have not yet accessed a partnership facilitation program.

Furthermore, the government through supervisory agencies for household industries of local food has made provisions on: (1) the granting of a household industry business permit to make it legal, (2) the obligation to put the composition of raw materials for food products produced by household industries of local food; (3) product registration at the Agency for Drug and Food Control; (4) the installation of a brand or name industry on the packaging; and (5) others. Such provisions are part of the requisite requirements of household

industries of local food in accessing capital resources and obtaining partnership opportunities. The results indicate that the affordability of the entrepreneurs to the regulation supporting their business is low. Most of the entrepreneurs are never or have very little access to the supporting regulations.

### **Perception of the entrepreneurs from Household Industries of Local Food the Development Programs in Bogor District**

After obtaining an overview of the accessibility of the entrepreneurs from household industries of local food towards the suitability of program and program benefits supporting the development of the industries, the research findings on the perception of household industries of local food to the program are presented in Table 4 below.

Table 4. Distribution of the perceptions of entrepreneurs from household industries of local food toward the programs supporting the development of the industries in Bogor, in 2018.

Indicator	Suitability and benefit Category	Percentage %
The suitability of programs and program benefits for the development of household industry enterprises	Low	58.0
	Medium	37.7
	High	4.3

Source: Primary data processed, (2018)

The results as shown in Table 4 above show that the majority (58%) of the entrepreneurs state that the suitability of the program launched by the government is low. In other words, the programs provided by the government have not been in accordance with the needs of the entrepreneurs, both in terms of volume and types of the programs, for example, the value of business capital loans is much smaller than the value of venture capital required by the entrepreneurs. Similarly, infrastructure supporting programs have not been in accordance with the real needs.

### **Entrepreneurial Competencies of household industries of local food**

The results of the research on entrepreneurial competencies of the entrepreneurs of household industries of local food seeing from strategic competence, commitment competence, conceptual competence, opportunity competence, organization competence, relation competence, learning competence, personal competence and technical competence are described in table 5 below:

Table 5. The Distribution of household industries of local food based on entrepreneurial competence indicators in Bogor District, in 2018

Indicator	Category	Percentage (%)
Strategic Competence	Low	63.6
Commitment Competence	Low	62.3

Conceptual Competence	Low	77.9
Opportunity Competence	Low	51.0
Organization Competence	Low	56.3
Relation Competence	Low	62.8
Learning Competence	Low	54.1
Personal Competence	Moderate	67.1
Technical Competence	Low	56.3
Total Competence	Low	52.4

Source: Primary data processed, (2018)

The results in Table 5 show that entrepreneurial competencies (52.4%) of the entrepreneurs from household industries of local food low, either from strategic, commitment, conceptual, business, organization, relation, learning, or technical competence in local food business. Such conditions are reflected in the low ability to recognize short-term and long-term problems as well as opportunities in the business, to direct the company, to determine the structure of the work, to adjust the business plan with changes in the environment and long-term corporate objectives, to make decisions based on profit and loss assessments, and to monitor business growth.

The personal competence (67.1%) of most entrepreneurs is moderate, reflected by sufficient ability to maintain physic, mind, and emotion in running the business, respond to constructive criticism, beable to think positively for actions or events encountered in business, and well enough to recognize the strengths and weaknesses in running the business, although they have lack of self-motivated ability to work optimally.

### **Factors Affecting the Competence of the entrepreneurs from household industries of local food**

Basically the entrepreneurial competencies of the entrepreneurs from household industries of local food is determined by internal factors (Blackman, 2003; Hisrich et.al, 2008), e.g. age, formal education, non-formal education, business experience, business motivation, and cosmopolitan mindset. Entrepreneurial competencies is also influenced by external factors (Tambunan, 2010b), such as government policy support embodied in the provision of business capital assistance, infrastructure support, training or extension (counseling), facilitation of partnership and regulation. To test the determinants of entrepreneurial competencies of the entrepreneurs from household industries of local food, multiple linear regression analysis is used, and it produces the following mathematical equation model:

$$Y = 14,72 + 2,576X1.1 + 4,302 X1.4 + 0,105 X1.5 + 0,124 X2, R^2=0,770$$

The above equation shows that formal education (X1.1), business motivation (X1.4), cosmopolitan mindset (X1.5) and government policy (X2) together contribute 77 percent to

increasing the entrepreneurial competencies of household industries of local food, while the rest is influenced by other factors.

The results of this study found that the age of the entrepreneurs is not a determinant factor for the entrepreneurial competencies level, if not supported by higher levels of formal and non formal education. As indicated in Table 2, formal and non-formal education of most entrepreneurs is low.

Formal education significantly and positively influences the entrepreneurs' competence. The higher the formal education of the entrepreneurs is, the higher their entrepreneurial competencies. Because formal education is the foundation for entrepreneurs in developing entrepreneurial competencies, especially on strategic competence, commitment competence, conceptual competence, organizational competence, relation competence, learning competence and technical competences, it is understandable that low levels in formal education of most entrepreneurs as shown in Table 2 has contributed to their low entrepreneurial competencies. Non-formal education does not show a direct effect on the level of entrepreneurial competencies of the entrepreneur's because almost all (92.6%) entrepreneurs never followed non-formal education in the form of training or extension (counseling) activities, if any, they came in class only twice mostly.

Motivation to try is one factor that gives real and positive influences on the entrepreneurs' competence. Motivations reflected by reasons or things that drive the business, such as: trying to fill spare time by accepting business invitation or imitate others, running a business in an effort to meet the needs of daily life, running a business because the desire to obtain and increase revenue, and the most powerful is running a business because wanting to grab business opportunities and becoming a successful entrepreneur. Such motivation will positively affect all aspects of the entrepreneurial competence, including: strategic, commitment, conceptual, opportunity, organization, relation, learning, personal and technical competences. The low motivation of most entrepreneurs are characterized by the reasons or impetus to run a business just because they want to fill spare time, accepting the invitations of others and or paying for daily living, and little motivation for the drive to seize business opportunities and to become successful entrepreneurs have led them to the low level of entrepreneurship competence.

The cosmopolitan mindset of the entrepreneurs from household industries of local food is reflected by the intensity of activities that are closely related to the needs and capabilities for developing a business, such as participation in: exhibitions; seminar; training; access to information resources, technology and knowledge; equipment availability, raw materials, consumers and business partners offsite have a real and positive impact on entrepreneurial competencies. From the results of this study, it can be stated that the low level of cosmopolitan mindset is characterized by low participation in the exhibition, seminar, and training, access to information resources, technology and knowledge, equipment availability, raw materials, offsite consumers and business partners in the activity has contributed significantly to the low competence of most entrepreneurs.

The support of government policy toward the entrepreneurs' development has a significant and positive effect on the entrepreneurial competencies. Government policy support is reflected by the availability of business capital assistance, business facilities and infrastructure, training and/or counseling relevant to the needs of the development of home-based industry entrepreneurs, partnership facilitation and regulations or provisions that support the existence of household industries of local food contribute to all aspects of entrepreneurial competence, including: strategic, commitment, conceptual, opportunity, organization, relation, learning, personal and technical competences.

The low level of entrepreneurial competencies of most household industries of local food is due to the low level of government policy support, which can be seen from the low

accessibility of the entrepreneurs to the provision of business capital assistance, business facilities and infrastructure assistance, training and counseling, partnership facilitation and provisions or rules supporting the existence and development of household industries of local food. Such conditions are further exacerbated by the low level of program suitability with the needs of home-based local food manufacturing industries.

#### **4. CONCLUSIONS AND SUGGESTION**

Based on the result and discussion it can be concluded and suggested as follow:

1. Individual characteristics of the entrepreneurs of household industries of local food reflected by formal education, non-formal education, business experience, business motivation, and cosmopolitan mindset are in low category, adding to the fact that they are middle-aged adults.
2. Government policy support for the development efforts for household industries of local food reflected by the programs such as provision of business capital assistance, business facilities and infrastructure, training and counseling in enhancing entrepreneurship competence, partnership facilitation, and provisions or regulations supporting the presence and development of home-based local food manufacturing industries in low category in terms of accessibility and perception of the entrepreneurs.
3. Entrepreneurial competence levels of household industries of local food reflected by strategic, commitment, conceptual, opportunity, organization, relation, learning, and technical competences are in low category, except for the personal competence which is in medium category.
4. Factors contributing to the levels of entrepreneurship competence of home-based local food manufacturing industries consist of formal education, business motivation, cosmopolitan mindset, and government policy support to the development of home-based local food manufacturing industries.
5. To improve the entrepreneurship competence of home-based local food manufacturing industries, besides increasing formal education, non formal education is required through training and/or counseling, as well as government policy support in the form of provision of business capital assistance, provision of facilities and infrastructure assistance, training and / or extension (counseling), partnership facilitation and legislation.
6. Broader opportunity (access) is given to the entrepreneurs of home-based local food manufacturing industries to obtain non-formal education. Government policy support is also required either through increasing the number of the entrepreneurs who follow non-formal education activities or through increasing the intensity of non-formal education activities and government policy support.
7. The implementation of non-formal education and government policy support needs to be adapted to and provide benefits for the fulfillment of the needs for the development of home-based local food manufacturing industries.

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