The Importance of Entrepreneurship and Information Technology for SMEs Strategic Planning

Lena Ellitan
Faculty of Business, Widya Mandala Catholic University, Surabaya, Indonesia

ABSTRACT
The policy of developing the economic model of a country aims to stimulate all economic sectors to advance and develop into strengths on a regional and national scale. Micro, small and medium enterprises (SMEs) have become one of the most effective engines in developing economic market patterns in almost all countries and regions of the world. SMEs that contribute to this economic sector are the largest contributors to the pattern of advanced economies that drive competitive economic growth. SMEs actors have become the driving force of the economy and this must be recognized by the State in terms of their participation. The significant role of SMEs in the economies of world countries is very crucial in reviving and stabilizing and nourishing the global economy where their role will be seen in the conditions that SMEs fail or succeed in their journey. Basically, SMEs have little in having the driving capital of their business to develop and generally do not have much technical capability which causes them to be low in all circumstances and lack of access to develop capital for their future investment. In addition, the development of SMEs has become an important mechanism of how to develop economic growth, create jobs, and alleviate poverty from economic types. This article specifically discusses small-scale entrepreneurship and increases the use of information technology in the mission of supporting performance and competitive advantage, small business actors. The main purpose of this article is how to contribute positive thoughts to entrepreneurship or entrepreneurship in the use of entrepreneurial orientation, information technology in building strategic planning to support business performance and towards competitive advantage for entrepreneurship, especially SMEs.

KEYWORDS: SMEs, Entrepreneurship, Information Technology, Strategic Planning, Sustainability

How to cite this paper: Lena Ellitan “The Importance of Entrepreneurship and Information Technology for SMEs Strategic Planning” Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-5 | Issue-4, June 2021, pp.1004-1009, URL: www.ijtsrd.com/papers/ijtsrd42479.pdf

The significant role of SMEs in the economies of world countries is very crucial in reviving and stabilizing and nourishing the global economy where their role will be seen in the conditions that SMEs fail or succeed in their journey. National data according to the Strategic Plan of the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia for 2010-2014 states that the number of SMEs players in 2008 with a total of 51.3 million business units consisting of a workforce of 90,896,270 people and the contribution of SMEs GDP to National GDP of Rp. 2,609,4 Trillion of the total Rp. 4,696,5 trillion or 55.56% (Source: Strategic Plan of the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia 2010-2014). In accordance with the basic policies contained in the Medium Term Development Plan (RPM), for the short and medium term the State Ministry for Cooperatives and SMEs has issued various breakthrough programs, which enable the acceleration of empowerment of SMEs. This policy is operationalized through the implementation of various strength programs for SMEs and cooperatives from various
aspects of their business, from the production process to the marketing.

The short and medium term goals are to increase SMES income, expand business, open up new job opportunities and especially encourage SMES to be able to compete in the global market. The scale of economic activity, which usually begins with activities in the form of small markets, where producers and consumers meet to exchange goods for money, increasingly contributes to a wider economy. Competition between small and medium and even large business actors makes an abundance of choices for consumers to choose where the price and needs match, as well as the choice of speed in fulfilling access to demand according to their tastes (Permama, Laksmana, &Ellitan, 2017). Consumers on the one hand will play a role in determining the success of entrepreneurs’ businesses, especially in terms of the extent to which they survive. On other occasions, the development of self-employed actors in almost all scales has accelerated in almost all regions of the country.

However, the development of these entrepreneurs, especially small to medium ones, does not entirely indicate the success of these entrepreneurs at current success. So what guarantees the success of entrepreneurs in a good environmental framework is their own ability to find the basic pillars of the concept of modern administration, starting from their orientation to entrepreneurship then starting early thinking about strategic planning is the concern of a leader who ensures continuity and the effectiveness of success if the entrepreneurial orientation as their starting point in the business world is used properly. However, the existence of SMES is a matter of their presence in providing new products when viewed by their innovation, new jobs, increasing exports, and tax revenue for the State, especially how their role is to drive the local economy both in the short and long term (Sondakh, Christiananta, Ellitan, 2017).

Asmarani (2006) argues that the turmoil faced by the business world today is not only due to changes in the external environment, but also the consequences of the development and internal changes of each of these companies. The large number of SMES business actors who tend to decline in performance and have an impact on weakening competitive advantage are classic weaknesses in such entrepreneurship. The United States, for example, the SBA (Small Business Administration) found data that 60% of small-scale businesses failed in the first six years (Carland and Carland, 2003). Regarding the potential for failure of that size, some argue that the most important measure for the success of an entrepreneurship is survivability. The incidents of failure of entrepreneurs will be seen from how their liquidity can no longer meet the needs of their business obligations. In other words, the inefficiency compared to the production of goods they make causes bankruptcy to become a closeness to SMES entrepreneurs. The existence of various factors of failure in SMES actors is what makes business people go bankrupt and makes the economy not moving forward in various parts of the world. This situation does not appear to be desired by both business actors and the State represented by the local government. The failures in the SMES business are very varied in the findings of previous studies. SMES failure data include the following reasons: (1) Bankruptcy is defined as not continuing business operations with yield losses to SMES against their creditors. (2) Unsustainability which is defined as the prevention of further losses in the future. (3) Not continuing their production of goods they make causes bankruptcy to become further losses in the future. (3) Not continuing their business are very varied in the findings of previous studies. Un

The Importance of Entrepreneurship for SMES

Resource-Based View (RBV) theory focuses primarily on diversity of resources, whereas entrepreneurship tends to focus more on the diversity of belief in resource values (Barney, 1991). So it can be said that entrepreneurship is dynamic behavior, accepting risk, creative and growth-oriented which leads to a destructive force of creation as stated by Schumpeter (Anis, Christiananta, and Ellitan, 2018). Based on RBV theory, strategy formulation emphasizes the importance of internal resources owned by the company. The company should try to position it strategically based on the uniqueness and values of the company as well as resources and capabilities that are difficult to imitate. The company's strategy must meet the opportunities and threats of the external environment. The knowledge based view adapts knowledge as the most important strategic resource, so that it can be used for sustainable competitive advantage (Hastuti, 2016).

Tasfirin (2012) states that small businesses are “small firm owner managers”. In the view of Joseph Schumpeter, an economist who conducts a lot of research on entrepreneurship and entrepreneurship, arguing that: “the function of entrepreneurship is changing and revolutionizing production patterns by utilizing a new invention or by means of an invention. more generally, a technological possibility of producing a new commodity or producing an old commodity in a new way, opening up the supply of new materials or a new mode of distribution or organizing a new industry (Ellitan and Muljani, 2017).

Market ownership and determining how to compete in the midst of existing competition is one of the keys to the success of strategic planning (Asmarani, 2006). Determining the direction and accuracy of their placement as well as the location of the competition is the differentiation of products and services in the chosen market for their competitors. Referring to Porter's (1980) idea cited in Asmarani (2006) also, regarding competitive advantage can be achieved through various strategies, one of which is a business strategy, be it cost leadership, differentiation, or focus.
Through this article, it specifically discusses small-scale entrepreneurs or entrepreneurs and increases the use of information technology in the mission of supporting the performance and competitive advantage of small business actors. The other side that is expected is how research findings can minimize the risk of falling when market saturation is full so as to provide directions for entrepreneurs to immediately see or correct their way of doing business immediately. The Resource-Based View of Information Technology suggests that firms can and do differentiate themselves from competitors through the use of their Information Technology resources (Wilson, 2015). Information Technology resources are currently very advanced and are greatly helped by the advancement of features that help through available online applications to support a person’s or a company’s business in marketing their service products to the open market in online media especially. At other times, even though it is sometimes difficult to obtain or imitate the differences in each Information Technology resource, companies can achieve competitive advantage through learning to combine their Information Technology resources effectively.

The theory of how to gain competitive advantage is part of the field of strategic management with a conceptual approach and framework in formulating and implementing strategies to gain competitive advantage (Murimbika, 2011). For this reason, competitive advantage arises from how to employ new methods that are more effective and designed to meet the needs and desires of consumers in relation to their expectations of products and services. The goal is how to provide unique features and differences for competitors. Firms that cannot discover or translate by failure the efficiency and effectiveness of their resources and capabilities into business processes will not be able to expect awareness of the potential competitive advantage of their resources.

Krauss et al. (2005) in a study of small entrepreneurs in South Africa emphasized that entrepreneurial orientation has a positive and significant effect on business growth, the number of workers and external evaluation of success which is a measure of company performance. Research by Li et al. (2006) shows that entrepreneurial orientation has a positive effect on company performance. However, this study also shows that not all entrepreneurial orientation constructs have an effect on firm performance constructs. A significant positive relationship between entrepreneurial orientation and organizational performance is obtained through research such as Fairos and Tanaka (2010). However, Azizadeh (2014) contradicts the result that entrepreneurial orientation has no effect on performance. Murri (2014) state the results of the study that entrepreneurial orientation is not related to performance. Through research Djodjobo and Tawas (2014) suggest that the results of their research, namely entrepreneurial orientation do not have a positive and significant effect on competitive advantage.

The Role of Information Technology for SMEs

Wiyana (2009) that there is a significant positive result between the use of technology on company performance. The use of information technology on individual performance results that the use of information technology has a positive and significant effect on individual performance. Nasir and Oktari (2012) conducted research on the relationship between the use of information technology on individual performance and where the results of his research showed that the use of information technology could not affect individual performance. If an organization wants to be successful in its daily activities, it is necessary to identify the information required by management.

Companies such as banking, the use of information technology is very necessary for the speed of service to customers and the integration of all their banking activities. Meanwhile, the results of research by Nasir and Oktari (2012) show that the use of Information Technology has no effect on the performance of government agencies. According to a study by Wilson et al. (2015) entitled "Effects of Information Technology on Performance Logistics Firms in Nairobi County", the high level of use of information technology in companies means that the company is more effective and efficient. Therefore the use of information technology adds to the performance of logistics companies in the Nairobi area.

The results of information technology research have an effect on company performance as stated by Gusrita (2010). However, due to the large potential of information technology, it is expected that significant improvements in company performance in the use of information technology are expected. Aslizadeh (2014) in his research entitled Impact of Using Information Technology On Creating A Sustainable Competitive Advantage For Companies (Case Study: Golestan Food Companies) states that the hypothesis is that there is a positive and meaningful relationship between "use of information technology" and "the creation of an advantage, compete "in the food industry in Golestan.

The use of Information Technology (IT) in marketing SME products successfully developed by a number of Countries such as China, Japan and India. Even the Indian Industrial Confederation or Confederation of Indian Industry (CII) released survey results that show that the role of Information Technology (IT) has changed the fortune of the segment SMEs in India. According to the survey results the use of IT among SMEs has resulted in increased revenue which is significant, namely 78% of the respondents indicates an increase in income due to the use of IT. Meanwhile, China is implementing ICT as a efforts to increase competitiveness sales of its UMKM products. In much of the literature term mastery of technology (Technological acquisition) is defined as the ability to produce and managing the technology change process (Ellitan&Muljani, 2017).

SMEs' Strategic Planning

Research by Langat and Auka (2015) suggests that strategic planning in small businesses is an important instrument for planning and predicting the future position of the organization to face demand and changes where the possibility of subsequent emergence in the form applied to services. Their research results explain the relationship between strategy formulation and company performance. Strategic planning improves organizational performance as presented by Sandada (2012) in two ways, first, by reducing uncertainty in company operations and second, by improving coordination, communication and controlling of company activities. Through research Dinda (2006) explains that there is a relationship between strategic planning and a significant positive effect on company performance. The results of subsequent research by him also stated that he accepted that company performance had a positive and
significant effect on competitive advantage. The results of this study are also in accordance with the research of Sandada (2012) which shows positive results between strategic planning and performance that lead to competitive advantage. Entrepreneurs who are connected in strategic planning are more likely to get higher business performance (Carland and Carland, 2003). The findings show that all dimensions of strategic planning have a significant relationship with firm performance. The correlation between excellent planning and performance in profit concludes that firms producing planning have better financial results than firms that do not use planning (Mellich and Marcus, 2007). Asmarani (2006: 8) shows that the strategic planning relationship does not affect performance.

There is no relationship between planning formalities and performance or also in the research of Gibson and Gregory (2010) which found a small correlation between planning and company performance. Many authors argue that there is a strong positive relationship between strategic planning and business performance (Carland and Carland, 2003). Strategic planning assists managers in gathering information about critical aspects of their business activities by helping to predict future scenarios and ultimately making decisions about them (Gibson et al. 2010). Furthermore, Mardjiono (2009) with an answered hypothesis that company performance has a significant effect on the company’s competitive advantage.

The results of gap research on studies on the influence of entrepreneurial orientation on performance and competitive advantage, the influence of information technology on performance and competitive advantage, the effect of strategic planning on performance and competitive advantage, and the effect of performance on competitive advantage will be attached to the list of appendices for gap research. The results of these studies are an impetus for researchers to do further through this research. One concern of office holders in the State of Indonesia today is not only a matter of economic growth but how to present a sustainable framework for developing Micro, Small and Medium Enterprises as a strategy to reduce poverty. Micro, Small and Medium Enterprises or SMEs will produce a productive employment sector with the ability to create jobs for other job seekers so that the problems of poverty, unemployment and slow economic growth can be gradually resolved (Ellitan, 2017). A small force such as SMEs, if more and more, will transform into a large force that will move the wheels of the economy through supply and demand in the consumer market and in the labor market (Natasha and Devie, 2013).

Entrepreneurship Orientation and Information Technology for SMEs in Indonesia

Basically, SMEs have little in having the driving capital of their business to develop and generally do not have much technical capability which causes them to be low in all circumstances and lack of access to develop capital for their future investment. In addition, the development of SMEs has become an important mechanism of how to develop economic growth, create jobs, and alleviate poverty from this type of economy (Samarakoon and Jasek, 2011). The development of institutional improvement in the rules of the learning function is needed to increase capital formation that will be able to capture and authenticity technology for the enthusiasm of the SMEs. Falshaw, Glaister, and Tatoglu, E(2006). found that institutional failure has made the number of sizes of SMEs negatively associated with their growth. If the growth of SMEs moves down or there are many failures, then the role of SMEs is very crucial in entrepreneurial activities and as a solution provider to unemployment problems, job provision, innovation and long-term economic development.

SMEs in their position when the monetary crisis occurred, especially in 1998, were able to withstand the crisis that occurred. Based on BPS statistics for 2003, SMEs (approximately 40 million units) dominate more than 90% of the total business units and absorb the workforce with almost the same percentage. BPS also estimates that 56.72% of GDP (Gross Domestic Product) comes from this business unit and accounts for nearly 15% of Indonesia’s exports of goods (Research and Development Team of Bank Indonesia Credit Bureau, 2006: 1). However, over time, the ability and resilience of SMEs actors to compete in obtaining business performance in terms of quality and quantity has not been maximally comprehensive for current micro, small and medium entrepreneurs. Indonesia as a developing country still needs various supporting formulas which are essentially the progress and survival of these SMEs economic actors. The strategic planning and entrepreneurial orientation that has been formed have not been in harmony with the abilities and wills of the small business community, which in the end is for them to measure their performance and competitive advantage of the SMEs. The availability of capital is still a major part of their weakness, even though at this time the Government’s program has been rolling out through the distribution of People’s Business Credit (KUR) to channeling banks in order to support SMEs in terms of capital (Muljan & Ellitan, 2019). Even though there is a credit fund for this program, the most important thing is how the SMEs develop sustainably for the sake of their business existence in competition with all the processes. Government programs in maximizing the partisanship of the State or government to the community, in this case SMEs, are still constrained by various harmonizing factors. The element of trust also from the banking sector to the capital support facility program or the provision of credit for SMEs is still not optimal (Ellitan, Waluyo, Pradana, 2018).

The principle of prudence still dampens the rapid flow of contributions from national and regional banks to participate in raising the capacity of SMEs both in terms of capital and business-related knowledge. Assistance may still be a small obstacle but it is still a big obstacle for SMEs. Many areas outside Java seem to have slowed down their entrepreneurial performance compared to Java. The competitive and information climate may be somewhat lacking in generating ideas for entrepreneurial orientation, strategic planning, information technology on business performance and the competitive advantage of business innovation for small businesses.

Conclusion

The phenomenon of the development of SMEs in the city of raises several questions that make it interesting to study, especially those that affect the performance and competitive advantage of small businesses. Furthermore, this research examines the development Small Business which according to the author its development is quite fast with the aim of finding out whether the development of Small Business is related to the use of entrepreneurial orientation, strategic planning, information technology in presenting business performance and the competitive advantage of Small Businesses during their existence. them up to this point. Is
the development of Small Businesses with various formulas such as the use of entrepreneurial orientation, how information technology and the use of strategic planning in supporting performance towards competitive advantage so far. How also their business resilience is seen from their performance and competitive advantage in a changing market that is expected to be explored in this research in order to get answers, especially for those small businesses that are successful in competing, which will become the framework for developing models for other SMEs and so that the business does not become saturated and does not occur: omissions on ineffective economies of scale.

The large number of SMEs that exist is a joy to an active economic model, but data on progress and whether there are competition or other constraints have not been maximally obtained, especially from the government side as a competent source of information provider. Through the Government, the data held by the Cooperative and UKM Office of all SMEs in reached 15,700 units and almost all of them still do not have business permits (Ellitan, 2018). This means that if there is more detailed information, it will have a very positive effect on the development of SMEs in, seen from the availability of information about the existence of the SMEs themselves, even though Bank Indonesia data states that shop and restaurant businesses are the leading sectors in SMEs.

This paper seeks to discuss and identify the advantages and disadvantages that are formed in Small Businesses during operation and help the development of Small Businesses through sharing information on the success of other Small Businesses and immediately find other advantages that can be useful so that market saturation does not occur in Small Businesses the impact can decrease productivity. The benefits of information are also expected to be found whether the existence of the Small Businesses studied already has a clear consumer market, both local, Indonesian (outside the region) or international, so that later it will be fruitful as information for the embryo of success or a guide so that other Small Businesses have the motivation to use those successes. In the operational objectives of their business. Even with this information, it can also provide the local government as a facilitator of information sources for superior products to consumers or outside producers who are looking for information about SMEs in Indonesia. This paper is expected to contribute to strategic management theory, especially in identifying factors that influence Entrepreneurship Orientation, Information Technology, Strategic Planning and identifying them in the factors that affect Business Performance and Competitive Advantage of Small Businesses. This artilllry is also expected to be a theoretical guide for further research and to contribute in the form of a more comprehensive explanation.

References


