Evaluation of the Performance of MSMEs Leaders in Mandailing Natal Regency

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Abstract

This study examines the relationship between servant leadership, innovativeness, competence, and leadership performance in Micro, Small, and Medium Enterprises (MSMEs) in Mandailing Natal regency. The research aims to determine the significance of these variables and their impact on MSMEs’ leadership effectiveness. The study employed a hypothesis testing approach, using a significance level of 0.05, to analyze the collected data. The results revealed that servant leadership, as indicated by a p-value of 0.007, innovativeness (p-value of 0.000), and competence (p-value of 0.000) significantly influenced the performance of MSMEs leaders. The findings suggest that leaders who prioritize serving others, demonstrate innovative thinking, and possess the necessary competencies are associated with improved performance in MSMEs leadership roles. The discussion highlights the importance of adopting a service-oriented leadership style, fostering innovation, and investing in leadership competencies to enhance leadership effectiveness in MSMEs. These results have practical implications for MSMEs in Mandailing Natal regency. By embracing servant leadership values, fostering a culture of innovation, and developing leadership competencies, MSMEs can improve their overall performance, operational efficiency, and strategic decision-making. It is important to note that these findings are specific to the context of MSMEs in Mandailing Natal regency. Further research in different settings and industries would contribute to a broader understanding of the relationship between these variables.

Keywords: Evaluation, Servant Leadership, Innovativeness, Competence, Leadership Performance.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in a nation’s economy, as they contribute to economic growth and job creation, thereby ensuring economic stability [1],[2]. Indonesia has witnessed a consistent growth in its Micro and Small Industries over the years. When compared to large industries, the number of MSMEs in Indonesia surpasses them significantly, highlighting the substantial presence of MSMEs among the overall business landscape in the country. MSMEs typically employ various alternative strategies to gain market share, with their effectiveness relying on the leadership performance within the sector. Leadership entails intentional exertion of strong influence to guide, establish structures, and facilitate interpersonal dynamics within a group or organization [3]. Effective leadership in MSMEs leads to enhanced performance, especially in the competitive banking industry, where attracting a growing number of borrowers is crucial [4]. Performance refers to the achievements of individuals or groups within an organization, aligned with their respective roles and responsibilities, in order to attain organizational objectives [5]. Performance is the outcome achieved by an individual in carrying out tasks based on their skills, experience, dedication, and the time taken, according to predefined standards and criteria. Performance is a term derived from the phrase Job Performance or Actual Performance (the actual achievements of an individual). Performance is highly significant because a decline in performance, whether at an individual or group level within an organization, can have significant implications for the organization. Leaders have a challenging task as they need to consistently strive to improve their own performance and motivate their subordinates to enhance their performance, ultimately achieving organizational goals [6].

The phenomenon observed in the MSMEs of Mandailing Natal Regency by the end of 2019 is the declining growth rate of Gross Regional Domestic Product (GRDP). This can be observed in Figure 1.

![GRDP Growth Rate of Mandailing Natal Regency](image)

Figure 1. GRDP Growth Rate of Mandailing Natal Regency

Based on the provided Figure 1, it is evident that the growth rate of GRDP in Mandailing Natal Regency has been declining over the years. This phenomenon is attributed to the underperformance of MSME owners in the district. According to the author's observations,
MSME owners have not effectively nurtured their employees, resulting in a disengaged workforce. Furthermore, the limited product variety contributes to intense competition, highlighting the low level of innovativeness among MSME practitioners. Additionally, MSME owners seldom receive training, indicating a lack of competence in managing their businesses. To address these challenges and improve the situation, various measures can be taken [7]. Firstly, MSME owners should prioritize employee development and create a supportive work environment to enhance motivation and productivity. Secondly, diversifying product offerings and fostering innovation can help MSMEs stand out in the competitive market. This can be achieved through market research, product development, and leveraging technological advancements. Lastly, providing training and capacity-building programs to MSME owners can enhance their business acumen and competence, enabling them to make informed decisions and drive growth [8].

The leadership style adopted by leaders in MSMEs in Mandailing Natal Regency has a significant impact on their performance. Among the different leadership styles, servant leadership stands out as an influential approach. Servant leadership is defined by a natural inclination to prioritize serving others before assuming a leadership role, driven by a conscious decision to lead [9]. This leadership style revolves around the leader’s perspective and behavior, placing followers at the forefront. Servant leaders demonstrate a genuine concern for their followers’ issues, showing empathy towards them, and actively assisting in their personal growth and development to their fullest potential. By embracing servant leadership, MSME leaders can foster a positive work environment and cultivate strong relationships with their employees [10]. This leadership style promotes trust, open communication, and collaboration, creating a sense of belonging and motivation among the workforce. Servant leaders prioritize the needs of their employees, provide guidance and support, and empower them to contribute their skills and talents to the organization's success. Implementing servant leadership in MSMEs can lead to numerous benefits. It enhances employee satisfaction, engagement, and loyalty, ultimately driving higher levels of performance and productivity [11]. Moreover, servant leadership encourages a culture of continuous learning and development, as leaders actively invest in their employees’ growth and unleash their potential. This approach also promotes ethical and socially responsible behavior within the organization, contributing to a positive reputation and stronger relationships with stakeholders. In conclusion, adopting a servant leadership style in MSMEs in Mandailing Natal Regency can significantly impact leadership performance. By prioritizing the needs of followers, demonstrating empathy, and supporting their personal development, leaders can create a thriving work environment, enhance employee engagement, and drive overall organizational success [12].

Servant leadership is an approach to leadership that places the needs of others before personal interests. Leaders who embrace servant leadership view themselves as "servants" to their employees, with the goal of empowering them and achieving organizational objectives. This model enables individuals within an organization to fully utilize their core competencies and cultivates a healthier organizational culture by improving both job-related skills and positive leadership qualities [13]. A capable leader is highly sought after by many. When assuming a leadership position, individuals are expected to be effective leaders who can provide support and guidance to those they lead. Servant leadership emphasized that leaders should act as stewards, recognizing their responsibility to serve others while keeping the organization's primary goals (vision and mission) in mind. This leadership model is highly efficient and effective as it not only offers a valuable framework for businesses but also prioritizes serving employees and the wider community. The individuals naturally possess a desire to serve before realizing their leadership potential. In contrast to hierarchical leadership styles, servant leadership emphasizes collaboration, trust, empathy, and the ethical use of power. Its primary focus lies in developing individuals to be more compassionate and fostering teamwork and engagement among all members of the organization [11], [12].

Innovativeness is a significant factor that can impact leadership performance. It plays a crucial role in enhancing organizational performance, as organizations need to cultivate innovation to effectively adapt to the evolving global landscape. Innovativeness acts as a driving force in the process of diffusing innovation, facilitated by change agents. In the context of developing countries, innovativeness is recognized as an indicator of successful development programs. It signifies a transformative change in behavior, aiming not only for shifts in thoughts and attitudes but also tangible modifications in actual behavior. Innovativeness measures the degree to which individuals or adoptive units are relatively early in adopting new ideas compared to others within a system [14]. It primarily reflects observable changes in behavior, which are the primary goals of most diffusion programs, surpassing mere cognitive or attitudinal shifts. Innovativeness can encompass novel concepts, approaches, or objects that are perceived as new by individuals. It is frequently used to describe changes that are perceived as new by the community experiencing them [15].

Innovativeness refers to the degree to which individuals or other adopting entities are early adopters of new ideas compared to others within a system. It represents observable changes in behavior, which are the primary objectives of most diffusion programs, as opposed to mere cognitive or attitudinal shifts. Different experts interpret the term innovativeness in various ways. In a broader sense, innovativeness extends beyond just products and includes ideas, methods, or objects that are perceived as novel by
individuals. Innovativeness entails the introduction of new ideas, practical elements, methods, or man-made objects that are recognized as new by an individual or a group (society). It encompasses various forms of substantial changes. Innovativeness is a deliberate and intentional transformation aimed at achieving specific goals within a system. This novelty can arise from inventions or discoveries utilized to attain specific objectives and regarded as fresh by individuals or groups in society. As a result, this change is planned and desired [16].

Another factor that can affect the performance of MSME leaders in Mandailing Natal Regency is their level of competence. Competence refers to the capability to effectively carry out tasks and responsibilities by utilizing knowledge, skills, and appropriate work attitudes. It reflects an individual's ability to perform well in the workplace and encompasses the specific knowledge and skills that are either possessed or required to fulfill their duties, thus contributing to higher professional standards and work quality [17]. Competence encompasses the knowledge, skills, and attitudes of individuals that directly influence their leadership performance [18]. It involves the aptitude to effectively execute tasks and responsibilities based on the required knowledge and skills, while also exhibiting the work attitudes that align with the role. Competence signifies the possession of specialized knowledge, skills, and attitudes within a particular profession, setting professionals apart [19].

Competence encompasses an individual's knowledge, skills, and internal factors that enable them to effectively perform tasks based on their acquired expertise. It is the ability to achieve satisfactory performance in the workplace, including the capacity to apply skills and knowledge in new situations and enhance desired outcomes. Competence encompasses various capabilities, skills, and attributes that contribute to success in a specific role or task. It is a foundational quality that allows individuals to deliver outstanding performance in their respective fields [20].

The advantages of competence include avoiding recruitment mistakes and associated costs, facilitating faster learning for new employees, establishing a strong decision-making framework aligned with job requirements, accurately identifying and developing high-potential employees, promoting employee growth with clear career paths, optimizing training investments by focusing on competence enhancement, and fostering a performance-oriented culture through the development of relevant competencies [21].

The purpose of this study is to investigate the factors influencing the underperformance of Micro, Small, and Medium Enterprises (MSMEs) in Mandailing Natal Regency and propose measures to address these challenges. The study aims to contribute to a better understanding of the factors influencing the performance of MSME leaders in Mandailing Natal Regency and provide actionable insights to support their growth and success.

2. Research Method

This research utilized a descriptive analysis method with a quantitative approach to gather facts and information from both direct and indirect sources. The study aimed to provide a systematic, accurate, and up-to-date overview of the relationship between the variables under investigation, test hypotheses, and derive meaningful implications from the research problem. Primary data was collected through questionnaire distribution. The research focused on MSMEs in Mandailing Natal. The operational variables included servant leadership, innovativeness, competence, and leadership performance. In this study, a census approach was employed, where all 3,497 MSMEs in the district were included as the sample. Specifically, 100 UMKMs were selected as the representatives. The criterion for sample selection was based on UMKMs having at least two employees [22]. For a clearer understanding, please refer to the research framework in Figure 2 below:

3. Result and Discussion

Multiple regression analysis is used in research and statistical analysis when there is a need to understand and predict the relationship between a dependent variable and multiple independent variables [23]. It allows us to examine how changes in the independent variables are associated with changes in the dependent variable. The main advantage of multiple regression analysis is its ability to account for the influence of multiple factors simultaneously [24]. The results of the regression analysis in this study are presented in Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>t Value</th>
<th>Significant</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>10.755</td>
<td>3.685</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Servant Leadership</td>
<td>0.123</td>
<td>2.747</td>
<td>0.007</td>
<td>Accepted</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.359</td>
<td>9.228</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Competence</td>
<td>0.297</td>
<td>5.442</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>F Square</td>
<td>82.176</td>
<td></td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>R Square</td>
<td>0.720</td>
<td></td>
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</tbody>
</table>

The obtained p-value of 0.007 for the hypothesis testing of the variable servant leadership suggests a statistically significant relationship. The significance level used in the data analysis was set at 0.05. Since the p-value (0.007) is smaller than the significance level (0.05), we can conclude that the alternative hypothesis...
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(0.000) is smaller than the significance level (0.05), we can conclude that the alternative hypothesis (Ha) is accepted. Based on this result, it can be inferred that "competence has a positive and significant influence on the performance of MSMEs leaders in Mandailing Natal regency. The findings suggest that leaders who possess the necessary knowledge, skills, and abilities required for their roles are more likely to achieve better performance in leading MSMEs. The significant impact of competence on leadership performance underscores the importance of investing in the development and enhancement of leadership competencies in MSMEs. By equipping leaders with the right competencies, such as technical expertise, decision-making skills, and continuous learning, MSMEs can improve their overall performance, operational efficiency, and strategic decision-making. This discussion highlights the significance of competence as a key driver of leadership effectiveness in MSMEs. It emphasizes the need for MSMEs leaders to continuously develop and update their competencies to navigate the complexities of the business environment and effectively address challenges and opportunities. It is important to note that the study's findings are specific to MSMEs in Mandailing Natal regency. Further research in different contexts and industries would contribute to a more comprehensive understanding of the relationship between competence and MSMEs leadership performance. Additionally, exploring the specific competencies that have the most impact on MSMEs performance would provide valuable insights for leadership development programs and initiatives in the MSMEs sector.

Lastly, the obtained F-value of 82.176 and the corresponding p-value of 0.000 indicate a highly significant relationship between the variables servant leadership, innovation, competence, and leadership performance in MSMEs in Mandailing Natal regency. The significance level used in the analysis was set at 0.05, and since the p-value (0.000) is smaller than the significance level, we can conclude that the alternative hypothesis (Ha) is accepted. Based on this result, it can be inferred that "competence has a positive and significant influence on the performance of MSMEs leaders in Mandailing Natal regency. The findings suggest that leaders who possess the necessary knowledge, skills, and abilities required for their roles are more likely to achieve better performance in leading MSMEs. The significant impact of competence on leadership performance underscores the importance of investing in the development and enhancement of leadership competencies in MSMEs. By equipping leaders with the right competencies, such as technical expertise, decision-making skills, and continuous learning, MSMEs can improve their overall performance, operational efficiency, and strategic decision-making. This discussion highlights the significance of competence as a key driver of leadership effectiveness in MSMEs. It emphasizes the need for MSMEs leaders to continuously develop and update their competencies to navigate the complexities of the business environment and effectively address challenges and opportunities. It is important to note that the study's findings are specific to MSMEs in Mandailing Natal regency. Further research in different contexts and industries would contribute to a more comprehensive understanding of the relationship between competence and MSMEs leadership performance. Additionally, exploring the specific competencies that have the most impact on MSMEs performance would provide valuable insights for leadership development programs and initiatives in the MSMEs sector.

Besides that, the obtained p-value of 0.000 for the hypothesis testing of the variable innovativeness indicates a highly significant relationship. The significance level used in the data analysis was set at 0.05. Since the p-value (0.000) is smaller than the significance level (0.05), we can conclude that the alternative hypothesis (Ha) is accepted. Based on this result, it can be inferred that "innovativeness has a positive and significant influence on the performance of MSMEs leaders in Mandailing Natal regency. The findings suggest that leaders who demonstrate innovative thinking, creativity, and the ability to introduce new ideas and solutions are associated with better performance in MSMEs leadership roles. This discussion highlights the importance of fostering innovation in MSMEs in Mandailing Natal regency. By encouraging and supporting a culture of innovation, leaders can drive growth, adapt to changing market conditions, and gain a competitive advantage in the MSMEs sector. The significant impact of innovativeness on leadership performance emphasizes the value of embracing innovative practices and continuously seeking opportunities for improvement and development in MSMEs. It is important to note that the study's findings are based on the specific context of MSMEs in Mandailing Natal regency. Further research and replication of the study in different settings would contribute to a more comprehensive understanding of the relationship between innovation and MSMEs performance. Additionally, exploring the specific mechanisms through which innovation affects leadership performance would provide valuable insights for MSMEs practitioners and policymakers.

Furthermore, p-value of 0.000 for the hypothesis testing of the competence variable indicates a highly significant relationship. The significance level used in the data analysis was set at 0.05. Since the p-value

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fostering a culture of innovation, and investing in leadership development programs that enhance competence. By focusing on these factors, MSMEs can improve their overall performance, competitiveness, and long-term sustainability. It is important to note that the study’s findings are specific to MSMEs in Mandailing Natal regency. Further research in different regions and industries would contribute to a broader understanding of the relationship between these variables in diverse contexts. Additionally, exploring the specific mechanisms through which servant leadership, innovation, and competence influence leadership performance would provide deeper insights for MSMEs practitioners and policymakers seeking to enhance leadership effectiveness in the MSMEs sector.

4. Conclusion

In conclusion, the results of hypothesis testing indicate that the variables of servant leadership, innovativeness, and competence have a positive and significant influence on the performance of MSMEs leaders in Mandailing Natal regency. The obtained p-values (0.007, 0.000, and 0.000) were all smaller than the significance level of 0.05, leading to the acceptance of the alternative hypotheses. The findings highlight the importance of adopting a service-oriented leadership style, fostering innovation, and investing in leadership competencies for improving leadership performance in MSMEs. Servant leadership, characterized by prioritizing the needs of others, promotes a positive work environment and enhances leadership effectiveness. Innovativeness enables MSMEs leaders to adapt to market changes and gain a competitive advantage. Competence, encompassing the necessary knowledge and skills, empowers leaders to make informed decisions and drive performance. These findings emphasize the significance of incorporating servant leadership, fostering innovation, and developing leadership competencies in the management practices of MSMEs. By focusing on these aspects, MSMEs in Mandailing Natal regency can enhance their overall performance, operational efficiency, and strategic decision-making. However, it is important to consider that these findings are specific to the context of MSMEs in Mandailing Natal regency. Further research in diverse settings and industries would provide a broader understanding of the relationship between these variables. Additionally, exploring the specific mechanisms through which these factors influence leadership performance would offer valuable insights for MSMEs practitioners and policymakers. Overall, the study’s results suggest that MSMEs in Mandailing Natal regency can benefit from incorporating servant leadership principles, fostering innovation, and investing in leadership competencies to enhance their leadership performance and achieve sustainable growth.

References


