THE ROLE OF MANAGERIAL ABILITY AND PRODUCT DIFFERENTIATION ON THE PERFORMANCE OF MSMES IN BATAM CITY

Hendri Herman[1], Suyono[2]

Universitas Ibnu Sina
hendrihermanbatam@gmail.com, suyono@uis.ac.id

ABSTRACT
The MSME sector, which is proven to be able to absorb a large number of workers, is also a solution to reduce the number of unemployed. This positive trend needs to continue to maintain its growth so that the MSME sector on a large scale is able to overcome the unemployment problem in Indonesia. This research was conducted with the aim of determining the role of managerial capabilities and product differentiation on the performance of MSMEs in the city of Batam. The object of this research is MSMEs in Batam Kota sub-district. The total population in this study is 34 MSME actors. The number of samples in this study was calculated using the saturated sample technique, so that the number of samples in this study was 34. The results of the study are known that partially managerial ability has a significant effect on MSME performance, and product differentiation has a significant effect on MSME performance. Simultaneously, managerial ability and product differentiation have a significant effect on product performance From the results of this study, it is expected that MSME actors have managerial abilities in managing MSMEs and have product differentiation from other similar products

Keywords: Managerial ability, product differentiation, MSME performance

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have a big role to play in facing the global recession because MSMEs have contributed greatly to Gross Domestic Income (GDP). The absorption of labor is mostly carried out by MSMEs. MSMEs are a potential market for the financial services industry. MSMEs are fast in finding export market potential and MSMEs. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises (Ministry of KUKM) in 2021, the number of MSME actors in Indonesia reached 64.2 million with a contribution to Gross Domestic Income (GDP) of 61.07 percent or Rp 8,573.89 trillion. MSMEs are able to absorb 97% of the total workforce and are able to collect up to 60.4% of total investment in Indonesia

Based on the data above, Indonesia has the potential for a strong national economic base because of the large number of MSMEs and the absorption of a very large workforce. The percentage of MSMEs that increase every year so that the reduction in the number of unemployed in Indonesia will also decrease. In today's era of globalization, companies are faced with an increasingly competitive environment and a decline in sales. This needs to be observed and addressed so that the business world can continue to grow and increase (Herman et al., 2018)

MSME actors certainly want the business they are running to make a profit so that they can continue to carry out their business activities. The success of a business is certainly inseparable from the performance of the MSMEs themselves. The importance of assessing the performance of a business will have an impact on economic decision-making for the business. The performance of a business will be able to be used to see whether the company's goals can be achieved or not and can also be used as evaluation material. The good performance of a business is certainly inseparable from the managerial ability of the business actors themselves and the differentiation of the products produced

Good company performance is not only enough to be achieved through the spirit or spirit of entrepreneurship but also requires an aspect of expertise in managing available resources, in this case managerial skills. Thus, managerial ability is an important factor in business success. Good managerial skills in terms of communication, making decisions, solving problems, the ability to direct and motivate employees, making good strategies, the ability to see changes in the environment, and being able to work with a team have an effect on the achievement of company performance (Murtianingsih, 2023).

A business, if managed well, will certainly produce good profits as well. Therefore, it is important for MSME actors to have managerial skills in order to manage their business so that their business can grow. As the results of the previous

research conducted by (Karen Pandey & Mamentu, 2022), (Huda & Wijaya, 2024) which states that managerial ability affects the performance of the MSMEs themselves. Therefore, it is important for MSME actors to have managerial skills in business management.

Likewise with the products produced. Product differentiation is the act of designing a series of meaningful differences to distinguish a company's offer from a competitor's offer. Product differentiation is evidence and promises given to customers that are reflected in the positioning of products, brands, and companies.

In order for MSMEs to continue to develop and have good performance, of course, the products produced by MSME actors must have product differentiation. So that consumers can choose the products they need that can be provided by MSME actors. The product differentiation strategy is a form of effort made by MSME actors to distinguish between their products and products from their competitors by making the product more special. In this case, product differentiation is categorized as a need for business actors to determine the difference between their products and competitors' products. That way the performance of MSMEs can also increase. As the results of previous research conducted by (Anggara & Handayani, 2018) which states that product differentiation affects performance.

The problem to be examined is what is the role of the managerial ability of MSME actors and product differentiation carried out on the performance of MSMEs? Given the importance of the role of MSMEs in assisting the government in increasing economic growth and reducing the unemployment rate. The purpose of this research is of course to see the role of managerial ability and product differentiation on the performance of MSMEs themselves. Whether the ability of MSME actors in managing their business will affect business performance/development, as well as to see if it is necessary to differentiate products so that there are more product choices so that it will increase consumer interest in buying MSME products.

The urgency of this research is that considering the role of MSMEs in Indonesia's economy, it is necessary to carry out a strategy so that MSMEs in Indonesia can further develop. With the development of MSMEs, it will be able to help the government in reducing the unemployment rate, increasing economic growth. The approach to solving the problem of this research is to use an empirical approach; descriptive analysis methods, data analysis, multiple regression analysis and hypothesis testing.

This method can be used to find out how much role managerial ability and product differentiation play in the performance of MSMEs. Data from this study was obtained directly from MSME actors who were used as respondents in the study.

LITERATURE REVIEW
Managerial Skills
Managerial ability is the ability to use knowledge, behavior and talent in carrying out tasks. Skills can be learned and developed through experience, training and practice. Good business management requires adequate ability to manage the company, process information, and determine policies. A manager is said to be capable if the manager has adequate expertise in the field for which he or she is responsible. Managers can get this expertise because they have a high level of intelligence and a high level of education (Isnugrahadi dalam (Abdillah et al., 2019). The managerial styles are as follows (Griffin & Ebert, 2017):

1. Autocratic style
   Generally give orders and expect them to be obeyed without hesitation
2. Democratic style
   Generally, they ask for input from their subordinates before making decisions, but they still hold the final power in decision-making
3. Full authority style
   Generally acts as an advisor to subordinates who are allowed to make decisions.

According to many observers, the full-authority leadership style produces an approach that emphasizes the input of the entire employee into decision-making and helps the development of a work environment where employees increasingly determine what to do and how to do it.

Product Differentiation
Product differentiation highlights the striking differences between its brand and competitor brands. In the face of a competitive market arena, a company needs an effective strategy for the success of its products. Companies face opportunities and challenges related to the products they make. The products made must be developed to be able to meet the needs of the market. Product development is related to differentiation as a characteristic that can distinguish a product from competitors' products (Rachmat et al., 2022)

Product differentiation is all aspects that can be offered to the market to meet a desire or need, including physical goods, services, experiences, events, people, places, properties,

organizations, information and ideas (Pratiwi, 2019)

Product differentiation includes the following, namely (Hasbi & Oktini, 2018):

a. Shape
b. Feature
c. Adjustment
d. Performance quality
e. Conformity of quality
f. Resistance
g. Reliability
h. Ease of repair
i. Style
j. Design

Performance of Micro, Small and Medium Enterprises (MSMEs)

According to Rahmasari, company performance is something produced by a company in a certain period by referring to the set standards. The company's performance should be a measurable result and describe the empirical condition of a company of various agreed sizes. Business performance refers to how well a company is market-oriented and purpose-oriented *financial* (Herman et al., 2018). organizational performance is the actual result or output produced by an organization which is then measured and compared with the expected result or output (Jahanshashi, 2012)

Performance measurement indicators are as follows (Herman et al., 2018) :

a. Financial performance
b. Operational performance
c. Market-based performance

Previous Research

To support the research being conducted, the researcher uses some of these previous studies as a reference, namely:

1. (Karen Pandey & Mamentu, 2022) who conducted a research with the title The Influence of Business Capital, Managerial Ability and Human Resource Quality on the Empowerment of MSMEs in Tombatu District, Southeast Minahasa Regency. The results of the study stated that business capital, managerial ability and quality of human resources both partially and simultaneously have a significant influence on the empowerment of MSMEs.

2. (Huda & Wijaya, 2024) conducted a research with the title of the influence of capital, managerial ability, customer orientation, competitive advantage and e-commerce on the performance of MSMEs in the city of Padang. The results of the study stated that managerial ability, customer orientation, competitive advantage and e-commerce partially and simultaneously affect the performance of MSMEs.

3. (Hilaliyah et al., 2023) conducted a study with the title The Influence of Product Differentiation and Product Innovation on Marketing Performance in the Rattan Small Craft Industry. The results of the study stated that the role of product differentiation and product innovation carried out is still less effective in improving marketing performance

METHOD

The design of this study contains stages that include data collection instruments, sample determination, data collection, and data analysis. Based on the type, quantitative data is the type of data used in this study. Quantitative data is data in the form of numbers or numbers (Nurlan, 2019)

Research design is needed as a framework in compiling research. This research is a type of quantitative research. The planning of this research is preceded by data collection from related agencies, then the data that has been obtained will be analyzed. The type of data to be used is secondary data.

The population in this study is MSME actors in Batam Kota District, as many as 34 MSME actors. Because the number of population in this study is only 34, the sample calculation technique in this study uses a saturated sample technique, where the entire population in this study is used as a sample. Therefore, the number of samples in this study is 34 respondents

RESULT
Normality Test
The results of the data normality test in this study are as follows:

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		34
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.14320820
Most Extreme Differences	Absolute	.121
	Positive	.110
	Negative	-.121
Kolmogorov-Smirnov Z		.704
Asymp. Sig. (2-tailed)		.465

a. Test distribution is Normal.

b. Calculated from data.

From the table above, it can be seen that the significance value of the normality test is 0.465. The value of this significance is greater than 0.05. So it can be concluded that the distribution of data in this study has been distributed normally.

Uji Multikolineatias

Hasil pengujian multikolinearitas dalam penelitian ini dapat dilihat sebagai berikut:

Tabel 2 Hasil Uji Multikolinearitas

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Kemampuan Manajerial	.674	1.005
	Diferensiasi Produk	.781	1.005

a. Dependent Variable: Kinerja UMKM

From the table above, it can be seen that each variable has a *tolerance value* of 0.984. This tolerance value is greater than 0.1. The Variance *Inflation Factor* (VIF) value for each variable is 1.005. This VIF value is less than 10. So it can be concluded that the data in this study does not have a multicollinearity problem.

Heterokedasticity Test

The results of the heteroscedasticity test in this study can be seen in the following table:

Table 3 Heteroscedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.271	1.534		-.829	.654
	Kemampuan Manajerial	.025	.072	.061	.348	.710
	Diferensiasi Produk	.109	.082	.234	1.333	.522

a. Dependent Variable: Abs_Res

From the table above, it can be seen that the significant value of the managerial ability variable is 0.710, the significant value of the product differentiation variable is 0.522. Each variable significance value is greater than 0.05. So it can be concluded that in this study there is no heteroscedasticity problem

Multiple Regression Analysis

The results of the multiple regression test in this study can be seen in the following table:

Table 4 Multiple Regression Analysis

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.120	2.420		2.943	.006
Kemampuan Manajerial	.110	.113	.206	1.234	.000
Diferensiasi Produk	.203	.129	.308	1.852	.005

a. Dependent Variable: MSME Performance

From the table above, multiple regression can be formulated as follows:
Y = 5,120 + 0,110 + 0,203
From the formulation of multiple regression, it can be described as follows:

a. The constant has a value of 5.120. This means, if the free variable does not undergo changes or zero (0), then the performance of MSMEs has a value of 5,120

b. Managerial ability has a regression coefficient value of 0.110. This means that managerial skills have a positive influence on the performance of MSMEs. Every increase in one unit of managerial ability will increase the performance value of MSMEs by 0.110

c. Product differentiation has a regression coefficient value of 0.203. This means that product differentiation has a significant effect on the performance of MSMEs. Every increase in one unit of product differentiation will increase the performance value of MSMEs by 0.203

Uji Hipotesis
Partial Hypothesis Test (Uji t)
The results of the deep hypothesis test are seen as follows:

Table 5 Results of Partial Hypothesis Test (Uji t)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.120	2.420		2.943	.006
Kemampuan Manajerial	.110	.113	.206	1.234	.000
Diferensiasi Produk	.203	.129	.308	1.852	.005

a. Dependent Variable: Kinerja UMKM

From the table above, it is known that:

a. Managerial skills have a significant effect on the performance of MSMEs
Managerial ability has a significant value of 0.000. This significance value is less than 0.05. So it can be concluded that managerial ability has a significant effect on the performance of MSMEs. The first hypothesis was received

b. Product differentiation has a significant effect on the performance of MSMEs

Prduct differentiation has a significant value of 0.005. This significance value is less than 0.05. So it can be concluded that product differentiation has a significant effect on the performance of MSMEs. The second hypothesis is accepted

Simultaneous Hypothesis Testing (Uji F)
The results of simultaneous hypothesis testing are as follows:

Table 6 Results of Simultaneous Hypothesis Tests (Uji F)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.431	2	3.906	5.408	.000[b]
	Residual	33.219	31	1.391		
	Total	37.650	33			

a. Dependent Variable: Kinerja UMKM

b. Predictors: (Constant), Diferensiasi Produk, Kemampuan Manjerial

From the table above, it is known that Managerial ability and product differentiation simultaneously have a significant effect on the performance of MSMEs. From the table above, it is known that the significance value is 0.000. This significance value is less than 0.05. So it can be concluded that managerial ability and product differentiation simultaneously have a significant effect on the performance of MSMEs. The third hypothesis was accepted.

Determination Coefficient Analysis

The results of the determination coefficient test can be seen in the following table:

Table 7 Results of the Determination Coefficient Analysis Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.352[a]	,553	,099	1,480

a. Predictors: (Constant), Diferensiasi Produk, Kemampuan Manajerial

b. Dependent Variable: Kinerja UMKM

From the table above, it can be seen that the value of R square has a value of 0.553 or 55.%. This means that product differentiation and managerial ability are able to affect the performance of MSMEs by 55.3%, while the remaining 44.7% is influenced by other variables that are not included in this research model

DISCUSSION
Managerial Ability Has a Significant Effect on MSME Performance

Managerial skills are the ability to lead, manage, and coordinate resources within an organization. This ability has become very important in the business world, especially since a manager is required to ensure that all team members can work effectively and efficiently to achieve the business goals that have been set. To be a successful manager, one must have good managerial skills. This ability includes several aspects, including the ability to lead, manage time, communicate well, and make the right decisions. A manager who has good managerial skills will be able to make the right decisions and achieve the desired business targets. In other words, managerial skills are the key to success in leading a business.Managerial skills lead to MSME actors must understand how to manage their business so that MSME actors are able to coordinate their business activities in the fields of production, marketing, Human Resources (HR) and finance and other resources efficiently and effectively. This is because managerial skills will later lead to policies made or taken by MSME actors themselves, so that it will affect the performance of MSMEs. The results of this study are in line with previous research conducted by (Abdillah et al., 2019)

Product differentiation has a significant effect on the performance of MSMEs

Product differentiation is defined as the creation of a product or product image that is quite different from the products that have been circulated, with the intention of attracting consumers. This product differentiation is carried out by MSME actors to make a difference in a product by developing or modifying, creating a competitive advantage or making the product superior to alternatives in the market, increasing customer loyalty to the product. Product differentiation offers a different image from competing products. By doing differentiation, it will be easier for companies to make products superior when compared to competitor products. Differentiation is achieved when companies can differentiate competitors based on factors such as unique products and consumers can order products based on their preferences. According to (Hilaliyah

et al., 2023) research shows that product differentiation can significantly improve marketing performance.

CONCLUSION

After conducting research, it was concluded that managerial ability has a significant effect on the performance of MSMEs. This shows the need for an MSME leader or entrepreneur to have managerial skills in managing a business. Leaders who have good managerial skills allow business performance to also be good and successful. Differentiation has a significant effect on the performance of MSMEs. This shows the need for MSME actors to produce different products. MSME actors need to differentiate products so that the products produced have their own characteristics and uniqueness so that the product can win the competition. The next suggestion for researchers is to add research samples that can be obtained from several existing sub-districts, further research is also expected to add other variables to see factors that can improve the performance of MSMEs

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