

# The Effect of Technology and Competition on Business Development (Case Study of Integrated Business Service Center KUMKM North Sumatra)

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## ABSTRACT

*The research analysis aims to find out whether technology and competition affect the business development of SMEs at the KUMKM Integrated Business Service Center in North Sumatra. The data analysis technique used is an associative method with the help of the SPSS program version 24.0. The population in this study was all SMEs who traded at the KUMKM Integrated Business Service Center in North Sumatra and a sample of 60 respondents. Primary data retrieval using questionnaires. The results showed that technology partially has a positive and significant effect on the business development of SMEs at the KUMKM Integrated Business Service Center in North Sumatra. Partial competition has no positive and insignificant effect on the business development of SMEs in the Integrated Business Service Center of KUMKM North Sumatra. Technology and competition simultaneously have a positive and significant effect on the business development of SMEs at the KUMKM Integrated Business Service Center in North Sumatra.*

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## 1. INTRODUCTION

Competition in the business world is getting tougher, making entrepreneurs try to find the right strategy to market their products. Technology is an important factor that needs to be considered when business actors are going to market products. This

is because every business actor certainly wants a large profit in every production business. Therefore, the need for an understanding of technology and competition for production-scale business development is no longer seen as the main problem when compared to the marketing activities of the goods or services produced. It can be said that success in small and medium enterprises is the key to the success of business actors. In line with the rapid development in the industrial sector, the economic sector is experiencing high development, this will cause the level of competition between SMEs to be tighter and the problems faced by SMEs are increasingly complex. Therefore, the role of managing small and medium enterprises is increasingly important to face and overcome this level of competition and problems.

Basically, the goal of every SME actor is to maintain the survival of their business. In other words, SMEs are trying to achieve a profitable level of sales volume because it can measure the company's position with the calculated profit to be obtained. In promoting its products to consumers, SMEs use technology as a tool to introduce the products they will market.

Technological advances are one of the considerations of society in meeting their needs. The rapid development of technology, people call it the HiTech or NewTech era, the ease and quality offered by technological advances is a plus in the eyes of the public. Now technology has become a common necessity and is very important so as to affect the business world, which relies heavily on the schemes that develop people's lives.

The development of information technology that is getting higher, more sophisticated, and more powerful unwittingly brings influence on business development. The development of technology in the field of computers also affects performance in all aspects of business, especially in the field of administration such as database systems.

The issue of promotion has an important role in a business because promotion is an activity carried out by SMEs to introduce, inform, inform, and influence consumers about the types of goods and the advantages of the product, so that with the promotion carried out by SMEs, it will be able to affect the sales of these products. In addition to promotional factors, what affects the increase in sales volume is distribution, because although the products offered have good quality, promotions are carried out but if not supported by distribution channels that facilitate the marketing of products from producers (businesses) to consumers.

The size of the marketing area depends on the target of SMEs. Whether SMEs have a vision to become producers in certain fields of products nationally and internationally. If the SME player limits his marketing area means that he will play locally only, but if he does not limit the marketing of his products, and wants to leave the local market, then what must be done is

to establish the breadth of the marketing area. In addition, whether the mission of SMEs will provide certain products with excellent quality for their consumers, this also concerns the many products that will be made. Therefore, business development is always closely related to the vision and mission of SMEs.

One of the important factors that support the achievement of marketing targets is technology, because technology is a tool used by producers to convey or distribute goods from producers to consumers or industrial users through information technology such as social media. Producers can sell the goods they produce by mail, social media or directly to consumers' homes (from house to house). Technology in its role supports the operational activities of a business, makes it easier for SMEs with various applications, makes it easier for SMEs to obtain the information needed, makes it easier for SMEs to market products and saves time for SMEs. Another factor that needs to be considered in relation to MSME constraints is competition. Weak access to market information and not optimal MSME products in reaching consumers can be caused by weak or suboptimal SME players making product innovations to stay afloat in business competition. Business competition involves other business units in business activities carried out by producers, both in production activities and product marketing. Manufacturers use intermediaries because they create greater efficiency in providing goods to the target market. Through contact, experience, specialization and scale of operations, intermediaries usually offer companies more than what SMEs can achieve. Business competition is also a social process when two or more parties compete with each other and do something to achieve a certain victory.

This competition can occur when there are several parties who want something that is limited in number or becomes the center of public attention. Because business actors can specialize so that the business is more efficient, reduces transaction costs, and increases flexibility due to the presence of trusted partners.

Technology is useful for marketing / promoting products to be sold to consumers. Technology also makes it easier for SMEs to respond to complaints, criticisms or suggestions given by consumers in order to improve and develop products to be sold.

The integrated business service center KUMKM North Sumatra is one of the business sectors that continues to experience growth. Along with the increasing population growth in Medan City, the volume of needs for the integrated business service center KUMKM North Sumatra continues to increase. The tendency of the people of Medan City to enjoy ready-to-eat food and T-shirts or fashionable dresses has caused many new businesses to

emerge in the field of food and beverages and clothing. Therefore, the competition between companies is getting stronger. With this increasingly strong competition, it requires SMEs to strengthen their fundamentals so that SMEs can compete with other similar SME companies. When SMEs are unable to compete with global entrepreneurs, it will result in a decrease in sales volume so that the business will experience bankruptcy.

In addition, business development today strongly requires business actors to be more responsive to any changes that exist in the business world today. In running their business, SMEs are not only required to improve the welfare of owners and employees, but also be able to accommodate other interested parties. In addition, companies must also be able to meet the increasingly complex demands of society for their needs. Especially with the economic conditions in Medan City which are endlessly hit by shocks, forcing SMEs to be able to adapt to conditions like this by increasing the added value of the company.

Meanwhile, one of the main objectives of the KUMKM North Sumatra integrated business service center is to maximize business value or increase the level of prosperity of stakeholders. The level of health of SMEs is important for SMEs to increase efficiency in running their businesses, so that the ability to obtain profits can be improved and to avoid potential bankruptcy.

## **2. METHODS**

Approach This research uses associative research. Sugiyono's associative research (Sugiyono, 2010) is a study that aims to determine the relationship between two or more variables. This research can be built a theory that can serve to explain, foresee and control a symptom.

This research was carried out at the KUMKM Integrated Business Service Center in North Sumatra which is located at Jl. Jenderal Gatot Subroto KM. 5, Sei Sikambing C.II, Medan Helvetia District, Medan City, North Sumatra. Meanwhile, this research began from September 2019 to January 2020. Penelitian yang dilakukan memerlukan objek atau subjek yang diteliti sehingga permasalahan dalam penelitian ini terpecahkan. Berikut pemecahan masalah tersebut adalah sebagai berikut:

### **a. Populasi**

A population is a generalized area of objects that have certain qualities and characteristics that are set by the researcher to be studied and then drawn conclusions. In this study, the population was all SMEs, totaling 60 SMEs, trading at the KUMKM Integrated Business Service Center in North Sumatra..

**b. Sampel**

The sample is part of the number and characteristics possessed by it. Sample measurement is a step to determine the size of the sample taken in carrying out a study. It should be noted that the sample chosen in other words the sample must be able to describe the actual state of the population.

This study used the saturated sample method, which is a sample determination technique when all members of the population are used as samples. This is often done when the population numbers are relatively small, or research that wants to make generalizations with very small errors. Another term for saturated samples is census, where all members of the population are used as samples So that the sample that must be taken is 60 SMEs at the Integrated Business Service Center KUMKM North Sumatra.

This type and source of data was created to make it easier for the author to determine the type of data and data source to be taken and make it easier for the author to conduct research, the following types and sources of data in this study are quantitative data because it is expressed by numbers that show the value of a quantity of the variables it represents. Data is data in the form of numerical data or qualitative data that is estimated. This quantitative data is in the form of a questionnaire that will be given to SMEs who have been trading for a long time at the KUMKM Integrated Business Service Center in North Sumatra who will be used as respondents and who are willing to fill out the questionnaire or through company data.

The data sources in the study were distinguished into 2, namely primary data and secondary data, so it was determined that this study used primary data and secondary data. In this study, the data collection techniques used were:

1) Questionnaire

Questionnaire is a data collection technique by providing a set of questions or statements to consumers that will be used as respondents to answer Pengamatan

2). Observasi

Observation is a data collection technique carried out by making direct observations on the object of study.

3). Interview

Interviews are a data collection technique that gives respondents direct questions in which the respondent's answers are recorded and recorded

### 3. FINDINGS AND DISCUSSION

The Integrated Business Service Center for Micro, Small and Medium Enterprises Cooperatives (PLUT KUMKM) is a program that is expected to be able to synergize and integrate all potential productive resources, owned by the Central and Regional Governments and related Stakeholders in the context of providing services for the development of KUMKM businesses.

The Ministry of Cooperatives and SMEs initiated the birth of Integrated Business Service Centers (PLUT) throughout Indonesia Province as a comprehensive service facility for the development of cooperatives and micro, small and medium enterprises. In the designed concept, the central and local governments allocate operational assistance on an ongoing basis, because the target of this program includes micro, small, medium enterprises and cooperatives so that this program is not a project that is only implemented for a limited time.

PLUT-KUMKM at the North Sumatra Province level is a technical implementation unit (UPT) managed by the North Sumatra Province Cooperatives and Small and Medium Enterprises Office. The management of PLUT-KUMKM has 7 minimum services, including:

#### a. KUMKM Business Consulting

Availability of business consultants who have competency standards to provide business guidance to KUMKM for consultation. The function of the consultant is to find a way out of the problems faced by KUMKM. These business consultants already have competency standards in providing business advice in terms of HR issues, business management, product quality, IPR, business cooperation and the use of information technology. Provision of consulting services related to improving the performance and competitiveness of KUMKM's business, including: Business management, product quality improvement, intellectual property rights (IPR), business partnerships, utilization of information technology.

#### b. Business Mentoring or Mentoring

Providing business mentors who specialize in providing regular assistance, especially for KUMKM who want to upgrade and fix the business problems they face. The function of the business mentor is to develop the KUMKM business so that it can move up in class consistently.

##### 1). Facilitating Access to Financing.

PLUT has access to all types of financing for KUMKM both to banking institutions, venture capital, PKBL BUMN funds, funding in related agencies. This function is carried out by business

consultants who already have access and are able to connect KUMKM with these sources of financing.

**2). Marketing and Promotion.**

PLUT organizes promotions of superior products that can be visited by buyers or potential buyers from abroad. These superior products are promoted free of charge at PLUT so that PLUT's promotional facilities become a showcase for superior products from all regions in the province concerned. The forms of services provided are such as: facilitating access to promotion and marketing, making KUMKM product galleries, promotions in exhibition events, promosi media luar ruang (*Spanduk*, Banner, Leaflet, Booklet), cooperation with product promotion and marketing agencies / institutions (LLP KUMKM, Ministry of Trade, Ministry of Industry), partnership cooperation with National retail entrepreneurs (Carrefour, Alfamart, Giant, Indomaret, etc.).

**3). Business Training.**

PLUT organizes two types of training. First, training for aspiring entrepreneurs for the manufacture of certain products with the intention of creating opportunities for business cooperation between trainers and participants. Trainers are entrepreneurs who have been successful in their fields, while participants are prospective entrepreneurs who want to enter the business field concerned. Second, certain managerial skills training to support participants' business development such as training for internet marketing, accounting for KUMKM, Standard Operating Procedure (SOP) training, taxation training and so on. This training trainer is a professional or practitioner who is experienced in these fields. These two types of training are conducted on a scheduled basis based on the analysis of local KUMKM needs and are held free of charge.

**4). Networking.**

PLUT provides networking facilities for KUMKM, which regularly invites large entrepreneurs or successful medium entrepreneurs to share experiences on how they develop their business. The participants are KUMKM who want to learn and continue to grow. The invited speakers are successful entrepreneurs with diverse backgrounds such as agriculture, fisheries, processing industry, financial services, and so on. They are asked to share about their business, their mind set of experiences in dealing with problems and solutions in dealing with business problems.

**5). Entrepreneur Library Services.**

PLUT will provide library materials that specifically contain business books, journals and business magazines. These library materials can be used to find references for KUMKM in developing its business.

MSME development is the ability of a small entrepreneur to socialize himself to the needs of market share so that there is an improvement in the standard of living for an entrepreneur. Another definition of development is the process of how to develop, while developing is an order to always strive in development gradually and arranged that leads to the desired goal. The development of a business is the responsibility of every entrepreneur or entrepreneur who needs foresight, motivation and creativity (Anoraga, 2007). If this can be done by every entrepreneur, then there is great hope to be able to turn a business that was originally small into a medium-scale and even a large business. Business activities can start from starting, building cooperation or by buying other people's businesses or better known as franchising. But what needs to be considered is where the business will be taken. Therefore, a development is needed in expanding and maintaining the business so that it can run well. To carry out business development, support from various aspects is needed such as production and processing, marketing, human resources, technology and others. Business development is the task and process of preparing an analysis of potential growth opportunities, support and monitoring of the implementation of business growth opportunities, but does not include strategic decisions and implementation of business growth opportunities. As for large ventures, especially in the field of industrial technology, business development is a term that often refers to setting up and managing strategic relationships and alliances with others.

### **c. Business Development Strategy**

Strategy is a tool to achieve its business goals in relation to long-term goals, follow-up programs, as well as the priority of resource allocation (Rangkuti, 2013). As for the business development strategy:

#### **1) Increased economies of scale**

This method can be done by increasing the scale of production, labor, technology, distribution systems, and places of business (Suryana & Si, 2006). This is done when business expansion or increased output will lower long-term costs, which means achieving economies of scale. Conversely, if an increase in output



results in an increase in long-term costs (diseconomics of scale), then it is not good to do so. In other words, If the products and services produced have reached the most efficient point, then expanding economies of scale cannot be done, because it will encourage cost increases. Economic scale occurs when business expansion or increased output lowers long-term costs. Therefore, if there is an uneconomical business scale, entrepreneurs can increase their business by expanding the scope of business (economies of scope). Economic scale shows a reduction in business costs due to an increase in output, so the experience curve or learning curve shows a reduction in costs that arises due to cumulative increases in volume.

## **2) Expansion of Business Coverage**

This method can be done by adding new types of businesses, new products, and services that are different from those that are now produced (diversified), as well as with different technologies. For example, the city transportation service business was expanded with the tourism bus service business, the education service business was expanded with the training service business and courses Thus, The scope of economic business can be defined as an economic business diversification characterized by the total combined production cost of producing two or more types of products together is smaller than the sum of the production costs of each product if produced separately. To expand economies of scale or enough, the economic scope, if business knowledge and capital are sufficient, entrepreneurs can cooperate with other companies through joint ventures, or management cooperation through a partnership system.

### **d. Factors Affecting Business Development**

Factors that affect the development of SME businesses to be able to be highly competitive must be seen from the current condition of SMEs. Competitiveness is determined by the ability of human resources to produce quality of goods, prices, designs and environmental factors that provide conducive factors for SMEs to be able to compete fiercely. Rivals or competitors of SMEs in North Sumatra Province According to the problem above, the rise of foreign products such as apparel, both new and used, has received an increasing response from the public because of the quality, affordable prices and preferred designs. To compensate for these products, it is necessary to improve the ability of SMEs so that SMEs can or are able to produce these needed materials. Because the requirements of globalization are high quality, design,

efficiency so that the price is affordable to the public. Thus according to Irfan Syauqi Beik (Syauqi & Arsyianti, 2016) Factors affecting business development consist of internal and external factors, namely: (1) the ability of oneself to produce quality goods, (2) total sales, (3) price, (4) business capital, (5) design, (6) competitive ability, (7) marketing and product diversification areas.

**e. Business Development Indicators**

Some indicators in determining business development are as follows:

- 1). Motives for changing circumstances
- 2). Opportunities for growth
- 3). Level of outside coaching needs

**f. Technology**

**1). Definition of Technology**

Technology is a tool to make it easier for people to take advantage of the resources they need. The use of technology on resources has become easier and more efficient. Making technology more widely enjoyed and utilized by the public. One of the technologies that develops in society is the use of the internet. The rapid development of the internet has given birth to various innovations, including financial technology to meet the needs of the community. The use of technology makes financial services easier and more efficient. The application of technology in financial services is very helpful for community activities in transactions.

Related to technology, Anglin defines technology as the application of the behavioral and natural sciences and other knowledge in a systemic and systematic manner to solve problems. Another expert, Kast & Rosenweig stated Technology is the art of utilizing scientific knowledge.

According to Alisyahbana (Alisjahbana, 1980) "Technology is a way of doing things to fulfill humans with the help of tools and reason so that it seems to extend, strengthen, or make more potent the limbs, five senses and human brain". According to Miarso (Liputo, 2018) Technology is a process that increases added value, the process uses or produces a product, the resulting product is not separate from other existing products, and therefore becomes an integral part of a system.

According to Miarso Ellul in Miarso (2007: 131), technology is a whole method that rationally leads and has the characteristic of efficiency in every sphere of human activity. Based on this definition, it can generally be interpreted that technology is the

entire method and process that uses or produces a product that has efficiency in every field of human activity.

## 2). Types and Types of Technology

Technology for us is the knowledge of tools and crafts, and how it affects the ability to control and adapt to the natural environment. We use technology starting with the conversion of natural resources into simple equipment.

Technology has affected society and its surroundings in several ways. In society, technology has helped develop more advanced economies (including today's global economy). But many technological processes also produce unwanted products or cause something, for example pollution and draining natural resources by damaging the earth and its environment.

There are several types of technology including the following:

- a). Communication technology
- b). Construction Technology
- c). Medical Technology
- d). Information Technology

## 3). Factors Influencing Technology

In this technology, there are factors that affect the technology, according to the invalid source specified of the activities in this distribution. Here are the factors that affect technology:

- a). Time Required
- b). Sophisticated Facility Needs
- c). Needs Due to Business or Business
- d). The Need for High Demand and Supply
- e). The Need for Hobbies
- f). The Need for Information
- g). The Need for Knowledge

Thus, when connected with this study, then:

### g. The Effect of Technology on Business Development.

The results showed that the calculation of  $t_{hitung}$  4,832  $t_{tabel}$  2.002 and a significant  $0.001 < 0.05$ , then  $H_a$  was accepted and  $H_0$  was rejected, which stated that technology had a partial significant effect on business development.

Technology is very important in business development because the existence of technology, such as social media and various marketplaces, makes it very easy for SMEs to develop their businesses and market their products. This shows in this study that technology at the KUMKM

Integrated Business Service Center in North Sumatra is very influential in the development of businesses owned by SMEs.

#### **h. The Effect of Competition on Business Development .**

The results showed that the calculation of  $t_{hitung} -1,301$   $t_{tabel}$  of 2.002 and a significant of  $0.000 < 0.05$ , then  $H_a$  was accepted and  $H_0$  was rejected, which stated that competition had no positive effect and was not partially significant to business development.

Competition is very important in developing a business because with competition, SMEs can innovate more in terms of making products that will be marketed to consumers. This shows in this study that competition at the KUMKM Integrated Business Service Center in North Sumatra has no effect on the business development of SMEs.

#### **i. The Effect of Technology and Competition on Business Development.**

The results show that  $F_{hitung}$  is 12,126 while  $F_{tabel}$  is 3.15 which can be seen at  $\alpha = 0.05$  (see appendix to table F). The probability of significance is much smaller than 0.05 which is  $0.000 < 0.05$ , so the regression model can be said that in this study technology and competition. Technology and competition are very important in business development because the existence of technology and competition can trigger the enthusiasm of SMEs in developing their business. This shows in this study that technology and competition are very influential on SMEs in developing businesses

## **4. CONCLUSION**

Based on the results of the data analysis that has been carried out, the conclusions that can be drawn from this study are as follows:

1. Technology partially has a positive and significant effect on the Business Development of SMEs in the Integrated Business Service Center of KUMKM North Sumatra.
2. Partial competition has no positive and insignificant effect on the Business Development of SMEs in the Integrated Business Service Center of KUMKM North Sumatra.
3. Technology and Competition simultaneously have a positive and significant effect on the Business Development of SMEs in the Integrated Business Service Center of KUMKM North Sumatra.
- 4.

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