The Effect of Knowledge Management, Entrepreneurial Motive and Community Culture in Enhancing Competitive Advantages for Small and Medium Industries (IKM*)* in Pekanbaru, Riau

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Abstract
This research was intended to understand the effect of knowledge management, entrepreneurial motive and community culture in enhancing competitive advantages for Small and Medium Industries (*IKM*) in Pekanbaru, Riau. The population of this research was the Small and Medium Industries (*IKM*) entrepreneurs covered 369 people. The sample size was determined by Slovin formula with the number of 78 respondents. The data was collected by using questionnaire which was distributed directly to the respondents. The analysis tool used was Multiple Linear Regression by using the factor analysis with SPSS version 21. The f-test result showed that all variables consisted of the knowledge management, entrepreneurial motive and community culture had the effect of 24,89 with the significance level 0.00 towards the competitive advantages. The t-test result in hypothesis testing 1 showed that there was an effect of knowledge management toward competitive advantages, while hypothesis testing 2 showed that there was no effect of entrepreneurial motive toward competitive advantages and hypothesis testing 3 showed that there was an effect of community culture toward competitive advantages.
Keywords: knowledge management, entrepreneurial motive, community culture, and competitive advantages.

1. Introduction
1.1 Background of the Study
The instability of economy situation has been proved by the decline of people's purchasing power, which is affected in the increase of poor people both in cities and villages. Based on the experience during the crisis in 1998, there were many large-scale businesses went collapsed, in contrast, the small businesses could survive through the crisis without any significant influence. Therefore, it can be concluded that the small businesses basically have their own strength in helping the community to survive and fulfill their household needs.

In recent years, there is another phenomenon related to economic stability that is the imbalance between upper middle and lower middle class. The people in upper middle class has a high purchasing power. In contrast, the lower middle class has a low purchasing power. This problem exists because the income of lower middles class can be used only to fulfill their basic needs. As a result of these conditions, many business people from Small and Medium Industries face slow business growth due to the trading activity that is not running rapidly.

To solve this problem, Small and Medium Industries needs to strategically think in managing their businesses. The first step that is need to be done is looking at the interest of the upper middle class, because they can help increasing the business profit. It is not easy because there are many preparations needed to make the products meet their demands. It is certainly can be done of the small and middle businesses can move a step forward from the previous condition. In the future, it is possible that the small and middle businesses can compete with other large industries, especially within the region itself to finally go further to a bigger market scale.

Pekanbaru is a capital of Riau province that has numerous small and middle industries (known as *Industri Kecil Menengah (IKM)*). The development of *IKM* in Pekanbaru grows rapidly compared to the other cities and regencies in Riau province. According to the data from Department of Industry and Commerce in Pekanbaru during 2017, the development of *IKM* in Pekanbaru continued to increase which was shown from the number of new business units although the percentage was not very high. It indicated that *IKM* in Pekanbaru has a good business opportunity.

The previous research showed that the lack of knowledge, low entrepreneurial motive, and community culture affect significantly to the business performance. The research was done in a women's micro, small, and medium business (*UMKM*) in Palawan regency. However, this paper focused on *IKM* in formal sector, because it would ease the creation of competitive advantages in the future. The scale of women's micro, small, and medium business (*UMKM*) was seen too small to be used as the research target, especially many UMKM did not have business license yet.

This research focused on the Small and Medium Business in the sector of food production in Pekanbaru. Based on the data of the food business units in twelve districts in Pekanbaru as shown in Table 1.

Table 1. The Recap of IKM Based on the District Area

NO.	DISTRICT	CLASSIFICATION OF SMALL AND MEDIUM INDUSTRY ACCRODING TO *DITJEN IKM*	
		Number of *IKM*	%
1	SUKAJADI	37	10,03%
2	PEKANBARU KOTA	22	5,96%
3	SAIL	15	4,07%
4	LIMAPULUH	16	4,34%
5	SENAPELAN	48	13,01%
6	RUMBAI	9	2,44%
7	BUKIT RAYA	32	8,67%
8	TAMPAN	49	13,28%
9	MARPOYAN DAMAI	30	8,13%
10	TENAYAN RAYA	27	7,32%
11	PAYUNG SEKAKI	76	20,60%
12	RUMBAI PESISIR	8	2,17%
	TOTAL	**369**	**100,00%**

Table 1 showed a fairly good potential interest of the Pekanbaru people to be business people, especially in some areas like Payung Sekaki, Tampan, Bukit Raya, Marpoyan Damai, Sukajadi, Senapelan and Pekanbaru Kota. There were seven areas with adequate number of business people. Unfortunately, most of them relatively shared the same problem in which their business had not grown optimally and showed competitive advantages.

The phenomenon which strengthen the variable of knowledge management that was estimated to have a role in determining the growth of the business could be seen from the statements of business people group who became the sample in pre-survey. They stated that they did not know how to apply for a loan to the third party for additional capital to develop their business. In addition, they also did not have cashflow record which was the requirement when they wanted to apply a loan from the bank. The correct knowledge about product and its production was also the obstacle for most of them. *IKM* in Pekanbaru had not focused yet in the marketing aspects such as the knowledge about market, shape, packaging, and the customer's taste. The problem also happened to their human resources management because their small-scale business did not employ many workers. They needed more guidance to obtain the knowledge about production and modern packaging in order to compete with other business units.

The phenomenon which showed the entrepreneurial motive was seen from the business people's lack of enthusiasm to find the solution from the problems they faced during business activities. They were not diligently looking for the solution to their problems and did not learn from their past failure. According to Soparman Soemahamidjaja in Suryana (2009:4), the entrepreneurial motive is due to several factors, namely (1) the ability to formulate the life goal, (2) the ability to motivate themselves to increase their welfare, (3) the ability to take initiative which leads to a creativity to get the acknowledgement from the community about their business, (4) is achievement-oriented which is reflected to their views and acts towards opportunities, efficiency, quality working-orientation, planning, and prioritizing the monitoring. These motives are actually can be a force to develop the business. Someone who has an entrepreneurial talent can develop the talents through education. To become a successful entrepreneur, not only talent is needed, but also the knowledge of all aspects of the business that will be pursued. Entrepreneurship arises when the individual dares to develop new businesses and ideas. The entrepreneurial spirit is in every person who has innovation and creativity, and everyone who likes change, renewal, progress and challenges. Besides, a person's entrepreneurial motive is to create added value and competitive advantages for the business.

The phenomenon of community culture also gave effect to the competitive advantages of the industries in Indonesia. Indonesians still had a lack of loyalty and solidarity to the local product. It also happened in Pekanbaru where the lack of loyalty and solidarity to the local products of Small and Medium Industries affected the low competitive advantages. The phenomenon of the overall variables which would be studied surely needed more detail evaluation. The community culture is a custom within people in certain area. The community culture is commonly developed from the habit of the people which is based on the customs in that area. It is in line with the meaning of cultural order which is a way of living that is developed and shared by group of people and passed down from generation to generation. Culture is formed from many complex elements including religious systems, politics, customs, language, tools, clothing, buildings and works of art. Culture is a comprehensive lifestyle that is complex, abstract and broad. Many cultural aspects determine communicative behavior, several reasons why a person experiences difficulty when communicating with people from other culture can be seen from the definition of the culture itself because culture is a complicated device. Therefore, the values explored by an image which contains views on its features itself, so that force takes different forms in various cultures

such as abusive individualism in America, harmony of individuals with nature in Japan, collective obedience in China. This compelling cultural image equips its members with guidelines regarding appropriate behavior and logical values that can be borrowed by members so that they are considered the most modest. Thus, culture provides a coherent framework for organizing one's activities and enabling them to predict the behavior of others.

1.2 Identification and Formulation of Research Problem
1. Do knowledge management, entrepreneurial motives, and community culture simultaneously influence the competitive advantages of Small and Medium Industries (*IKM*) in Pekanbaru?
2. Does knowledge management partially affect the competitive advantages of Small and Medium Industries (*IKM*) in Pekanbaru?
3. Does the entrepreneurial motive partially affect the competitive advantages of Small and Medium Industries (*IKM*) in Pekanbaru?
4. Does community culture partially affect the competitive advantages of Small and Medium Industries (*IKM*) in Pekanbaru?

1.3 Research Objectives
1. To know the influence of knowledge management, entrepreneurial motives, and community culture that simultaneously influence the competitive advantages of Small and Medium Industries (*IKM*) in Pekanbaru.
2. To know the effect of knowledge management that partially influences the competitive advantages of Small and Medium Industries (*IKM*) in Pekanbaru.
3. To know the entrepreneurial motive that partially influences the competitive advantages of Small and Medium Industries (*IKM*) in Pekanbaru.
4. To know the community culture that partially influences the competitive advantages of Small and Medium Industries (*IKM*) in Pekanbaru.

1.4 Significance of the Research
1. For business people to be able to manage the business through their knowledge management, entrepreneurial motive, and community culture to improve the economy of the community.
2. To increase micro-enterprises as an effort to strengthen the economy of the family.
   To be the solutions to reduce poverty

2. Literature Review
2.1 Knowledge Management
Knowledge management is a proses of creating, obtaining, understanding, dividing, and using the knowledge wherever it exists to improve the learning organizational leaning and performance (Scarbrough et al, 1999), which covers identification, creation, acquisition, transfer, sharing, and exploitation of knowledge (Chyntia et al, 2005).
Dimension and Indicator:

Aspect of Human Resources	: 1. Workforce Development
	: 2. Recruitment System
	: 3. Employee's Motivation Development
	: 4. Retention (The Ability to Survive)
Aspect of Production	: 1. Knowledge of Raw Materials
	: 2. Knowledge of Production Aspects
	: 3. Knowledge of Packaging Aspect
	: 4. Knowledge of Product's Expiration
	: 5. Knowledge of Halal Label
Aspect of Marketing	: 1. Knowledge of Market Share
	: 2. Knowledge of Prices
	: 3. Knowledge of Competitors
	4. Knowledge of Distribution Channel

2.2 Entrepreneurial Motive
As stated by Leonardus Saiman (2009:26), entrepreneurship is a situation that arises in a person to act or achieve goals in entrepreneurship fields.
Dimension and Indicator:
- Internal
1. Economy Motive :
   - Profit

- Business Development
2. Non-Economic Motive :
    - Channeling Hobbies
    - Recognition of the Effort
- External
1. Competitors
2. Government

2.3 Community Culture
Robbins dan Judge (2008:256) stated that the culture of an organization refers to a shared meaning system which is believed by the members that become the distinction between this organization and other organizations.
Dimension and Indicator:
- Business people
1. Determination in Running the Business
2. Creativity and Innovation
3. Persistency
- Environment (Local community)
1. The support from the community
2. Positive response from the environment

2.4 Competitive Advantages
Saiman (2014) said that the competitive advantages are expected to achieve the profit has been planned, increase the market share, arise the customer satisfaction, and continue the life sustainability of a business. The competitive advantages are the heart of business performance among the competitive market.
Dimension and Indicator:
- Superior Skill
1. Technical Skill
2. Managerial Skill
3. Operational Skill
- Superior Resources
1. Network
2. Production Ability
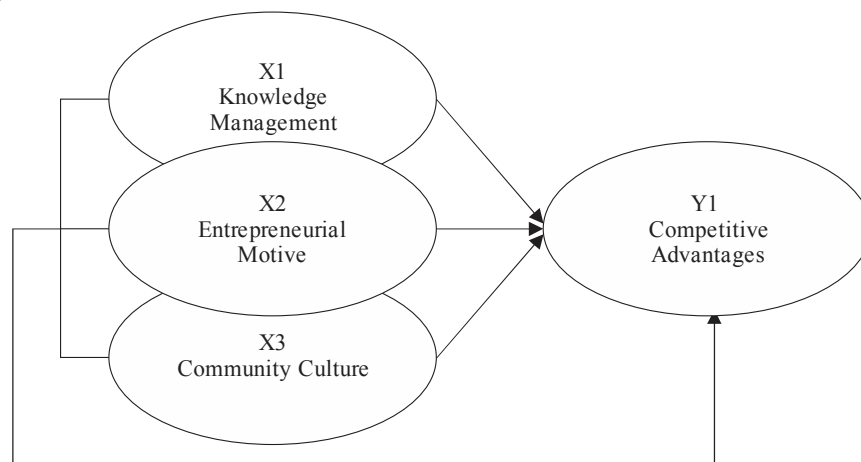3. Market Power

2.5 Framework

Figure 1. Framework

3. Research Method
3.1 Location of Research
This research was taken place in Small and Medium Industries (*IKM*) in Pekanbaru, Riau province.

3.2 Type and Source of Data
According to Umar (2009:42) the data used in research consists of two types of data:

a. Primary Data
b. Secondary Data

3.3 Data Collection Technique
The data collection technique which was used in this research were:
1. Interview
2. Observation
3. Questionnaire

3.4 Population and Sample
The population in this research was the business people in Small and Medium Industries (*IKM*) in Pekanbaru which covered 369 people. The sample was taken by Slovin formula (in Umar, 2011:78) which were 78 people.

3.5 Data Analysis
To understand the effect of knowledge management, entrepreneurial motive, and community culture to the improvement of competitive advantages in Small and Medium Industries (*IKM*) in Pekanbaru, Riau, this research used multiple regression analysis as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

3.6 Hypothesis Testing
3.6.1 Coefficient of Determination Test (R^2)
The value of coefficient of determination test (R^2) to the independent variable. The coefficient of determination (R^2) is considered strong or weak, based on when (R^2) approaches 1, it means that the influence of the simultaneous independent variable is considered strong and if (R^2) is close to zero (0), the influence of the independent variable on the simultaneous dependent variable is weak.
3.6.2 *F-Test*
To test the significance of the influence of knowledge management, entrepreneurial motives and community culture in increasing competitive advantages in the Small and Medium Industries (*IKM*) of Pekanbaru, Riau simultaneously, the F-test was used.
3.6.3 T-test
To test the significance of the influence of knowledge management, entrepreneurial motives and community culture partially in increasing competitive advantages in the Small and Medium Industries (*IKM*) of Pekanbaru, Riau, the t-test was used.
3.6.4 Validity and Reliability Test
3.6.4.1 Validity Test
Validity is the evidence that the instruments, technique, or process used to measure a concept is really measure the intended concept. The validity test aims at measuring the validity of certain statement system.
3.6.4.2 Reliability Test
Reliability is an index that show the extent to which a measuring device can be trusted or relied upon. If a measuring device is used twice or more to measure the same indications and the results obtained are relatively consistent, the measuring device is reliable. Reliability test aims to measure the consistency of a person's answer to statement items in the questionnaire (Sekaran in Sarjo 2011:35).
3.6.5 Classic Assumption Test
3.6.5.1 Normality Test
Normality test is a test to know if distribution of data is either normal or not which is analyzed by the normality test of Kolmogorov-Smirnov (Santoso, 2001:86). Calculation is done using SPSS assistance program, where if significant from Kolmogorov-Smirnov is greater than the value of 0.05 ($\alpha = 0.05$) it means that the data is normally distributed, otherwise if the Kolmogorov-Smirnov value is smaller than the value of 0.05 ($\alpha = 0.05$), it means that the data is not normally distributed.
3.6.5.2 Multicollinearity Test
Multicollinearity is used to show the existence of a linear relationship between the independent variables in the regression model. If the independent variables are perfectly correlated, it is called perfect multicollinearity. In order to find out whether there is Multicollinearity between variables can be seen from the variance inflation factor (VIF) of each independent variable on the dependent variable.
3.6.5.3 Heteroscedasticity Test
Wijaya (2009: 124) stated that heteroscedasticity shows that variable variance is not the same for all observations. There are several ways to detect the presence or absence of heteroscedasticity by looking at scatterplot and using a glacier test, park test, and white test. However, the most commonly used heteroscedasticity test is scatterplot test.

4. Result and Discussion

4.1 Instrument Testing

4.1.1 Reliability Testing

The reliability testing for the indicators in this research were competitive advantages, knowledge management, entrepreneurial motives and community culture which showed that these indicators were reliable where Cronbach's alpha $\geq 0,6$.

Table 2. Reliability

No	Variable	Cronbach's Alpha
1	Competitive Advantages	0,758
2	Knowledge Management	0,898
3	Entrepreneurial Motives	0,727
4	Community Culture	0,643

4.2 Validity Testing

Based on the validity testing which was done to the indicators of research variables, it was found that all indicators of research variables consisted of competitive advantages, knowledge management, entrepreneurial motives and community culture were valid because r hit > r table in which r hit > 0,2227 where the value of r hit could be seen in the corrected item-total correlation.

Table 3. The Validity of Competitive Advantages Variables

No	Variable	Indicator	Corrected Item – Total Correlation
1		KS1	0,474
2		KS2	0,523
3	Competitive	KS3	0,440
4	Advantages	SS1	0,462
5		SS2	0,508
6		SS3	0,587

Table 4. The Validity of Knowledge Management Variables

No	Variable	Indicator	Corrected Item – Total Correlation
1		SDM1	0,651
2		SDM2	0,605
3		SDM3	0,666
4		SDM4	0,505
5		PROD 1	0,281
6		PROD2	0,368
7		PROD3	0,552
8	Knowledge	PROD 4	0,764
9	Management	PROD 5	0,673
10		MARKET 1	0,658
11		MARKET 2	0,699
12		MARKET 3	0,724
13		MARKET 4	0,665

Table 5. The Validity of Entrepreneurial Motives Variable

No	Variable	Indicator	Corrected Item – Total Correlation
1		INT.MOTIV 1	0,513
2		INT MOTIV2	0,451
3	Entrepreneurial	INT MOTIV 3	0,346
4	Motives	INT MOTIV 4	0,478
5		EKS MOTIV 1	0,541
6		EKS MOTIV 2	0,47

Table 6. The Validity of Community Culture Variables

No	Variable	Indicator	Corrected Item – Total Correlation
1		PERI. USAHA 1	0,404
2	Community	PERI. USAHA 2	0,383
3	Culture	PERI. USAHA 3	0,578
4		LING USAHA 1	0,469
5		LING USAHA 2	0,256

4.3 Factor Analysis Testing

Table 7. Competitive Advantages

Communalities

	Initial	Extraction
KS	1,000	,735
SS	1,000	,735

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1,471	73,528	73,528	1,471	73,528	73,528
2	,529	26,472	100,000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
SS	,857
KS	,857

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

From the table above, it could be seen the emergence of one factor which is competitive advantages, in which the variations could be explained that the factor analysis was 73,528%. It also could be stated that both dimensions had the same contribution in creating the factor of competitive advantages that had contribution in shaping the factor as much as 0,857.

Table 8. Knowledge Management

Communalities

	Initial	Extraction
Human Resource	1,000	,689
Production	1,000	,845
Marketing	1,000	,808

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,342	78,053	78,053	2,342	78,053	78,053
2	,445	14,838	92,891			
3	,213	7,109	100,000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
Production	,919
Marketing	,899
Human Resources	,830

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

The table above showed that the factor of knowledge management in which the variation could be explained that factor analysis could be explained at 78.053%. It could also be stated that these three dimensions had a contribution in shaping knowledge management factors where the production dimension was 0.919, marketing was 0.899 and human resource was 0.80.

Table 9. Entrepreneurial Motive

Communalities

	Initial	Extraction
Internal	1,000	,698
External	1,000	,698

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1,396	69,799	69,799	1,396	69,799	69,799
2	,604	30,201	100,000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
External	,835
Internal	,835

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

From the table above, it could be seen the emergence of one factor which was entrepreneurial motive, in which the variations could be explained that the factor analysis was 69,799%. It also could be stated that both dimensions had the same contribution in creating the factor of competitive advantages that had contribution in shaping the factor at 0,835.

Table 10. Community Culture

Communalities

	Initial	Extraction
Business people	1,000	,690
Business environment	1,000	,690

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1,380	68,980	68,980	1,380	68,980	68,980
2	,620	31,020	100,000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
Business Environment	,831
Business People	,831

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

From the table above, it could be seen the emergence of one factor which was community culture, in which the variations could be explained that the factor analysis was 68,980%. It also could be stated that both dimensions had the same contribution in creating the factor of competitive advantages that had contribution in shaping the factor at 0,831.

4.4 Classical Assumption Testing
4.4.1 Residual Normality Testing

Table 11. Normality Testing
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		78
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,70551306
Most Extreme Differences	Absolute	,093
	Positive	,093
	Negative	-,072
Test Statistic		,093
Asymp. Sig. (2-tailed)		.092[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

The research result could be concluded that residual from regression model done was normally distributed. It was shown from the significance > 0.05 which was 0.092 meaning that the normality assumption was fulfilled.
4.4.2 Multicollinearity Testing

Table 12. Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Knowledge management	0,436	2,296
	Motive	0,476	2,101
	Culture	0,473	2,113

a. Dependent Variable: Competitive Advantages

Multicollinearity testing aimed to know if there was a correlation among the independent variables in the regression model. The research result showed that there was no correlation among the independent variables, which could be seen from the VIF < 10, meaning that there was a free regression model from the correlation in the variables.
4.4.3 Heteroscedasticity Testing
Heteroscedasticity testing aimed to know if the residual had the same variant. This research was based on Scatterplot which gave depiction that heteroscedasticity was not occurred in the residual because it did not certain pattern.
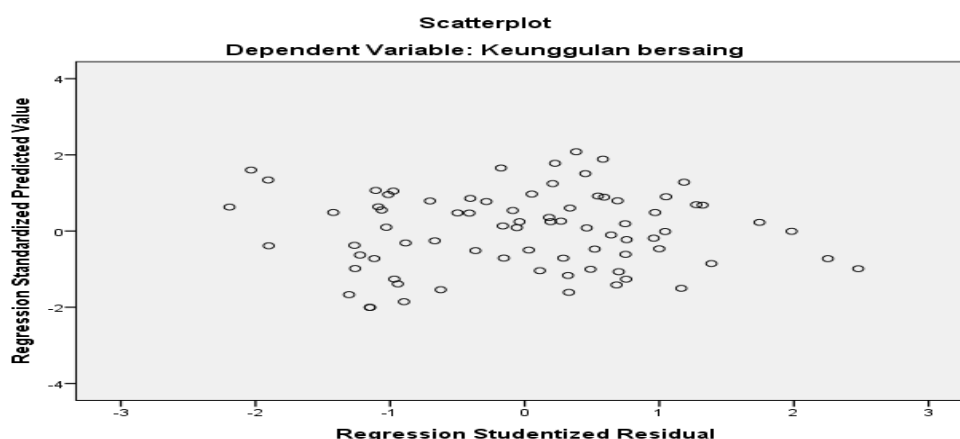

Figure 2. Heteroscedasticity

4.5 Autocorrelation Testing

Table 13. Autocorrelation Testing

Summary[b] Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.709[a]	.502	.482	.71967	1.772
a. Predictors: (Constant), Culture, Knowledge Management, Motive					
b. Dependent Variable: Y11					

The table above showed that the test result of Durbin Watson (DW) in this research was 1.772. Du < d < 4 - du = 1,6581 < 1,772 < 2,3419, meaning that there was neither positive nor negative autocorrelation.

4.6 Determination Coefficient Testing (R^2).

The value of determination coefficient in this research was 0.502, meaning that 50,2% of the dependent variables' variation (competitive advantages) could be explained by independent variable (knowledge management, entrepreneurial motive, and community culture), and the rest 49,8% was explained by other variables which were not studied in this research.

4.7 Simultaneous Testing (F-Test)

The simultaneous influence test was used to know if the independent variables altogether or simultaneously affected the dependent variable. The simultaneous result could be seen in Table 4.11 as follows:

Table 14. F-test Result

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38,673	3	.12,891	24,890	.000[a]
	Residual	38,327	743	.518		
	Total	77,000	77			

a. Predictors: (Constant), Culture, Knowledge Management, Motive

b. Dependent Variable: Y11

According to f-test result in this research found that knowledge management, motive, and culture altogether affected significantly to the competitive advantages in which Fhit< F table (0.00 < 0.05).

4.8 Hypothesis Testing

Table 15. The Result of Individual Testing

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,658	,081		0,000	1,000
	Knowledge Management	,233	,124	,233	1,871	,065
	Motive	,190	,119	,190	1,602	,113
	Culture	,375	,119	,375	3,145	,002

a. Dependent Variable: abresid2

Hypothesis Testing 1: The Effect of Knowledge Management to the Competitive Advantages

According to the research result shown in the table above, the knowledge management significantly affected the competitive advantages at sig 0.065. It was concluded that Ha was accepted and Ho was rejected, meaning that the knowledge management had significant effect to the competitive advantages.

Hypothesis Testing 2: The Effect of Entrepreneurial Motive to the Competitive Advantages

According to the research result shown in the table above, the entrepreneurial motive did not significantly affect the competitive advantages at sig 0.113. It was concluded that Ha was rejected and Ho was accepted, meaning that the entrepreneurial motive had no significant effect to the competitive advantages.

Hypothesis Testing 3: The Effect of Community Culture to the Competitive Advantages

According to the research result shown in the table above, the community culture significantly affected the competitive advantages at sig 0.002. It was concluded that Ha was accepted and Ho was rejected, meaning that

the community culture had significant effect to the competitive advantages.

5. Conclusion & Suggestion

5.1 Conclusion

1. The company is unable to get competitive advantages because they have not had extensive network in marketing their production. It is caused by the inability of the business people to empower their employees optimally both in production or marketing, which is proved by many employees who does not want to stay longer in the company.
2. The competitive advantages cannot exist because the business people are not enthusiast in developing the business optimally because they have low entrepreneurial motive. The low entrepreneurial motive is caused by the difficulty in obtaining the business permit and the inability to understand the procedure in getting the aid.
3. There is no implementation of competitive advantages among the business people which is supported by the variables of community culture are the community are not active in helping the business people to promote the products of small and medium industries. The community has the tendency to buy the food product from branded industry such as Vanholano, Holand Bakery, Bread Boutique.

5.2 Suggestion

1. The business people have to be more active to follow the courses related to their products and the training to market their product well. The knowledge of the business owner is supposed to be transferred to the employees so they are indirectly can work with a correct procedure and can help the owner to market the products.
2. To improve the entrepreneurial motive and overcome the problem faced by the business people, Department of Industry and Commerce should educate the business people to explain about the procedure of business permit and the banks that have been appointed to help the capital borrowing for the small and medium industries.
3. The community culture must be changed to be more proactive in buying the products of small and medium industries so that they can compete well to obtain the competitive advantages.

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