



## Selection Process and Business Layout At Self-Efficacy, Managerial Competence, Entrepreneurial Competence, MSME Performance

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### ABSTRACT

This study investigates the influence of self-efficacy, managerial competence, and entrepreneurial competence on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Pariaman City, considering challenges in the selection process and business layout. A mixed-method approach was applied, combining quantitative data from 82 Likert-scale questionnaires and qualitative insights from in-depth interviews with key informants. The findings show that self-efficacy ( $\beta = 0.448$ ), managerial competence ( $\beta = 0.403$ ), and entrepreneurial competence ( $\beta = 0.121$ ) have positive and significant effects on MSME performance. The model explains 52.0% of the variance ( $R^2 = 0.520$ ). Qualitative results reveal that self-efficacy is linked to informal, non-skill-based selection processes and location choices driven by residence proximity or perceived strategic value. Managerial competence is reflected in owner-led operations due to a lack of structured systems, with decision-making often based on intuition and quality control ensured by involving local communities. Entrepreneurial competence appears in self-taught digital skills used to enhance marketing and respond to market trends. The study highlights the need to improve the selection process and business layout, alongside strengthening individual competencies, to boost MSME performance.

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### INTRODUCTION

MSMEs (Micro, Small, and Medium Enterprises) have distinct characteristics, where the owner typically also acts as the manager, handling all managerial functions—planning, organizing, supervising, and evaluating—even though they may not always possess formal managerial skills and instead rely on experience. Nevertheless, MSME actors maintain a strong orientation toward profit and business success, as seen among small traders in various regions. MSMEs also serve as the backbone of the local economy, including in West Sumatra Province. The MSME sector in this region is dominated by culinary businesses, such as rendang and other traditional foods that have penetrated international markets, as well as handicrafts like songket weaving, which hold unique appeal. Data from Getimedia.id shows that the number of MSMEs in West Sumatra reached 296,052 units in 2022 and increased to 593,100 units in 2023, most of which are micro-enterprises. This significant growth reflects the entrepreneurial spirit of West Sumatra's society.



Several regions, such as Padang City, Pesisir Selatan, and Pariaman City, have great potential for MSME development due to their status as coastal tourist destinations. Therefore, local MSMEs need continuous support to enhance competitiveness and expand their reach to a broader tourist market. However, in reality, Pariaman City has not yet achieved the expected progress.

Thus, this study focuses on one of these areas—Pariaman City, which has a population of approximately 97,206 people and an area of around 73.36 km<sup>2</sup>, known for its beautiful beaches. The development of MSMEs in this region is as follows:

**Table 1. MSME Data in Pariaman City (2021–2023)**

No.	Year	Number of MSMEs	Growth Percentage
1	2020	7.839	-
2	2021	4.595	(41,38)%
3	2022	10.114	120,11%
4	2023	10.114	0%

Table 1 show data presented in the table indicates that MSME performance in Pariaman City had not yet reached optimal levels in 2022, marked by a 41.38% decline in the number of MSMEs compared to the previous year. This decline occurred as the year was still within the recovery phase from the COVID-19 pandemic impact. Furthermore, no significant improvement has been observed in the subsequent two years. This situation is likely influenced by the low self-confidence and professional business management skills among MSME owners. The trade and restaurant sectors dominate the local MSME industry, comprising 7,806 businesses (77.2%), while souvenir-based MSMEs account for 21.43% and contribute significantly to tourism development in Pariaman City (Koperindag Pariaman City).

Interviews with 30 souvenir MSME owners in Pariaman City revealed multiple factors contributing to weak performance. Key operational management issues include non-standardized recruitment processes based solely on familial or personal connections rather than competency. Employees receive no formal testing for service skills, product knowledge, or language proficiency, resulting in unconfident, uninformative, and unfriendly customer service. Store layouts lack aesthetic appeal and fail to guide customer flow effectively, with key products not displayed in strategic locations. Owners face inventory management challenges (particularly with perishable goods) and lack optimal shift scheduling systems, leading to operational inefficiencies. Additional weaknesses include overreliance on personal networks for sales, minimal packaging innovation, inadequate digital promotion, and poor collaboration with tourism agencies/hotels. Consequently, products lack market differentiation, customer acquisition remains limited to walk-in visits, and customer retention proves difficult. This situation reflects low self-efficacy among business owners, potentially stemming from limited experience, knowledge gaps, skill deficiencies, or insufficient external support. In contrast, owners with high self-efficacy demonstrate better resource management, greater risk-taking ability, and superior business performance. The managerial shortcomings of MSME owners may be attributed to several factors, including inadequate management education/training, limited business management experience, and constrained access to support resources. These limitations result in suboptimal business performance, negatively affecting competitiveness in an increasingly dynamic market. Similarly, entrepreneurial competency gaps stem from insufficient entrepreneurship education/training, minimal business experience, and limited access to information and technology. Consequently, MSME owners

face challenges in product innovation, marketing, and overall business management, directly impacting their operational performance.

To examine these phenomena, this study employs a mixed-methods approach. Qualitative methods were used to collect field data on selection processes and business layouts, while quantitative methods measured the effects of Self-Efficacy, Managerial Competence, and Entrepreneurial Competence on MSME performance. This dual approach provides comprehensive insights, combining practical field observations with statistically measurable variable relationships. Notably, few empirical studies have directly examined the relationship between selection processes/business layouts and self-efficacy, managerial competence, entrepreneurial competence, or MSME performance. The findings will serve as a foundation for strategic MSME development recommendations in Pariaman City.

## **LITERATURE REVIEW**

### **Selection Process**

The selection process refers to a series of steps undertaken by an organization to identify and choose the most suitable human resources that meet the company's specified requirements. In the context of human resource selection, operational management provides a framework for selecting personnel capable of supporting smooth operational processes (production, services, logistics, etc.). Operational needs serve as the foundation for the selection process, where operational management determines job specifications and job descriptions that guide candidate evaluation.

According to Bandura (1997), a well-structured selection process that identifies individuals with relevant skills and experience provides them with mastery experience from the outset. This enhances self-efficacy, as employees feel confident in their ability to perform job tasks effectively. Furthermore, based on the **Person-Job Fit Theory** (Kristof, 1996) and **Social Cognitive Theory** (Bandura, 1986), an effective selection process ensures alignment between an individual's competencies and job demands. This compatibility facilitates early success experiences (mastery experience), which strengthens self-confidence (self-efficacy) and accelerates the development of both technical and managerial skills, as outlined in the **Managerial Skills Theory** (Katz, 1974).

### **Business Layout**

Layout refers to a strategic operational decision that determines a company's long-term operational efficiency. The effectiveness of a layout significantly impacts competitiveness, influencing factors such as capacity, processes, flexibility, costs, work environment, customer interaction, and corporate image (Heizer & Render, 2006, 2009). Furthermore, Slack, Jones, and Johnston (2013) define layout as the method of transforming resources by positioning them relative to one another and allocating tasks to those resources.

Thus, layout planning involves decisions regarding the arrangement and organization of operations to position a company within the required economic activity centers of facilities with diverse processes. Key indicators include: a. Accessibility, b. Visibility, c. Space efficiency

### **Self-Efficacy**

Self-efficacy (SE), as defined by Sumaila & Rossanty (2022, p. 29), plays a crucial role in supporting optimal performance outcomes, as self-confidence can motivate individuals to achieve success. Alkatiri & Susilarini (2025, p. 13) further elaborate that self-efficacy reflects an individual's belief in their ability to overcome challenges, make decisions, and perform tasks effectively to attain desired results. Individuals with high self-efficacy tend to possess strong self-motivation and confidence in achieving success.

Based on these definitions, it can be concluded that self-efficacy refers to an individual's belief and confidence in their capability to perform tasks and activities effectively and efficiently. The indicators of self-efficacy include: a. Level, b. Generality, c. Strength (Sumaila & Rossanty, 2022, p. 30)



### **Managerial Competence (MC)**

Sudrajat & Suwaji (2018, p. 4) assert that managerial competence encompasses skills in organizing, leading, and managing both tasks and teams. Bhutta et al. (2021, p. 2) further emphasize that managerial competence includes a manager's capability and motivation to allocate resources efficiently. Thus, managerial competence can be defined as the proficiency to lead and manage human resources effectively and efficiently to achieve organizational objectives.

According to Hunger & Wheelen (as cited in Aulia, 2020), an individual's managerial competence can be assessed through three key competencies: a. Technical skills, b. Human skills, c. Conceptual skills

### **Entrepreneurial Competence (EC)**

Entrepreneurial Competence (EC) can be defined as a combination of abilities, skills, and knowledge possessed by individuals to create strategic visions for business development (Iffan & Suharlin, 2022, p. 59). According to Hasan (as cited in Nugraha, 2021, p. 19), this competence reflects an entrepreneur's capacity to complete tasks based on relevant skills, knowledge, and work attitudes that meet job requirements.

From these definitions, it can be concluded that Entrepreneurial Competence refers to the abilities and skills required by business actors to manage and develop their enterprises, as well as to create something new through creative and innovative approaches. Indicators proposed by Covin and Slevin (as cited in Rezki Indah et al., 2023, p. 67) include: a. Knowledge, b. Skill, c. Attitude

### **MSME Performance (MP)**

Performance can be understood as an indicator of an organization's or individual's success in executing tasks effectively. Darwis and Utama (2020, p. 546) state that performance reflects an organization's ability to continuously enhance its capacity to achieve objectives optimally. According to Septiadi et al. (2020, p. 39), performance represents the outcomes or achievements resulting from operational activities that utilize available resources over a specific period.

Based on these expert opinions, it can be concluded that performance constitutes the result of a process involving the accomplishment of specific goals through task execution, activities, or work. This encompasses monitoring, measurement, and evaluation of achieved outcomes. As proposed by Aulia & Nurul (2021, p. 590), there are five indicators for measuring performance: a. Quality, b. Quantity, c. Responsibility, d. Cooperation, e. Initiative

### **Conceptual Framework**

The Relationship Between Selection Process and Business Layout with Quantitative Findings on Self-Efficacy, Managerial Capability, and Entrepreneurial Competence Toward MSME Performance.

The selection process fosters self-efficacy, which represents an individual's belief in their ability to complete tasks. This belief is influenced by prior experiences, environmental support, working conditions, and technical/managerial capabilities. Meanwhile, business layout affects efficiency, productivity, and work comfort, which can enhance managerial capability and operational effectiveness. Furthermore, managerial performance is supported by three key competencies: technical skills, human skills, and conceptual skills, all of which influence business management effectiveness. Entrepreneurial competence encompasses the knowledge, skills, and attitudes that enable entrepreneurs to manage their businesses effectively. Collectively, self-efficacy, technical/managerial capabilities, and entrepreneurial competence serve as internal factors that directly impact MSME performance.

### **The Influence of Self-Efficacy on Micro, Small and Medium Enterprises (MSME) Performance**

Self-efficacy constitutes a critical component of an individual's self-knowledge and exerts a substantial influence on daily functioning. Enhancing self-efficacy across various domains can contribute to performance improvement. Schunk (1991, p. 262) posits that the level of self-efficacy, as reflected in an individual's perseverance, can significantly impact performance, both directly and through the facilitation of greater persistence. Previous research conducted by Laia, S.I. (2022) demonstrates that self-efficacy and motivation exhibit positive and significant effects on business performance. Furthermore, the combined influence of self-efficacy and motivation has been empirically shown to significantly affect business performance.

### **The Influence of Managerial Competence on MSME Performance**

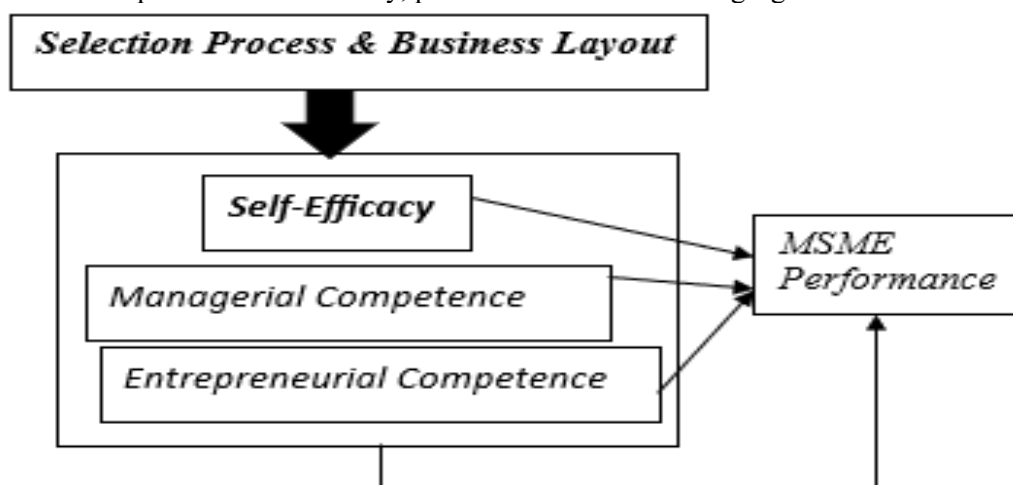
Abdillah et al. (2019, p. 517) assert that managerial competence is essential for managers and business owners to develop appropriate business policies and strategies that enhance performance and business growth. However, research conducted by Rahman, A. A. (2022) reveals that business strategy does not significantly affect MSME performance, whereas managerial competence demonstrates a positive and significant influence. Notably, when examined simultaneously, both business strategy and managerial competence exhibit positive and significant effects on MSME performance.

### **The Influence of Entrepreneurial Competence on MSME Performance**

Competence serves as a crucial factor determining the competitiveness of MSMEs, particularly entrepreneurial competence. According to Robles and Rodriguez (2015, p. 36), enhanced entrepreneurial competence leads to improved business performance. Entrepreneurs who possess key competencies—including effective risk management, proactive identification and analysis of new business opportunities, proficient communication skills, and dynamic adaptability—demonstrate the capacity to significantly enhance business performance. Supporting this, research conducted by Heryanti, A.H. & Arnu, A.P. (2024) confirms that entrepreneurial competence exerts a positive and statistically significant partial effect on MSME performance.

### **The Influence of Self-Efficacy, Managerial Competence, and Entrepreneurial Competence on MSME Performance**

Business owners aim to enhance their enterprise performance when operating and developing their businesses. The selection process and business layout (Operation Management Theory) create an appropriate human resource environment, which fosters the development of self-efficacy (Social Cognitive Theory), managerial capability (Managerial Skills Theory), and entrepreneurial competence (Entrepreneurial Competency Theory) - ultimately affecting MSME performance. According to Hakim, C., & Komarudin (2020), self-efficacy and competencies demonstrate positive and significant effects on performance improvement. For clarity, please refer to the following figure:



**Figure 1. Conceptual Framework**



## METHOD

Based on the problem analysis and research objectives, the method deemed reliable by the researcher is the **Mixed Methods Sequential Explanatory** approach, which integrates quantitative and qualitative methods. The quantitative method employs regression analysis to examine the causal relationships between the dimensions of (SE), (MC), and (EC) on (MP). According to Amruddin (2022, p. 9), the quantitative approach is a research method grounded in the positivist paradigm, used to study specific populations or samples by collecting data through specialized instruments. The qualitative phase adopts a phenomenological approach, guided by interviews and observations, followed by the integration of quantitative and qualitative results. As defined by Ningsih (2022, p. 93), a **population** refers to the "entire group to be studied within a specific geographic and temporal scope, based on predetermined characteristics." In this study, the population comprises all souvenir-industry MSMEs in Pariaman Tengah District, totaling 457 businesses. **Sampling**, as described by Sugiyono (2022, p. 91), involves selecting a subset of the population that reflects its quantity and characteristics. To determine the sample size, Slovin's formula was applied, yielding a sample of 82 souvenir businesses in Pariaman Tengah District.

## RESULT AND DISCUSSION

### Validity test and Reliability test

The validity test is used to measure the validity or validity of a questionnaire, the validity test is carried out by comparing the value of  $r$  count with  $r$  arithmetic table at a significant level of 5% for 2- sided test, if  $r$  count  $r$  table then the measuring instrument used is declared valid or viceversa, if  $r$  count  $r$  table then the measuring instrument used is not valid. In this study, the critical correlation table for the value of  $r$  is  $r(N-2)$  where  $N$  is the number of respondents with a significance level of 5%.

**Table 2. Validity Test of Self Efficacy, Managerial Competence, Entrepreneurial Competence and MSME Performance**

Item Pernreality	Person Correlation Self-Efficacy	Managerial Competence	Entrepreneurial Competence	Person Correlation MSME Performance
1.	0,401	0,528	0,483	0,428
2.	0,397	0,793	0,605	0,375
3.	0,619	0,539	0,533	0,374
4.	0,406	0,578	0,401	0,510
5.	0,408	0,723	0,457	0,392
6.	0,415	0,658	0,438	0,509
7.	0,526	0,631	0,387	0,397
8.	0,391	0,450	0,472	0,476
9.	0,461	0,636	0,384	0,415
10.				0,473
11.				0,507
12.				0,633
13				0,526
14				0,396
15				0,473

Table 2 show results of the Validity Test on the variables can be seen that all statement items of the variables *Self Efficacy*, *Managerial Competence*, *Entrepreneurial Competence* and *MSME Performance* found values of correlated item total correlation  $> 0.361$  Reliability test using Cronbach's Alpha, where the r table value (0.60) means that all the instrument items are reliable. The following are the results of the reliability test of each research variable:

**Table 3: Reliability Test**

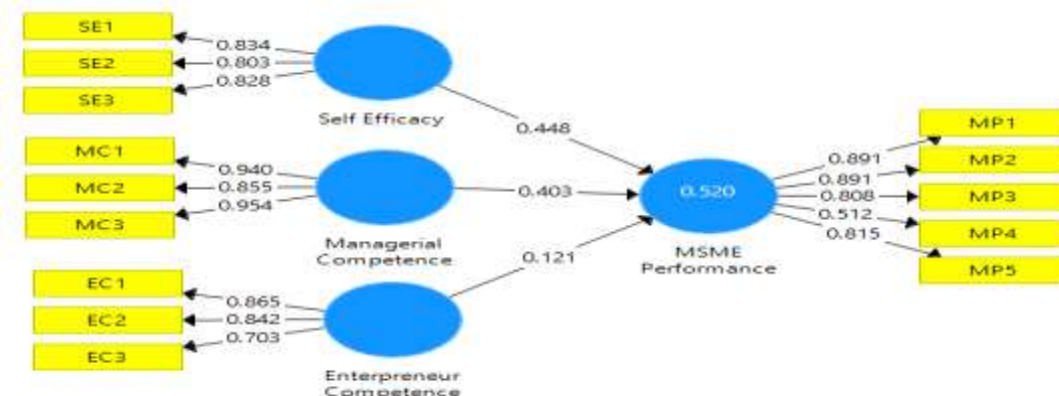
No	Variable	Cronbach's Alpha	Information
1	<i>Self-Efficacy (SE)</i>	0.761	Reliable
2	<i>Managerial Competence (MC)</i>	0.874	Reliable
3	<i>Entrepreneurial Competence (EC)</i>	0.770	Reliable
5	<i>MSME Performance (MP)</i>	0.833	Reliable

Source; Data Process, 2025

Based on Table 3 show the table above, it can be concluded that all question items are reliable. All variables are reliable because the results of the Cornbach Alpha are large from 0.6 (for  $n = 30$  r table = 0.60

### Construction Results Diagram

The results of the research model can be seen in the following image



**Figure 2. Research Path Diagram**

Figure above demonstrates that the outer loadings for all variables (*Self-Efficacy*, *Managerial Competence*, *Entrepreneurial Competence*, and *MSME Performance*) exceed 0.5, **indicating** that all indicators **have met** the convergent validity criteria. The coefficient values for each variable's influence on *MSME Performance* are 0.488 (*Self-Efficacy*), 0.403 (*Managerial Competence*), and 0.121 (*Entrepreneurial Competence*). **Table 4** presents the Average Variance Extracted (AVE) and Composite Reliability.

**Table 4. Average Variance Extracted (AVE) And Composite Reliability**

Variabel	Average Variance Extracted (AVE)	Composite Reliability
<i>Self Efficacy</i>	0,675	0,862
<i>Managerial Competence</i>	0,842	0,941
<i>Entrepreneurial Competence</i>	0,650	0,847
<i>MSME Performance</i>	0,633	0,893





Table 4 demonstrates that the Average Variance Extracted (AVE) values exceed 0.5, indicating good validity. This means the latent variable constructs adequately capture the variance in the measured variables. Composite reliability is considered a superior estimator of a construct's internal consistency. Following the rule of thumb, both Cronbach's alpha and composite reliability values should exceed 0.70, though values above 0.60 remain acceptable (Hair et al., 2010). The results show that all variable constructs have Cronbach's alpha and composite reliability values exceeding 0.60, confirming that the research model constructs are reliable.

### Results of Variable Influence

Testing Furthermore, hypothesis testing results can be measured from p-values. If the p-value is less than or equal to 0.05, it is considered significant, whereas if the p-value is greater than 0.05, it is considered non-significant:

**Table 5. Results of Variable Influence Testing**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
<i>Self-Efficacy -&gt; MSME Performance</i>	0,448	0,459	0,074	6,085	<b>0,000</b>
<i>Managerial Competence -&gt; MSME Performance</i>	0,403	0,402	0,082	4,919	<b>0,000</b>
<i>Entrepreneurial Competence -&gt; MSME Performance</i>	0,121	0,225	0,097	2,521	<b>0,012</b>

Table 5 show analysis reveals that **Self-Efficacy** exerts a significant positive influence on **MSME Performance** in Pariaman City, with a path coefficient of **0.448** (t-statistic = 6.085 > 1.96; p-value = 0.000 < 0.05). These results indicate that enhancing self-efficacy would directly improve MSME performance.

Similarly, **Managerial Competence** demonstrates a significant positive effect on MSME Performance ( $\beta = 0.403$ ;  $t = 4.919 > 1.96$ ;  $p = 0.000 < 0.05$ ), suggesting that strengthening managerial capabilities would lead to measurable performance gains.

While **Entrepreneurial Competence** shows a comparatively smaller yet still statistically significant impact ( $\beta = 0.121$ ;  $t = 2.521 > 1.96$ ;  $p = 0.012 < 0.05$ ), its positive influence remains noteworthy for enhancing MSME Performance in Pariaman's market context.

### Structural Model Evaluation Results

The  $R^2$  values of 0.67, 0.33, and 0.19 for the endogenous variables in the structural model indicate that the model demonstrates "good," "moderate," and "weak" explanatory power, respectively (Ghozali & Latan, 2015, p. 139). Based on Partial Least Squares (PLS) data processing, the coefficient of determination (R-Square) values were obtained as presented in the following table:

**Table 6. R-Square Values**

Variabel	R-Square
<i>Self-Efficacy</i>	0,520
<i>Managerial Competence</i>	
<i>Entrepreneurial Competence</i>	
<i>MSME Performance</i>	



The  $R^2$  value of 0.520 for the MSME Performance variable in Pariaman City falls within the moderate/fairly good category. This indicates that approximately 52% of the variance in the dependent variable can be explained by the independent variables included in the model. The obtained value suggests that the model demonstrates good accuracy in explaining the relationships between variables. The remaining 48% (0.48) of the variance may be attributed to other factors, including the Selection Process and Business Layout variables, as well as unexamined variables not included in this study that could potentially influence MSME Performance.

**Table 7. Integration of Quantitative and Qualitative Findings**

Quantitative Variable		Qualitative Findings (Selection Process & Business Layout)	Interpretation and Synchronization
<b>Self-efficacy MSME Performance (<math>\beta_1=0.448</math>)</b>	➔	Selection process based on kinship, not competence. Business layout is non-strategic but relies on tourist proximity. High confidence in traditional decision-making.	<b>Misalignment:</b> High owner self-efficacy (quantitative) is not supported by professional recruitment/layout systems (qualitative). <b>Implication:</b> Self-efficacy acts as a "shield" for systemic weaknesses but risks hindering scalability
<i>Managerial Competence</i> MSME Performance ( $\beta_2=0.403$ )	➔	No formal selection system → owners directly handle operations. Intuition-based strategies, lacking market analysis. Focus on maintenance, not expansion.	<b>Paradox:</b> Managerial skills are statistically significant but not institutionalized (e.g., SOPs, market analysis). <b>Implication:</b> Individual capabilities fail to translate into business systems.
<i>Entrepreneurial Competence</i> ➔ MSME Performance ( $\beta_3=0.221$ )		Selection process does not require academic competence. • Technology adoption is self-taught. • Market knowledge is experience-based, not formal.	<b>Consistency:</b> Both quantitative and qualitative findings agree academic competence is non-critical. <b>Implication:</b> MSMEs rely on experiential learning but need structured training for technology integration.

## DISCUSSION.

### The Influence of Self-Efficacy on MSME Performance in Relation to the Selection Process and Business Layout in Pariaman City.

Self-efficacy has a positive and significant effect on MSME performance in Pariaman City, with a coefficient of 0.448. This indicates that the higher the confidence and belief of MSME actors in their abilities to run their businesses, the better their business performance will be. This finding is supported by the average indicator level score of 3.94 or 78.93%, where the highest statement “able to make important decisions under high pressure”—shows respondents’ agreement within the “good” category. The lowest indicator, generality, scored an average of 3.79 or 75.80%, reflecting agreement with the statement “having the ability to perform various business activities,” also within the “good” category. This suggests that business actors can still manage their operations in diverse situations, although they have not fully applied their skills.

Regarding the MSME performance variable, the highest indicator was work quality, with an average score of 3.98 and 79.60%, corresponding to strong agreement with the statement “I routinely evaluate to improve the quality of products and services offered,” categorized as “very good.” This indicates that business actors can evaluate and improve service quality and ensure product standards to achieve good performance. Conversely, the lowest indicator was work quantity, scoring an average of 3.61 or 72.20%,



related to the statement “I have a work system that helps improve quantity efficiently,” which respondents somewhat disagreed with, within the “good” category. This shows that business actors pay less attention to operational constraints.

The high scores in the self-efficacy indicator, particularly decision-making under pressure, correlate with high scores in work quality for MSME performance, reflecting that the ability to make critical decisions under pressure results from consistent evaluation and experiential learning. This aligns with Schunk (1991:2262), who stated that self-efficacy, demonstrated through individual persistence, significantly influences performance directly and indirectly by increasing perseverance. Conversely, the low generality score in self-efficacy and low work quantity in MSME performance indicate limited ability to manage various business activities within a structured system. This is consistent with Hensellek et al. (2023), who found that strategic flexibility positively correlates with efficient work systems and overall business performance.

This study’s findings are supported by previous research, such as Diffa et al. (2024), which found a positive effect of self-efficacy on MSME performance, and Laia (2022), who reported that self-efficacy and motivation significantly influence business performance. Thus, it can be concluded that improvements in performance are influenced by the self-efficacy possessed by business actors in running their enterprises.

### **The Influence of Managerial Competence on MSME Performance in Relation to the Selection Process and Business Layout in Pariaman City**

Managerial competence has a positive and significant effect on MSME performance in Pariaman City, with a coefficient of 0.403. This indicates that the better the managerial skills of MSME actors, the higher the performance of their businesses. The highest indicator in managerial competence is technical skills, with an average score of 3.83 and a 76.60% achievement rate. The highest statement in this indicator is “ensuring that technical quality standards are met in every product or service produced,” which respondents agreed with under the “good” category. This suggests that business owners are capable of managing daily operations and consistently ensure that technical quality standards are maintained.

The lowest indicator is conceptual skills, with an average score of 3.71 and a 74.20% achievement rate. The lowest statement, “I can understand and analyze business situations to determine the appropriate strategy for the development of my business,” was also agreed upon by respondents within the “good” category. This reflects that business owners still struggle to understand and analyze business environments in formulating strategies, lack a clear vision and mission, and have difficulty identifying available opportunities.

The high score of technical skills in managerial competence correlates with the high score of quality in MSME performance, reflecting that maintaining quality is not only about meeting standards but also about commitment to continuous improvement through ongoing evaluation. This aligns with Singh’s view in Burhanuddin et al. (2021:48), which states that managerial ability greatly influences business performance; businesses managed with strong managerial skills tend to perform better, leading to greater success.

Conversely, the low conceptual skills score correlates with the low work quantity indicator in MSME performance, indicating that business owners’ limited understanding of market demand hinders optimal production capacity management, resulting in reduced productivity and overall business efficiency. This supports the findings of Syelen et al. (2022), who noted that poorly managed demand fluctuations can disrupt reservation systems and production capacity.

These findings are supported by Zed et al. (2024) and Nurasiah et al. (2020), whose research partially confirmed that managerial competence has a positive and significant effect on MSME performance.

### **The Influence of Entrepreneurial Competence on MSME Performance in Relation to the Selection Process and Business Layout in Pariaman City**

Entrepreneurial competence has a positive and significant effect on MSME performance in Pariaman City, with a coefficient of 0.121. This implies that the better the knowledge, skills, and attitudes enabling entrepreneurs to manage their businesses effectively, the higher the MSME performance. This finding is supported by the knowledge indicator, which scored an average of 3.94 with an achievement rate of 78.80%. The highest statement, “having sufficient knowledge of market analysis and industry trends,” was rated as “very good.” This suggests that business actors understand marketing strategies that ultimately attract customers and advance MSME performance in Pariaman City.

The lowest indicator was skills, with an average score of 3.70 and an achievement rate of 74.00%. The lowest statement in this indicator, “I have the skills to utilize technology to improve business performance,” was agreed upon within the “good” category. This indicates that business actors are still unable to develop effective work plans, fully utilize technology, or negotiate effectively with suppliers. The high score of the knowledge indicator in entrepreneurial competence correlates with the high quality indicator in MSME performance, reflecting that market knowledge is a crucial foundation for continuously evaluating and adjusting products and services to remain competitive and aligned with industry trends. This aligns with Kisubi et al. (2022:211), who stated that business owners competent in identifying and exploiting opportunities are better equipped to face challenges and achieve higher sales levels.

Conversely, the low skill indicator score in entrepreneurial competence relates to the low work quantity score in MSME performance, indicating that limited technological utilization directly affects weak work systems. Technology forms a vital foundation for creating efficient modern work systems. This supports Van de Watering et al. (2021), who found that organizations with flexible IT systems can manage work processes more quickly and efficiently in dynamic environments. Furthermore, findings by Zaini & Handoyono (2021) and Yahadi & Gultom (2025) confirm that entrepreneurial competence has a positive and significant impact on MSME performance.

### **The Influence of Self-Efficacy, Managerial Competence, and Entrepreneurial Competence on MSME Performance in Relation to the Selection Process and Business Layout in Pariaman City**

The variables of self-efficacy, managerial competence, and entrepreneurial competence simultaneously have a positive and significant effect on MSME performance. This means that when MSME managers possess self-efficacy—the confidence in their ability to complete tasks, influenced by experience, environmental support, and working conditions—they make accurate decisions in the selection process regarding human resources and location, and demonstrate resilience in competitive, strategic locations. This is aligned with managerial competence, which encompasses technical, human, and conceptual skills that affect the effectiveness of business management, as well as entrepreneurial competence, which refers to the attitudes that enable entrepreneurs to manage their businesses effectively. Together, these competencies drive the growth and development of MSMEs in Pariaman City.

These findings are supported by Hakim and Komarudin (2020), who found that self-efficacy and competence positively and significantly influence MSME performance improvement. Additionally, Yasin (2023) also confirmed that entrepreneurial competence has a positive and significant effect on MSME performance.

### **CONCLUSION**

This study found that self-efficacy, managerial competence, and entrepreneurial competence have a positive and significant influence on MSME performance in Pariaman City. These variables can be further explored through qualitative findings related to operational management (selection process and



business layout) to identify solutions for improving performance. Therefore, the results of this study can serve as a reference for policymakers in Pariaman City to determine strategic steps to support the development of MSMEs.

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