Competency and Innovation on Street Vendors.

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Abstract

Problems with street vendors are location and the need for empowerment and more skills, even though street vendors contribute to economic growth. Street vendors need competency and innovation ability to develop. This study investigates the influence of competence on the innovation ability of street vendors for the research on the group of food vendors with a sample of 63 people. Data collection was in the form of questionnaires and interviews. Research results contribute theoretically and practically. The theoretical contribution explains that competence has a positive effect on innovation. Finding 7 (seven) competencies can increase innovation. The first is the ability to analyze and search for information that leads to consumer needs. The second competency is communication skills, leading to good service. Third, self-confidence leads to the ability to interact with the business environment. The fourth, initiative, leads to ideas. The fifth social mobility leads to easy access to information to broaden understanding. sixth negotiating ability and seventh ability result in the orientation of business owners related to setting business targets and goals. This practical contribution is the basis for the government to create an empowerment program to increase the competency of street vendors to generate innovation.

Keywords
Competency, Innovation, Street Vendors, Skill, Food Vendors

1. Introduction

Street vendors are a group of informal business actors whose only goal is to make a living. The government must pay attention to street vendors at this time because they can contribute to economic growth. Such as absorbing employment (Fajri et al., 2018; Wibowo et al., 2021). However, street vendors often need help with problems that hinder performance, including having difficulty obtaining permits and getting access to places of business (Widjajanti, 2016). It is not easy to get a strategic location, only being able to sell passengers through a window or on the side of the road (Forkuor et al., 2017; Satarudin et al., 2020). They have been unable to expand the market to increase sales and only expect sales from business hours (Khan, 2012; Wibowo et al., 2021). Problem on street vendors also has the same internal problems as the Small and Medium Enterprises Group. The problem of intense competition (Prasanna et al., 2019). Lack of access to capital (Agyemang and Ansong, 2017). Low education (Moagi et al., 2021; Octaviani and Puspitasari, 2022). Difficult to develop because of a lack of knowledge about business management (Okvian & Nawangsari, 2019). Street vendors are not oriented towards consumer tastes.

To overcome all problems, street vendors need the competence to increase sales (Tehseen et al., 2015). Internal problems become a big problem if the government is not responsive to increasing street vendors' competency through various training pieces. To survive, street vendors need to have the skills to know market developments, product knowledge, communication skills with customers, and other management skills. At this time, Street vendors need more skills.

Some street vendors have succeeded in improving their performance because they have the competence to innovate by making a difference with other street vendors, such as differences in service, process and product quality (Gazali, 2020). Previous studies were rare and limited in discussing the effect of street vendor competence on innovation (Ng and Kee, 2018; Pranciulyte-Bagdžiuniene and Petraite, 2019; Sungkawati, 2019; Tosida et al., 2020). Innovating requires competence (Ibidunni et al., 2021; Pranowo et al., 2020). Indeed, competence is a way of surviving business actors (Tehseen et al., 2015) and producing innovations to make changes, thinking openly about something
new, and network readiness (Taipale-Erävala et al., 2019). Based on previous studies, we assess that street vendors must rely on competence to generate innovation.

Based on observations, many street vendors ignore buyers' needs, such as not paying attention to buyers' tastes, product appearance, product quality, hygiene issues, and how to serve consumers (Santos et al., 2020). That is due to the limited competency of street vendors, resulting in a lack of ability to innovate to overcome various problems (Sudiartini et al., 2020), supported by the results of research by Kaushik & Rahman (2016), who found a low level of innovation among street vendors.

Based on the initial survey, several street vendors admit that their income has decreased and need a way to increase it. For this reason, this research will explore the competence of street vendors in Sungai Penuh City and examine the influence of competence on innovation ability. This study reviews the study of Robles & Zárraga-Rodríguez (2015) regarding the ability to describe competencies and develop them to test competencies on innovation and prove competencies influence innovation (Ibidunni et al., 2021; Pranowo et al., 2020). This theoretical study will add to the understanding of the competencies needed by street vendors to produce innovation capabilities and practically become the basis for the government to create empowerment programs to improve the competence of street vendors.

1.1 Objectives

Based on the introduction, the purpose of this research is to determine the competence of street vendors and to test the influence of competence on innovation.

2. Literature Review

Competency

Competence is a form of knowledge and experience in the form of actions that describe individual abilities. Each business actor has different competencies depending on the knowledge possessed. Competence in business actors can strengthen business actors in solving various problems (Felin, 2017). Quoting Landoly's opinion, competency is the ability to deal with critical situations effectively by considering environmental constraints and building relationships with internal resources (Soediono & Lewandowski, 2012). This opinion explains that the ability to utilize internal resources, such as the strengths that exist in business actors, will become a business opportunity and the ability to expand the type of business (Ahmad, 2018).

Kompetensi tidak hanya menjadi pemikiran pemerintah pada Usaha Kecil dan Menengah, namun pedagang kaki lima juga membutuhkan kompetensi. Persoalan yang terjadi pedagang kaki lima jarang mendapat pemberdayaan dari pemerintah.

The phenomenon of street vendors has the thought of only living for today and implies not looking for sources of knowledge to improve their competence so that the business can develop more. Sungkawati's research (2019) results explain essential competencies for developing businesses. Based on this, street vendors need competencies such as the ability to develop strategic plans, the ability to develop a business, the ability to build relationships with other people, the ability to learn continuously, and the ability to have a good personality.

According to Dzhengiz & Niesten (2020), competence consists of knowledge, skills, attitudes, and behaviors needed to solve every problem in the business world. Martini et al. (2018) determines competency indicators consisting of knowledge, knowledge of work, self-taught skills, abilities based on learning, and attitudes. Meanwhile, Tehseen et al. (2019) measure managerial competence from technical skills, skills (human skills), and conceptual skills. Meanwhile, Taipale-Erävala et al. (2019) formulated several indicators to determine HR competencies possessed by business actors, including the level of education, experience in the business world, education related to the business world, competence in managing finances, competence in marketing and managerial competence in general. Competency indicators from Robles & Zárraga-Rodríguez (2015) consist of 20 items, namely: risk assumption, self-determinant, Search and analysis of information, quality of work, communication, self-confidence, develop social networks/generation of support networks, dynamism, change management, initiative, innovation, integrity, leadership, self-control, result orientation, social mobility, negotiation, troubleshooting, responsibility, teamwork.

Innovation

Street vendors have had to change their paradigm of thinking about the statement that they are only looking for enough sustenance to meet their daily needs. Street vendors must be able to make changes in the form of innovation so that businesses can develop product, process, and service innovations to keep up with the development of consumer needs. According to Saunila (2020), innovation ability is the ability to translate ideas into activities that can provide
benefits and achieve success. The results of Nyamnjoh's research (2020) have proven that with the ability to innovate, several street vendors in Cape Town, South Africa, have succeeded in becoming entrepreneurs. Courage to seize opportunities, dare to make decisions, and be aware of the risks faced are part of the innovation capability process. The results of research by Kaushik and Rahman (2016) explain the creative ability of street vendors in India to have higher incomes even though their education is lower because street vendors are more innovative than the formal sector, for example, as laborers who only expect wages. Previous researchers discussed process innovation, products, and services Nada & Ali (2015) and Saunila (2014), the same as this study.

Relationship of Competency and Innovation

Still needs to research the influence of competence on innovation in street vendors. Considering street vendors are a group of businesses engaged in the informal sector. PKL is Part of the micro business group whose nature is to earn profit and have the opportunity to become a larger business group for small and medium enterprises. So the concept of the relationship between competence and innovation ability refers to previous research in the Micro, Small, and Medium Enterprises sector. The results of research by Pranciulyte-Bagdžiuniene and Petraite (2019) found that business actors can only achieve progress through innovation capabilities obtained through individual competence. Competence in business actors can increase market-based innovation capabilities, meeting demand and supply (Ozkaya et al., 2015). The ability to innovate can be achieved through thinking skills as Part of human resource competencies (Carlgren et al., 2014). Based on the results of several previous researchers, the hypothesis in this study is:

H1 = The competence of street vendors increases innovation

3. Methods

Research on street vendors in the City of Sungai Penuh with a sample size based on a purposive sampling of 100 food vendors who have been tried for at least one year. After the researchers processed the data and tested the validity of the question instrument, it turned out that 63 street vendors met the requirements according to the provisions of the analysis tool. Data analysis used the Structural Equation Modeling Analysis tool with the Smart PLS (Partial Least Square) program by conducting validity and reliability tests. The terms of the validity test determine convergent validity with Average Variance Extracted (AVE) with an expected value of AVE > 0.5 and a loading factor > 0.7 (Ghozali, 2021). The loading factor value between 04 - 07 is considered to be maintained, and the Cronbach alpha value is acceptable if > 0.06 (Hair et al., 2017). Reliability tests on PLS can use two methods, namely the reliability of Cronbach's alpha and Composite. The requirements that are commonly used to assess construct reliability are that composite reliability must be greater than 0.7 for confirmatory research, and a value of 0.6 – 0.7 is still acceptable for exploratory research (Ghozali,2021).

Measurement, The variables of this study consist of competence and innovation ability. The theoretical concept for measuring competence uses Robles & Zárraga-Rodriguez (2015), which consists of 20 abilities. First, we measured only 12 abilities out of 20 that drew entrepreneurial competence. After measuring and testing the validity of the results, only seven abilities drew competencies, namely, search and analysis of information, communication, self-confidence, initiative, social mobility, negotiation, and result orientation. Measurement of innovation ability uses theoretical concepts from Nada & Ali (2015) and Saunila (2014), namely product innovation, process, and service innovation.

4. Data Collection

They collected data by distributing questionnaires to 100 street vendors in the culinary sector. Researchers collect data takes approximately one month. Selection of respondents with the provision of respondents who have had a business for at least one year. Of the 100 respondents after testing the validity of the samples that met the requirements, 63 were. Form a Likert scale questionnaire with "5 choices" 1 "strongly disagree" to “5 strongly agree.”

Description of respondents consists of age, gender, level of education, and length of business. The youngest respondent is 20 years old, and the oldest is over 60 years old. Most street vendors are between 31-41 years old, still
in the productive age group. The gender of most street vendors is female. The most dominant level of education is Senior high school, there are also undergraduates, but only a few have undergraduate education, only 6%. Based on length of business, most street vendors are between 5 and 11 years old (see table 1).

<table>
<thead>
<tr>
<th>Information</th>
<th>Street Vendors</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>old (Year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-31</td>
<td>20</td>
<td>32</td>
</tr>
<tr>
<td>&gt;31-41</td>
<td>23</td>
<td>36</td>
</tr>
<tr>
<td>&gt;41-51</td>
<td>14</td>
<td>22</td>
</tr>
<tr>
<td>&gt; 51</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>100</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Woman</td>
<td>38</td>
<td>60</td>
</tr>
<tr>
<td>Man</td>
<td>25</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>100</td>
</tr>
<tr>
<td>Level of Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary School</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>Junior High School</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Senior High School</td>
<td>39</td>
<td>62</td>
</tr>
<tr>
<td>Undergraduates</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>100</td>
</tr>
<tr>
<td>Long business (year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-5</td>
<td>15</td>
<td>24</td>
</tr>
<tr>
<td>&gt;5-11</td>
<td>25</td>
<td>40</td>
</tr>
<tr>
<td>&gt;11-16</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>&gt;16-21</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>&gt;21</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>100</td>
</tr>
</tbody>
</table>

5. Result and Discussion

5.1 Result
Measurement Model
This study conducted a two-stage analysis using the SEM-PLS method. The first stage of research measured the outer model, and the second stage of analysed the structural model or inner model (Hair, 2021). Analysis of the measurement model (outer model) to determine whether the measurement indicators used are valid and reliable (see table 2 and table 3). Next is the structural (inner) model to determine the relationship between competence and innovation (see table 4).

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE</th>
<th>Composite Reliability</th>
<th>Cronbach’ Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competency</td>
<td>0.638</td>
<td>0.924</td>
<td>0.903</td>
</tr>
<tr>
<td>Innovation</td>
<td>0.533</td>
<td>0.787</td>
<td>0.607</td>
</tr>
</tbody>
</table>

Table 2 explains the results of reliability and validity testing. For testing the validity measurement model, it shows the Average Variance Extracted (AVE) value for each variable, namely competence and innovation, which is acceptable, because the AVE value ≥ 0.5. Reliability tests on PLS can use two methods, namely the reliability of Cronbach's alpha and Composite. The results in table 2 explain that the competency and innovation variables have a
CR value $\geq 0.7$ and a Cronbach's alpha value $\geq 0.5$, which shows reliability (Ghozali, 2021). Determine the validity of the loading factor based on the provisions of Hair (2021) that the loading factor value is acceptable between $0.4 - 0.7$ is acceptable. Table 3 explains the results of the measurement model through factor loading, which explains each construct, namely competence and innovation ability.

<table>
<thead>
<tr>
<th>Table 3. Loading Factor</th>
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<tbody>
<tr>
<td>Competency (mean : 3.7215, std dev: 0.60848) with the following indicators:</td>
</tr>
<tr>
<td>Search and analysis of information (X1)</td>
</tr>
<tr>
<td>Ability of communication (X2)</td>
</tr>
<tr>
<td>Self confident (X3)</td>
</tr>
<tr>
<td>Have initiative (X4)</td>
</tr>
<tr>
<td>Social mobility (X5)</td>
</tr>
<tr>
<td>Ability of negotiation (X6)</td>
</tr>
<tr>
<td>Ability of result orientation (X7)</td>
</tr>
</tbody>
</table>

Innovation (mean : 3.5406, std dev : 0.55555)
- Product innovation (Y1) | 0.747 |
- Process innovation (Y2) | 0.691 |
- Service innovation (Y3) | 0.791 |

Table 3 describes each factor loading of competency and innovation variables. All factor loading values on the competency and innovation variables are acceptable because they have a factor loading value of $\geq 0.6$ (Hair et al., 2017). Competence has seven indicators, namely search and analysis of information (X1), Ability to communicate (X2), Self-confident (X3), initiative (X4), Social mobility (X5), Ability to negotiation (X6), Ability of result orientation (X7). Innovation has three indicators Product innovation (Y1), Process innovation (Y2), and Service Innovation (Y3).

**Structural Models**

The results of the structural model measurements carry out hypothesis testing of the influence of competence on innovation, which is explained in table 4, and the image of the model of the effect of competence on innovation is shown in Figure 1.

<table>
<thead>
<tr>
<th>Table 4. The effect of competence on innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variabel</td>
</tr>
<tr>
<td>competency $\rightarrow$ Innovation</td>
</tr>
</tbody>
</table>

$R^2 = 0.612$

![Figure 1: Model of the influence of competence on innovation](image)
Table 4 and Figure 1 explain the influence of competence on innovation with a path coefficient of 0.786. Result of study show with consider (β = 0.786 P = 0.002) defining that competence has a positive and significant effect on innovation ability. The magnitude of the impact is indicated by the R2 value of 61.2%, which means substantial, meaning that competency is sufficient to contribute to the innovation capabilities of street vendors in Sungai Penuh City. The measurement model (see table 3) explains all indicators, namely X1-X7 is reliable or consistently draws competence by 92.4%, and Y1-Y3 is reliable or consistently draws innovation ability by 78.7%. In the competency measurement model, the most significant competency reflects competence, namely the result orientation of 0.910. Meanwhile, the innovation ability measurement model explains that the most significant innovation reflecting the innovation of street vendors is service innovation of 0.791

5.2 Discussion

This study reveals the impact of competency processes on innovation capabilities. The survey results show that competency in street vendors can increase innovation and support research (Ng & Kee, 2018; Sungkawati, 2019; Tosida et al., 2020; Pranciulyte-Bagdžiuniene & Petraite, 2019). Strengthened by research results (Ibidunni et al., 2021; Pranowo et al., 2020) found that competence influences innovation. This study found that 7 (seven) abilities describe competency in street vendors: search and analysis of information, communication of abilities, self-compliance, initiative, social mobility, negotiation of abilities, and result orientation of abilities. This result is slightly different from the study (Robles & Zárraga-Rodriguez, 2015), which found that social mobility cannot describe competence in entrepreneurs.

The findings show that there are seven abilities to describe competency in street vendors, namely the first finding about the ability to analyze and search for information that leads to the ability to adapt products to the needs or tastes of consumers. This ability will change the way of thinking about street vendors. So far, street vendors aim only to sell without paying attention to consumer tastes (Santos et al., 2020). The second is the communication skills of street vendors related to oral communication serving important customers for business success (Ortiz et al., 2016). Third, self-confidence is an emerging ability to interact with the business environment (Ruangkrit & Thechatakerng, 2015). The four initiative abilities lead to always having the initiative to survive (Bakás et al., 2011). The five social mobility abilities also describe the competencies that street vendors must possess, which is different from the results of a study (Robles & Zárraga-Rodriguez, 2015) which found social mobility unable to describe competence. Sixth negotiating ability and seventh ability result in the orientation of business owners related to set business targets and goals (Sathe & Bhupatkar, 2017).

The most dominant competency is result orientation, namely the ability of business owners to determine the direction and goals of the business (Sathe & Bhupatkar, 2017). improve work ability, and support the implementation of innovation (Samsir, 2018). We argue that result orientation is the ability to direct all processes to results in the production process, performance results, and achieving effective results (Asemokha et al., 2019).

5. Conclusion

Based on the study's results, explain the theoretical implications of finding seven abilities that describe competencies in street vendors that influence innovation performance. The most significant ability to draw competence is result oriented. Result orientation contains the ability of business owners always to be results oriented by paying attention to the ability of human resources to carry out processes to produce performance toward innovation.

The government's role is to maximize the competence of street vendors in Sungai Penuh City because, so far, street vendors have yet to be a priority for handling. The government still considers street vendors to disturb the city's beauty, even though they contribute to economic growth and employment. The practical implications for the government must carry out an empowerment program to increase competency and have an entrepreneurial character that is always result-oriented. The target of the government's empowerment program in the future is to increase the competence of street vendors, especially results-oriented abilities according to buyers' needs. This study has weaknesses because the number of samples is small and only on the type of food vendors. Future research pays more attention to many samples and locations and includes the government's role in empowering street vendors.
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