

Entrepreneur's Performance and Related Factors (Case Study of SMES in Medan City)

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Abstract: The purpose of this study is to determine the relationship or influence between the motivation of trying with the entrepreneur's performance in small industries in Medan City, to know the relationship between, knowledge of entrepreneurship with the entrepreneur's performance in small industries in Medan City, to know the relationship between business independence with the entrepreneurial performance of small industries in Medan City, to know the relationship between business motivation and business independence together with the entrepreneur's performance in small industry in Medan City. Sources of data in this study are the primary data obtained by sending 45 questionnaires to small industry SMEs in the city of Medan. From the result of the research, there is a positive correlation between: 1) Motivation of effort with Performance of Entrepreneur, 2) Knowledge of Entrepreneur with Performance of Entrepreneur, 3) Independence Entrepreneur with Performance Entrepreneur have no positive influence, 4) Together there is positive relation between Entrepreneur Motivation, Business Knowledge, Business Independence with Performance of Entrepreneur.

Keywords: motivation, knowledge of entrepreneurship, independence effort, the entrepreneur's performance

INTRODUCTION

The purpose of the construction of PIK (Small Industry Village) is to prepare adequate facilities and infrastructure of small industries, facilitate the coaching of all the required aspects which in turn will affect the improvement of production performance and turnover and can improve the dignity and prestige. The concept of PIK is directed to be the center of innovation, the center of development, the center of industry and the center of technological knowledge. The number of entrepreneurs who are in PIK currently amounts to 465 small and SME industry entrepreneurs. They are seen from the resulting product and then grouped or divided into five industrial centers consisting of: (1) confection centers as many as 220 employers; (2) center of metal 63 entrepreneurs; (3) center of leather (handbags, shoes and leather products) of 54 entrepreneurs, (4) furniture centers as many as 18 entrepreneurs and (5) the rest of 51 entrepreneurs are grouped at various industrial centers of products. They are incorporated in a joint business venture through the Small Industry Village Cooperative (KOPIK) and for the purpose of business communication established a Business Communications Forum (FKU). The character of small-scale industry entrepreneurs in PIK generally comes from "downhill" business in the sense that it comes from handicrafts from grandparents, parents and children and grandchildren. The involvement of family factors is

very dominant, especially in carrying out all business activities. From these conditions the characteristics of PIK entrepreneurs can be seen from their educational background, which is generally low. Based on data obtained from the PIK Management Board, when viewed from the educational background, the number of 465 small and medium-scale industry entrepreneurs in Medan City is as follows: Elementary School (56%); First High School (37%) and SMA, Diploma III & Strata I (7%).

Based on the above conditions, in the effort to improve the performance and business development, it needs coaching and training related to aspects of business needs such as: capital, marketing, management, production system covering technology, equipment and quality. Besides, there are also other problems such as distribution, entrepreneurship, and human resource quality improvement and institutional development through the concept of POPIS (Physical, Organization, Power, Intellectual and Social Culture), with emphasis on: cultural center, technology center and shopping center industry. With the facilities provided regarding various work facilities, shelter, supporting facilities and social facilities are quite complete and the coaching of various aspects required by employers, expected and should PIK entrepreneurs able to improve its performance, so that the expected

target can be achieved. The guidance program is also directed to the realization of a vertical and horizontal synergy between small industry and large industry through "partnership" and "adopted child" pattern with established production standard. This has manifested itself as some SOEs have done to some selected PIK entrepreneurs, who are related to the business interests of the big companies.

Many factors influence the performance of entrepreneurs in the PIK of the municipality of Medan, both internal and external. Of the internal factors are mostly derived from the entrepreneurs themselves are: (1) Limited ability of resources (2) Educational background (3) Technical capability, (4) Capital, (5) Marketing, (6) Operating System, (7) information, (8) mental attitude, (9) work ethic, (10) independence, (11) confidence, (12) motivation and (13) other internal problems. While external factors are faced with problems outside the organization such as (1) the environment, (2) opportunities, (3) competition, (4) global information systems, and (5) other external problems.

Based on observations in the field it seems that employers whose performance increases are entrepreneurs who are quite aggressive and attractive and supported by good business motivation, high entrepreneurship, and good level of business independence and able to improve its performance. While static entrepreneurs and many are hoping to get help from others, and are not motivated, good entrepreneurial knowledge makes its performance tends to decline. These conditions need to be addressed by the managers and coaches to overcome the problems faced by the PIK Entrepreneurs in improving its performance. Therefore, the things that become the focus of research is how the influence of business motivation, entrepreneurship knowledge, business independence on the performance of small industry entrepreneurs in PIK Medan City. Small entrepreneurs in PIK in its performance, besides having to have a strong business motivation, have the ability of entrepreneurship knowledge, also must have business independence. The three internal factors mentioned above should be coupled with strong business motivation, solid entrepreneurial knowledge, and solid business independence. At least these three things can be solved allegedly can also improve kebal performance of the PIK entrepreneur.

LITERATURE REVIEW

According to Gibson [1], Performance refers to the level of success in performing the task and ability to achieve the goals set. Performance is considered good and successful if the desired goal can be achieved well. Decision making according to Salusu [2], is the process of choosing an alternative way of acting with an

efficient method according to the situation of a series of alternatives. This statement confirms that taking a decision requires one aspect of action, requiring several steps [2]. But the decision-making process is not a narrow one but there is an activity to recognize and define the nature of the decision situation, identify alternatives, choose the "best" alternative and apply them. The best word implies the effectiveness of the precision of decision-making. With such a decision-making performance is the process of selecting an alternative way of acting by the method efficiently and effectively.

There are things that are considered in an organizational decision-making process, according to Salusu [2], namely:

- Optimization. Here a confident executive is trying to set up alternatives, calculating the profit and loss of each alternative against the organization's goals. Thereafter he predicted the possibility of various events in the future, considering the impact of the events on the alternatives that have been formulated and then arranging the sequences systematically.
- Satisfying. An executive just takes a satisfactory settlement rather than pursuing the best solution.

Stoner [3], argued that "Performance is a function of motivation, competence, and perception of role". While Bentley and Whitten [4] define performance is "Performance is the record of the outcome produced on a specified job function or activity during a specified time period". Prawiro Suntoro in Pabundu [5], argued that "Performance is the work that can be achieved a person or group of people within an organization in order to achieve organizational goals in a certain period of time.

Performance measurement is a process of quantifying accurately and validly the level of efficiency and effectiveness of an activity that has been realized and comparing it with the level of achievement that is planned. Effectiveness is the level of goal achievement, while efficiency shows how economically the resource utilization to achieve goals. Two methods for measuring company performance are as follows:

- UCLA Method. As stated by Alkin in Pabundu [5], the evaluation of company performance is divided into five kinds, namely: a. Assessment system, Program planning, Program implementation, Program improvement, Program certification.
- Balanced Method - Scorecard. This method proposed by Kaplan and Norton [6], in measuring the performance of the company. Balanced means balance, while the scorecard is a card that can be used to record the

performance score of a person or group. Through the balanced scorecard measures performance by considering four aspects.

The model explains that the financial performance of a business is not an objective but as a tool for achieving goals, it is, in the opinion of Osborne [7] that the essence of entrepreneurial success is determined by the strategy and creativity used for its business environment. The model also shows that the elements of entrepreneurial characteristics are an element that determines the achievement of goals, this is because the characteristics possessed by an entrepreneur directly or indirectly affect other factors.

Appropriate measurements on the performance of SMEs have not been agreed and generally previous researchers focused on the variables in which the information is easily obtained. To anticipate the unavailability of objective business performance data in a particular study of SMEs, it is possible to use subjective measures of performance, based on manager / owner perceptions [8].

In addition, Lee and Tsang [9] assert that a subjective measure can be used in a study where the sample consists of a wide variety of small / medium business / industry that has different performance measurement objectives and criteria. Many empirical studies in the field of strategic management, such as Covin & Slevin [8], have proven that subjective performance measures have high reliability and validity, and Chandler & Hanks [10] and Dess and Covin [11] studies show a correlation closely between measures of subjective performance with objective measures.

Subjective measurements of performance are selected in SMEs research for several reasons, ie (a) The previous researcher identified that subjective measurement is consistent with objective measurement and has a high degree of reliability and validity [12]. (b) SMEs are often very cautious and strong in maintaining financial business data information; therefore information on subjective performance data is easier to obtain than financial statements. (c) SMEs financial data is often absent or incomplete reported, if there is most difficult to interpret because the purpose of making financial statements is different from the general.

Dess and Covin [11] argue that the interaction / relationship between entrepreneur orientation and strategy has a positive effect on business performance [13] suggests that entrepreneurship-oriented firms are more innovative in product markets; dare to run risky businesses and initiate proactive innovations. The results of Lee and Tsang's [9] study on 168 Chinese

SMEs in Singapore show that entrepreneurship orientation has a positive effect on business growth and performance.

Several previous studies have shown that to measure a performance against MSMEs there are several related factors that are internal and external factors of the company. Research from Mc Commick *et al.* [14] conducted a study in Nairobi by testing the initial capital, demand, age, education level, ethnicity, and availability of credit and product mix. The results show that initial capital, availability of credit, product mix and demand and age, educational level and ethnicity of entrepreneurs are related to company growth (in labor change). While Crijns and Ooghi [15] revealed that each stage of company growth is the result of two internal and external environments. Important external factors that affect corporate growth are: industry and markets, competing companies, and the economic climate. While the internal factors that are very important for the growth of the company are: small entrepreneurs as managers, companies as organizations, ownership or ownership structure.

In relation to environmental aspects, Wilkinson [16] states that small and micro enterprises will grow when the policy environment supports, macroeconomic environment is well managed, stable and predictable; reliable and easy information diakses and social environment encourage and appreciate the success of the business. (1) Individual characteristics of manager / owner, corporate characteristics, external environment of business, and the impact of economic and social policies have a direct, positive and significant impact on business strategy and business growth, (2) corporate characteristics, and policy impacts social and economic impacts have a direct negative effect on business strategy; and (3) business strategy has a positive and significant direct impact on company growth.

CONCEPTUAL FRAMEWORK

Motivated entrepreneurs will have a tendency to show themselves that the goal of trying is to pursue the need through hard work in order to achieve the target with an optimal view so that it matches what is expected both for the benefit of individuals and companies. While business independence is the power of self in an effort to create new jobs without having to depend on others, ranging from the creation of ideas, setting goals, to the achievement of satisfaction. The existence of independence leads to the growth of a person's self-confidence, loyalty and creativity to his profession, which in turn will direct the entrepreneur to complete his work thoroughly to achieve the quality of work. At the same time the essence of knowledge of entrepreneurship is the whole what is known about all forms of information processed and processed in the

realm of cognitive form of memory and understanding of the way of business that raises the courage to take risks in a rational and logical in handling a business. Based on the above description, it is concluded that the description is basically very necessary for an entrepreneur. This means that an entrepreneur has good motivation, knowledge of entrepreneurship and independence of entrepreneur, r performance, the more

he / she will be qualified in performing performance. So in that context it can be assumed that there is a positive relationship between motivation and knowledge of entrepreneurship and independence of entrepreneurship's performance. In other words there is a positive relationship between the three independent variables either individually or together with the dependent variable.

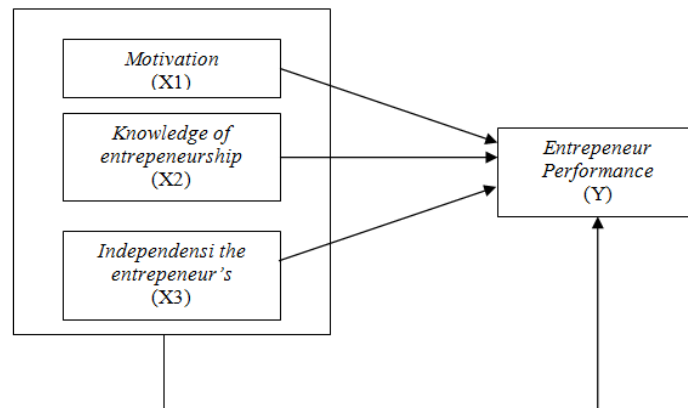


Fig-1 Paradigm Research (Pattern relationship between independent variables and dependent

RESEARCH METHODS

This research is an associative research. This research is associative because it involves testing the hypothesis of research variables. This study took sampel 45 SMEs in Medan city. Data collection in this study by sending questionnaires to small industries in Medan City, which includes the four variables of this study obtained by using the instrument in the form of questionnaires developed by researchers. Source of data in this study is the primary data (data taken directly of the respondents). Data Analysis Method used is Descriptive Statistics. Descriptive statistics are used to describe and describe the variables in this study. The analytical tool used here is frequency by using percentage to distribute research variables. Next is hypothesis testing using multiple regression analysis, because there are more than one independent variable. The multiple regression model is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

- Y = The Entrepreneur's Performance
- X₁ = Motivation
- X₂ = Knowledge of Entrepreneurship
- X₃ = Independensi the entrepreneur's
- α = Constant
- β = Koefisien Regresi
- e = Standart of error

RESULT AND DISCUSSIONS

The results of this study begin by displaying data on demographic characteristics of study respondents, which includes age, gender, education, and years of service. Here are the descriptions of each demographic characteristic of the research respondents.

Table-1: Characteristics of Respondents by Demographics

Demographic characteristic	Category	f	%
Age	21 – 30	9	20
	31 – 40	12	26.7
	51 – 50	10	22.2
	> 50	14	31.1
Gender	Male	22	48.9
	Female	23	51.1
Educational Background	Junior High School	7	15.6
	Senior High School	19	42.2
	Diploma	8	17.8
	Undergraduate	11	24.4

The age of the respondent becomes important to be analyzed because age is closely related to the level of one's maturity, perspective, and responsibility in acting. Table 1 shows that respondents aged between 41 to 50 years have the largest percentage, ie 31.1%. The age of the elderly employees shows a number of positive qualities brought into the work, ie experience, consideration, strong work ethic, commitment to quality, and low level of resignation.

Sex-based respondents are described to distinguish between traits and abilities between men and women, for example women are considered more expressive, more emotional, less logical, less oriented and participatorier than men. Conversely men are considered less warm and less sensitive interpersonal, less expressive, more autocratic, and so forth. Although there are differences of views between men and women but there is no difference in performing a task or job in a particular field. Table 1 show that most of the research respondents 51.1% were female while the remaining 48.9% of the respondents were male. This

indicates that the number of women entrepreneurs is more dominant than male businessmen. The number of women entrepreneurs is caused because women entrepreneurs are more expressive and more participative than male entrepreneurs, so that efforts will be more developed.

Education is a provision that must be owned by someone in work where with education, a person can have a skill, knowledge, and ability. Most of the respondent's 42,2% have high school education. This information shows that most SME entrepreneurs still have high school education background. SME entrepreneurs who have low level of education are those who have a long business period, so that more experienced than others.

After analysis of demographic characteristics, hypothesis testing of exogenous variables on performance of SMEs in Medan city. The results of the analysis can be seen in the following table:

Table-2: Output of Regression Analysis

	Regression Coefficient	Standard of Error	T_{value}	Sig
Constant	8,916	5,280	1,689	0,099
Motivation	1,099	0,167	6,588	0,000
Knowledge of Entrepreneurship	0,454	0,148	3,072	0,004
Independensi the entrepreneur's	0,254	0,193	1,315	0,196
R (square) R ²	= 0,658			
Adjuster R ²	= 0,633			
F-value	= 26,316			
Sig.F	= 0,000			

Based on the above table can be arranged regression equations such as the following models:

$$Y = 8,916 + 1,099X_1 + 0,454X_2 + 0,254X_3 + e$$

From the regression equation above can be seen that the independent variables (business motivation, business knowledge and business independence) have a positive direction on business performance. This shows if the independent variables have a high level then the business performance will be high as well. So is the opposite. To know how far the level of significance of the influence of motivation, effort and business independence of business performance in SMEs in Medan City both simultaneously and partially tested the regression equation through testing the research hypothesis. In accordance with the hypothesis test design that has been put forward in the previous chapter, hypothesis testing the influence of business motivation, business knowledge and business independence on business performance are as follows:

The Influence of Motivation of Entrepreneurship, Knowledge of Entrepreneurship and Independence of Businesses on Business Performance Simultaneously.

To test whether the attempted motivation, effort knowledge and business independence simultaneously affect the business performance is tested using F test statistic. Based on the results of regression analysis summarized in table 2 shows the value of F-value is 26.316 and F-table value at $\alpha = 0.05$ and degrees of freedom 3 and 42 is 2.84. So $F\text{-value} = 26.316 > F\text{-table} = 2.84$. This means that H_0 is rejected and H_1 is received at the significance level $\alpha = 0.05$. Thus it can be concluded that the motivation of effort, effort knowledge and business independence simultaneously affect the business performance.

Based on the results of regression analysis summarized in Table 2 shows the value of F-value is 26.316 with a significance level of 0.000 far below the value of 0.05 then this means that H_0 is rejected and H_1 accepted. Thus it can be concluded that the Motivation

of Entrepreneurship, Business Knowledge and Independence Trying simultaneously affect the performance of SMEs in Medan. From the results of statistical tests also obtained Adjusted R^2 value of 0.633. The value of determination coefficient R^2 of 0.633 shows that the variation of business performance variables which can be explained by Business Motivation (X1), Business Knowledge (X2) and Business Independence (X3) is 63.3%, while the rest of 36.7% or is a contribution of other variables but not in this research model. The high value of determination coefficient (R^2) shows that motivation of business (X1), entrepreneurship knowledge (X2) and business independence (X3) have strong explanation ability to business performance. The result of the research shows that simultaneously there is a positive influence between Business Motivation, Business Knowledge and Business Independence with Business Performance because in an effort to improve business performance is done through motivation of effort such as giving trust and encouragement and specific assistance to

subordinates in completing their duties, employees are trained and educated on the principles of entrepreneurship and knowledge of technological developments in ere globalization, whereas in business independence can be done by familiarizing self-behavior in trying and perilku this is reflected in the ability to think, creative, expressing ideas and emotional to be responsible and ability to compete and professionalism.

The Influence of Motivation of Entrepreneurship, Knowledge of Entrepreneurship and Independence of Businesses on Business Performance Partially.

Similarly, testing the hypothesis above, to test the hypothesis partially also performed the same as the hypothesis test design that has been stated previously, namely by using t test statistic. The test is also carried out by a two-way test, using a significance level of $\alpha = 0.05$ and degrees of freedom (n-k).

Table-3: Partial Analysis with T-test

	t value	t table	Sig	Result
Motivation	6,588	1,684	0,000	Significant
Knowledge of Entrepreneurship	3,072	1,684	0,004	Significant
Independensi the entrepreneur's	1,315	1,684	0,196	Not Significant

Motivation of Business and Business Performance

Based on table 3 which is the result of regression analysis it can be seen that the motivation t has t-value bigger than t-table (t-value = 6,588 > t-table = 1,684) and its significance level is 0.000 smaller than signification level $\alpha = 0,05$ so partially it can be said that motivation tries to have a significant effect on SMEs business performance in Medan City. It is also known that the motivation of trying to have a regression coefficient value of 1.099, this means that the relationship between the variables of business motivation and business performance is positive or unidirectional, which means that any increase in the motivation of SMEs will cause an increase to the SMEs business performance in Medan. The results showed that the effect of this variable is significant. The existence of the influence of the motivation of trying to business performance due to the high effort motivation will increase the performance of SMEs in Medan.

Business Knowledge and Business Performance

Based on table 3 which is the result of regression analysis it can be seen that knowledge try has t-value bigger than t table (t-value = 3,072 > t-table = 1,684) and its significance level equal to 0,004 smaller than signification level $\alpha = 0,05$ so partially can be said knowledge trying to have a significant effect on the performance of SMEs in Medan City. It is also known that the knowledge of trying to have regression coefficient value of 0.454, this means that the

relationship between the variables of business knowledge with business performance is positive or unidirectional, which means that any increase in knowledge of SMEs will lead to an increase in the performance of SMEs in Medan. The results showed that the effect of this variable is significant. The influence of business knowledge on business performance is due to the knowledge of business through entrepreneurship aspek into added value, for example dare to take risks, business spirit and can create job field will improve business performance of SME in Medan City.

Business Independence and Business Performance

Based on table 3 which is the result of regression analysis can be seen that independensiusaha have t-value smaller than t-table (t-value = 1,315 < t-table = 1,684) and its level of significance equal to 10,196 bigger than signification level $\alpha = 0,05$ so partially can be said business independence has no significant effect on business performance of SMEs in Medan City. It is also known that the indepedence of business has a regression coefficient value of 0.254, this means that the relationship between the variables of business independence and business performance is positive or unidirectional, which means that any increase of SMEs business independence will not necessarily cause an increase to SMEs business performance in Medan City. The results showed that the effect of this variable is not significant. The absence of

influence from business independence on business performance due to the need for government intervention to promote SMEs, such as the need for development of coaching programs related to responsibilities such as in conducting business activities required a high commitment to the achievement of organizational goals to all employees.

CONCLUSSION AND RECOMMENDATION

Based on the results of regression analysis can be seen that the partial motivation can be said to have a significant effect on SMEs business performance in the city of Medan, means that any increase in SMEs business knowledge will lead to an increase to the performance of SMEs in Medan. In addition, partially can be said also that the knowledge trying to have a significant effect on the performance of SMEs in the city of Medan. It means that every increase of SME's business knowledge will cause improvement to SME's business performance in Medan City. Unlike the independence variable, where partially it can be said that the business independence has no significant effect on the performance of SMEs in Medan City, any increase of SMEs business opportunity will not necessarily cause an increase to SMEs business performance in Medan City. Business Motivation, Business Knowledge and Independence trying to simultaneously affect the performance of SMEs in Medan City. These three variables contributed to the performance of SME business of 63.3% while the remaining 36.7% is explained or is the contribution of other variables. To improve the performance of small entrepreneurs or SMEs that include: morale, quality of work, excellent products, success and accountability should be increased entrepreneurship knowledge through entrepreneurship aspects that are added value, risk-taking, business-spirited and job creation by paying attention to aspects of entrepreneurial knowledge. It is expected that SMEs in Medan City have the motivation to try and increase entrepreneurial knowledge through education and training, workshop and also provide entrepreneurship literature as a provision for entrepreneurs to achieve their goals and sustainability. Implement human resources development program by providing education and skills in the field of entrepreneurship so as to implement the certainty independently with the provisions it has. Entrepreneurs need to form Task Force and Think Tank teams, holding meetings in the perception of vision and mission in order to build commitment to the ultimate goal of their business.

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