

## Analysis the Effect of Competence and Entrepreneurship Motivation on Small Business Performance

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**Abstract:** The purpose of this study was to; knowing and analyzing the influence of competence and entrepreneurship motivation on small business performance, knowing and analyzing the influence of entrepreneurship competence on small business performance, knowing and analyzing the influence of entrepreneurship motivation on small business performance. To know and analyze the influence of competence and entrepreneurship motivation on small business performance used descriptive analysis and inferential statistical analysis. Descriptive analysis used to describe more deeply to each research variable. While the inferential statistical analysis used to see the effect between independent variables with dependent variable that is by analyzing the data that has been collected in this research by using multiple linear regression analysis model by used Microsoft Excel and SPSS Software. The results showed that; competence and entrepreneurship motivation simultaneously have positive and significant effect on small business performance. The better of competence and motivation of entrepreneurship then performance of small business will be better. Competence partially has positive and significant impact on small business performance. The better of competence then small business performance will be better. Entrepreneurship motivation partially have positive and significant influence to small business performance. The higher of entrepreneurship motivation then performance of small business will be higher.

**Key words:** Competence, motivation, entrepreneurship, small business performance, multiple linear regression, independent

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### INTRODUCTION

The attention of various countries both in developed countries and in developing countries to entrepreneurship has grown rapidly both among the government and among business actors. Through the development of entrepreneurship they believe that the wheels of the economy will move quickly through increased business performance so that in turn will be able to increase economic growth, expansion of employment and income increase. The role of entrepreneurship in economic development is particularly important in creating economic growth and increasing people's incomes (Arsad, 2010).

Discussing entrepreneurship, there are some experts who explain the theory and results of research on entrepreneurship such as Covin and Slevin (1999) and Miller and Friesen (1982) argues, companies with a high level of entrepreneurship orientation will always try to find new opportunities and strengthen its competitive

position in doing business activity in the market. Furthermore, Lim (2002) asserted, the development of the concept of entrepreneurship orientation is needed in small companies. This is important because the personal attributes of the owners that shape the entrepreneurial orientation have a strong influence on business performance. These dimensions are reflected in attitudes and behaviors such as: autonomy, risk, innovative and aggressive competition by placing personal attributes that exist in business owners.

Entrepreneurial growth is highly correlated to economic growth, as employment opens, increased public incomes, increased purchasing power, goods and services produced by the industrial world will be sold and the wheels of the economy will spin (Alma, 2007; Muthalib *et al.*, 2014).

Based on the above description, then this research is important to know whether competence and entrepreneurial motivation have an effect or not on small business performance. In addition, this research also has

a very strategic significance in the effort of small business development which currently has received considerable attention both nationally and internationally. In the G-20 Summit on 4-5th September 2016, China has discussed the importance of developing Small and Medium Enterprises (SMEs) in an effort to improve the welfare of people in various countries.

**Literatur review:** The influence and entrepreneurship relationship on business performance is very close, because in entrepreneurship have characteristic that is ability of creative thinking, acting innovative and productive behavior so that can run effort which lead to creation of job opportunity and the happening of increase of income society. Entrepreneurship is always action-oriented, not happy theorizing but more practical and more work than talking. Theoretically entrepreneurship can improve business performance because those who have entrepreneurial spirit are able to create new ideas and new innovations in creating products that are highly competitive and able to create a market from the resulting product.

Arsad (2010) the main factor causing economic development is the innovation process and the perpetrators are the innovators or entrepreneurs. The economic progress of a society can only be achieved by innovation by entrepreneurs. Economic progress can be interpreted as increasing the total output of society. While according to Joseph Schumpeter the economic development is an increase in output caused by the innovation made by entrepreneurs. Innovation here not only means a radical change in technology, innovation can also be represented as a new product discovery, a new market opening and so on. The innovation involves the quantitative improvement of the economic system itself that comes from the creativity of its entrepreneurs. The essence of Schumpeter's theory essentially emphasizes the role of entrepreneurship in economic development.

Baum *et al.* (2001) in his research found that the personal aspect consisting of motivation and competence has an influence on business growth. Lee and Tsang (2011) also found that the personal aspects described by indicators of achievement needs and personal motivation showed a positive relationship with performance.

Entrepreneurship competence is measured by 4 indicators: professional ability possessed, ability to communicate and relate with others, ability to create opportunity, ability possessed in business organization (Rahayu, 2009; Baheri, 2011). Entrepreneurial motivation is measured by 4 indicators, namely, achievement motivation, motivation to achieve business growth, ideals

and expectations, instinct of business activity (Baheri, 2011) measuring business performance with 4 indicators namely, growth of venture capital, employment growth, growth of business turnover and profit growth.

The results of found that entrepreneurial motivation has a positive and significant effect on the performance of the culinary industry in Kendari City. Similarly, Abd Azis in his research found that entrepreneurial motivation contributed significantly to improving the performance of micro food industry in Southeast Sulawesi.

## **MATERIALS AND METHODS**

This research was conducted in the working area of Bank Sultra Branch of Punggaluku by taking the object on small business partner of Bank Sultra. Sampling was conducted randomly as many as 40 small business units from 76 units of small business partners of Bank Sultra Branch Punggaluku. This study uses two kinds of analysis, namely descriptive statistical analysis and inferential statistical analysis of data obtained in the field.

Descriptive analysis is used to descriptively describe each of the research variables. While inferential statistical analysis used to see the effect between independent variables with dependent variable, that is by analyzing the data obtained in research through multiple linear regression analysis using Microsoft Excel and SPSS software.

## **RESULTS AND DISCUSSION**

The results of hypothesis testing in this study proved that simultaneously competence and entrepreneurial motivation have positive and significant impact on business performance. The results of this study can be concluded that the change of competence and entrepreneurship motivation has positive and significant effect to improve business performance. It means that the better of competence and entrepreneurship motivation of the business actors the better the business performance. Therefore, the improvement of good small business performance can be achieved by increasing the competence and entrepreneurship motivation of small business actors.

The results of this study contradict the results of previous research conducted by Hastin who found that entrepreneurship consisting of competence and entrepreneurial motivation has no direct effect on business performance but directly able to increase competitive advantage. While the results of this study support the results of research by Covin and Slevin

((1999) and Lim (2002) found that entrepreneurial orientation contributed and influenced business performance. Baum *et al.* (2001) found that the personal aspect consisting of motivation and competence has an influence on business growth. In addition, Lee and Tsang (2001) also found that the personal aspects described by indicators of achievement needs and personal motivation suggest a positive relationship with performance.

The results of hypothesis testing in this study prove that partially competence has positive and significant impact on business performance. This means that the better the competencies of small business actors will be the better the performance of their business. The results of this study support the results of research Abd. Azis who found that entrepreneurial competence contributed substantially in improving the performance of micro-enterprises. The results of this study are also in line with the results of previous research conducted by Isa (2011) who found that entrepreneurship orientation has a positive and significant impact on business performance.

Spencer and Spencer (1993) argues that competence is the underlying characteristic of a person with regard to the effectiveness of individual performance in his work; competence is a deep and attached personality to a person as well as predictable behavior in various circumstances and job tasks. Competence is also something that causes or predicts behavior and performance. Competence also predicts the attitude of performing well and less well as measured by the criteria used.

The results of hypothesis testing in this study prove that entrepreneurial motivation has positive and significant impact on small business performance. This means that the higher the motivation of entrepreneurship will be the higher of performance of his business.

The results of this study support the results of research conducted by Abd. Azis *et al.* who found that entrepreneurial motivation has a positive and significant impact on the performance of the culinary industry. The results of this study are in line with the results of research conducted by Abd. Azis in his research entitled "Entrepreneurship and its Impact on Business Performance Improvement and Poverty Reduction (An Empirical Study of Micro Business Industrial Sector in Kendari) found that highly motivated business actors had much better business performance than those with low motivation.

Entrepreneurial motivation owned by small business actors such as motivation to achieve better performance, motivation to achieve business growth have ideals and expectations that want to be realized and have the instinct to be able to perform a business activity, then the

business will work seriously. To realize his dreams that have implications for improving business performance. Entrepreneurs are people who have entrepreneurial traits and generally have the courage to take risks, especially in handling the business or company with a stand on their own ability and willingness (Saiman, 2009).

## CONCLUSION

Based on the findings of research, analysis and discussion can be concluded as follows, competence and motivation of entrepreneurship simultaneously have a positive and significant impact on small business performance. The better the competence and motivation of entrepreneurship then the performance of small business will be better. Competence partially have a positive and significant impact on small business performance The better the competence of the small business performance will be better. Entrepreneurship motivation partially have positive and significant influence to small business performance. The higher of entrepreneurship motivation then small business performance will be higher.

## SUGGESTIONS

Based on the results of analysis, discussion and conclusion of this research, then put forward some suggestions as follows; small business actors need to continuously improve their competence and entrepreneurship motivation in order to improve their business performance, For the next researcher, it is expected to utilize and develop the results of this research by adding some variables that are expected to affect the performance of small-scale enterprises.

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