

The Influence of Entrepreneurial Competence, Motivation and Innovation on SMEs Performance

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Abstract

This study is intended to determine the effect of entrepreneurial competence, motivation, and innovation on the performance of MSME at a coffee shop in Ajamu, Panai Hulu Subdistrict, Labuhanbatu Regency. This research was conducted at a coffee shop in Ajamu by taking a sample of 160 respondents. The results of research that have been conducted indicate that entrepreneurial competence, motivation, and innovation affect the performance of MSME at coffee shops. This study uses a non-probability method in the form of incidental and purposive sampling. this study, using the normality test and path analysis techniques with the help of the Amos software application. The results of the study found 1) Entrepreneurial competence has no positive and significant effect on innovation. 2) Motivation has a positive and significant effect on innovation. 3) Entrepreneurial competence has a positive and significant effect on MSME performance. 4) Motivation has a positive and significant effect on MSME performance. 5) Innovation has a positive and significant effect on MSME performance

Keywords

entrepreneurship competence; motivation; innovation; MSME performance



I. Introduction

Micro, Small, and Medium Enterprises (MSMEs) have had a tremendous influence on the Indonesian economy both in the regional and national spheres. MSMEs are productive businesses owned by individuals and business entities that have met the criteria as micro-enterprises. As regulated in legislation no. 20 of 2008, according to the definition, MSMEs are differentiated respectively, including micro, small and medium enterprises.

Micro, Small, and Medium Enterprises currently have a very large role in economic development in Indonesia, the development of the number of small and medium business units that continue to increase, of course, will be able to open up large jobs. Thus, MSMEs are business activities that can expand jobs and provide broad economic services to the community, can play a role in the process of equity and increase people's income, as well as encourage economic growth and play a role in realizing national stability in general and economic stability in particular. The availability of local raw materials for small and medium-sized industries is a distinct advantage that allows them to operate efficiently. On the other hand, the work model required is relatively small, thus providing an opportunity for the entrepreneurial spirit community to establish business forms with ideas and creativity that have been previously owned by holding on to affordable capital. Within certain limits, industrial and medium-sized activities can reduce some of the import burdens so that in a strategic framework, this can save foreign exchange. Today the number of competitors in the business world is becoming increasingly high. It can be seen at this time that more and more similar businesses have emerged. In line with the Indonesian government's economic development program, where the objectives are directed at increasing welfare and minimizing

poverty through empowering the people's economy with the development of new entrepreneurs related to efforts to foster a conducive business environment, creating new community ideas, increasing public interest in working in entrepreneurship. . One of them is a housewife who sells fresh coconut milk at the Ajamu Simpang Tax, Panai Hulu District, Labuhanbtu Regency. In addition to the development of MSMEs, whether they are in any field, it must also be accompanied by the development of human resources (Human Resources) in various aspects (García Reyes, 2013).

In research (Purwanto & Trihudyatmanto, 2017) said that the existence of MSMEs has proven to be able to move the wheels of the nation's economy and reduce the number of unemployment that exists today. Based on the existing phenomena, a model of potential employment expansion to overcome unemployment and poverty needs to be developed through the creation of direct employment opportunities in the form of independent work, family businesses, or small businesses. Entrepreneurs will never be separated from part of human life. All of this in human life must have an impact on a business, starting from the goods and services around it. Being an entrepreneur is not difficult, the most important thing is sincerity and intention in trying. In addition, the growth of MSMEs depends on the conditions of the business environment created as a joint venture, local government, and local community entities. Elements of a conducive business environment that need attention include the availability of capital, infrastructure, and facilities (Novianingrum, Dwi Nurrohmah, 2020).

II. Review of Literatures

Along with the development of MSMEs in the Ajamu area, making the economy in the area better, various kinds of businesses have been established, whether they are culinary businesses, craftsmen, and selling online or so on. Various ways have now been done by people, especially young people, who are now increasingly creative in designing their businesses, both in terms of composition, product labels, or packaging. All of that cannot be separated from the development of gadgets which are a means of information to get these creative ideas. In addition, the location also determines whether the business is running or not, a strategic location, easily accessible to the public, and often a trafficker of people passing by is also an attraction for buyers to stop by.

Then, with the existence of an effort to measure whether the business is growing or not, entrepreneurs also need to do this, it is useful so that entrepreneurs can compare their managed businesses with other similar businesses so that an action can be taken that is deemed necessary to improve it. Without comparison, it will not be known whether the performance has improved or vice versa, which shows a decline. Entrepreneurial competence is a fundamental factor that is owned by someone who has the ability and more creativity, which makes it different from someone who has average abilities. Similar to other businesses, the problems faced by culinary entrepreneurs in Ajamu are mainly the entrepreneurial spirit which is sometimes inconsistent and there are also several factors, for example regarding developments and changes in the business environment due to lack of information regarding developments, changes in the business environment and the availability of raw materials due to the Ajamu area is an area that is quite far from urban areas so there are some materials that we have to order online before we get them (Hidayat & Citra, 2019).

2.1 Entrepreneurship Competence

Entrepreneurial competence is the ability of a person to create a new business, previously that person has thought about the bad impacts/risks and uncertain things in

obtaining profits or profits and development with a good understanding by mixing and matching the skills needed to take/take advantage of these opportunities. Entrepreneurial competence is also someone's knowledge in doing business in their field or someone who has the skills and skills then applied in the habit of thinking and acting in business. The competence of a person will increase and continue to be of good value if the person is willing to retrain that potential and always considers it in the training of human resources. The more a person's entrepreneurial competence will affect the performance of MSMEs in the area, especially in the Ajamu area. Entrepreneurship is the application of one's abilities and ideas to solve problems and find opportunities to renovate life (business and work). (Novianingrum, Dwi Nurrohmah, 2020).

2.2 Motivation

The general understanding of motivation is as a need that encourages action towards a certain goal, as in research (Theodora O, 2015) motivation is an encouragement that is carried out on a series of processes of human behavior in achieving a goal to be achieved. The elements that exist in motivation contain an element of arousing, directing, maintaining, showing intensity, being continuous, and having a purpose. If the motivation given to employees is less or less then the performance given will also be less good. With the motivation given to employees, it will be able to increase enthusiasm at work and will improve their performance so that the company can achieve its goals. Motivation has 2 basic forms, namely in the form of artificial (extrinsic) and in the form of intrinsic (intrinsic) in the work of employees must have both to help improve employee performance. The spirit or not of employees at work is strongly influenced by work motivation that comes from themselves, the importance of motivation for employees is to cause, distribute and support human behavior so that they want to work hard so that the company gets optimal results (Rahsel, 2016).

2.3 Innovation

Innovation is a process or result of utilizing knowledge, skills, and experience to create a new system (García Reyes, 2013). Research (Lailah & Soehari, 2020) reveals that innovation is a way of applying and introducing ideas directly or intentionally, new products, procedures, and processes to those who apply them, designing an innovation can provide its benefits to an individual or group. Innovation has 4 important factors, namely process, product, organization, and marketing.

2.4 UMKM Performance

Performance is an activity that includes understanding, creating, communicating, and providing value to consumers and to increase an income or profit for the company from activities on consumers (Inovati et al., 2018). MSME performance is the result of evaluation of the company's work that has been achieved by an employee who has been given the task and role for a certain period with the rules that have been set by the company (Kumalasari & Haryono, 2019). In research (García Reyes, 2013) suggests that the performance of SMEs is an effort that refers to the level of achievement or achievement of employees obtained from the company, to measure employee performance there are 2 approaches, namely objectively and subjectively. The relationship between inflation and economic growth is one of the debatable issue and the most important macroeconomic discussions among macro economists, policy-makers and monetary authorities in all countries (Wollie, 2018). In this regard, the management of all economic power through business units owned by the government is absolutely necessary in order to achieve the goal of providing (Purba, 2020).

III. Research Methods

This study using an associative research approach. Associative research is research whose purpose is to determine the relationship or influence of one or more variables (Sugiyono, 2014). This research was conducted in Ajamu, Panai Hulu District, Labuhanbatu Regency, setting a coffee shop as the goal of this research. Sampling was done by using incident sampling and purposive sampling techniques. The number of respondents who were taken as samples in this study was 150 respondents. The questionnaire was measured using a Linkert as a representative of the answers to the questionnaire, namely 1-5 with the following information: score 1: strongly disagree (STS), score 2: disagree (TS), score 3: neutral (N), score 4: agree (S), score 5: strongly agree (SS), the technique used in processing data using path analysis techniques analysis

Identify x and y as follows: (X1) Entrepreneurship competence is the ability of a person to create a new business, there are 3 indicators of entrepreneurial competence, namely 1. Ability to control risk, 2. Search and analyze information, and 3. Communication. (X2) Motivation is a need that encourages action towards a certain goal, there are 3 motivation indicators, namely, 1. Recognition of performance, 2. Opportunities for advancement, and 3. Work Achievement. (X3) innovation is a process or result of the use of knowledge, there are 3 indicators of innovation, namely 1. Creating new products, 2. Product development, and 3. Creating processes. (Y) MSME performance is the result of evaluation of the company's work that has been achieved, there are 3 performance indicators, namely 1. Sales per year, 2. Profit per year, and 3. Sales value.

IV. Discussion

So based on the research that has been done, it can be described in the concept below:

1. The influence of entrepreneurial competence affects innovation Based on the results of the tests that have been carried out, it shows that the negative beta coefficient is -0.67 with a significant level of $5.65 < 0.05$ which means that H1 is accepted. The results of this study identified that the entrepreneurial competence variable had a negative and insignificant effect on innovation at the coffee shop in Ajamu. So it is also said that the coffee shop in ajamu does not have high entrepreneurial competence which will be able to increase the innovation of the shop, by having high entrepreneurial competence will be able to make innovation so that it has an innovation in ajamu
2. Motivation affects innovation. Based on the research, the test results show a positive beta coefficient of 0.833 with a significant level of *** which is less than 0.05 which means that H2 is accepted. The results of this study indicate that the motivational variable has a positive and significant effect on innovation at the coffee shop in Ajamu, it also shows that high motivation will be able to increase innovation activities, good motivation will be able to influence the strategy of, either way, innovation is by what visitors want the shop at ajamu. Previous research was also carried out by (Hidayat & Citra, 2019) which said that motivation has an influence on success in achieving goals, business performance and can also provide innovation in business. The existence of motivation is important which can include physiological, safety, innovation, and performance in business (Theodora O, 2015)
3. Entrepreneurial competence affects the performance of SMEs. Based on the results of the analysis in this study, the test results of the positive beta coefficient value of 0.365 with a significant level of *** which is less than 0.05 which means that H3 is accepted. The results of this study indicate that the entrepreneurial competence variable has a positive and significant effect on the performance of MSMEs in coffee shops in Ajamu, this indicates that high entrepreneurial competence will be able to improve business

performance, entrepreneurial competence can influence the best strategy for improving performance that is implemented and set in your coffee shop. In previous research that has been done (Hasanah et al., 2019) said that entrepreneurial competence is very important to be owned by entrepreneurs because it is a valuable resource, rare (unique), cannot be imitated. Entrepreneurial competence is an ability that must be possessed by MSME actors to achieve excellent performance (CHARIR, 2017)

4. Motivation affects the performance of SMEs. In the research that has been carried out, the results on the motivation to the performance of MSMEs are based on the results of the analysis in this study, the test results of the positive beta coefficient value of 0.290 with a significant level of *** which is less than 0.05 which means that H4 is accepted. . The results of this study indicate that the motivational variable has a positive and significant effect on the performance of MSMEs at coffee shops in Ajamu, this shows that high motivation will be able to improve business performance, motivation can affect enthusiasm, innovation and the best way to improve performance set at the coffee shop ajamu. Previous research has been conducted (Titi Ananingrum1, 2018) saying that motivation can improve business performance, the greater the high motivation, the greater the enthusiasm to achieve the performance results obtained. By motivating employees well, it will be able to create a good work ethic and morale for employees (Lamsah Universitas, n.d.)
5. Innovation affects the performance of SMEs. Based on the research that has been done, the results of the analysis in the research have a positive beta coefficient of 0.319 with a significant level of *** which is less than 0.05 which means that H5 is accepted. So the results of this study indicate that the innovation variable has a positive and significant effect on the performance of MSMEs at the Ajamu coffee shop, this shows that high innovation will be able to improve MSME performance. Innovation in MSME activities can generate consumer interest in coming and innovation is needed to improve MSME performance at the ajamu coffee shop. In research (García Reyes, 2013) innovation is the ability to create and carry out innovations through continuous product, process, organizational, and marketing innovation without leaving a characteristic so that it is not easily imitated and able to increase business turnover in the market, so innovation has a positive and significant impact. on the performance of MSMEs. Innovation is a deliberate application and introduction of new ideas, products, procedures, or processes to the unit that implements them, (Lailah & Soehari, 2020) said that innovation has a positive and significant impact on MSME performance.

V. Conclusion

This study has proven that an MSME's performance in a coffee shop in Ajamu has a significant influence on 3 variables in this study, namely entrepreneurial competence, motivation, and innovation, this study aims to examine in depth the relationship and influence of variables in entrepreneurial competence, motivation, and innovation on The performance of MSMEs in Ajamu, Panai Hulu sub-district, Labuhanbatu Regency. The test results on the hypothesis conclude that entrepreneurial competence can improve MSME innovation and performance, and motivation can also improve MSME innovation and performance, and innovation can also improve MSME performance. After conducting the research, the results of practical implications that can be suggested from the results of the research are that entrepreneurial competence must be possessed by an entrepreneur to have innovation and be improved because it is proven to be able to encourage business success in performance, and high motivation for employees can also improve innovation and performance as well as innovation owned by entrepreneurs will certainly be able to improve performance. Suggestions to further researchers to research with a wider and larger population and sample.

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