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The Entrepreneurial Competence, Impact of Business Environment and Supply Chain Strategy on Smes Performance: The Intervening Role of Motivation

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Abstract-**SMEs playsa vital role in the development of economics in Indonesia.The performance of SMEsis also givenan impact on the economic condition. The main factor in the developing SEMs is the supply chain management. Many SMEs in Bogor Regency that fall are lack of motivation and competencies. Another factor that impactsthe performance is supporting from business environment this condition support by previous research [1] in Cimahi City and Bandung City, and concluded that small businesses were still lacking in their competencies. Steers & Porter also support this situation [2] states that work motivation is a business that can lead to behavior that isby the work environment in the organization. So the variables are connected as a factor that impacts direct or indirect to performances. This research aimsto prove theSMEs competency and business environment have toimpacttoperformance, with motivation, as intervening. It uses SEM-PLS as a method in testing the hypothesis and quantitative with the explanatorymethod. To collect data, a questionnaire used for 100 SMEs taken as a sample in Bogor Regency. The result of this research is that only SMEs competency and motivation has a direct impact on performances, the business environment needs to be intervened by motivation.**

Keyword- Entrepreneurial Competency, Business Environment, Supply Chain Strategy,Performance, Motivation, SMEs

1.   Introduction

Entrepreneurial competency can be interpreted as entrepreneurial competency is defined as individual characteristics. An entrepreneur is a person who undertakes risk for training profit in the business venture [3]. This definition explains that entrepreneurial competence as an individual characteristic; entrepreneurs are people who take over the risks to benefit from the business they are living in. [4], entrepreneurial competence is a unity of knowledge, skills,and abilities that are dynamic that are exhibited by an entrepreneur/organization so that they emit from their behavior to achieve success in their business on an ongoing basis. [5] strengthens the relationship between external, internal and small business performance with the results of his research that external factors consisting of aspects of government policy, socio-cultural and economic aspects, and aspects of the role of related institutions have a significant and positive influence on factors internal and micro-small business factors. The results of research from [6] about Analysis of Direct and Indirect Influencing Factors on Small and Medium Business Performance Study in SMEs in Kebumen District found that the value of entrepreneurship has a positive direct effect on business performance and a positive indirect effect on business performance through strategy.The development of Micro and Small Enterprises (MSEs) in Indonesia is one of the priorities in national economic development. It is not only because the business is the backbone of a populist economic system that is not only aimed at reducing the problem of inequality between income groups and between business actors, or alleviating poverty and employment. More than that, the development can expand the economic base and can contribute significantly in accelerating structural change, namely increasing regional economies and national economic resilience. However, the lack of business development and innovation development is one of the causes of problems in the Bogor Regency Micro and Small Enterprises (MSEs) which have resulted in rising and fall in the year of 2016-2017, table 1 below represent rise of SMEs in Bogor Regency Area

from the year 2016 to 2017, for 92,91 % SMEs in Bogor Regency takes significant role in contributing to regional income, but a year before SMEs didn't take part as much as in the year 2016, this rise and fall caused by a lack of innovation and development in business in Bogor Regency Area.

Table1. Growth of Bogor Regency Micro and Small Businesses 2016-2017

Business Field	Enterprise Scale				Total
	Micro	Small	Medium	Large	
Agriculture	201.082	2.986	249	12	204.329
Mining	19.396	500	476	60	20.432
Processing Industry	33.782	7.675	1.761	313	43.531
Electricity, Gas,and Water	60	49	25	14	148
Construction	24.186	3.759	1.166	139	29.25
Trade, Hotel and Restaurant	230.467	16.374	1.738	249	248.828
Communication and Transportation	102.616	5.596	149	21	108.382
Financing, Real Estate	3.237	515	250	211	4.213
Services	43.555	5.381	403	146	49.485
Total	658.381	42.835	6.217	1.165	708.598
Percentage	92,91	6,05	0,88	0,16	100,00

Source: BPS Bogor Regency, 2016-2017

Regarding the background of the previous research and supporting data, the author wants to examine the influence of entrepreneurial competencies and the external-internal business environment on the performance of micro and small businesses in Bogor Regency with Motivation as an intervening variable.

2. Literature review

Competence is some individual characteristics related to reference to expected behavioral criteria and best performance in a job or situation that is expected to be fulfilled [7]. Whereas according to, [8],definedthat the entrepreneurial competence as a managerial capability of a firm's leaders to create and communicate a strategic vision for structuring inter-firm relations. There are dimensions of entrepreneurial competence, namely competency to manage the business, competency to manage human resources, competency to promote business efforts, competency to keep business records, competency to manage the finances, competency to manage customer credits and collection, and competency to protect the business. The business environment includes all factors, both those inside and outside the organization that can fulfill the continuity of achieving the desired goals. This business environment can encourage, or vice versa, hinder the development and growth of business activities. The internal environment has direct implications for the company. While the external environment is an environment that occurs outside the company that cannot be influenced by the company, which consists of six elements, namely: (1) government, (2) legal factors, (3) geophysical factors, (4) political factors, (5) socio-cultural factors, (6) demographic factors. According to Stephen in [9] said motivation is factors that are extrinsic in origin from outside ones that also determine a person's behavior in one's life. Three dimensions of motivation stated [10], namely, 1. The need for achievement, 2. The need for affiliation, 3. The need for power. According to Umar quoted [11], there are two aspects or dimensions of performance standards, and then developed into several indicators, the first is quantitative, the indicators include work processes and work conditions, work time, number of errors. Second is qualitative, theindicators include the quality of work, timeliness, ability and work skills, ability to evaluate. The above variables are interconnected, entrepreneurial competence and business environment are expected to improve the performance of micro and small businesses supported by motivation, and several previous studies support this. Previous research conducted [12] states that motivation affects employee performance. In the study conducted [13] towards 212 Small and Medium Enterprises (SMEs) entrepreneurs in Malaysia, resulting in entrepreneurial competence having a positive effect on business success. Entrepreneurship competencies, business environments, motivation and performance of SMEs are illustrated in the research model below:
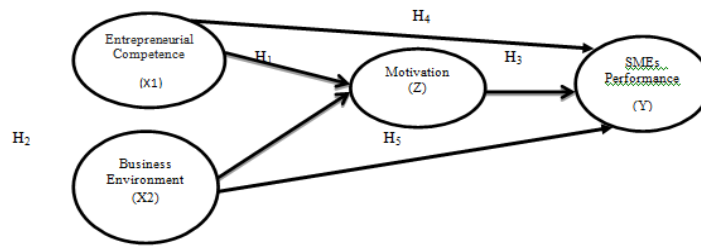
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Figure1. Theoretical Framework

Table2. Research Hypothesis

No	Hypothesis
H_1	Entrepreneurial Competence impact on SMEs Performance Through Motivation.
H_2	Business Environment impact on SMEs Performance Through Motivation.
H_3	Motivation impact on SMEs Performance.
H_4	Entrepreneurial Competence impact directly on SMEs Performance.
H_5	Business Environment impact directly on SMEs Performance.

With the provision of:

1 .t-arithmetic> t-table = H_o is do not accepted and H_1 accepted.

2. t-arithmetic< t-table = H_o accepted and H_1 is do not accepted.

3.   Methodology

This study uses a quantitative approach with research types of explanatory. Population for this study isSMEswhich was registered actively on the year of 2016-2017 in Bogor Regency, West Java. 100 (one hundred) samplestaken for this research using a purposive sampling method. The number of samples identified by use of Slovin measurement as listed below:
$$n = \frac{N}{N.d^2 + 1}$$

n = number of samples

N = total population = 658.381 (Total SMEs in Bogor Regency Year of 2016-2017)

d^2 = precision (set at 5% and confidence level of 95%)

Based on this formula, the following sample sizes are obtained:

n =   658.381

$[658.381 (0.1)^2 + 1]$

n = 99.9848 = 100 (rounded)

The technique used to collect data in this study is to use a questionnaire. The data measurement technique used in this study was using a Likert scale (Likert scale). The research data analysis used the Structural Equation Modelling (SEM) approach using the Partial Least Square (PLS) analysis method and with the help of the XLSTAT application program because this study used intervening variables. According to [14], the purpose of PLS is to help researchers for predictive purposes. The formal model defines a latent variable an aggregate linear indicator. Weight estimate to create a component of the latent variable score is obtained based on how the inner model (the structural model that connects between latent variables) and the outer model (the measurement model is the relationship between the indicators and the construct) is specified. The result is the residual variance of the dependent variable (both latent variables and indicators) taken. For running data, this research use software XLSTAT.
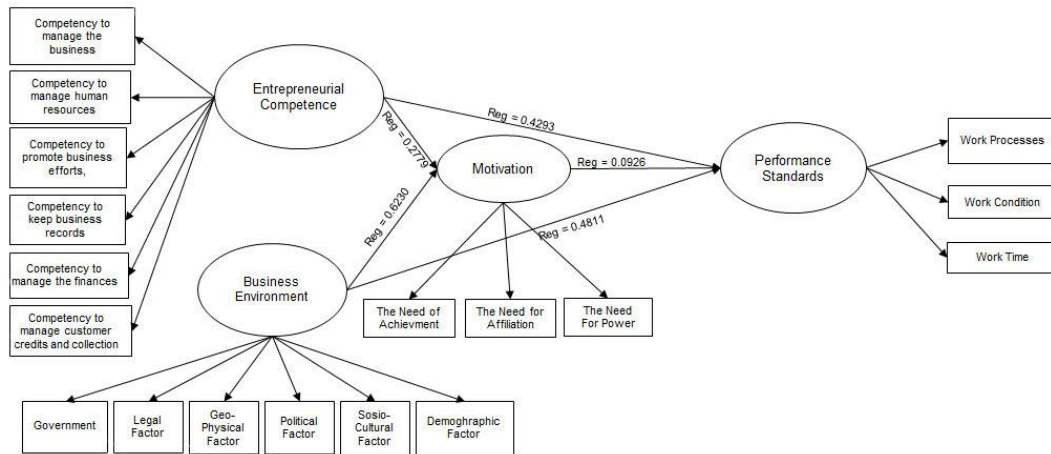
4.   Result and Discussions

Figure2. Hypothesis Testing Using PLS Method

4.1. Outer Model Evaluation

Table 3 shows the results of data processing from questionnaires using XLSTAT software. The result indicatesthat the indicator in convergent validity value of each variable has a factor loading more than 0.50 means the statement in the questionnaire valid and can represent the variables of entrepreneurial competence, business environment, motivation and performance standards in this study, the higher the factor loading the higher the validity.

Table3. Cross Loading

Cross-loadings (Monofactorial Manifest Variables)	Entrepreneurial Competence	Business Environment	Motivation	Performance Standards
Competency To Manage The Business	0.9475	0.8125	0.7636	0.8387
Competency To Manage Human Resources	0.9217	0.7905	0.7196	0.8136
Competency To Promote Business Efforts	0.9104	0.7191	0.7074	0.7468
Competency To Keep Business Records	0.9123	0.7188	0.6706	0.7623
Competency To Manage The Finances	0.9092	0.872	0.7799	0.9278
Competency To Manage Customer Credits And Collection	0.8661	0.824	0.8203	0.9285
Government	0.7894	0.9008	0.7908	0.92
Legal Factor	0.7765	0.921	0.8077	0.851
Geo-Physical Factor	0.8037	0.9326	0.8084	0.8559
Political Factor	0.7254	0.8458	0.6994	0.7408
Socio- Cultural Factor	0.669	0.7519	0.5642	0.6837
Demographic Factor	0.777	0.8565	0.8114	0.8061
The Need of Achievement	0.7622	0.8351	0.9288	0.8378
The Need for Affiliation	0.7784	0.7997	0.943	0.7938
The Need For Power	0.7689	0.7987	0.9422	0.7904
Work Processes	0.9092	0.872	0.7799	0.9278
Work Condition	0.8661	0.824	0.8203	0.9285
Work Time	0.7894	0.9008	0.7908	0.92

Table 4 shows that all variables are Entrepreneurial Competence (X_1), Business Environment (X_2), Performance Standards (Y), and Motivation (Z) have AVE values and Communality greater than 0.5. It shows that the overall variable has met the criteria of discriminant validity so that it can be stated that the question items are valid in measuring the variable.

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Table 4. Discriminant Validity

Squared Correlations < AVE	Entrepreneurial Competence	Business Environment	Motivation	Performance Standards	Mean Communalities (AVE)
Entrepreneurial Competence	1	0.7593	0.6736	0.8546	0.8309
Business Environment	0.7593	1	0.7485	0.8746	0.7573
Motivation	0.6736	0.7485	1	0.7415	0.8799
Performance Standards	0.8546	0.8746	0.7415	1	0.8564
Mean Communalities (AVE)	0.8309	0.7573	0.8799	0.8564	0

Table 5 displays the results of data processing from questionnaires using XLSTAT software indicate that construct of each variable has a Cronbach Alpha more than 0.70 means the statement in the questionnaire reliable and can represent the variables of entrepreneurial competence, business environment, motivation and performance standards in this study.

Table5. Composite Reliability

Latent Variable	Dimensions	Cronbach's Alpha	D.G. Rho (PCA)	Condition Number
Entrepreneurial Competence	6	0.9592	0.9673	6.7552
Business Environment	6	0.9349	0.9491	7.5580
Motivation	3	0.9317	0.9565	4.1915
Performance Standards	3	0.9162	0.9471	3.5571

4.2. Inner Model Evaluation

The GoF value of 0.9529 means that the model can explain the diversity of data this is 86.1%,or in other words, the information contained in the data is the model can explain 95.29%. While the remaining 4.71% explained by other variables outside the model used in this study.

Table 6. The goodness of Fit Model

	GoF	GoF (Bootstrap)	Standard error	Critical ratio (CR)	Lower bound (95%)	Upper bound (95%)
Absolute	0.8326	0.8210	0.0709	11.7372	0.6634	0.9945
Relative	0.9547	0.9357	0.0649	14.7165	0.7919	1.0000
Outer model	0.9949	0.9816	0.0619	16.0658	0.8437	1.0000
Inner model	0.9596	0.9529	0.0097	99.0523	0.9224	0.9714

4.3. Hypothesis Testing

The level of significance is obtained by comparing the count with t-table value. If the value of t-count is greater than t-table, the relationship between these variables is significant. The amount of data is 100, then the t-table value ($\alpha = 5\%$) is 1.98 the results of the relationship between variables are presented in Table 7 above. Only hypothesis 5 that not accepted because t table isgreater than t testing. Business environment not directly impact on the performance of SMEs in Bogor Regency.

Table7. Results of Testing Direct Impact Hypotheses

Hypothesis	Impact	Path Coefficients	t-test	t-table	Result
H3	Motivation → Performance Standards	0.4293	7.3233	1.98	Accepted
H4	Entrepreneurial Competence → Performance Standards	0.4811	7.205	1.98	Accepted
H5	Business Environment → Performance Standards	0.0096	1.6149	1.98	Not Accepted

From Table 8, H1 and H2 are accepted, both variables are indirectly impact on performance standards through motivation, the t-test value also shown significance, t-test are greater than t-table, t-test for business environment is 6.2371 and t-test for entrepreneurial competence is 2.7825 both of variables have a value greater than t-table (1.98). Result for indirect impact shown in Table 8 below:

Table8. Results of Testing Indirect Impact

Hypothesis	Variable Exogenous	Variable Endogenous	Intervening Variable	Impact	
				Direct	Indirect
H1	Entrepreneurial Competence	Performance Standards	Motivation	0.4811	0.4811 X 0.4293 = 0.20654
H2	Business Environment	Performance Standards	Motivation	0.0096	0.0096 X 0.4293 = 0.004121

5. Conclusion and Recommendation

The result of this study supported by the theory from [7] and [4], that competence related to reference to expected behavioral criteria and best performance in a job, from 100 (one hundred) SMEs agree that competence of individual or organization from SMEs impacts direct and indirect to SMEs performance. This result also supported by another research from [13] that entrepreneurial competence is having a positive effect on business success (performance). In contrast, the result doesn't support the perspective from [15] environment as a vehicle that provides resources from organization need to fulfillits performance, in this sample of 100 SMEs environment are not accepted as variable that impacts directly to performance, it need to be intervene by motivation of SMEs itself, but has impact indirectly on performances strengthen result from [6]. This research limitation is that the sample was taken only on SMEs in the Bogor Regency and the number are only 100 (one hundred), for maximum validity, the greatersample taken need to expand, whether the location or the number.

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