

## ENTREPRENEURIAL VALUES ON BUSINESS PERFORMANCE: ENTREPRENEURIAL COMMITMENT AS A MEDIATION

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### Abstract:

The business world today is also starting to develop along with business competition, whether on a small, medium or large scale. One of them is Micro, Small and Medium Enterprises (MSMEs). The purpose of this study was to analyze entrepreneurial values such as self-efficacy and achievement motivation on business performance, and entrepreneurial commitment as mediating variables. This research was conducted in MSMEs in Malang City and involved 100 respondents, namely business owners. This study is quantitative using explanatory research. Explanatory research aimed to test a theory or hypothesis in order to support or reject the theory or hypothesis from previous research results. The data analysis used path analysis with Partial Least Square (PLS) software (SmartPLS 3.0). The objective of this study was to examine the effects of variables (self-efficacy, achievement motivation, entrepreneurial commitment, and business performance). The results of this study are the influence of self-efficacy on entrepreneurship commitment and performance, achievement has a significant effect on business performance, but not significant on entrepreneurial commitment, then entrepreneurship commitment on business performance, and has a mediating role between self-efficacy on business performance. Meanwhile, entrepreneurship commitment does not mediate the effect of motivation on business performance. Further research can be done by adding other variables and seeing whether entrepreneurship commitment can strengthen the influence of motivation on business performance through a moderation test.

**Keywords:** Self-Efficacy, Achievement Motivation, Entrepreneurship Commitment, Business Performance.

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## INTRODUCTION

The business has a central role in the economic progress of a country, including Indonesia. As time goes by, human needs are also increasing. Hence many businesses have emerged. Today's business world is also starting to develop alongside business competition, including a small, medium, or large scale. One of them is Micro, Small, and Medium Enterprises (MSMEs). MSMEs are one of the business units that have a crucial role in the Indonesian economy. MSMEs are one of the things that the community can do by doing business and becoming an entrepreneur. MSMEs can increase a country's income and help provide employment opportunities. Entrepreneurship is an alternative that can be done for the community and is important in providing employment opportunities (Azhar *et al.*, 2014). MSMEs are one of the alternatives for entrepreneurs in starting their businesses. MSMEs are productive businesses owned by individuals and/or individual business entities for micro-enterprises (Law No. 20 of 2008). Microenterprises include those with a net worth of IDR 50.000.000. MSMEs provide a significant role in Indonesia's national economy and have the potential to create opportunities and small community-based innovations. The innovations are based on the community's needs and how business actors apply the internal factors and entrepreneurial values.

Entrepreneurs have an important role in the sustainability of their business. The entrepreneurs will achieve the results they desire with good management. In order to support this effort, it can be influenced by several individual characteristics such as self-efficacy, which

has a significant role in the effective performance of a business entity such as MSMEs (Hisrich, 2012). Self-efficacy is a major determinant for individuals in their work (Pillai & Williams, 2004). Self-efficacy contributes to the development of a business (Pihie & Bagheri, 2013). Self-efficacy is an individual's belief in their capacity to achieve certain goals (Wulandari, 2013). Self-efficacy is also a driving factor that makes individuals more active in their work and takes advantage of every opportunity that exists by optimizing the available potential. In order to increase the capacity of an entrepreneur, it is also necessary to have a motivational boost in making an effort to achieve business goals, such as achievement motivation. In the business world, motivation is the most important element that individuals must possess because motivation is a person's ability in an effort to achieve goals and is accompanied by the individual's ability to satisfy their needs (Luthans, 2006). Individuals' desire to achieve something and to be involved in activities innovatively and responsible for the results they achieve is known as achievement motivation. Mendol & Marcus (2015) state that the individuals' motivation to achieve something is an important psychological force that influences entrepreneurial behavior. Koh (1996) explains the characteristics of entrepreneurship, one of which explains achievement motivation. The study describes someone who has higher achievement motivation than others and has a strong relationship with entrepreneurial motivation. Self-efficacy and strong achievement motivation will improve business performance.

H1: Self-efficacy affects entrepreneurial commitment

H2: Achievement motivation affects entrepreneurial commitment

Business performance can be said to be a form commonly used to measure the impact of a company strategy orientation (Lumpkin & Dess, 2015). Performance is a measure of the company's success in achieving its goals. Performance is the result of a process that refers to and is measured over a certain period of time-based on pre-determined provisions, standards, or agreements (Lubis et al., 2018). The benchmark for the success of a business cannot be separated from the performance. There are several driving factors to achieving good performance, such as self-efficacy and achievement motivation. Several studies suggest that there is an effect between self-efficacy and achievement motivation on business performance. Intan (2017) states that self-efficacy affects business performance. This proves that the higher the self-efficacy, the greater the performance. Although there are several obstacles in achieving good performance, they will continue to strive to achieve the targets that have been set with a strong belief. Ahlin, Drnovšek, & Hisrich (2014) state that there is an important role, such as self-efficacy being able to increase the performance success of a business such as MSMEs.

H3: Entrepreneurial Commitment affects business performance

H4: Self-efficacy affects business performance

H5: Achievement motivation affects business performance

Self-efficacy and motivation to provide good performance will have an impact on business performance or, in this case, MSMEs. In contrast, research conducted by Sahabudin (2012) states that self-efficacy has no effect on business performance, and thus it becomes a research gap in this study. Self-efficacy and strong motivation are not enough in improving business performance; it also needs the entrepreneurs' involvement in their business, so they have a strong attachment, namely entrepreneurial commitment. Entrepreneurial commitment is one of the fundamental factors in running a business. Entrepreneurial commitment is the entrepreneur's consistency to achieve goals by performing the principles of entrepreneurship (Rauf, 2020). One of the phenomena that can be seen is someone who becomes an entrepreneur as a side job and not the main job. This can be seen by the increasing unemployment rate in Indonesia because people still prioritize working in the formal sector (Andika & Madjid, 2012). This topic is interesting to study because a sustainable business is an effort that is carried out with full sincerity, strong belief, and high motivation. The research gap and the phenomena that occur make the entrepreneurial commitment a mediating variable.

H6: Entrepreneurial commitment mediates the effect of self-efficacy on business performance

H7: Entrepreneurial commitment mediates the effect of achievement motivation on business performance

Malang City is the second-largest city in East Java, which has various unique tourist destinations that becomes the main characteristics of Malang City. A total of 9,870 micro businesses spread across Malang City in 2020. Many of these businesses are bankrupt due to the COVID-19 pandemic (Febrianto, 2021). The government of Malang city provides a forum for MSMEs business actors, such as the MSMEs marketplace, where various types of MSMEs are provided and can be accessed by the public through the Malang City Cooperative, Industry and Trade Service website. Therefore, MSMEs are currently more accessible to the wider community. Several factors, such as a pandemic and competitors, prompt the entrepreneurs to survive by having self-efficacy and strong motivation and being fully committed to entrepreneurship, which impacts business performance. For this reason, it is important to conduct this study. This study aimed to determine the effect of self-efficacy and achievement motivation on entrepreneurial commitment, the effect of achievement motivation and self-efficacy on business performance, and the role of entrepreneurial commitment as a mediating variable.

## **METHOD**

This study is quantitative using explanatory research. The explanatory research aimed to test a theory or hypothesis in order to support or reject the theory or hypothesis from previous research results. The data analysis used path analysis with Partial Least Square (PLS) software (SmartPLS 3.0). The objective of this study was to examine the effects between variables (self-efficacy, achievement motivation, entrepreneurial commitment, and business performance). The operational definition of this research variable is as follows: Self-efficacy is an individual's ability to master the situation and produce something that can be in the form of work ability, assertiveness in completing tasks and willingness to accept challenges; achievement motivation with indicators of achievement orientation, future orientation, likes challenges, tough; entrepreneurial commitment with indicators: desire or intention, discipline and determination; and business performance variables with indicators: market development, booking order, job satisfaction, product quality, and good life. The research was conducted in Malang city and focused on the owners of MSMEs. A sample is a subset of a population selected to represent the population (Sekaran, 2014). The determination of the maximum number of samples is 300 when the construct is less than equal to 7, the communality level is at least 0.45, and the indicator or the invalid item is less than three in each construct (Hair et al., 2010). The sample size in this study is based on the minimum number of samples by looking at the large number of variables tested. Determination of the minimum number of samples with variables less than 5, then the number of samples is 100 (Hair et al., 2010). The sampling technique used was purposive sampling.

## **RESULTS AND DISCUSSION**

The results of the validity test in this study are presented in the following table:

**Table 1. Validity Test**

Indicator	Item	Outer loading	Description
Self-efficacy	SE1.1	0.926	Valid
	SE1.2	0.933	Valid
	SE1.3	0.901	Valid
	SE1.4	0.707	Valid
Achievement Motivation	AM1.1	0.791	Valid
	AM1.2	0.798	Valid
	AM1.3	0.538	Valid
	AM1.4	0.745	Valid
Entrepreneurial Commitment	EC1.1	0.871	Valid
	EC1.2	0.895	Valid
	EC1.3	0.880	Valid
	EC1.4	0.889	Valid
	EC1.5	0.654	Valid
	EC1.6	0.511	Valid
Business Performance	BP1.1	0.803	Valid
	BP1.2	0.848	Valid
	BP1.3	0.754	Valid
	BP1.4	0.692	Valid
	BP1.5	0.588	Valid

Based on the results of the validity test in table 1 above, it shows that the outer loading value of each item is more than 0.5 so that it is valid. While the results of reliability testing in this study are described in table 2 below:

**Table 2. Reliability test**

Indicator	AVE	CA	CR	Description
Self-efficacy	0.760	0.891	0.926	Reliable
Achievement Motivation	0.526	0.701	0.813	Reliable
Entrepreneurial Commitment	0.635	0.877	0.910	Reliable
Business performance	0.551	0.828	0.858	Reliable

Based on Table 2, the AVE value in each variable has a value of more than 0.5 and meets the requirements. The Cronbach's Alpha value of each variable also has a value greater than 0.7 so that all constructs from these variables are said to be reliable. The results of Composite Reliability of each variable also have a value greater than 0.7 so that it is declared reliable. The following are the results of the direct effect statistical test presented in table 3 below:

**Table 3. Result test**

H	Independence Variable	Dependent variable	T-stat	P value	Description
1	Self-efficacy	Entrepreneurial Commitment	15.333	0.000	Significance
2	Achievement Motivation	Entrepreneurial Commitment	1.114	0.266	Non-significance
3	Entrepreneurial Commitment	Business Performance	3.014	0.003	Non-significance
4	Self-efficacy	Business Performance	2.277	0.023	Significance
5	Achievement Motivation	Business Performance	3.610	0.000	Significance

The results of testing the direct influence between self-efficacy and commitment to entrepreneurship obtained a t-statistic value of 15.333 and a p-value of 0.000. because the value of t-statistic  $15.333 > 1.96$  and p-value  $0.000 < 0.05$  then self-efficacy affects the commitment to entrepreneurship, so that H1 which states that self-efficacy has a significant effect on commitment to entrepreneurship is accepted. The results of the test on hypothesis 2, namely the effect of achievement motivation on entrepreneurship commitment, obtained a t-statistic value  $< 1.96$ , namely 1.114 with a p-value of 0.266 so that achievement motivation has no effect on entrepreneurial commitment and H2 is rejected. The result of the next direct test is the effect of entrepreneurship commitment on business performance. The results show t-statistics  $3.014 > 1.96$  and p-value  $0.003 < 0.05$ , so entrepreneurship commitment has a significant effect on business performance so that H3 is accepted. The results of the next hypothesis, namely self-efficacy on business performance and achievement motivation on business performance, showed a significant effect as evidenced by the t-statistic value  $> 1.96$  and p-value  $< 0.05$  so that hypotheses 4 and 5 were accepted.

**Table 4. Result Indirect effect**

Hypothesis	Original Sample	Sample mean	Standard Deviation	t-stat	Sig	Description
MB-KB-KU	0.032	0.035	0.034	0.943	0.346	Insignificance
ED-KB-KU	0.291	0.296	0.100	2.905	0.000	Significance

Based on the results of the indirect effect analysis based on testing through SmartPLS 3 in table 4 above, it is known that the t value is  $0.943 < 1.96$  and the significance is  $0.346 > 0.05$  so it can be concluded that entrepreneurship commitment does not mediate achievement motivation on business performance. The results of the analysis show that the effect of the achievement motivation variable has insignificant results on entrepreneurship commitment and the influence of entrepreneurship commitment on business performance has significant results. So that the commitment to entrepreneurship in this study does not mediate so that Hypothesis 6 is rejected. Entrepreneurial commitment has a mediating role between the effect of self-efficacy on business performance. The results showed a significance value of  $0.000 < 0.05$  and a t-count value of  $2.905 > 1.96$  so that Hypothesis 7 was accepted. Self-efficacy has an influence on commitment to entrepreneurship and commitment to entrepreneurship has an influence on business performance, so commitment to entrepreneurship is a partial mediation.

The results found that there was an effect between self-efficacy on entrepreneurial commitment. The more self-efficacy, the more entrepreneurial commitment. Self-efficacy is an individual's belief to achieve their goals. This belief has a significant role, especially for business actors. Firm belief and commitment are necessary for business actors. Ups and downs exist in the business world. Therefore, business actors who can run the business consistently and are driven by a strong desire, belief, and high motivation are necessary. In running SMEs, particularly by having employees, a business actor or owner must feel confident and motivated to strengthen commitment in doing business. These results are in line with the research of (Intan, 2017), which explains that there is a significant effect of self-efficacy on entrepreneurial commitment. The results showed that there was no effect of achievement motivation on entrepreneurial commitment. The more achievement motivation in business actors is increased, it will not have an impact on entrepreneurial commitment. Achievement motivation is one of the entrepreneurial values that business actors can apply. According to McClelland (1987), achievement motivation is an idea related to how to do something as well as possible compared to what has been done before and more efficiently with maximum results. Likewise, in entrepreneurial life. Achievement motivation is a strong drive in achieving goals and focuses on increasing business. Mendol & Marcus (2015) state that the individuals' motivation to achieve something is an important psychological force that affects entrepreneurial behavior. Koh (1996) explains the characteristics of entrepreneurship, one of which explains achievement motivation. However,

strengthening or increasing entrepreneurial commitment is not only based on motivation. Several other factors of entrepreneurial values can lead to this commitment. In addition, although achievement motivation exists, the absence of a strong belief in achieving things in business will not affect entrepreneurial commitment. These results support the research of (Ambarwati & Fitriasari, 2021).

Entrepreneurial commitment has a central role in the sustainability of a business. Without a strong commitment, the business cannot achieve the desired goals, and there is no achievement in business performance. The study results found that there was a significant effect of entrepreneurial commitments on business performance. The results showed that the stronger the entrepreneurial commitment to the business owner, the higher the business performance. If individuals have a high involvement and attachment to the business being run, it will have an impact on the progress of the main business, namely business performance. Business performance can be seen from the increasing sales volume, profit earned, and several factors that support it to produce increased business performance (Najib & Kiminami, 2011). This result is in line with the research conducted by Sahabudin (2012), which found that a high commitment to the business will have an impact on the MSMEs' performance. Therefore, entrepreneurial commitment has a significant effect on the MSMEs' performance. Self-efficacy is a strong belief owned by business owners in achieving particular goals. A strong belief will have an impact on the performance achieved. The results showed that there was a significant effect of self-efficacy on business performance. The higher and stronger the self-efficacy owned by the business owner, the greater the business performance. By having high self-efficacy, the business owner will feel challenged to increase their performance as much as possible and achieve high business performance. Purnomo & Lestari (2010) found a significant effect of self-efficacy on business performance. Therefore, it supports the results of the research conducted.

Entrepreneurial commitment has a mediating role in the effect of self-efficacy on business performance. The more self-efficacy is well-implemented by business actors, the more entrepreneurial commitment, which positively impacts business performance. A strong belief in achieving a goal or desire to do a business and driven by a strong motivation will increase the involvement of business actors in entrepreneurship by doing their best, and therefore increasing business performance in terms of sales and profitability. The results of this mediation testing make the entrepreneurial commitment a partial mediation. This is because there is a direct effect between self-efficacy on entrepreneurial commitment and the effect of self-efficacy on entrepreneurial commitment and entrepreneurial commitment on MSMEs performance. Improving the performance of SMEs can be directly affected by entrepreneurial values; in this case, self-efficacy or self-efficacy will increase the entrepreneurial commitment beforehand for business actors and have an impact on business performance. On the other hand, entrepreneurial commitment does not have a mediating role in the effect of achievement motivation on business performance. This result is obtained because there is no direct effect of achievement motivation on entrepreneurial commitment, and there is a direct effect of entrepreneurial commitment on MSMEs performance. If one of the exogenous and endogenous variables does not affect the mediating variable, it is said to have no mediating role. Several things can improve business performance, apart from achievement motivation. Self-efficacy is entrepreneurial values that are well applied to business actors in running their business. A strong belief comes with a strong motivation, and if the entrepreneurial commitment is not strong enough, it will impact business performance. These results are interesting to be studied for further research by adding other variables.

## **CONCLUSIONS**

Small and medium-sized enterprises (SMEs) have a significant role in Indonesia's national economy and become potential that business actors must constantly improve. The conclusions of this study are as follows: self-efficacy has a significant effect on entrepreneurial commitment,

while achievement motivation does not affect entrepreneurial commitment. Self-efficacy and achievement motivation significantly affect business performance, which means that having a strong belief and motivation to achieve business goals will improve business performance. Entrepreneurial commitment affects business performance and has a role that mediates between self-efficacy and business performance.

Although entrepreneurial commitment does not mediate the effect of achievement motivation on business performance, it can be seen in significant results on direct testing. Therefore, it can be studied for further research by adding other variables to see if entrepreneurial commitment can strengthen the effect of achievement motivation on business performance through a moderation test. In addition, further research can also measure the extent to which employee performance and business strategies are applied to Small and medium-sized enterprises (SMEs).

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