The Impact of Entrepreneurship and Competence on Small Medium Enterprises *Tangan Di Atas* (TDA) Medan Entrepreneurs' Work Performance

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Abstract: This research aimed to present and obtain empirical evidences of the impacts of the improvement of competence and entrepreneurship on UMKM *Tangan di Atas* (TDA) Medan entrepreneurs' work performance. The population of this research was 530 UMKM TDA entrepreneurs who are located in Medan and around Medan. The research method being applied in this research was field research and survey, also descriptive analysis. There were 84 respondents as the sample and SPSS (Statistical Package for Social Sciences) was used in analyzing the data.

Based on the research, the result shows that entrepreneurship and competence have positive impacts on UMKM TDA Medan entrepreneurs' work performance, both partially and simultaneously. The value of R square obtained was 0.188 which means 18.8% of the entrepreneurs' work performance was related to entrepreneurship and competence, while the rest, 81.2%, were related to the other factors, such as communication, organization's commitment, compensation, and the other factors that were not included in this research.

Keywords: Entrepreneurship, Competence, UKM entrepreneurs' work performance.

1. INTRODUCTION

Human beings are the strategic factors in all institution/ organization's activities. *Usaha Mikro Kecil Menengah* (UMKM) or Micro, Small and Medium-sized Enterprises is a priority in developing national economy because UMKM is the main support in the people's economic system which does not only intend to reduce the gap between the income groups and between the entrepreneurs, but also to alleviate poverty and to rise employment. The UMKM sector in Indonesia is crucial and it is now developing, including in the city of Medan. Although Medan is the third biggest city in Indonesia, not all entrepreneurs in this area are big

entrepreneurs. Many young people are now interested in UMKM sector. This sector is always viewed as the important sector because most Indonesians are UMKM entrepreneurs, either in traditional or modern sector. Globalization causes the national market to be more open for the products and services from foreign countries to enter Indonesia. Then, the competition between companies is getting tougher. To anticipate this, UMKM has to operate more effectively and efficiently.

Human resource is the defining factor whether an organization is successful in achieving its goal or not (Muda and Dharsuky, 2015; Dalimunthe *et al.*, 2016; Gusnardi *et al.*, 2016; Lubis *et al.*, 2016; Muda, 2017; Erlina *et al.*, 2017 & Azlina *et al.*, 2017). Whatever the form and the goal are, an organization is created based on several visions for human's needs and its operation is managed by human. Therefore, human is the strategic factor in any institution or organization's activities. In achieving the goal, an organization needs human resource management that addresses the function of management for executing the planning processes, organizing, staffing, leading, and controlling (Muda *et al.*, 2017). Based on the early study that has been done, it is informed that the human resource has low quality in production. The other reason is that most of entrepreneurs have low educational background so that they find difficulty in understanding the necessary technology, accepting or adapting the renewal process that results from the information and technology rapid development (Muda *et al.*, 2016, Nasir *et al.*, 2017 & Sadalia *et al.*, 2017). Optimum resource utilization will make a business organization perform better than the competitor. If the resource owned by an organization is the same or even lower, this organization will lose its competitiveness. On the other hand, if an organization is able to keep the quality better from the competitor, the potential competitor will not be able to outperform the organization. Then, sustained competitiveness can be achieved and it will be the key in improving the work performance.

Based on the Act Number 20 year 2008 on small and medium-sized enterprises, small enterprise has two criteria: (1) net worth is more than Rp 50,000,000 (fifty million rupiahs) and the maximum is Rp 500,000,000 (five hundred million rupiahs), excluding the land and building of business; (2) annual sales income is more than Rp 300.000.000 (three hundred thousand rupiahs) and the maximum is Rp 2.500.000.000 (two billion and five hundred million rupiahs). UKM is a heterogenic company organization in a size and characteristic which, when it is performed together, will have direct and indirect significant participation in national production, employment recruitment, and work field creation.

Entrepreneurship competence is the basic characteristic of an individual in creating opportunities in a creative and innovative way. Successful entrepreneurs are mostly those who have competence in knowledge, skill, and personal quality that covers attitude, motivation, value, and action needed do the job or activity. Suryana (2008) supports this explanation that a businessman will not be successful without knowledge, skill, and motivation.

In preparing and building UMKM to be tough and having high competitiveness, entrepreneurs should focus on the challenges that will be faced in the future. The most likely challenges that will be faced are globalization, democratization, decentralization/ autonomization, and avoiding food and energy crisis and the effect of the global recession spreading to the national economy (Sirojuzilam *et al.*, 2016 & Tarmizi *et al.*, 2016 & 2017). On the other side, we realize the position and condition of UMKM that needs many types of support in its development. In line with the effort to grow new business unit, a policy and activities in mapping the potential and the potential business types in each regency/ city in Indonesia have been programmed. Understanding the UMKM performance, this program is important and useful to know the potential and potential business types in each regency/ city in Indonesia.

UMKM TDA (*Tangan di Atas*) entrepreneurs are located in a big country that is potential enough for them to develop their business. Medan promises a lot of opportunities for entrepreneurs who want to develop their business. Although their business is still small, they have interesting business that is able to attract customers (Handoko *et al.*, 2017). The plural society becomes the best opportunity for the development of entrepreneur community.

Based on the explanation above, UMKM is a business sector that often experience funding problem. UMKM entrepreneurs is difficult to get investors lend or invest their money that is caused because they cannot show the operational evidence and the company's profit in a form of financial report. They also have difficulty in communicating with other parties using verbal or written expression. UMKM generally has excellence in a field that utilizes natural resource and labor intensive, such as food agriculture, plantation, farms, fishery, trading, and restaurant. McClelland's study (Robbins 2008) explains that, for years, people who succeed in business are mostly those who have high "needs for achievement" because they have self-responsibility for their work performances, they are brave to take calculated risks, and they give big attention to feedback that is related to funding and profit. Developing UMKM work performance is not easy. Barbara (2000) stated that the problems of management in marketing, finance, and technology influence the work performance. The UMKM TDA entrepreneurs' competence tends to be low because they have low educational background and they are difficult to adapt the advancement of science and technology (Muda and Dharsuky, 2015; Lubis *et al.*, 2016; Hasan *et al.*, 2017 & Azlina *et al.*, 2017). Only few of them have participated in technical and management training even though the continuity of activity in the company is defined by those factors. Based on this condition, the researcher analyzed the impact of entrepreneurship and competence on UMKM TDA Medan entrepreneurs' work performance.

2. LITERATURE REVIEW

2.1. Work Performance

Work performance is an individual or a community's willingness to do an activity and perfect it according to the responsibility with the desired result, Rivai (2006:50). While according to Guritno and Waridin (2005:86), work performance is the comparison of work results achieved by the employees with the predefined standards.

Entrepreneurship is generally a value needed to start and develop a business. Entrepreneurship is a process of doing new or creative and innovative things that are useful in giving more value. According to Untoro, entrepreneurship is the courage to make efforts in fulfilling life necessities done by an individual, based on the ability by using all of the potentials owned to make something useful for him and others. Sugoto stated that entrepreneurship is a creative business being built based on innovation to produce something new, having more value, giving benefit, creating work field and the result is useful for others. The definition of entrepreneurship by Prawiro (1997) is a value that is needed to start and develop a business.

The experts' definition of entrepreneur:

1. Entrepreneur is someone who has the ability to see and assess a business opportunity, gathering resources that are necessary to get the profit from them, and take the right action, to assure success. (Geoffrey G. Meredit *et al.*, 1995).

2. Entrepreneur is someone who takes risk that is needed to organize and manage a receiving service profit business in a form of nonfinancial profit. (Skinner, 1992).

3. Entrepreneur is someone who has the ability to coordinate, organize, and supervise. Entrepreneur has broad knowledge about the surrounding environment and makes decision about the business' environment, manages funds, and faces uncertainty to get profit. (Say, 1996).

2.2. Entrepreneur's Characteristics

1. Having courage and creative
2. Brave to take risks
3. Having strong motivation and will
4. Having a good analysis skill
5. Not consumptive
6. Having leadership
7. Future oriented

2.3. The Influence of Entrepreneurship on Work Performance

The increasing number of UMKM needs contribution from UMKM entrepreneurs to encourage economic development. UMKM can be a bigger opportunity to survive compared to big companies. (Muda *et al.*, 2016).

2.4. The Influence of Competence To Performance

An organization needs good work performance in achieving its goal. Professional human resources perform their role effectively and strategically. Professional human resources reflect on their competence. Competence is divided into knowledge, skill, and abilities. It is a study that discusses the relation between competence and work performance (Sardiman, 2005).

Based on the previous explanation, the hypotheses of this research are:

Hypothesis 1: There is an influence from entrepreneurship on UMKM TDA Medan entrepreneurs' work performance.

Hypothesis 2: There is an influence from competence on UMKM TDA Medan entrepreneurs' work performance.

Hypothesis 3: There are influences from entrepreneurship and competence on UMKM TDA Medan entrepreneur's work performance.

3. RESEARCH METHOD

This research used descriptive research to obtain facts from the information on the field, make clear correlation, testing hypothesis, and make prediction. Sukmanala (2007) and Yahya *et al.*, (2017) stated that survey descriptive method is a research method that takes sample from the population and uses questionnaire as the instrument to gather data. The data analysis was done using SPSS.23. The population was 530 UMKM TDA Medan entrepreneurs. (TDA, 2015) The method to take sample was done using cluster sampling to UMKM TDA Medan entrepreneur. The formula to define the sample was Slovin formula as presented below:

$$n = \frac{N}{1 + Ne^2}$$

notes:

n   : sample

N   : the total number of population

e   : standard error

from the data given:

$$n = \frac{530}{1 + 530(0,1)^2} = 84,1$$

In this research, the sample was rounded off to 84 UMKM TDA Medan entrepreneurs. The variables of the research are:

  – Entrepreneurship is a necessary value to start and develop a business. (Prawiro, 1997)

  – Competence is all elements owned by an individual in the forms of skills and other internal factors to perform a job based on his knowledge and skills. (Lubis *et al.*, 2016)

  – Work performance is the result of an individual's work seen from either the quality or the quantity of it and able to be accounted in relation with his role in the organization or company, along with his ability, proficiency, and skill in completing his job. (Dessler, 2007).

4. RESULT AND DISCUSSION

4.1. Result

4.1.1. *Validity and Reliability Tests*

Validity test in this research was done by calculating the correlation of product moment Pearson (r) or by analyzing the corrected item-total correlation's value with SPSS 23.0 program. It is valid if $r_{calculate}$ value is above r_{table}. If $r_{calculate}$ is below r_{table} (Handoko *et al.*, 2017), the question item is deleted and eliminated from the next tests. The result of the validity test of all valid variables (entrepreneurship, competence, and work performance) that can be used in the next tests is presented in the following table:

Table 1
Validity Test for Entrepreneurship Variable

	Scale Mean if Item Deleted	*Scale Variance if Item Deleted*	*Corrected Item-Total Correlation*	*Squared Multiple Correlation*	*Cronbach's Alpha if Item Deleted*
KW1	16.6786	4.510	.652	.548	.758
KW2	16.5357	4.300	.796	.958	.714
KW3	16.5119	4.397	.759	.951	.727
KW4	16.3690	5.585	.320	.199	.849
KW5	16.3810	4.697	.515	.326	.803

Source: Research Result, 2017 (data processed)

The validity test for all statement items of entrepreneurship variable shows that the correlation coefficient value KW 1- KW 5 presented on $r_{calculate}$ (corrected item total correlation) column is more than r_{table} or 0.3. Then, it can be concluded that the statement items of entrepreneurship variable is valid and used in the next test.

Table 2
Validity Test for Competence Variable

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
K1	16.7262	5.213	.794	.978	.774
K2	16.7619	6.208	.575	.371	.834
K3	16.7619	6.015	.516	.348	.850
K4	16.9405	5.430	.607	.423	.830
K5	16.7143	5.243	.802	.979	.773

Source: Reserach Result, 2017 (data processed)

Validity test for all statement items of competence variable illustrates that correlation coefficient value of K1 – K5 presented on $r_{calculate}$ (corrected item- total correlation) is more than 0.3 which concludes that the statement items of competence variable are valid and used in the next tests.

Table 3
Validity Test for Work Performance Variable

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
KI1	16.0833	5.571	.469	.629	.703
KI2	15.5595	5.358	.442	.605	.713
KI3	16.1667	5.129	.487	.641	.697
KI4	16.1071	4.699	.667	.776	.624
KI5	15.5595	5.358	.442	.634	.713

Source: Research Result, 2017(data processed)

Validity test for all statement items of work performance variable shows that correlation coefficient value of K1 – K5 presented on $r_{calculate}$ (corrected item- total correlation) is more than 0.3 which concludes that the statement items of work performance variable are valid and used in the next tests.

4.1.2. Reliability Test

After confirming that all statements are valid, the reliability of the questionnaire can be tested. The answer of the respondents is said to be reliable if each question answered consistently. The reliability test was done using cronbach alpha coefficient. A construct or a variable is reliable if the value of cronbach alpha is more than 0.6. (Hair, 1998) The questionnaire is reliable if r_{alpha} value is positive and higher than 0.6. If the value of r_{alpha} is negative or lower than 0.6, the questionnaire is not reliable.

Table 4
Reliability Test Result

| No.	Variable	Alpha Value	Result
1.	Entrepreneurship (X_1)	.812	Reliable
2	Competence (X_2)	.847	Reliable
3	Work Performance (Y)	.737	Reliable

Source: Research Result, 2017 (data processed)

Table 4 illustrates the alpha value of each variable is higher than 0.6. Therefore, the instrument used in this research is reliable and used in the next tests.

4.1.3. Classical Assumption Test

4.1.3.1. Normality Test: Normality test has the objective to test if, in regression model, the residual variable has normal distribution. (Ghozali, 2005) It is known that F test and t test assume the residual value follows the normal distribution. This test can be done by using a histogram approach.

Figure 1: Histogram Graph
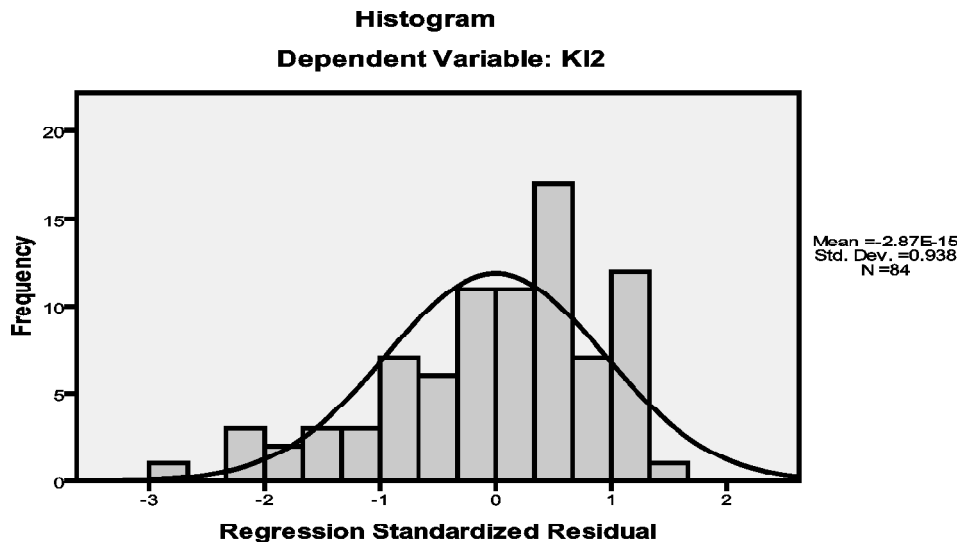
The histogram graph shows that the variables have normal distribution.

4.1.3.2. Multicollinearity Test: The multicollinearity test of the independent variables, entrepreneurship and competence, is shown on Table 5 below:

Table 5
Tolarence and Variance Inflaction Factor Value

No	Variable	Tolerance	VIF
1	Entrepreneurship (X_1)	.705	1.418
2	Competence (X_2)	.592	1.690

Source: Research Result, 2017 (data processed)

Based on Table 5, the value of tolerance is less than 1 or more than 0.1. It proves that the correlation coefficient between independent variables do not have multicollinearity. It can also be seen from the value of Variance Inflation Factor (VIF) which is also less than 5. It explains that there is no multicollinearity on the independent variables.

4.1.3.3. Heteroscedastisity Test: This test was done on a regression model, wheter there is an inequality in the residual varians of one observation to another observation. The situation when the residual varians of one observation to another observation remain the same is called homocedasticity. On the other hand, if the varians are different, it is called heteroscedasticity. A good regression model is when there is no heteroscedasticity. From the graph presented below, there are dots spreading randomly, not forming a particular pattern and are unclear.
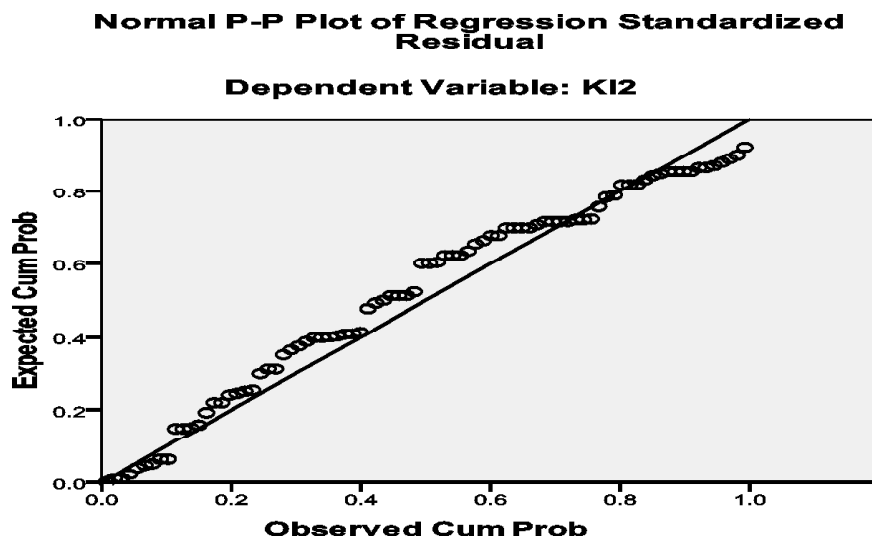

Figure 2: Scatterplot Graph

4.1.4. Regression Estimation Result (Linear Model)

4.1.4.1. Determined Coefficient: The researcher used SPSS 22 program to present the result of the processed data for determined coefficient. It is shown on following the table:

Table 6
Regression Estimation Test Result

Model	R	R square	Adjusted R square	Std error of the Estimate
1	.433[a]	.188	.076	.77480

Source: Research Result, 2017 (Processed Data)

4.1.4.2. Simultaneous Test (F Test): Simultaneous test or F test has the objective to test the first hypothesis. It is to test whether the independent variables influence the dependent variable significanlty and simultaneously. The result of F test from SPSS 23 is presented below.

Table 7
Simultaneous Test (F Test) Result

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	10.129	10	1.013	1.687	.000ᵃ
Residual	43.823	73	.600		
Total	53.952	83			

a) Dependent Variable: KI2

b) a. Predictors: (Constant), K5, KW3, KW4, K4, KW5, K2, KW1, K3, KW2, K1

Source: research Result, 2017 (data processed)

Based on the data in Table 7 it can be seen that Fcount = 1.687 with a significance level of 0.000b. When compared to Ftable at the 5% confidence level ($\alpha = 0.05$) whose magnitude is only 3.11 then the value of F_{count} is greater than the value of F_{table} {F_{count} (1.687) <F_{table} (3.11) so it can be said that Entrepreneurship and Competence is simultaneously a significant explanatory variable to the Performance of SMEs TDA Medan.

4.1.4.3. Partial Test (t Test3. Uji Parsial (Uji Tariabel e): Partial test or t test aims to test the second hypothesis. It is to test whether the independent variables (partially) influence the dependent variable significanlty. The result of t test from SPSS 23 is presented below.

Table 8
Partial Test (t Test) Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.862	.791		2.354	.021		
Entrepreneurship	.376	.154	.306	2.437	.017	.705	1.418
Competence	.097	.172	.077	.563	.575	.592	1.690

a) Dependent Variable: Work Performace

Source: Research Result, 2017 (Data processed)

To define whether H_0 or H_1 is rejected or accepted, the $t_{calculate}$ value is compared to t_{table} with 5% (a = 0,05) significant level. In this reasearch, with 5 % (a = 0,05) t_{table} significant level which is 1.988, the conclusions are:

1. Entrepreneurship Variable

   Entrepreneuship variable influences UMKM TDA Medan entrepreneurs' work perfomance positively and insignificantly. This conclusion can be drawn from the fact that the value of $t_{calculate}$ (2.437) that is higher than the t_{table} value (1.988).

2. Competence Variable

   Competence variable influences UMKM TDA Medan entrepreneurs' work perfomance positively and insignificantly. It can be conluded by seeing the value of $t_{calculate}$ (0.536) that is lower than the t_{table} value (1.988).

4.1.4.4. Model: The regression equation can be formulated as:

$$Y = 1.862 + 0,376\ X_1 + 0.097\ X_2$$

1. Entrepreneurship: The positive regression coefficient defines that there is a positive correlation between entrepreneurship and work performance. If the entrepreneurship experiences change or improves, the work performance will also improve. Otherwise, if the entrepreneurship is not improved, the work performance will not be improved. The regression coefficient, which is 0.376, gives the information that if the entrepreneurship is enhanced by 1 unit, the work performance will increase by 0.376 units.

2. Competence: The positive regression coefficient defines that there is a positive correlation between competence and work performance. If the competence changes or improves, the work performance will also improve. Otherwise, if the competence is not improved, the work performance will not improve. The regression coefficient, which is 0.097, gives the information that if the competence is increased by 1 unit, the work performance will increase by 0.097 units.

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusions

1. Partially, entrepreneurship influences UMKM TDA Medan entrepreneurs' work performance positively and insignificantly.

2. Partially, competence influences UMKM TDA Medan entrepreneurs' work performance positively and insignificantly.

3. Simultaneously, entrepreneurship and competence influence UMKM TDA Medan entrepreneurs' work performance positively and insignificantly.

4. R square value which was 0.188 means that 18.8% of entrepreneurs' work performance is related to entrepreneurship and competence factors. The rest, which were 81.2%, are related to the other factors, such as communication, organization commitment, compensation, and others that were not discussed in this research.

5.2. Suggestions

1. For the next research, the researcher suggests research the other factors (communication, organization commitment, compensation, and others).

2. It is recommended for the next researchers to research the owner of the UMKM.

3. It is recommended to research the other UMKM in Medan with more participants for the research sample.

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