How Entrepreneurial Competencies Can Effect Business Performance

B Lena Nuryanti[1], Ajeng Putri Hanifah[2]

Program Studi Pendidikan Bisnis, FPEB, Universitas Pendidikan Indonesia, Bandung, Indonesia[1]
Program Studi Administrasi Bisnis, FISIP, Universitas Padjadjaran Bandung, Indonesia [2]

Abstract. The ability to build a business is one of the challenges as well as competencies that must be possessed by entrepreneurs today. This study explains what entrepreneurial competencies must be possessed by an entrepreneur to have good business performance. Because the ultimate goal of running a business is to achieve business success. This study aims to obtain 1) the effect of knowledge on business performance, 2) the effect of skills on business performance, 3) individual abilities on business performance in 2013 business education alumni by using a quantitative research approach. The results of the study found that the description of Entrepreneurial Competence for the 2013 Business Education alumni at UPI was in the fairly good category, the Business Performance Description for the 2013 Business Education alumni at UPI was in the medium category, and the magnitude of the influence of the Entrepreneurial Competency dimension on Business Success partially, namely, the Knowledge dimension. not complex, so it will affect Business Performance. Meanwhile, the Individual Ability dimension does not affect Business Performance. Meanwhile, simultaneously (overall) there is a positive and significant influence. Findings of this study is Entrepreneurial competencies can effect to business performance.

INTRODUCTION

Entrepreneurial tends to be considered an attractive choice and can create an individual to be independent in facing difficulties today (Eliyana, Rohmatul, et al., 2020). Realizing self-actualization is one way to keep the entrepreneurial activity going. Concerning entrepreneurial, one must know that usefulness in business appears when it is in a state of Success, and to make it happen requires predictors (elements that can help predict the likelihood of Success in entrepreneurship) and indicators (i.e., parts that show Success) in Business Performance (Eliyana, Sridadi, et al., 2020) because Business Performance will be able to measure how a business that is carried out can be said to be successful. In the next stage, it is hoped that entrepreneurs can achieve their goals by gaining a competitive advantage and achieving sustainable business growth.
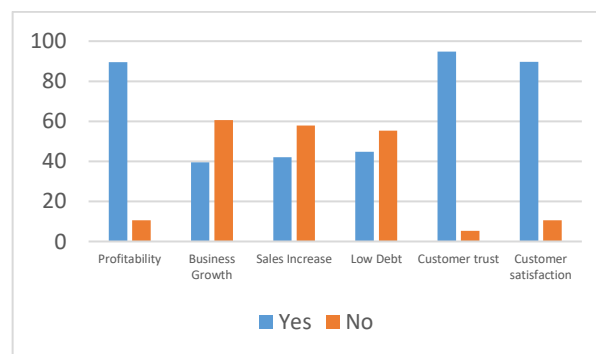
Source: Data Processing 2019

Figure 1. Preliminary Data on Business Performance Conditions
for Alumni Pend. Business Management 2013

Based on Figure 1, it is known that the business performance condition of the 2013 business education alumni is not good because there is still a lack of understanding of how the stage of business growth is, how to increase sales, and debt ownership is still high. So this shows that the business performance of the 2013 business management education alumni is still not optimal.

Entrepreneurial in this study, namely the SMEs in the UPI Business Management Education class of 2013, for the sample is determined based on case studies. Entrepreneurial competence possessed by a person will be able to identify how the knowledge, skills, and individual abilities he has so that it becomes capital. Where is an important factor that affects business success not only in the early stages but also in the future, and this becomes an incentive to encourage the creation of entrepreneurial wealth with high business performance results (Yani et al., 2020). Thus, this paper aims to examine in depth the influence of entrepreneurial competence on business performance.

Competence is a concept of work-related abilities that refers to a particular field owned by a person (Al Mamun & Fazal, 2018). It is also translated as the ability needed by someone to carry out the tasks they have. Cubico (Cubico & Favretto, n.d.) in his research, states that entrepreneurial competence is defined as a particular group of competencies that is significant for successful entrepreneurial practice, which includes specific Knowledge, motives, self-image, social roles, traits and skills. Entrepreneurial competence is defined as a higher-level feature that represents the capacity of an entrepreneur to succeed in the workplace. The skills of an entrepreneur can also be recognized as a critical competency to promote the ability to work, which includes self-learning, personal initiative and business development (Ferreras-garcia & Hernández-lara, 2019). In addition, in another study conducted by S Sajilan (Sajilan & Adeyinka-ojo, 2016)entrepreneurial competence can also contribute to profitability.

In addition, in their research, that entrepreneurial competence will lead to performance. Entrepreneurs who have good competence will be able to look for good business opportunities and competence in managing. They will be linked in how to formulate a business strategy that is more suitable for their business so that it can affect their business performance to be even better than before (Sajilan & Adeyinka-ojo, 2016).

Entrepreneurial competence is the attitude, Knowledge, and skills of individuals who are interrelated that all business people need to be trained and developed. The indicators chosen to measure Entrepreneurial Competence refer to several studies that have been conducted by (Esubalew & Raghurama, 2020; Kraus et al., 2012; Robles & Zárraga, 2015; Yani et al., 2020).

Business Performance

One of the crucial concerns in today's economic environment is how to measure performance in business for both academics and practice managers. This is important because it considers differentiating aspects that can potentially confuse subjective measures (also described as perceptual performance) and objective measures(Nasip et al., 2017). Performance is the result of completing a job that can represent the level of achievement of each job and can meet expectations, policies or requirements that must be met for official roles in the organization (Wardani & Eliyana, 2020). Another definition of performance is productivity activities that state the quality, quantity and contribution of work. When high productivity is achieved, the overall performance in an organization will also be high (Yani et al., 2020).

Meanwhile, the definition of business performance is the potential possessed by the company to adjust to the business environment that follows changes in the market environment. It consists of competitors, customers and other factors that can change how the business works itself (Rekarti & Doktoralina, 2017). Therefore, the ability to manage financial and non-financial performance is essential in order to be able to produce good business performance(Barazandeh et al., 2015; Rehman, 2020; Yani et al., 2020).
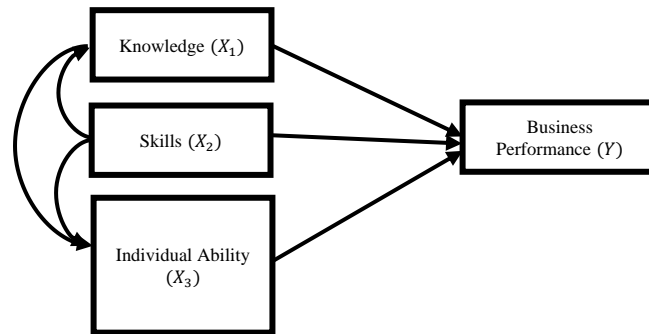

Figure 2. Research Paradigm

METHOD

This research is to obtain 1) the effect of Knowledge on business performance, 2) the effect of skills on business performance, and 3) individual abilities on business performance. The independent variable in this study is entrepreneurial competence. Entrepreneurial competence variable with the dimensions of Knowledge, skills, and individual abilities. And the dependent variable is business performance which includes financial and non-financial performance.

Based on the variables studied, this type of research is based on the objectives to be achieved, namely verification descriptive research. Based on the type of research above, namely descriptive and verification research, the method used is an explanatory survey. The analysis technique used in this research is multiple regression and the hypothesis testing used is the t-test (partial significance test) and F test (simultaneous significance test).

RESULT AND DISCUSSION

Path Coefficient and Correlation Coefficiency Test

This test aims to determine the effect of entrepreneurial competence dimensions: Knowledge, skills, individual ability, and Business Performance. The results of data processing can be seen in Table 4.10 below

Table 1. Test Results Of Pattern Coefficient And Correlation Coefficient

Variabel	X_1	X_2	X_3	Y
X_1	1	,533	,574	,528
X_2	,533	1	,685	,230
X_3	,574	,685	1	,310
Y	,528	,230	,310	1

Source: Data Processing Results 2020 using SPSS 22 *Windows*

Based on the table above, it can be seen the correlation of each Entrepreneurial Competence sub-variable consisting of Knowledge (X_1), Skills (X_2), Individual Ability (X_3) and

Business Performance (Y). The correlation between Entrepreneurship Competence and Business Performance obtained results, among others, sub-variable Knowledge of Business Performance of 0.528; sub-variable Skills on Business Performance of 0.230; and the sub-variable of Individual Ability to Business Performance is 0.310.

To obtain the path coefficient, the correlation inverse matrix is associated with the correlation between the independent sub variable (X) and the dependent variable (Y). Figure 4.6 below presents the correlation coefficients and path coefficients.
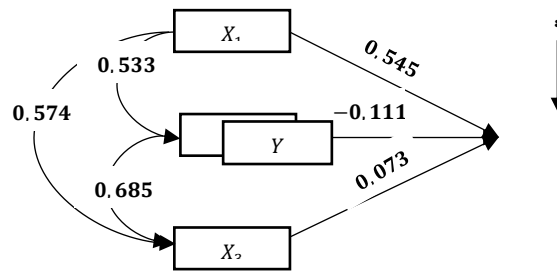

Figure 3. Pathway Diagram of Variable X Against Y
(Correlation Coefficient and Pathway Coefficient)

Based on the calculation results of the path diagram of Entrepreneurship Competence on Business Performance, there are sub-variables Skills (X_2) which have a negative coefficient on Business Performance. Suppose the path coefficient test from exogenous variables to endogenous variables has a negative value. In that case, it is not meaningful and must be recalculated by removing the negative exogenous variable from the model (Hair, Anderson, & Tatham, 1998). Based on the opinion of Hair, Anderson, & Tatham (1998), a recalculation was carried out by removing the Skill sub-variable (X_2 which had a negative value on Business Performance, resulting in the calculation of the second model, which is presented in Table 4.10 as follows:

Table 2. Test Results Of Pathway Coefficient And Model II Correlation Coefficient

Variabel	X_1	X_3	Y
X_1	1	,574	,528
X_3	,574	1	,310
Y	,528	,310	1

Source: Data Processing Results 2020 using SPSS 22 *for Windows*

Based on the table above, it can be seen that the correlation of each Entrepreneurial Competence sub-variable which now only consists of Knowledge (X_1), Individual Ability (X_3)and Business Performance (Y). The correlation between Entrepreneurial Competence and Business Performance is obtained, including the Knowledge to Business Performance sub-variable of 0.528 and the sub-variable of Individual Ability to Business Performance is 0.310.

To obtain the path coefficient, the correlation inverse matrix is associated with the correlation between the independent sub variable (X) and the dependent variable (Y). Figure 4.7 below presents the correlation coefficients and path coefficients.
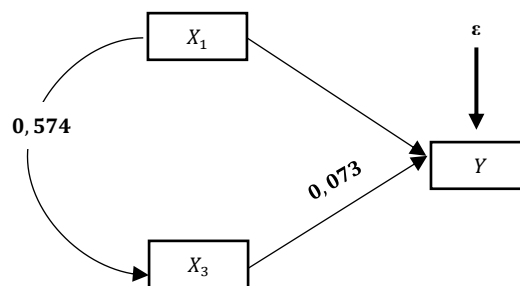
Figure 4. Pathway Diagram of Variable X Against Y
(Correlation Coefficient and Pathway Coefficient) Model II

Total Effect Test

The total effect (R^2)can be calculated manually using the path coefficient matrix $X_1, X_2, dan\ X_3$ and then multiplied by the Y column matrix. Meanwhile, if you use SPSS to find out, it can be seen in the R *square column as shown* in Table 4.11

Table 3. Effect $X_1, X_2, and\ X_3$ On Y

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,528[a]	**,279**	,254	6,16566

a. Predictors : (Constant), $X_3 X_1$

Source: Data Processing Results 2020 using SPSS 22 *for Windows*

Based on the table, it can be seen that the total effect is 0.279, and if it is presented at 27.9%, it means that the influence of Entrepreneurship Competence on Business Performance is in the **weak category** (Sugiyono, 2017). The rest is influenced by other variables not examined in this study. (Al Mamun et al., 2019; Barazandeh et al., 2015; Dhamayantie & Fauzan, 2017; Ferreras-garcia & Hernández-lara, 2019; Sungkawati, 2019)

Direct and Indirect Influence

Based on the results of the study, it was concluded that there was an influence between Knowledge (X_1) and Individual Ability (X_3) on Business Performance (Y). To see more about the magnitude of the direct and indirect effects of each variable, it is presented in Table 4.12 the details of the direct and indirect effects are as follows:

Table 4. Effect Of Individual Knowledge (X_1) And Ability (X_3) On Business Performance (Y)

Variabel	Koef Beta	Direct	Indirect		Indirect Total	Effect Total
			X1	**X3**		
X1	0,522	0,272	1	0,002	0,002	0,274
X3	0,010	0,0001	0,002	1	0,002	0,0021
Effect Total						0,276

Source: Data Processing Results 2020 using SPSS 22 *for Windows*

Based on table 4.12, it can be seen that the most dominant direct influence is Knowledge (X_1) on Business Performance (Y), with a score of 0.272. Thus, it can be interpreted that the direct influence of Knowledge (X_1) on Business Performance) is in the weak category. At

the same time, the dimensions of Entrepreneurship Competence are weak. Has the least dominant direct influence, namely Individual Ability (X_3)on Business Performance (Y), with a score of 0.0001. Thus, it can be interpreted that the direct influence of Individual Ability (X_3)on Business Performance (Y) is in the deficient category. (Al Mamun et al., 2019; Barazandeh et al., 2015; Dhamayantie & Fauzan, 2017; Ferreras-garcia & Hernández-lara, 2019; Sungkawati, 2019)

Indirect data acquisition of Knowledge (X_1)and Individual Ability (X_3)i.e., Knowledge (X_1)to Business Performance (Y)) through Individual Ability (X_3)or Individual Ability (X_3)to Business Performance (Y) through Knowledge (X_1) with a value of 0.002. Thus, the indirect effect of Knowledge through Business Performance or vice versa for Business Performance is in the deficient category. (Al Mamun et al., 2019; Barazandeh et al., 2015; Dhamayantie & Fauzan, 2017; Ferreras-garcia & Hernández-lara, 2019; Sungkawati, 2019)

The actual influence of the Knowledge variable (X_1)on Business Performance (Y) is 0.274. This means that Knowledge (X_1)directly affects Business Performance is 0.272. The indirect effect of the Knowledge variable (X_1)on Business Performance (Y)) through Individual Ability (is X_3)0.002). (Al Mamun et al., 2019; Barazandeh et al., 2015; Dhamayantie & Fauzan, 2017; Ferreras-garcia & Hernández-lara, 2019; Sungkawati, 2019)

The actual influence of the Individual Ability variable (X_3)on Business Performance (Y) is 0.0021. It means that Individual Ability (X_3)directly affects Business Performance (Y) is 0.0001. Indirect influence is through the Individual Ability variable X_3)(Y) through Knowledge (X_1)of 0.002. (Al Mamun et al., 2019; Barazandeh et al., 2015; Dhamayantie & Fauzan, 2017; Ferreras-garcia & Hernández-lara, 2019; Sungkawati, 2019).

Based on the individual test results (t-test) above, it shows that for all independent variables (X) that affect Business Performance (Y), then the total effect of the entire variable (X) on the dependent variable (Y) is 0.276. (Al Mamun et al., 2019; Barazandeh et al., 2015; Dhamayantie & Fauzan, 2017; Ferreras-garcia & Hernández-lara, 2019; Sungkawati, 2019)

Path Coefficient of Other Variables (Epsilon)

The path coefficient of other variables outside the model can be found after knowing the total influence value (R^2). The total influence value of the Entrepreneurial Competence and Business Performance variable based on the results of SPSS data processing is 0.279. To determine the path coefficient value of other variables, the following formula is used:

$$\rho_{\gamma\varepsilon} = \sqrt{1 - R^2 Y(X_1, X_3)}$$
$$\rho_{\gamma\varepsilon} = \sqrt{1 - 0{,}279}$$
$$\rho_{\gamma\varepsilon} = 0.849$$

Based on the calculations above, it can be seen that the magnitude of the other path coefficients that affect Business Performance is 0.720 or $(0.849)^2 = 0.720$ x 100% = 72.0%. This illustrates that the Entrepreneurship Competence of the 2013 Business Education alumni at UPI is influenced by variables that are not examined by 72.0% or are in a strong category.

Meanwhile, it is simultaneously known that Knowledge (X_1) and Individual Ability (X_3) affect Business Performance (Y) by 28% or, if interpreted, is in the weak category. (Al Mamun et al., 2019; Barazandeh et al., 2015; Dhamayantie & Fauzan, 2017; Ferreras-garcia & Hernández-lara, 2019; Sungkawati, 2019).

Simultaneous Test

Simultaneous testing is carried out to determine the significance of the magnitude of the influence of Entrepreneurial Competence on Business Performance. The hypothesis of this test is the effect of Knowledge (X_1) and Individual Ability (X_3) on Business Performance (Y) simultaneously, which is tested using SPSS 22 *for Windows.*

Table 5. Simultanova Hypothesis Testing

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	857,180	3	285,727	7,449	,000[b]
	Residual	2148,153	56	38,360		
	Total	3005,333	59			

Source: Data Processing Results 2020 using SPSS 22 *for Windows*

The overall (simultaneous) hypothesis test results can be seen in Table 4.14 below

Table 6. Result of Testing The Simultaneous Hypotheses

Alternative Hypothesis	F_{hitung}	F_{tabel}	Sig.	Decision	Conclusion
X1, X3 have a positive effect on Y	7,449	3.16	0.000	H_0 rejected	Significant influence

Source: Data Processing Results 2020 using SPSS 22 *for Windows*

Based on the table above, it can be seen that the test for the F test taken from Anova with a probability level (Sig) = 0.000 because Sig < 0.05 and $F_{hitung} > F_{tabel}$ ie 7.449 > 3.16, then the decision is H_0 rejected, meaning that overall (simultaneously) there is a positive influence and significant between Entrepreneurship Competence and Business Performance in 2013 Business Education alumni at UPI. (Al Mamun et al., 2019; Barazandeh et al., 2015; Dhamayantie & Fauzan, 2017; Ferreras-garcia & Hernández-lara, 2019; Sungkawati, 2019)

Partial Test

This test is conducted to determine whether each dimension affects or not on Business Performance. The following can be seen as the results of the partial test in Table 4.15 using SPSS 22 *for Windows*

Table 7. Testing The Partial Hypothesis

		Coefficients[a]				
		Unstandardized Coefficients		Standardized Coefficients		
	Model	B	Std. Error	Beta	t	Sig.
1	*(Constant)*	17,745	5,402		3,285	,002
	Knowledge (X1)	,412	,108	,522	3,802	,000
	Individual Ability (X3)	,010	,131	,010	,076	,939

Source: Data Processing Results 2020 using SPSS 22 *for Windows*

Based on Table 4.15 above, Knowledge has a value $t_{hitung} > t_{tabel}$ of 3.802 > 1.671 with a value of 0.000 < 0.05. So it can be stated that Knowledge affects Business Performance. This shows that the implementation of Knowledge in 2013 Business Education alumni at UPI is not complex, affecting Business Performance.

Furthermore, Individual Ability has a value $t_{hitung} < t_{tabel}$ of 0.076 < 1.671 with a Sig value of 0.939 > 0.05. So it can be stated that Individual Ability does not affect Business

Performance. (Al Mamun et al., 2019; Barazandeh et al., 2015; Dhamayantie & Fauzan, 2017; Ferreras-garcia & Hernández-lara, 2019; Sungkawati, 2019).

CONCLUSIONS

Based on a study on 2013 Business Education alumni at UPI, it shows that the characteristics of respondents are dominated by female alumni, most of them have been entrepreneurs in the culinary field, all of them have undergraduate education, and almost half of them have experience in entrepreneurship < 1 year.

Not only that, based on the description of the theory and the results of research that has been carried out using descriptive and verification analysis using path analysis between the dimensions of Entrepreneurial Competence, namely Knowledge, Skills, and Individual Ability to Business Performance (Study on 2013 Business Education alumni at UPI) it can be concluded that :

The description of Entrepreneurial Competencies for the 2013 Business Education alumni at UPI is in the fairly good category, it can be said that more than half of the respondents can implement entrepreneurial competencies in UPI Business Education. The per-dimensional explanation is as follows: Knowledge description is in the fairly good category with the statement "Has knowledge about marketing" having the highest percentage of assessment, while the statement "Able to manage resources" having the lowest percentage of assessment.

Description of Individual Ability is in the medium category with the statement "Has leadership" having the highest percentage of assessment, while the statement "Ability to advance the business" has the lowest percentage of assessment.

Business Performance Description of 2013 Business Education alumni at UPI is in the medium category, meaning that some respondents think that the financial performance dimensions of 2013 Business Education alumni at UPI are quite good. The dimensions that received high responses were the dimensions of Non-Financial Performance and the dimensions of Financial Performance with low responses.

The magnitude of the influence of the Entrepreneurial Competence dimension on Business Success partially, namely, the Knowledge dimension is not complex, so it will affect Business Performance. Meanwhile, the Individual Ability dimension does not affect Business Performance. Simultaneously (overall) there is a positive and significant influence between Entrepreneurial Competence and Business Performance on 2013 Business Education alumni at UPI.

Therefore, based on research on 2013 Business Education alumni at UPI relating to the characteristics of respondents, the authors recommend several things regarding the influence of entrepreneurial competence on business performance, namely: Entrepreneurial Competence in 2013 Business Education alumni at UPI can be improved in terms of Individual Ability because they get the lowest dimension score through Entrepreneurship Training, Seminars, Workshops, etc.

Business Performance of 2013 Business Education alumni at UPI can be improved in terms of non-financial performance because they have the lowest hyperdimensional value. The influence of the entrepreneurial competence dimension on Business Performance for alumni of Business Education 2013 at UPI is in the weak category. So respondents must improve aspects of entrepreneurial competence to improve business performance to compete and excel.

Weaknesses in this study include research conducted at one time (cross-sectional) so that there is the possibility of individual behavior changing rapidly from time to time, besides the variables used in this study, do not represent all the factors that affect business performance and still use the population of fewer than 100 respondents.

REFERENCES

Al Mamun, A., & Fazal, S. A. (2018). Effect of entrepreneurial orientation on competency and micro-enterprise performance. *Asia Pacific Journal of Innovation and Entrepreneurship*, *12*(3), 379–398. https://doi.org/10.1108/apjie-05-2018-0033

Al Mamun, A., Fazal, S. A., & Muniady, R. (2019). Entrepreneurial knowledge, skills, competencies and performance. *Asia Pacific Journal of Innovation and Entrepreneurship*, *13*(1), 29–48. https://doi.org/10.1108/apjie-11-2018-0067

Barazandeh, M., Parvizian, K., Alizadeh, M., & Khosravi, S. (2015). Investigating the effect of entrepreneurial competencies on business performance among early stage entrepreneurs Global Entrepreneurship Monitor (GEM 2010 survey data). *Journal of Global Entrepreneurship Research*. https://doi.org/10.1186/s40497-015-0037-4

Cubico, S., & Favretto, G. (n.d.). *Entrepreneurship and the Industry Life Cycle The Changing Role of Human Capital*.

Dhamayantie, E., & Fauzan, R. (2017). Penguatan Karakteristik Dan Kompetensi Kewirausahaan Untuk Meningkatkan Kinerja Umkm. *Matrik : Jurnal Manajemen, Strategi Bisnis Dan Kewirausahaan*, *11*(1), 80–91. https://doi.org/10.24843/matrik:jmbk.2017.v11.i01.p07

Eliyana, A., Rohmatul, S., Rohmatul, S., Sridadi, A. R., Razaq, A., & Gunawan, D. R. (2020). *The Role of Motivation on Attitudes and Entrepreneur Achievement*. *11*(8), 335–343.

Eliyana, A., Sridadi, A. R., & Widiyana, E. U. (2020). *The Role of Self-Efficacy On Self-Esteem and Entrepreneurs Achievement*. *11*(8), 314–319.

Esubalew, A. A., & Raghurama, A. (2020). The mediating effect of entrepreneurs competency on the relationship between Bank finance and performance of micro, small, and medium enterprises (MSMEs). *European Research on Management and Business Economics*, 1–9. https://doi.org/10.1016/j.iedeen.2020.03.001

Ferreras-garcia, R., & Hernández-lara, A. B. (2019). *Entrepreneurial competences in a higher education business plan course*. *61*(7), 850–869. https://doi.org/10.1108/ET-04-2018-0090

Kraus, S., Pohjola, M., & Koponen, A. (2012). *linking organizational and managerial innovation*. 265–286. https://doi.org/10.1007/s11846-011-0065-6

Nasip, S., Fabeil, N. F., Buncha, M. R., Nga, J., Hui, L., Laison, S., & Jr, S. (2017). *THE INFLUENCE OF ENTREPRENEURIAL ORIENTATION AND SOCIAL CAPITAL ON THE BUSINESS PERFORMANCE AMONG WOMEN ENTREPRENEURS ALONG WEST COAST SABAH ,. 2017*(Ice), 377–395.

Rehman, S. U. (2020). *MCS package and entrepreneurial competency influence on business performance : the moderating role of business strategy.* https://doi.org/10.1108/EJMBE-04-2020-0088

Rekarti, E., & Doktoralina, C. M. (2017). *Improving Business Performance : A Proposed Model for SMEs. XX*(3), 613–623.

Robles, L., & Zárraga, M. (2015). Key Competencies for Entrepreneurship. *Procedia Economics and Finance, 23*(October 2014), 828–832. https://doi.org/10.1016/S2212-5671(15)00389-5

Sajilan, S., & Adeyinka-ojo, S. (2016). *A Conceptual Framework of the Impact of Entrepreneurial Competencies on Small and Medium Enterprises Business Performance in the Malaysian Hospitality and Tourism Industry. 5*(2), 47–61.

Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D.* CV Alfabeta.

Sungkawati, E. (2019). *The Impact of Entrepreneurship Competence on Micro Business Performance. 349*(Iccd), 183–186. https://doi.org/10.2991/iccd-19.2019.49

Wardani, N. K., & Eliyana, A. (2020). *The Influence of Transformational Leadership on Employees Performance with Communication Satisfaction Mediation (Case Study of Frontliner Employees of PT Bank Muamalat , TBK Surabaya). 117*(Gcbme 2018), 247–252.

Yani, A., Eliyana, A., Sudiarditha, I. K. R., & Buchdadi, A. D. (2020). *The Impact of Social Capital , Entrepreneurial Competence on Business Performance : An Empirical Study of SMEs. 11*(9), 779–787.