

Recognizing Entrepreneurial Opportunity on Women SMEs Entrepreneurs in Medan

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Abstract

Negative impact on women's capacity to establish and grow businesses in comparison to their male colleagues. According to the findings of this study, female-owned SMEs may have a distinct entrepreneurial orientation that enhances their company performance through network affiliation, which influences their business performance in some elements of social capital and human capital. The small, medium, and micro entrepreneurs in Medan are the focus of this study. Path analysis is a data analysis technique. The goal of this study is to investigate the influence of human capital and social capital on women entrepreneurs' perceptions of entrepreneurial opportunities in Medan as mediator of business performance.

Keywords

Recognizing Entrepreneurial, Business Performance, SMEs.

Introduction

Small, and medium-sized companies (SMEs) growth is an important component of economic development in developing nations (Schmitz and Nadvi, 1999). SMEs, on the other hand, fail at an alarmingly high rate. In Indonesia, the most prevalent types of company are micro, small, and medium businesses (SMEs). Medan is Indonesia's third biggest city and home to a high number of SMEs. According to the Ministry of Industry and Commerce in Medan, the number of SMEs in the city of Medan till 2015 was 222,133 entrepreneurs; the number of SMEs is almost 500 times that of big businesses.

Women-owned SMEs are one of the world's fastest growing business groupings (Brush and Cooper, 2012). According to the Global Entrepreneurship Monitor (GEM) 2016/2017 Women's Entrepreneurship Report, 163 million women would establish or operate new companies in 74 economies worldwide in 2016. This demonstrates how female entrepreneurs throughout the world contribute to wealth and well-being. They contribute to their communities by providing employment and money for their family, as well as producing things and services that bring value to the world around them.

The purpose of this study is to investigate the influence of entrepreneurial attitude on small business success in a changing environment. Our interest in the subject stems from empirical and conceptual reasons indicating that entrepreneurial orientation is not equally appropriate for all contexts (Covin & Slevin, 1989; Wiklund, 1999). Namely the level of development of human and social capital of small business owners, on the entrepreneurial orientation and on the performance of their initiatives. We look at the impact of the resources that are incorporated into the individual entrepreneur, rather than the material or financial resources he / she gets to invest in the business.

The attention paid to the resources inherent to the individual is particularly relevant in the field of entrepreneurship because the entrepreneur is the main resource of the new enterprise whose endowments have been linked to the development of the new enterprise. based on resources (Brush et al., 2001) and the formation of strategic direction at the firm level (Lumpkin and Dess, 1996). A comparison between the effects of human and social capital will improve knowledge of their role in the entrepreneurial process.

We build on this rationale and suggest a model in which, on the one hand, human and social capital directly affects small business performance and, on the other hand, human and social capital impacts on entrepreneurial orientation and, through entrepreneurial orientation, ultimately on performance. In establishing this relationship, we use a resource-based view and entrepreneurial theory. Following the logic of the resource-based perspective, we suggest that the human and social capital of entrepreneurs are the initial resources that shape a firm's strategic orientation (Edelman et al., 2001).

Literature Review

Human Capital

Several metrics utilized in earlier research were incorporated in the human capital indicators. Human capital indicators, according to Davidsson and Honig (2003), include education level, job experience prior to beginning a firm, and family business background.

It comes out that MSME owners who have colleagues or family members who have previously engaged in comparable enterprises might benefit from the network's knowledge to boost the performance of the firms they are starting (Unger et al., 2011). Business owners from areas or races that are closely linked to the major customers of MSME firms have a superior grasp of market circumstances or other resources that assist their business success.

Human capital can be explained as the knowledge, skills and abilities of employees (Bhartesh and Bandyopadhyay, 2005, Rambe et al., 2018). It can be seen as the values, attitudes, and abilities of a group of employees that bring competitive advantage and value creation to the organization (Jardon and Martos, 2009). In other words, know-how, experience, and talent are part of human capital (St-Pierre and Audet, 2011). The importance of human capital cannot be overemphasized, because it has been proven to be the most important aspect of intellectual capital (Choudhury, 2010), so it is no longer necessary to prove the financial value of human capital.

Social Capital

Social capital is the values and norms shared between a group of members, and a group of people who may participate in cooperation (Pratisthita, 2014). Social interaction, reciprocity and trust are the key indicators and elements of social capital. Pratisthita (2014) believes that trust is the hope of achieving honest and cooperative behavior in the community based on the norms shared with community members. Trust is beneficial to the creators of the single economy because it can count on reducing costs.

The cornerstone of social capital is corporate responsibility for justice, openness, honesty, and ethics (De Castro and Sáez, 2008). Social capital may be seen from three perspectives: social capital as parallel standards and networks (Putnam, 2000), social capital as standards (Fukuyama, 1997), and social capital as networks (Putnam, 2000). (Bugdol, 2010) added that the third pertains to social networks. The first corresponds to trust, the second to collaboration, and the third to social networks.

Entrepreneurial Opportunity Recognition

According to (Ucbasaran et al., 2009), opportunity recognition may be described as an individual's attempt to seek and recognize opportunities. Actions that organizations should do when recognizing opportunities are included in opportunity identification. The identifying opportunities is the key to competitive advantage and good performance. Indeed, Ireland et al. (2003) shown that SMEs rely heavily on chances for survival and development. Several earlier studies have found the same thing: organizations cannot

survive and prosper unless they seek and recognize opportunities (Sambasvan et al., 200). As a result, it can be stated that identifying opportunities has a significant influence on the company's success.

Business Performance

Business performance is a company's ability to adapt to changes in its business environment and market environment, including consumers, competitors, and other power factors that can change the way business operations are performed. Therefore, excellent business performance requires proper management, stronger marketing strategies and sound financial planning. Sanchez and Marin (2005) evaluate the performance of small and medium-sized enterprises (SMEs) by referring to three factors: profitability, productivity, and market. Profitability considers business success from the perspective of achieving the financial goals set by the organization. Productivity depends on the company's achievements in business operations that meet customer needs and demands, as well as the productivity of employees. Market factors such as product sales, market position, and market share are the foundation of corporate performance.

Research Methods

This study is an association study that examines the relationship between two or more variables (Situmorang, S, 2017). The totality is a generalization composed of subjects or objects with certain properties and characteristics. Researchers applied it to research and then concluded (Sugiyono, 2012) that the population of this research is female small and medium-sized entrepreneurs in Medan City. According to (Sugiyono, 2012), the sample is part of the population size and characteristics. The standard sample used in this study is female entrepreneurs of small and medium-sized enterprises in Medan. The method used to determine the research sample uses non-probability sampling, which is a sampling technique that does not provide an equal opportunity for each element or population member to be selected as the sample (Sugiyono, 2012). The data collection methods used are observations, interviews and questionnaires. The technique used to process and analyze data is to use Partial Least Squares (PLS) (Abdillah, W & Hartono, 2015).

Result and Discussion

Path analysis is used in this study to assess the influence of human and social capital on entrepreneurial opportunity recognition and business performance for female SME entrepreneurs in Medan. Each indicator calculates the value of its loading factor for each

structure. The load factor value is intended to be 0.7 or greater. In exploratory research, however, a number greater than 0.5 is deemed adequate (Ghozali, 2015).

Table 1 Loading Factor

	Entrepreneurial Opportunity Recognition (Y)	Human Capital (X1)	Kinerja Usaha (Z)	Social Capital (X2)
X1.1		0.748		
X1.10		0.815		
X1.2		0.779		
X1.3		0.717		
X1.4		0.808		
X1.5		0.783		
X1.6		0.776		
X1.7		0.781		
X1.8		0.720		
X1.9		0.811		
X2.1				0.886
X2.2				0.834
X2.3				0.839
X2.4				0.873
X2.5				0.809
X2.6				0.788
X2.7				0.870
Y1	0.855			
Y2	0.828			
Y3	0.770			
Y4	0.815			
Z1			0.820	
Z2			0.798	
Z3			0.814	
Z4			0.882	
Z5			0.728	
Z6			0.739	
Z7			0.822	
Z8			0.765	

Table 1 shows the results of the factor loading algorithm for each indicator of each structure. Load values less than 0.5 will be removed from the model and re-algorithm will be performed. Table 1 shows that the indicators meet the standards Index reliability, load factor > 0.6.

Table 2 Convergent Validity

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Entrepreneurial Opportunity Recognition (Y)	0.836	0.890	0.669
Human Capital (X1)	0.926	0.937	0.600
Kinerja Usaha (Z)	0.920	0.933	0.636
KinerjaUsaha*HumanCapital	1.000	1.000	1.000
KinerjaUsaha*SocialCapital	1.000	1.000	1.000
Social Capital (X2)	0.932	0.945	0.711

According to the results shown in Table 2, all the structures passed the convergence validity test and the AVE was greater than 0.5. There are six structures in this study. The analysis output shows that all constructions produce load factor values greater than 0.70, indicating that all construction indicators are true. There are many indications that the load factor is greater than 0.60, and Ghozali and Latan (2015) consider this to be acceptable.

Table 3 Fornell-Larcker Criterion

	Entrepreneurial Opportunity Recognition (Y)	Human Capital (X1)	Kinerja Usaha (Z)	KinerjaUsaha*HumanCapital	KinerjaUsaha*SocialCapital	Social Capital (X2)
Entrepreneurial Opportunity Recognition (Y)	0.818					
Human Capital (X1)	0.413	0.775				
Kinerja Usaha (Z)	0.149	0.240	0.798			
KinerjaUsaha*HumanCapital	-0.078	0.126	-0.183	1.000		
KinerjaUsaha*SocialCapital	0.039	-0.135	-0.123	0.536	1.000	
Social Capital (X2)	0.456	0.259	0.142	-0.136	0.178	0.843

According to the comparison of the AVE value and the correlation coefficient between the variables in Table 3 above, it can be concluded that the indicators (indices) used in this study meet the criteria of discriminant validity.

Table 4 R Square

	R Square
Entrepreneurial Opportunity Recognition (Y)	0.311

Entrepreneurial Opportunity Recognition (Y) has a coefficient of determination (r-square) of 0.311, as we all know. This value can be explained as the impact of human capital, social capital, operating performance, human capital*operating performance, and social capital*operating performance on the identification of entrepreneurial opportunities is 31.1 percent, with other factors accounting for the remaining 68.9 percent.

Table 5 Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Human Capital (X1) -> Entrepreneurial Opportunity Recognition (Y)	0.357	0.328	0.111	3.227	0.001
Social Capital (X2) -> Entrepreneurial Opportunity Recognition (Y)	0.326	0.348	0.119	2.745	0.006
Kinerja Usaha (Z) -> Entrepreneurial Opportunity Recognition (Y)	0.006	0.027	0.120	0.047	0.962
KinerjaUsaha*HumanCapital -> Entrepreneurial Opportunity Recognition (Y)	-0.117	-0.089	0.133	0.873	0.383
KinerjaUsaha*SocialCapital -> Entrepreneurial Opportunity Recognition (Y)	0.088	0.069	0.139	0.630	0.529

The following is a discussion of each hypothesis test based on the test results summarized in Table 5:

It is known that the path coefficient of human capital's recognition of entrepreneurial opportunities is 0.351 (original sample column), P-Values=0.001<0.05, and it is concluded that human capital has a significant impact on entrepreneurial opportunities (Y).

Human capital is related to “activities that affect future monetary income by increasing human resources” (Becker, 1993), of which education and job-specific training are particularly prominent. It is an important asset for new businesses, because both new businesses and small businesses are built around entrepreneurs (Cooper et al., 1994). Attributes such as the qualifications and specific experience of entrepreneurs and employees reflect the degree of preparation that entrepreneurs have made to create a new enterprise, and are the basis for establishing a small business resource profile (Cooper et al., 1994; Greene et al., 1997).

It is known that the path coefficient of social capital to entrepreneurial opportunity identification is 0.326 (original sample column), P-Values=0.006<0.05, it can be concluded that social capital has a significant impact on entrepreneurial opportunities (Y).

Social capital helps entrepreneurs find opportunities (Bhagavatula et al., 2010), organize resources improve social entrepreneurship (Mair and Marti, 2009), and establish legitimacy for their businesses (Elfring and Hulsink, 2003), leading to the company’s entrepreneurial orientation (EO) and facilitates access to financial and useful information, which will ultimately lead to improved business performance.

It is known that the path coefficient of business performance to the identification of entrepreneurial opportunities is 0.006 (original sample column), $P\text{-Values}=0.926 > 0.05$, it can be concluded that business performance has no significant impact on entrepreneurial opportunities (Y).

Extensive research has been conducted to examine the relationship between EO and business. However, the empirical results are still inconclusive. Some research supports EO (Wang, 2008; Davis, Bell, Payne, and Kreiser, 2010; Al-Swidi & Mahmood, 2012; Anderson & Eshima, 2013), while others have confirmed that these two variables are not related at all (Anderson, 2010; Messer Smith and Wales, 2011). In other cases, some people even find the dimension of EO Partial support performance (Ambad & Abdul Wahab, 2013; Kreiser, Marino, Kuratko, & Weaver, 2013; Moussa, Ghani and Ahmed, 2014). Similarly, research on the relationship between EO and the performance of female-owned SMEs has shown conflicting results (Ali and Ali, 2013, 2014; Hanafi and Mahmood, 2013).

Given that the P value of Business Performance*HumanCapital \rightarrow Entrepreneurial Opportunity Recognition (Y) is $0.383 > 0.05$, it can be concluded that corporate performance as a moderating factor of the relationship between human capital and entrepreneurial opportunity recognition is not significant.

According to (Andersen, 2021), the combination of EO and CHRM increases the favorable association between HC and company-specific performance, which not only supports resource scheduling but also validates prior resource-based theories (Costa et al., 2013). Also, conduct study on EO and HRM (Messersmith & Wales, 2011). As a result, combining resource coordination with the creation of entrepreneurial strategies is an effective approach to make full use of a company's particular human resources, as recommended in the literature on resource development (for example, Alvarez & Barney, 2002; Sirmon et al., 2007).

However, the results also demonstrate human resource development measuring criteria and the need of tailoring human resource development techniques to the company's particular human resource levels. Various entrepreneurial literature (Hills et al, 2008; Wiklund and Shepherd, 2005) demonstrates that EO may be utilized to compensate for a lack of valued resources. Companies with smaller company-specific HC, according to this viewpoint, gain more from being entrepreneurs since optimizing what they possess becomes more essential. The key difficulty for firms with a company-specific HC is to establish a creative vision for resource mobilization, and EO makes this vision a reality. As a result, in order to fully use HC, these firms must rely on entrepreneurial methods (Sirmon et al., 2007), and

entrepreneurial mindset is a significant component in mobilizing and utilizing corporate resources (Miao et al, 2017).

Given that the P value of Business Performance*Social Capital \rightarrow Entrepreneurial Opportunity Recognition (Y) is $0.529 > 0.05$, it can be concluded that corporate performance as a moderating factor of the relationship between social capital and entrepreneurial opportunity recognition is not significant.

By understanding the impact of entrepreneurial orientation and social capital dimensions on company performance, female-owned SMEs can effectively plan strategies to achieve their business goals. In addition, it is necessary to understand the important role of various dimensions of entrepreneurial orientation (such as initiative, innovation, and risk-taking dimensions, and social capital that is structural, relational, and cognitive) in improving the company's business strategy. This article aims to provide evidence to explain the growth of successful female companies. The results help provide insights for the Malaysian government to expand support measures specifically designed for women entrepreneurs by motivating them accordingly. Importantly, this research will add empirical evidence supporting the social capital theory described by Nahapiet and Ghoshal (1998), in which social capital constructed from structural, relationship, and cognitive dimensions will affect company performance. Similarly, researchers are increasingly accepting that social capital has an influence on the EO, which leads to the success of women-owned SMEs (Nasip et al., 2017; Manev et al., 2005).

Conclusions

We discovered that social capital is an essential entrepreneurial resource in our first study on the influence of entrepreneurial attitude on small business success. Then, entrepreneurs should seek out possible partners, suppliers, and consumers in order to establish partnerships. A network of close friends and family is unquestionably vital for small company entrepreneurs. Furthermore, it is suggested that they make relationships with all sorts of company employees, managers, and educators, since, while this connection is weak, it aids in the acquisition of valuable knowledge rather than information overload. Small company owners should also recognize that the knowledge and experience obtained by the majority of them under the former communist system may have little to do with the market environment, and they should strive to compensate for their deficiencies in this area. Finally, they must actively seek out possibilities and devise new and inventive ways to ensure that entrepreneurial activity has a positive influence on their business success.

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