

## **Effect of Training and Competence on Motivation with Cultural Organization as Mediation (Research of SMEs Entrepreneurs Women In East Java, Indonesia)**

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### **Abstract**

This study aim is to analyze the effect of training and competence on motivation of women entrepreneurs with mediation of organizational culture which has been rarely studied. This research will fill this gap by conducting research on women entrepreneurs in Indonesia. The uniqueness of this study is the first study to examine micro and small women entrepreneurs in East Java, Indonesia. The samples are 100 respondents. Data were collected by questionnaire that measured by 5-point Likert scale. The data obtained is analyzed by path analysis with SPSS version 21 software. The results showed that the training and competence directly have positive and significant effects on organizational culture. The results also indicate that training, competencies and organizational culture directly have positive and significant effects on motivation of female entrepreneurs. The calculation of the indirect effect indicate that organizational culture mediates the effect of training and competence on motivation of female entrepreneurs.

### **Keywords**

training, competence, culture, motivation

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### **Introduction**

Small and medium businesses play more important role in the economy of a country, both in developing countries. Small and medium enterprises make a major contribution to country's economy and job creation (Surachman,

2005). Small and medium enterprises in Indonesia also play an important role to improve the competitiveness and economy (Surachman, 2005).

World development creates a shift of women role in society. the Business world is not only dominated by men, more

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women who enter into business world, both in developed countries (Anna et al., 1999; Kovanlainen, 1990; Sexton and Upton, 1990; Cromie and Birley, 1992) or developing countries (Premchdaner, 2003; Yueh, 2009). More women who enter into business world are a good development for women who want to develop themselves in non-traditional roles. A business who led by a man is regarded as something usual. On contrary, a business led by women, although has been accepted today, is still seen as something unusual, especially in a society with patriarchal culture domination (Kilbourne, Weeks 1997).

The Phenomenon shows that women entrepreneurship in Indonesia plays an important role in micro, small and medium enterprises. In fact, business activities run by women represent 60% of total micro, small and medium enterprises in Indonesia. They made a great contribution to growth of Indonesian economy. A large number jobs for women have been created through the micro and small enterprises (MSEs), including trade and sectors where women previously not normally work (Widyadari, 2006).

Indonesian women's involvement in business has existed for long ago. Women have been working in commerce. Women entrepreneurs in Tulungagung, East Java, Indonesia have helped the family economy. They even become economic backbone of family businesses. Women entrepreneurs participation in East Java, Indonesia has closely associated with a family background in mind that family role in decision making is crucial. Poverty faced by most rural families requires the participation of every family member to solve it. Most of women said their involvement in livelihood activities were due to economic reasons. Rising costs of everyday life is a key driver for women

to work. Statistic result shows that 85 percent of them go to work to fulfill basic economic needs as motivation to work (Abdullah, 1997). However, women motivations to work relate to appropriate training, adequate competence and conducive organizational culture.

Shen (2005) states that absence of empirical studies on development and international training create difficulties to know exactly how MNE implement better international training and development. This research gap is unique and need further research. Failure training also resulted in attitude of inferiority and undermining the professionalism. It shows that effectiveness of training depends on status and professions (Bunch, 2007). Women entrepreneurs need training, finance, cooperation and encouragement of various activities, whether in the home, community, and government (Rajani, 2008). In addition, women motivation to work is also associated with competence (Yueh, 2009).

Shabbir and Silvana (1996) show that competencies provide an understanding between women of different purposes, namely in terms of business ownership and relationship between the objectives and structural factors to affect how to start businesses, as well as actively promoting their business. Miri and Robert (1997) suggests that individual factors to affect the performance of women entrepreneurs in Israel is based on five theoretical perspectives namely capital, education level and area, previous businessmen experience and previous industry experience. In addition to competence, organizational culture also plays an important role in women motivation (Janssens et al., 2006).

Maria (2009) shows that organizational culture can develop capabilities of

SMEs entrepreneurs in accordance with organization objectives. Anna et al., (1999) showed that there are differences between women who started out traditionally and modern women, in relation to venture-efficacy, career expectations, and women desire to start SMEs business.

Based on above description, this study aim is to analyze the effect of training and competence on motivation of women entrepreneurs with mediation of organizational culture which has been rarely studied. This research will fill this gap by conducting a research on women entrepreneurs in East Java, Indonesia. The uniqueness of this study is the first study to examine micro and small women entrepreneurs in East Java, Indonesia

### **Empirical Review**

There several types of research that explain the relationship between variables in this research. Research of Shen (2005) explains that training and management development are very needed by SMEs. More researches are needed to improve these findings. It is supported by Lerner et al. (1997) that training is very needed to improve performance os SMEs. Rajani (2008) also explains that management training is very needed for women entrepreneurs in order success to run SMEs.

Bunch (2007) examines the effect of training on organizational culture. He found that training failure becomes consequences of organizational culture. Cromie et al. (1992) also explain that training is needed by female business owner in Northern Ireland to create networking. Shabbir et al. (1996) also explain that good training and organizational culture is needed by entrepreneurs to motivate them to become entrepreneur.

## **Theoretical Review**

### **Training**

Training is a learning process to involves acquisition of skills, concepts, rules, or attitude to improve the employee's performance (Simamora, 2004). Gomes (2003) stated that training is an attempt to improve the worker's performance for a particular job of their responsibility.

The above description shows that training is an activity carried out by company to improve employee the ability or competence. Training indicators in according with Mangkunegara (2000) are below.

- a. Instructor, he has been entrusted to become a host to deliver training materials and responsible to guide participants in the activities.
- b. Method and content of training, these are way and approach used to implement the training.
- c. Training time, it is accumulated time of employees in process to implement training.
- d. Training benefit, it is the result obtained by employees in training, both conceptually and practically.

### **Competence**

Mc Acshan in Sutrisno (2010) defines competence as the knowledge, skills, and abilities controlled by someone who has been a part of him to make them can to do cognitive, affective, and psychomotor behaviors. Competence or capability is defined by Mitrani (1995) as a person's nature in relation to effective or successful job implementation.

Competence is ability possessed by a small businessman in form of knowledge, skills, and abilities to improve their business

performance. According to Becker and Ulrich in Suparno (2005), indicators competence can be explained below.

- a. Knowledge, it is the mastery of science and technology by a small businessman through the learning process and his experience life. The knowledge are business management, products or services, consumers, promotion and market strategies.
- b. Skills, it is special abilities owned by a small businessman who actualized in its business activity, namely production skills, communication, co-operation in organization, business, and administrative and financial skills.
- c. Ability, it is a personal potential of small businessman to run their business with ability of decision-making in business, leadership within company, business innovation, and business development strategy.

### Organizational Culture

Edgar Schein in Luthans (2006) define culture as a basic assumption - patterns are created, discovered or developed by certain groups to adjust to issues of external and internal integration - which has worked quite well and is considered valuable. It was taught to new members as the correct way to realize, think, and feel the problems.

Mathis and Jakson (2006) state that "Organizational culture is a pattern of values and beliefs with mutual agreed to gives meaning to organization members and behavior rules". According to Rival (2008), "Organizational culture is how the organization learn to relate with environment as an amalgamation of assumptions, behaviors, stories, myths, ideas, metaphors, and other ideas to determine what is the means of work in an organization".

The above description indicates that organizational culture is a component within organization, including the values, beliefs, assumptions, perceptions, and norms of behavior. These components are reflected in behavior of every organization member. Each organization member perceives culture shaped by organization. There are three organizational culture types to observe in this research, namely the bureaucratic, innovative, and supportive culture (Wallach, 1983).

- a. Bureaucratic culture, it is hierarchical and compartmentalized. Bureaucratic culture has a clear line of responsibility and authority for each staff organization.
- b. Supportive culture, it emphasizes on teamwork, orientation of humanity, friendship, hopeful and trusting work environment.
- c. Innovative culture, it emphasizes on creativity, results-oriented, and prioritize a challenging work environment.

### Entrepreneurship Motivation

The motivation term comes from latin *movere*, it means "move". In present context the motivation is the psychological processes for directing and establishment of voluntary actions that lead to goal (Kreitner and Kinicki, 2005). Robbins (2003) states that motivation is a process to produce an intensity, direction, and persistence of individually in a business to achieve a goal. General motivation relates to efforts to each goal, focus of organization goal is reflected in one interest of work-related behavior.

Danim (2004) states that motivation is defined as any strength that comes from within individual to achieve goals or certain advantages in work or general life. Furthermore, Usman (2006) states that

motivation can be interpreted as a desire or need someone to drive him to work.

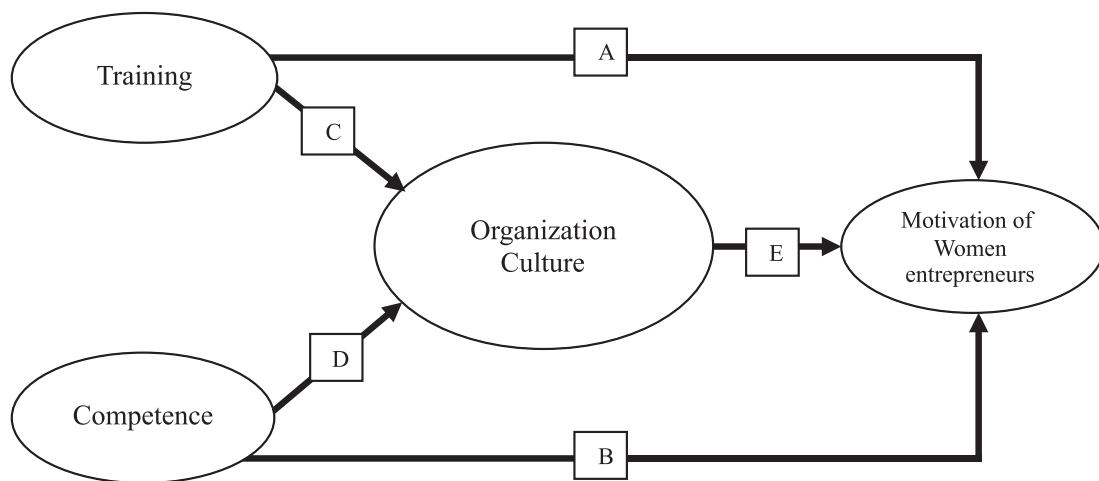
Motivation is encouragement of entrepreneurship both from within small businessmen and from the surrounding environment to create entrepreneurship spirit to build the business activities. McClelland states that motivation indicators are below.

- a. Achievement business, it is the spirit to achieve success to build business to obtain expected income.
- b. Business ability, it is the ability of a small businessman based on need

for power to achieve success to build business.

- c. High affiliation, it is desired to establish a high social interaction with other parties.

Based on description above, this research considered important to do because the lack of scientific research about motivations of women entrepreneurs in East Java, Indonesia who are affected by training and competence with organizations cultural as mediation. The conceptual framework of this research can be described as follows:



**Figure 1. Research Conceptual Framework**

### Research Hypothesis

To investigate the relationship between the variables above, it need research hypothesis. The hypothesis of this research can be presented below.

- H1: Good training will improve organizational culture
- H2: Competence will strongly increase organizational culture
- H3: Better organizational culture will increase the motivation of women entrepreneurs

H4: Organization culture will mediate the relations of training on higher motivation women entrepreneurs

H5: Organization culture will mediate the relations of competence on higher motivation of women entrepreneurs

### Research Methodology

This research uses explanatory research design (Sekaran, 2003). The research populations were women entrepreneurs from list of Department of Industry and Trade, Tulungagung, East Java-Indonesia. There are 319 women entrepreneurs,



engaged in various types of industries. The samples used were 100 respondents selected by proportional random sampling method.

The research data is divided into primary data and secondary data. Primary data is collected directly by questionnaire to measure respondents perception toward variables studied. The questionnaires are measured by five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. Secondary data is obtained from the various institutions associated with research, such as reports or documents from the Central Bureau of Statistics, Department of Industry and Trade and other relevant agencies, also from magazines, internet, and literature supporting the primary data.

Analysis data used is path analysis that calculated by SPSS program. Path analysis was used to test the causal relationship based on knowledge, theories formulation and assumptions. It also can be used to test research hypotheses and interpreting the relationship. It is consistent with the

method used by Shen (2005) and Rajani (2008) that SPSS program can be used to explain the effect independent variables to dependent variable.

## Results and Discussion

This research was conducted in Tulungagung, East Java, Indonesia which lies between 1110 43' - 1120 07' longitude and 70 51' - 80 18' latitude. In topography, Tulungagung is located at an altitude of 85 meters above sea level. All respondents of this research were women entrepreneur with a total of 100 people. Most respondents (49%) age are 30-40 years. Majority of respondents (38%) run their business for 1-5 years. Senior High School is the highest education of majority respondents (39%). Products of majority respondents are textiles (42%). After describing the research object, then the next step is to elucidate the effect of variables studied by testing the research hypothesis. All test results the direct effect of independent variables on dependent variables can be shown in table 1 and 2 below.

**Table 1. Test Result the Direct Effect of Independent Variables on Organizational Culture**

Variables	Beta	t-count	p-value	Description
Training (X1)	0.176	2.427	0.017	Positive and significant
Competence (X2)	0.668	9.221	0.000	Positive and significant
Coefficient of Determination ( $R^2$ ) = 55,7%				
F = 63,521 ; p-value = 0,000				

**Table 2. Test Result the Direct Effect of Independent Variables on Motivation of Women Entrepreneurs**

Variables	Beta	t-count	p-value	Description
Training (X1)	0.299	4.273	0.000	Positive and significant
Competence (X2)	0.265	2.843	0.005	Positive and significant
Organizational Culture (Y1)	0.387	4.059	0.000	Positive and significant
Coefficient of Determination ( $R^2$ ) = 62,2%				
F-value = 52,631; p-value = 0,000				

### Effect of Training and Competence on Organizational Culture

Table 1 shows that training significantly affects on organizational culture. Training has coefficient of 0.176 with positive and significant effect on organizational culture. It is shown by value  $t$  value = 2.427 and  $p$ -value = 0.017 ( $p < 0.05$ ). It means statistically the path coefficient of training on organization culture is significant. Therefore, hypothesis 1 is accepted. This result explains that SMEs actors with good training will be able to improve the organizational culture of their business.

Table 1 also shows that competence significantly affects on organizational culture. Competence has path coefficient of 0.668 with positive and significant effect on organizational culture. It is shown by  $t$  value = 9.221 and  $p$ -value = 0.000 ( $p < 0.05$ ). Statistically, the path coefficient of competence on organizational culture is significant. Therefore, hypothesis 2 is accepted. This result explains that SMEs with a strong competence in organization's culture can increase its business. It is consistent with Anna et al., (1999) that training and competence affect organizational culture at traditional and non traditional industries.

### Effect of Training, Competence and Cultural Organization on Entrepreneurship Motivation

Table 2 shows that effect of training on motivation of women entrepreneur is significant. Training has path coefficient of 0.299 with positive and significant effect

on motivation of women entrepreneurs. It is shown by  $t$  value = 4.273 and  $p$ -value = 0.000 ( $p < 0.05$ ). Statistically, path coefficient of training on motivation of women entrepreneur is significant. This result explains that SMEs actors with good training opportunities will be able to increase the motivation of women entrepreneur in business.

Table 2 shows that effect of competence on motivation of women entrepreneur is significant. Competence has path coefficient of 0.265 with significant positive effect on motivation of women entrepreneur. It is shown by  $t$  value = 2.843 and  $p$ -value = 0.005 ( $p < 0.05$ ). Statistically, path coefficient of competence on motivation of women entrepreneur is significant. This result explains that SMEs with a strong competence may increase motivation of women entrepreneur in business.

Table 2 shows that effect of organizational culture on motivation of women entrepreneur is significant. Organizational culture has path coefficient of 0.387 with significant positive effect on motivation of women entrepreneur. It is shown by  $t$  value = 4.059 and  $p$ -value = 0.000 ( $p < 0.05$ ). Statistically path coefficient of organizational culture on motivation of women entrepreneur is significant. Therefore, hypothesis 3 is accepted. This result explains that SMEs with strong organizational culture can improve motivation of women entrepreneur in business. Furthermore, entire path coefficients estimation of indirect in this research model can be summarized in Table 3 below.

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**Table 3. Coefficient Value of Indirect Effect**

	DIRECT	INDIRECT	TOTAL
From Training	To Organizational Culture = 0 0,176*		0,176*
	To Motivation of women entrepreneurs = 0,299*	To Motivation of women entrepreneurs through Organizational Culture =0,176 x 0,487 = 0,068	0,367*
Competence	To Organizational Culture = 0 0,668*		0,668*
	To Motivation of women entrepreneurs =0,265	To Motivation of women entrepreneurs through Organizational Culture = 0,668 x 0,387=0,258	0,523*
Organizational Culture	To Motivation of women entrepreneurs =0,387*	0	0,487*

Source: Primary Data Processed, 2012

Description: \* = Significant at  $\alpha = 0.05$

ns = not significant at  $\alpha = 0.05$

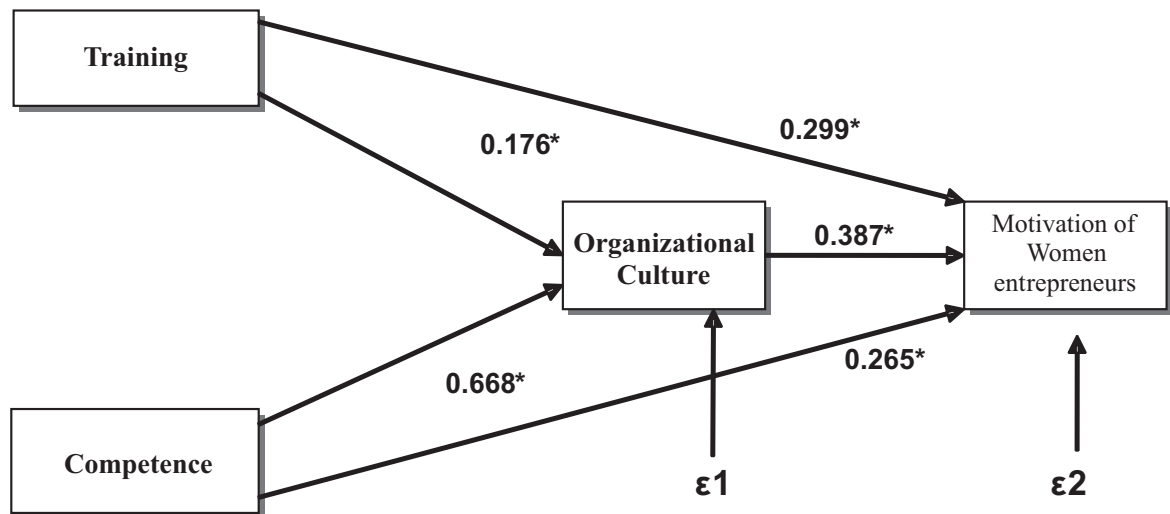
Table 1 above describes that training variable indirectly affects on motivation of women entrepreneurs through organizational culture as mediation variable, with the coefficient of 0.367. These results can show that organizational culture mediates the effect of training on motivation of women entrepreneurs. Therefore, hypothesis 4 is accepted. It is consistent with research of Shen (2005) that training affects on motivation with the support of culture.

Table 1 also describes that competence variable indirectly affect on motivation of women entrepreneurs through organizational culture as mediation variable, with the coefficient of 0.523. This results can show that organizational

culture mediates the effect of competence on motivation of women entrepreneurs. Therefore, hypothesis 5 is accepted. It is consistent with research of Shabbir (1996) that organizational culture can improve effect competences on motivation.

These research results show that all five path from hypotheses model are significant. Dominant effect of organizational culture comes from competence. A dominant effect on motivation of women entrepreneur comes from organization culture. Path coefficient of competence on organizational culture becomes interesting because of it most decisive factor for motivation of women entrepreneur. The overall results of path analysis are presented in Figure 2 below.





**Figure 2. Path Analysis Results**

*Source: Primary Data Processed, 2012*

Description: \* = Significant at  $\alpha = 0.05$

ns = not significant at  $\alpha = 0.05$

Figure 2 shows that organizational culture has a very strong effect on motivation of women entrepreneurs with a value of 0.387. It shows that all three indicators of organizational culture (bureaucratic, supportive and innovative) have very powerful effect on motivation of women entrepreneurs with indicators of achievement in business, ability to control businesses and high affiliation in business. A bureaucratic indicator of organizational culture has a very strong effect on motivation of women entrepreneurs, where women entrepreneurs have good skills to manage the organizational structure to make organizational mechanisms can work well to make high motivation of women entrepreneurs.

### Model Accuracy

The accuracy of hypothesis model and research data is measured from the relationship of two coefficients of determination ( $R^2$ ) in both equations. First equation has  $R^2$  values of 0.557 and first equation has  $R^2$  values of 0.622.

Results of model accuracy is:

$$\begin{aligned}
 R^2_{\text{model}} &= 1 - (1 - R^2_1)(1 - R^2_2) \\
 &= 1 - (1 - 0.557)(1 - 0.622) \\
 &= 1 - 0.167 \\
 &= 0.833 \text{ or } 83.3\%
 \end{aligned}$$

the Model accuracy of 83.3% explains that contribution of structural model to describe the relationship of four variables studied is 83.3% and rest is explained by other variables outside the model.

### Conclusions and Implication

This study examines the effect of training, competencies and organizational on motivation of female entrepreneurs, both directly or mediated by organizational culture. Based on the results of data analysis in previous discussion on the research results, the study conclusions can be presented as follows. The results showed that the training and competence directly have positive and significant effects on organizational culture. The results also indicate that training, competencies

and organizational culture directly have positive and significant effects on motivation of female entrepreneurs. The calculation of the indirect effect indicate that organizational culture mediates the effect of training and competence on motivation of female entrepreneurs

Theoretically, these research results are expected to become reference and documentation for campus and as a reference for future research in relation the effect of training and competence that mediated by organizational culture on motivation of women entrepreneurs, although the research is far from perfection and much limitation. Practically, further research is recommended to add other variables beside training, and competency and culture to affect the motivation of women entrepreneurs. Women entrepreneurs need training not only from agency but also from other departments and academic to add competence. Innovative organizational culture of women entrepreneurs should be maintained and bureaucratic and supportive organization culture should be enhanced to create conducive working atmosphere and to maintain and even to develop business of women entrepreneurs.

### Notes on Contributors

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