

## **The Identification of Motivation and Entrepreneurial Orientation of Female Entrepreneurs in Micro and Small Size Business (Case Study on Food Business Sector in Semarang, Indonesia)**

**Agustine Eva Maria Soekesi,**  
Management Department,  
Soegijapranata Catholic University, Indonesia.  
**E-mail :** evamaria@unika.ac.id

**Margaretha Sih Setija Utami,**  
Psychology Department,  
Soegijapranata Catholic University, Indonesia.  
**E-mail :** cich65@yahoo.com

**Trihardjanti Nugrahaningsih,**  
Management Department,  
Soegijapranata Catholic University, Indonesia.  
**E-mail :** chtrihardjantin@yahoo.co.id

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### ***Abstract***

*Based on the latest official information of the Indonesian Ministry of Cooperatives Small and Medium Enterprises (SMEs) ([www.depkop.go.id](http://www.depkop.go.id), accessed on May 15, 2016), in 2013 there were 57,843,615 out of 57,900,787 businesses in Indonesia (99.9%). The proportion itself is not significantly different from the number of micro and small businesses in the city of Semarang. Of the 142 small and micro businesses listed in the directory of the Office of Cooperatives and SMEs in Semarang (2015), as many as 60.42% of them are in the food business sector. The reason of this is the repetition of the purchasing pattern that is relatively high so that the turnover of working capital to be relatively fast. It is perceived that the entrepreneurship further facilitates the management of the business. On the other side the research conducted in 2008, 2009, 2011, and 2014 showed that more than 70% of the entrepreneurs were female. In order to develop this micro and small size business in the food sector-managed by female in the city of Semarang, it is necessary for the government supported by other related institution to provide guidance. This paper presents the results of the research on motivation and entrepreneurial orientation of the research subjects. The research used the concept of motivation by McClelland theory that include three (3) variables: the need for achievement (N-Ach), the need for power (N-Pow) and the need for affiliation (N-Aff). While the concept of entrepreneurial orientation refers to Lumpkin and Dess theory, which include Autonomy, Innovativeness, Risk Taking, Proactiveness, and Competitive Aggressiveness. By understanding the map of the motivation and entrepreneurial orientation of the food female entrepreneurs in the micro and small size business, the results of this study will be useful for establishing the effective business guidance method. Thus the results will not only be for the fulfilment of the the daily needs, but can also be improved to be a productive business by applying the right management methods.*

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**Key Words:** *Motivation, Entrepreneurial Orientation, Micro and Small Businesses, Female Entrepreneurs, Business Guidance*

## **1. Introduction**

The proportion of micro and small businesses in Indonesia in 2013 reached more than 99% of all the existing businesses. The lack of employment causes the population of productive age, who do not have qualifications in education and skills, must perform the business independently to be able to meet their economic needs. In Semarang, there are 235 units of micro and small businesses recorded in the Semarang's Ministry of Cooperatives and SMEs (April 2016) that indicate the 142 (60.42%) of them engaged in the food sector (food and beverage). The food sector is chosen by the entrepreneurs due to the repetitiveness of purchasing pattern that is relatively high and the production cycles as well as the working capital turnover is relatively fast. The data are not categorized based on micro nor non-micro business size. Based on the observation, which is done on the previous research, there are (more than 300 unit of businesses) micro-small businesses that have not been documented.

The existence of these micro-small businesses, which are relatively numerous and have not been documented in the Ministry of Cooperatives and SMEs in Semarang, are caused of most of the micro-small businesses did not through the permitting process (have not licence) in its establishment. Besides, the daily operational which is also relatively inconsistent. It becomes relatively difficult to be identified. From the results of the study conducted by researcher (Soekesi, 2008, 2009, 2011, and 2014) with the subject of micro-small businesses show that over 70% of businesses are owned and managed by female entrepreneurs. The motivation to meet the needs of daily life is the most reason commonly cited, due to the husband's income that cannot meet these need. Even, some of them put the entrepreneurship (micro) as the only source of family income.

On the progress of entrepreneurship (especially on food sector) that based on the motivation of subsistence, these female entrepreneurs also have a desire to develop its business. According to Covin and Slevin (1989), as well as Lumpkin and Dess (1996 and 2005) in Pangeran (2012), the successful development of this business is influenced by their entrepreneurial orientation. Therefore, although many female entrepreneurs have the limitation in managerial abilities, they need to be identified their motivations in running the business. In addition, as well as its entrepreneurial orientation, so it can be identified if the female entrepreneurs in the micro-small size have the desire and the potential to develop its business.

This paper presents the early stage of research on motivation and entrepreneurial orientation of the micro-small size female entrepreneurs in running their business in the food sector. The results of the initial stage of this study is the perception of female entrepreneurs about their motivation in running the business, and their perceptions of entrepreneurial

orientation. In the next research stage, it will be identified how these motivations influence the entrepreneurial orientation.

## **2. Literature Review**

### **2.1 Micro-Small Enterprises Criteria**

The provision of business scale, based on the Republic Indonesia Act number 20 year 2008 Chapter IV of micro, small and medium enterprises ([www.depkop.go.id](http://www.depkop.go.id) accessed March 17, 2014) are as follows:

Micro Enterprises Criteria as follows:

- a. have a net assets of at the most IDR 50,000,000.00 excluding land and buildings; or
- b. have an average of annual sales at the most of IDR 300,000,000.00

Small Enterprises Criteria as follows:

- a. have a net assets of more than IDR 50,000,000.00 up to IDR 500,000,000.00 excluding land and buildings; or
- b. have an average of annual sales of more than IDR 300,000,000.00 up to IDR 2,500,000,000.00

### **2.2. Entrepreneurship Motivation**

Entrepreneurship motivation is basically an urge of someone to do something. Motivation will make individuals do things better. There are three main elements in the motivation, they are the intensity, direction and persistence (Robbins and Judge 2009). The Intensity relates to how enterprising individuals in doing business; increasingly active in conducting its business shows that they have strong motivation. However, these efforts are not meaningful if it is done without direction. Therefore, the strong efforts should be supported with a clear direction and their perseverance. So, it can be concluded that motivation is a combination of strong loyalty, clear direction, and their persistence. It is also associated with entrepreneurship motivation.

McClelland's theory of motivation, which associates with self-employment, is used in this study. The theory has three needs (Robbins and Judge, 2009), they are:

1. The Need for Achievement

The Need for Achievement is a need of for someone to reach achievement that is associated with his position in accordance with its applicable standards. The achievement of their achievement can be an indicator of success.

2. The Need for Power

The Need for Power is a need of someone to have a certain power. This may indicate an attitude to make others to behave in a way that would not be done without him.

3. The Need for Affiliation

The Need for Affiliation is a need of someone to relate with others more closely. In its relation of the employer itself, it is important because it can form relationships with its business partners, and especially the consumers.

### **2.3. Entrepreneurial Orientation**

Referring to Lumpkin and Dess (1996)) entrepreneurial orientation contains understanding to take advantage of business opportunities as a principle of business entrepreneurs. In this context, in taking advantages of business opportunities, an entrepreneur must be able to identify and use all available resources and pursued to be owned. The five variables were used to identify entrepreneurial orientation is innovativeness, proactiveness, risk taking, autonomy, and competitive aggressiveness (Lumpkin and Dess, 1996).

- a. Inovativeness as a factor in entrepreneurial orientation is an ability to identify all the elements that exist surround to rise an idea to produce something new. As for the idea, further, it will be implemented in the process of running the business. In many cases, inovativeness, which occurs in micro-small businesses, is generally applied to produce the product.
- b. Proactiveness factor is the tendency to respond the changes that constantly occurred. In the context of running a business, proactiveness will be able to adjust and respond positively any changes in the business environment, which have an influence on the existence of the business
- c. Risk-taking is a desire to build a resource to face the opportunities. In this case, it performs the courage to bear the chance of failure. Based on the paper presented by Tri Hardjanti (2010), the female who have leadership has great potential to do the job independently. In this case, the self-employment can be interpreted as businessmen or entrepreneurs. So that the entrepreneurial orientation, as a principle to capitalize on business opportunities, can produce a positive performance or productivity.
- d. Autonomy shows an independent behavior toward others in business. Its independent relation is related to how these entrepreneurs creating new ideas and decision-making processes. There is a tendency that the parties have a strong control in the operations.
- e. Competitive aggressiveness shows an entrepreneurial attitude that is followed by the real action and relatively intensive in facing the competitors. It is hoped the results will achieve improvements in the position to surpass competitors.

### **3. Methodology**

The subjects in this study were female entrepreneurs in producing food products with an average sales of up to IDR 2.5 billion per year and stay in the city of Semarang, Indonesia. In the early stage, the research is set for 10 female entrepreneurs (as a sample) to identify their perceptions of motivation and entrepreneurial orientation. The Sampling technique, which is

used, is purposive with depth interview and observation method. The descriptive qualitative is the analysis technique that is used for this first stage of the research.

#### **4. Result and Discussion**

The initial stage of this study has made data analysis of 10 research samples; they are female micro and small size entrepreneurs in the city of Semarang who produce food, related to their perceptions of motivation and entrepreneurial orientation. The general profiles of these 10 samples were 25 to 35 years old (7 entrepreneurs) and 3 entrepreneurs over 35 to 45 years old. Besides, 4 of 10 of these samples are “the backbone” of the family because of the jobless husband (1 entrepreneur) and widows (3 entrepreneurs). While 6 others are running the business to support the family economy, because of the husband's income is not sufficient.

##### **4.1. Perception toward Motivation**

Referring to McClelland's theory of motivation that includes three needs, the results are as follows:

1. The Need for Achievement

Most samples of the initial stage of this research, perceive that the need for achievement is their need to be able to achieve optimum sales. They hope that their products can be sold out every day. The impact of optimal sales is perceived that the results will accelerate the turnover of working capital, so that the business can run well. In addition, there are respondents who perceive the need for achievement as an appreciation of consumers towards the innovation of the food produced. This appreciation can be a compliment, the frequently purchasing, nor a satisfaction's consumers' statements of the new products they produced.

2. The Need for Power

Generally, the need for Power is perceived as a necessity for managing the business independently. There is a trend, they do not want to be regulated or interfered by others, even though it was their own husbands. Need for power is manifested in the form of a belief that they have their own way to influence consumers in making the decision to buy a variety of food produced. In addition, they also have perception that the food is their main product, which will be the consumers' choices. In some cases that have ever happened, female entrepreneurs have stated that they do not currently produce the product due to some reasons (holidays, raw material supply constraints, constraints of distribution, or other constraints). Some customers were disappointed because they do not be able to obtain the product (food), and feel dissatisfied because they have to get the similar products from other producers.

3. The Need of Affiliation

The Need for affiliation is perceived as a need to build relation more intensively with all its business partners, especially the consumers and suppliers of materials. They believe that the good and intensive relations with consumers will be a key to the smooth running of their business, because it will determine how many sales were obtained. The ways they are doing in meeting the need of affiliation is to respond to requests and customer orders, both in terms of number of products and product specifications (shape, taste, size, packaging). Having an intensive relation with the material suppliers seem also important because the raw material is the main input of the product produced. A good relationship is also influenced by the payment system. Due to not all materials purchased from suppliers are paid in cash. With the good relationship the payment system will become more flexible. It is considered to be an advantage, because sometimes the result of sales is necessary to fulfill personal needs in an amount that exceeds the profit achieved. In addition, there are also respondents who perceive the need for affiliation; it is a need to have intensive relations with the government. The government in this case is the Ministry of Cooperatives and SMEs. They expect by having a good relationship, their business will be noticed, so it will always get a chance to be developed.

#### **4.2. Perception toward Entrepreneurial Orientation**

The Five dimensions in the concept of entrepreneurial orientation according to Lumpkin and Dess (1996), the respondents' perception are as follows:

- a. Innovativeness is perceived as an ability to produce a variety of new things related to the business. Respondents generally perceive new things that are related to their product innovation. For example, the ability to develop new recipes, the development of the food's forms, flavors, and packaging. However, not all innovation is purely of their own creations. They convey perceptions based on their experience in running the business. Innovativeness, which is perceived, is developing the products based on the superior aspects or attributes of the similar product. After that, they adopt and adapt their own products. Even, there are some of those who were able to do a compilation of the advantages of the competitors' products.
- b. A proactiveness is perceived as an ability to keep up the developments. The ability follows the changing needs and desires of consumers about a variety of flavors and variety of food that they produced. However, this growth was also influenced by the new products are produced. From a sample of 10 respondents, there are only 2 respondents perceive this proactiveness is also an ability to implement the developments related regulations. For example, regulations concerning business licenses for products such as food. In addition, there are also regulations regarding the requirements in getting the business loan from the bank. These loans are specifically

for small business development in accordance with the program of the bank concerned.

- c. Risk Taking is generally perceived as the courage to bear the various impacts on decisions and measures taken in carrying out the food business. Risk-taking is also understood that there are consequences in using the various resources they have, not only the mind and energy, but also the finance. One experience, which is felt, that there is the female entrepreneur who has ever tried to create new types of food. The food is a food produced by big companies and demanded many consumers. Then, they get loan from others with relatively high interest loans. The interest of loans is relatively high because there are no guarantees in the process of the loan. But it turned out that new products they made are not getting a positive response from consumers, or it can be said as a failed product improvement. Consequently, they still have to pay the loan plus interest loans, despite the loss of business conditions. After all, they have to sell personal assets to pay it off. At first they are desperate, but over time they realize when the business stopped it will not make the condition better. In the end, they sold more other personal assets to continue the business. From the experience of failure, they become more careful in taking the decision to develop business.
- d. Respondents perceive the autonomy as a full authority in running the business. Although they all are women, but they feel they have the ability to run the business intact in both managerial and operational. This autonomy implementation is more to the field of product development. Although there is input from other parties (including family) in terms of product development, but in the end the female entrepreneurs will take a final decision. As for the managerial skill, they generally have the ability to realize relatively limited. So that its implementation was limited to the decision to promote their products. In addition, the managerial policy in relation to suppliers of materials, which is about what, when, how much material should be ordered of the supplier. According to the female entrepreneurs, it is relatively easy to decide by themselves, because they have repetitively experience in business partnership with their suppliers.
- e. Competitive aggressiveness is perceived as the ability to initiate as well as act in the face of competitors. For example, if a competitor produce products that are relatively similar and relatively the same price. First, they have to make serious effort to develop the products in advance. However, in practice most of samples (9 entrepreneurs) in this early stage of study do not have the strong ability in competitive aggressiveness. The main obstacle they realize and they feel is because they do not have adequate ability in managing the business, particularly managerial



skills. In many ways, they are not quite able to deal with competitors that have greater capacity; because of their propensity selling price will be lower. They hope that the relevant institutions (not just the government but also private) can give guidance, so they can be more aggressive in addressing the dynamics of the industry.

## **5. Conclusions and Recommendations**

Based on the analysis, the conclusion is: basically motivation and entrepreneurial orientation that were perceived by female entrepreneurs, are similar to the concept in theory. But its more to the product application and the things that are operational and technical. As for the managerial capability is still very limited. It is still in accordance with the opinion of the people in general, that the micro-small entrepreneur has many limitations, especially managerial skills. So it is necessary to get the business guidance of all related institutions that are not only of the government itself.

In the next stage of the study, various applied fields were discovered in the early stages of this research (both for motivation and entrepreneurial orientation variables) will be used to complement the indicators of each of those variables. So that the results of the analysis of the influence of motivation toward the entrepreneurial orientation on micro-small size female entrepreneurs on food sector, is expected to describe the actual conditions.

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