



**THE EFFECT OF COMMITMENT AND AMBITION ON BUSINESS PERFORMANCE (STUDY ON MICRO, SMALL AND MEDIUM ENTERPRISES IN THE CITY OF MAGELANG)**

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***Abstract***

This study aims to examine the commitment, ambition and business performance of Micro Enterprise entrepreneurs in Magelang. The research method was conducted by surveying 100 micro entrepreneurs in Magelang City, through multiple linear regression analysis. Quantitative data were obtained through questionnaires and processed to see the results descriptively and verifiably. The research findings conveyed that there is a relationship between commitment, ambitious entrepreneurship and entrepreneur's business performance. However, the business performance of entrepreneurs from Micro Enterprises in Magelang can be increased more optimally through the commitment of entrepreneurs. This research is useful for the UKM Office in Magelang in particular and entrepreneurs in general, that it is important to pay attention to the commitment of entrepreneurs related to business performance.

***Keywords:*** Commitment, Ambitious, Business Performance

**INTRODUCTION**

Magelang city is a city in Central Java. As a city that continues to grow, economic growth, technological changes and the flow of information are also accelerating (Sidharta & Lusyana, 2014). This is one of the drivers for the creation of intense competition in the business world. Magelang can be said as a city in Indonesia that has a variety of natural resources. The development of Magelang City is directed at developing economic activities that can provide welfare to the community (Machmud & Sidharta, 2013). One of them is increasing Micro Enterprises, it seems that the rapid development of Micro Enterprises in Magelang City has implications for an increasingly tight competition climate (Machmud & Sidharta, 2013). As a result, Micro Enterprises that are unable to compete will be evicted from business competition and threatened with bankruptcy (Firdaus, 2013). Therefore, it is necessary to pursue a step-by-step strategy in developing Micro Enterprises in the City of Magelang.

The criteria for MSMEs have been regulated by Law Number 20 of 2008. The maximum category for micro businesses is Rp. 50,000,000 and a maximum of Rp. 300,000,000. One important factor in a business is human resources (HR). HR has an important

role in achieving success, because good and complete facilities are not a guarantee of the success of a business without being matched by the quality of human resources who will utilize these facilities. HR development, especially in SMEs is still very lacking. HR is one of the problems that affect the increase. Performance is a description of the objectives of implementing a program of activities or policies in realizing the goals, objectives, vision and mission of the organization as outlined through the strategic planning of an organization. Performance can be known and measured if an individual or a group of entrepreneurs knows their business weaknesses and has success features or success standards set by the organization. Entrepreneur's contribution to achieving company goals or continuous improvement, is often associated with company performance.

Actually what can improve the performance of entrepreneurs in companies is commitment. Besides that, organizational commitment has a very large influence on one's performance (Healy, Mavromaras, & Sloane, 2015). This reveals that the employer's commitment to the organization is a strong belief in and acceptance of the goals and values of the organization, the ability to direct sufficient effort on behalf of the organization, and a strong desire to remain in the organization. However, in addition to the commitment required ambition in its implementation (Setiawan, Aryani, Rahmawati, & Sarwono, 2016). Someone who is involved in the entrepreneurial process with the aim of creating as much value as possible, the ambitious entrepreneur is someone who can identify and exploit opportunities to create new pro-channels, services, processes, and organizations with high aspirations to achieve entrepreneurial success. In order to maximize value creation, the argument calls for workplace arrangements that will meet the requirements of the entrepreneur's ambitions.

## **LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

### **Commitment**

Commitment is an attitude, behavior, and a strong sense of belonging to an organization to achieve organizational goals. This is in line with consumer behavior that continues to experience companies, so companies and entrepreneurs also follow suit (Djati & Khusaini, 2003). Organizational commitment is a combination of attitudes and behavior that involves identifying feelings with organizational goals, a sense of being seen with organizational goals and a sense of loyalty to the organization. Commitment is seen as a value orientation towards the organization that shows individuals think highly of and prioritize their work and organization. Individuals will try to give all the effort they have in order to help the organization achieve its goals. This reveals that organizational commitment is a strong belief in and acceptance of the goals and values of the organization, the ability to direct sufficient effort on behalf of the organization, and a strong desire to remain in the organization. Every individual certainly has a commitment like a worker or entrepreneur. This commitment actually leads an entrepreneur to achieve better performance.

### **Entrepreneur Ambition**

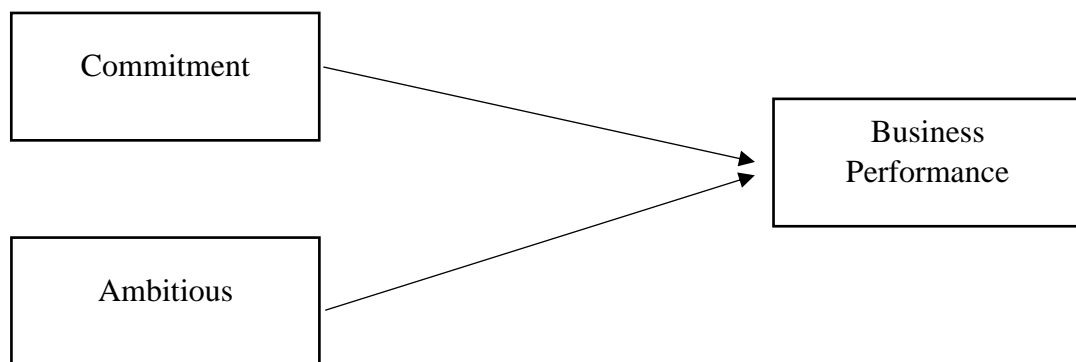
The ambition of an entrepreneur is someone who is running a business and has a long-term desire that in the future he can generate as much value as possible from his sales (Stam et al., 2012). Entrepreneurs play an important role in applying this knowledge, and creating new value in general.

To come to the value of an individual must not only see an opportunity, but to be aware of it. This goes beyond individuals who just want to be their own boss. To create opportunities for substantial change in society is the need for ambitious entrepreneurs (Katz et al., 2015).

Entrepreneur's ambition represents future prosperity, investing in knowledge, and applying this knowledge in society is very important (Stam et al., 2012). The basis of the values and virtues of entrepreneurs is that responsible and productive people create value and trade with others for profit. The entrepreneurial process begins with an informed and creative idea for a new product or service. Entrepreneur ambition and dare to take the initiative in developing ideas into a new company.

### **Business Performance**

Business performance is a measure of the results of the business work carried out, as long as the business is working both in quality and quantity (Purnomo, 2010). Performance is a description of the objectives of implementing an activity program or policy in realizing organizational goals, objectives, vision and mission as outlined through an organization's strategic planning (Lisa, Mattila, & Lee, 2016). Likewise, according to Purnomo (2010) business performance is a measure of the success of a company in achieving its goals. In previous studies it was known that the entrepreneurial spirit has a close relationship with business performance (Stam et al., 2012). Likewise with the commitment of entrepreneurs who are in fact able to control their business performance (Djati & Khusaini, 2003). Examining the previous framework of thinking, a conceptual description of the research is presented in Figure 1.



**Figure 1. Manifesting Thoughts**

Based on this framework, the research hypothesis is presented.

H1: Commitment has a significant effect on Entrepreneur's Business Performance

H2: Entrepreneur's ambition has a significant effect on Entrepreneur's Business Performance

H3: Entrepreneur's Commitment and Ambition simultaneously have a significant effect on Entrepreneur's Business Performance

### **METHOD**

The research was conducted by surveying 100 Micro Business entrepreneurs in Magelang City. Quantitative analysis was carried out using a descriptive and verification approach according to the research objectives. The analysis technique uses multiple linear regression with the SPSS analysis tool. Each research variable was measured through a questionnaire with a range of answers following the Likert scale, namely 1 to strongly disagree to 5 to strongly agree. As for the size depreciation based on the criteria of affective depreciation, depreciation and normative depreciation.

As for the difficult size, entrepreneurs use the size of aspiration growth, goal growth and hope growth. As well as a measure for the performance of business entrepreneurs as measured by sales growth, net profit margins, and market share growth.

**RESULT AND DISCUSSION**

An overview of the entrepreneur's commitment and ambition to the business performance of Micro Enterprises Assisted by the Office of Cooperatives, UMKM, Industry and Trade, City of Magelang can be known by calculating the recapitulation of respondents' responses. Based on the results of research on respondents through distributing questionnaires to 100 respondents and calculating the recapitulation of respondents' responses stated that the commitment, ambition of entrepreneurs, and business performance of Micro Enterprises Assisted by the Office of Cooperatives, UMKM, Industry and Trade, Magelang City were considered good. Most of the entrepreneurs are dominated by men by 64% with businesses in the types of food and beverages as much as 53%. The majority of entrepreneurs are of productive age with an educational background from high school (58%). This can be interpreted that most of the large Micro Business entrepreneurs in Magelang City have not received sufficient education (Bachelor degree). So it can be assumed, competitiveness is still low due to low knowledge obtained (Lisa et al., 2016). Next, the results of the verification analysis between variables are presented through multiple linear regression analysis (Table 1).

**Table 1. Research Results**

Model	Nonstandard coefficients		t	Sig.
	B	St. Error		
(Constant)	.566	.220	2,575	.012
Commitment	.217	.039	3,179	.008
Ambition	.326	.043	3.138	.000

Based on Table 1, it can be determined that the multiple linear regression model between the commitment and ambition of the entrepreneur on business performance is expressed in the following structuring form.

$$Y = a + b_1X_1 + b_2X_2$$

$$\text{Business Performance} = (\text{Commitment}) + (\text{Entrepreneur's Ambition}) \text{ or Business Performance} = 5.66 + 0.217 + 0.326.$$

Based on the multiple linear regression equation, the magnitude of changes in business performance that occur following changes in commitment and ambition of entrepreneurs is equal to 5.66. This means that if there are no commitment and difficulty variables, then the business performance is 5.66. The regression coefficient on the commitment variable is 0.217 which if there is an additional commitment of 1, there will be an increase in business performance of 0.217. And the regression coefficient on the entrepreneur's difficulty variable is 0.326 which if there is an addition of 1, there will be an increase in business performance of 0.326. Further study of the relationship and influence between research variables is presented in the discussion based on the research hypothesis.

### **The Effect of Entrepreneur's Commitment on Business Performance**

Based on the results of the analysis conducted (Table 1), it is known that there is a significant relationship between the commitment variables on business performance with a correlation value (correlation) of 0.217. If there is an increase in the influence that commitment has on business performance it is 21.71%. This shows that business performance will emerge and can be influenced by commitment of 21.71% and the remaining 78.29% can be influenced by other factors. This shows that Micro Business Entrepreneurs Assisted by the Office of Cooperatives, UMKM, Industry and Trade of Magelang City see the commitment of micro entrepreneurs to have an impact on business performance. Confirming the test results in Table 1, the results of the hypothesis test (Sig) also appear. Where the significant value of the impact of the entrepreneur's commitment to business performance is in accordance with the rules, which is below 0.05. This means that commitment has a positive relationship and has a significant impact on the performance of business entrepreneurs. The results of this study are in line with previous studies (Khan, 2014).

However, what distinguishes the previous study from Khan (2014), is the research object (banking). This means that this research complements previous research on the service industry. In a more complex work environment, if employers are unable to complete their tasks in accordance with what has been assigned to them, it will affect the performance of employers which then also affects business performance and loyalty (Limakrisna, 2008). High performance indicates the ability of entrepreneurs or the performance of entrepreneurs as well as high loyalty to their work environment (Noe, 2004). This research is certainly beneficial for industry in general in the City of Magelang, that is the importance of increasing the commitment of entrepreneurs in entrepreneurship, as a result of their business performance.

### **The Impact of Ambitious Entrepreneur Performance on Business**

Based on the results of the analysis carried out (Table 1), it can be seen that there is a relationship between the variables of entrepreneur's ambition on business performance but with a weak relationship value of 0.326. From the analysis of these results, of course it can be interpreted that the performance of business entrepreneurs will increase significantly due to the difficulties of entrepreneurs. This shows that the ambitions of micro-entrepreneurs assisted by the Office of Cooperatives, UMKM, Industry and Trade of the City of Magelang view weakly the ambitions of micro-entrepreneurs for the progress of business operations. Micro-entrepreneurs who have the ambition to create as much value as possible and know the opportunities, turns out to be enough to get high business performance results. These findings are also clarified from the results of the hypothesis testing that appear on the Sig. (Table 1), where the performance is above 0.05 which means it is significant. As previously explained, this finding is in line with the study by Hermans et al. (2015). This means that in the industry in general this relationship applies.

However, one thing is known that the ambition of entrepreneurs is actually not the main capital of entrepreneur success, because what is really needed is the knowledge of entrepreneurs (Barrick, Mount, & Li, 2013). This research found a new study, where in the entrepreneurial spirit of entrepreneurs, the commitment of entrepreneurs still plays an important role in assessing the performance of souls who experience difficulties. Besides that, support from the knowledge of entrepreneurs also supports performance. Previously it was known that the knowledge of most of the Micro Enterprises in Magelang City was only high

school graduates, it was alleged that this affected the impact of the difficulties of entrepreneurs who were less supportive.

## **CONCLUSSION AND RECOMMENDATION**

Achieving the necessary support from the entrepreneur is the soul experiencing difficulties and the commitment of the entrepreneur, in an effort to improve the performance of the business entrepreneur. However, it is commitment that plays the most important role in improving the performance of business entrepreneurs. This research needs to be adopted by entrepreneurs in general in Magelang City, meaning that it is necessary to prioritize commitment in entrepreneurship. However, it is known that souls who experience difficulties actually start from the knowledge of entrepreneurs (Barrick et al., 2013). This means that it is still possible for a vulnerable soul to control business performance, with support from the entrepreneur's level of knowledge. And the limitations of this research are recommendations for the next research. With the assumption of being able to continue to improve the performance of entrepreneurs.

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