

# EFFECT OF ENTREPRENEUR PSYCHOLOGICAL CAPITAL AND HUMAN RESOURCES ON THE PERFORMANCE OF THE CATERING INDUSTRY IN INDONESIA

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## ABSTRACT

*This study aims to determine and analyze the influence of Entrepreneur's Psychological Capital and Human Resources on the performance of the catering industry in Indonesia. The research method is used in an experimental survey with hypothesis testing. Data was collected for business catering actors in Bandung, West Java, Indonesia. The data that has been collected is analyzed by using Multiple Regression. Based on the results of research, It is known that Psychological Entrepreneur capital variables of entrepreneurs have the most influence on the performance of UKM catering compared to other variables studied with a coefficient of 0.465. Then other variables that have an influence on the performance of SME catering are human resource management variables with a coefficient of 0.393. This finding implies that in order to improve the performance of Catering SMEs, it is necessary to improve psychological entrepreneur capital and human resource management.*

**Keywords:** Psychological Entrepreneur Capital, Human Resources, Performance, Catering Industry.

## INTRODUCTION

The study of Small and Medium Enterprises (SMEs) is important to study because Small and Medium Enterprises (SMEs) are a significant part of economic development and job creation (Richardson et al., 2004). Most research communities share the view that the growth of SMEs is very important in the economy (Storey, 1994).

The development of literature on SMEs performance and entrepreneurship is very important not only for researchers but also for managers and SMEs. The process of how companies take advantage of opportunities to grow or gain profitability is very important for managers and as a basis for SMEs to overcome barriers to reform (Stinchcombe, 1965) and obstacles due to their small size (Freeman et al., 1983) as an effort to survive. In an effort to find a better understanding of the process, researchers have previously studied various factors that have an influence on company performance (Chandler and Hanks, 1994; Covin, 1991; Covin and Covin, 1990; Machmud et al., 2018; Zahra and George, 1999).

Food problems are one type of SMEs in developing countries which are usually run by women based on their ability to cook as housewives but sometimes men are also able to run this business. In this case the food business is more specifically directed to the catering sector. The growth of the catering business in Indonesia has grown rapidly due to the high demand for consumer needs for weddings, family gatherings, meetings and state events. Twelve years ago

the business of catering had not been managed professionally, and the equipment used was not yet modern.

The growth of SMEs is influenced by various factors, one of which is psychological capital (Hmieleski and Car, 2008). Psychological capital conceptualized by Hmieleski and Car (2008) as a building part or foundation consisting of elements: self-efficacy (Bandura, 1997), optimism (Carver & Sheier, 2003), hope (Snyder et al., 1997), and resiliency (Masten, 2001). The benefits of psychological capital seem so important to the success of entrepreneurs as a more traditional form of capital. This observation may be partly due to the fact that entrepreneurs generally face a shortage of finance, human resources and social capital (Hmieleski and Car, 2008). So, they often only rely on time to complete the work done. This situation may be very common in dynamic environments, where strategic decisions must be made quickly and under a high level of risk and uncertainty. Therefore, psychological capital is an important factor and determines why some entrepreneurs can succeed to survive and develop new companies even with limited resources (Hmieleski and Car, 2008).

Another factor that influences performance is human-resources. Schemerhorn (2001) defines human-resource management as a process of recruiting, developing, and maintaining a talented and energetic workforce to support the organization's mission, goals and strategies. According to Havenga (2009) there are four main parts in human resource management, namely selection and recruitment, communication and motivation, training and development, and welfare and compensation. Previous studies have shown that the development of HR management competencies can improve organizational performance (Ahmad & Schroeder, 2003; Youndt et al., 1996). In addition, based on the results of research by Wang et al. (2003) showed that focusing on human resource management competencies has a significant impact on SME performance. Based on this, the researcher states that human resource management contributes to the performance of SMEs.

This study aims to analyze the influence of psychological entrepreneur capital and human resource management on catering industry performance in Indonesia. This study is expected to provide an original contribution to develop a model new to identify psychological entrepreneur capital factors and SME performance so that can be used as a basis for entrepreneurs catering in order to improve performance to maintain and develop its business.

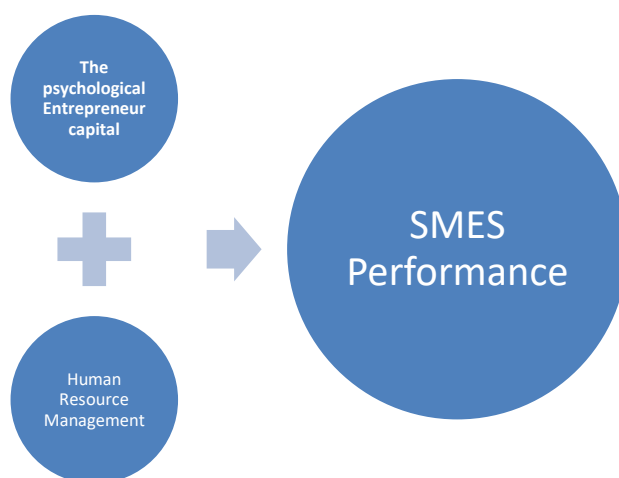
To achieve this goal, the method used in this study is the Explanatory survey by testing the hypotheses. Primary data collected in this study using a questionnaire. A questionnaire is an instrument or a data collection technique or information that is operationalized into items or questions. The sample chosen to obtain primary data in this study is SMEs catering (owner or manager) because based on observations of entrepreneurs (owners or managers) catering SMEs are research subjects who understand how the business works. The sampling technique used purposive sampling with a type of judgment sampling which aimed to obtain a sample of catering SMEs in Indonesia. Assumption catering SMEs entrepreneurs in Indonesia are familiar with the running of the catering business, so that expected sample understands well how SME catering works.

## **FORMATION OF CONCEPTUAL MODELS AND HYPOTHESES**

This study looks more at more traditional factors such as the psychological Entrepreneur capital and human resource management. Psychological Entrepreneur capital is conceptualized by Hmieleski and Car (2008) as a builder part or foundation consisting of elements: self-efficacy (Bandura, 1997), optimism (Carver and Sheier, 2003), hope (Snyder et al., 1997), and resilience

(Masten, 2001). Schemerhorn (2001) defines human resource management as the process of recruiting, developing, and maintaining a talented and energetic workforce to support the organization's mission, goals and strategies. According to Havenga (2009) there are four main parts in human resource management, namely selection and recruitment, communication and motivation, training and development, and welfare and compensation.

Based on the literature study the model proposed in this study as in Figure 1 where there are two factors independent variables that affect the performance of SMEs catering namely psychological entrepreneur capital (self-efficacy, optimism, hope, endurance) and human resource management (selection and recruitment, communication and motivation, training and development, welfare and compensation). This study aims to look at the relationship between the performances of SMEs catering with the factors that influence it. After conducting a literature review, the researcher will propose several hypotheses based on construct there is. There are two hypothesis will submitted in this study which describes the relationship between the performance of SMEs catering with the factors that influence it. The following is the hypothesis proposed by the researcher.



**FIGURE 1**

**RELATIONSHIP BETWEEN THE PSYCHOLOGICAL ENTREPRENEUR CAPITAL AND HUMAN RESOURCE MANAGEMENT WITH SMES CATERING PERFORMANCE**

The benefits of psychological entrepreneur capital seem to be so important to the success as a more traditional form of capital. This observation may be partly due to the fact that entrepreneurs generally face a lack of finance, human resources, and social capital (Hmieleski and Car, 2008). So, they often only rely on time to complete the work done. This situation may be very common in dynamic environments, where strategic decisions must be made quickly and under a high level of risk and uncertainty. Therefore psychological entrepreneur capital is an important factor and determines why some entrepreneurs can succeed in surviving and developing new companies even with limited resources (Hmieleski and Car, 2008). Thus the researcher stated that the psychological capital of the entrepreneur will influence the performance of the company.

*Hypothesis 1: The psychological capital of entrepreneurs has a significant positive effect on the performance of SMEs catering in Indonesia. If the psychological capital of the entrepreneur increases, the performance of SMEs catering will also increase.*

Previous studies have shown that Human Resource Management competency development can improve organizational performance (Ahmad and Schroeder, 2003; Youndt et al., 1996). Besides that, it was also based on the results of Wang et al. (2003) shows that focusing on human resource management competencies has a significant impact on the performance of SMEs. Based on this, the researcher stated that human resource management contributes to the performance of SMEs.

*Hypothesis 2: Management of human resources has a significant positive effect on the performance of SMEs catering in Indonesia.*

If human resource management increases, the performance of SMEs catering will also increase.

## **RESEARCH METHODOLOGY**

The method used by the survey exploratory by testing the hypothesis. In this study a conceptual model will be tested that describes the relationship between constructs (SME catering performance, entrepreneur psychological capital (X1) and Human Resources Management (X2). Data collection techniques are carried out through questionnaires and interviews to entrepreneurs (owners or managers) catering in Bandung, West Java Indonesia. This is based on the assumption that observations of entrepreneurs (owners or managers) catering SMEs are research subjects who understand how the business works. Research instruments in the form of questionnaires consist of 29 questions 7 questions to measure the performance of SMEs, 8 questions about the psychological capital of entrepreneurs, and 2 questions about the characteristics of SMEs catering.

The populations in this study are all catering entrepreneurs in the city of Bandung who were members of the Indonesian Catering Service Entrepreneurs Association (APJI) in the period 2012-2017. The sampling technique used Nonprobability sampling totaling 97 consumer respondents catering to DPC APJI Bandung City for the period of 2012-2017 which has been incorporated into the segmentation of event/daily catering. The SMEs criteria used refer to the Central Bureau of Statistics (BPS) which is categorized as SMEs are businesses that have a maximum workforce of 99 people. The collected data are then analyzed using a scoring system through a 5-point Likert scale from strongly disagree to strongly agree to obtain interval data and given a score or value.

The factors that influences the performance of SMEs are used multiple regression models with the following equation:  $Y=a+b_1X_1+b_2X_2+e$

Where,

Y : Performance of UKM Catering.

X1 : Psychological Entrepreneur Capital.

X2 : Human Resource Management.

## RESULTS AND DISCUSSION

Based on the results of multiple regression analysis obtained results as shown in Tables 1-3.

Model	Unstandardized	Coefficients	Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
Constant	-0.254	0.3		-0.847	0.399
Psychological Entrepreneur Capital	0.492	0.087	0.465	5.654	0
Human Resource Management	0.483	0.101	0.393	4.784	0

Model	Sum of square	df	Mean Square	F	Sig
Regression	49.97	5	9.994	26.762	0.000
Residual	33.983	91	0.373		
<b>Total</b>	<b>83.954</b>	<b>96</b>			

Model	R	R Square	Adjusted of Squire	Std Error of the Estimate	Durbit Watson
Coefficient Determinant Test	-0.767	0.588	-0.579	0.00651	1.977

Based on the level of significance obtained from Table 1 it can be seen that which has significance 0.05 is a variable of psychological entrepreneur capital and human resource management variables. So that based on Table 1 can be explained a regression equation as follows: Psychological Entrepreneur capital (X1) has a positive effect with a value of 0.465 on the Performance of SMEs Catering (Y). With the increasing psychological capital of entrepreneurs, the performance of catering SMEs will experience Human resource management (X2) has a positive effect with a value of 0.393 on the Performance of SMEs Catering (Y). With the increasing management of human resources, the performance of catering SMEs will experience.

Based on the results of the Goodness of Fit test it appears that for the general model the variable psychological entrepreneur capital and human resource management variables in this study are able to explain 57.9% variation in the performance of SME catering, while the remaining 42.1% is explained by variables or other aspects outside the model. Of all the independent variables tested individually, the entrepreneur's psychological capital and human resource capital variables influence the performance of Catering SMEs, although the dominant psychological capital. This appears from the coefficient value is 0.465 & for psychological entrepreneur capital, while human resource management variables with a coefficient of 0.393.

Based on the results of the calculation in Table 3 shows that entrepreneurial psychological capital has a positive effect on the performance of SME catering. These results

support the results of the Hmieleski and Car (2008) that psychological capital has a positive relationship with company performance. Thus, the higher the psychological capital of entrepreneur catering, the higher the performance of SME catering. Psychological capital is an important factor and determines the performance of SMEs. The results of the study indicate that the indicators in entrepreneurial psychological capital have a positive and significant influence on the performance of SME catering.

Table 1 shows that the t test in the second hypothesis shows that human resource management variables have a significant effect on the performance of SME catering. This means that the better the implementation of human resource management, the better the performance of UKM catering. Thus the second hypothesis is proven true. These results are in line with the results of Havenga's (2009) study which explores exploratively the effective application of human resource management in a small business to ensure its competitiveness. Human resource capital which states that organizational efficiency through employee skills, experience and knowledge as assets with the potential to generate economic income achieve global competitiveness, and also to improve the level of economic performance. This means that the implementation of human resource management is one of the factors that can improve the performance of SME catering (Simerly, 1997).

## CONCLUSION AND RECOMMENDATION

Based on the results of processing and data analysis, the conclusions can be drawn as follows:

1. The psychological entrepreneur capital variables of have the greatest influence on the performance of SMEs catering compared to other variables studied with a coefficient of 0.465. Then other variables that have an influence on the performance of SMEs catering are human resource management variables with a coefficient value of 0.393. This finding shows that the first hypothesis 1 (*H1*) is the psychological entrepreneur capital have a positive influence on the performance of SMEs catering proven to be true. This shows that the psychological entrepreneur capital is one of the factors that influence the performance of catering SMEs in Indonesia. Psychological entrepreneur capital seems to be very important for the success of entrepreneurs as a more traditional form of capital. This finding is in accordance with the results of the Hmieleski and Car (2008) that psychological capital has a positive relationship with company performance.
2. The second hypothesis (*H2*) which states that human resource management has a positive effect on SMEs catering performance proved to be true. This shows that human resource management is one of the factors that influence the performance of SMEs catering. Thus, employee skills, experience and knowledge as assets with the potential to generate economic income achieve global competitiveness, and also to improve the level of economic performance. Therefore the application of human resource management is one of the factors that can improve the performance of SMEs catering. This supports the findings of the studies conducted by Heneman, Tansky Camp, Chandler, McEvoy, Welbourne and Cyr which states that small businesses have possible resource constraints on Human Resource Management that are often less formal and may also be limited in scope and sophistication, but the effectiveness of Human Resource management has a significant effect on company performance and success.

The limitations of this study include:

1. Questionnaires used in the primary data retrieval process addressed to respondents to ask respondents' opinions about a problem that is still subjective.
2. The adjusted R square value in this study was 0.579 so the variables contained in this study were only able to explain the variation in the performance of catering SMEs by 57.9%. So thus there is an opportunity of 42.1% for other aspects or variables outside the research model to explain the variation in SMEs catering performance.

3. Sampling carried out was not spread evenly because the researchers only sampled catering SMEs in known areas. Catering entrepreneurs in Indonesia those who have just started their business must increase their psychological capital as stated in the Hmieleski and Car (2008) that psychological entrepreneur capital might be developed in individuals, thus showing an opportunity for training new entrepreneurs to grow and even develop under a bad situation and develop.

In addition, entrepreneurs must pay more attention to their employees by applying better human resource management practices if they want to improve catering business performance because based on the results of research that improving the quality of human resource management can improve the performance of SMEs catering. Based on the model produced by this research then further research can use different methods to explore the external variables of SMEs catering.

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