

Efforts to enhance SMEs' motivation and performance through environmental uncertainty in Aceh Province



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ABSTRACT

This research focuses on the impact of environmental uncertainty on small and medium enterprises (SMEs) in Indonesia, particularly in Aceh Province. These businesses are vital for sustaining the country's economy. The study investigates how SMEs in this region can expand internationally despite facing environmental uncertainties. It emphasizes the importance of motivation in helping these enterprises overcome challenges and uncertainties, such as the COVID-19 pandemic and global conflicts like the Russia-Ukraine war. The study employed a survey method, gathering primary data through questionnaires distributed to a target population of SMEs in Aceh Province, involving 1,245 businesses. A purposive random sampling technique was used to select 275 respondents. These respondents were chosen because their businesses have shown growth and resilience amidst various uncertainties. The findings reveal that both environmental uncertainty and motivation significantly influence the performance of SMEs in Aceh Province. Moreover, motivation plays a crucial role in mediating the effects of environmental uncertainty on SME performance. This suggests that in the face of uncertainties in the business environment, strong motivation drives SMEs to innovate and sustain their operations.

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1. Introduction

Micro, small, and medium enterprises have a significant role in a country's economy, especially in creating jobs and promoting economic growth (Ibidunni et al., 2020). However, small and medium-sized enterprises often face challenges from the external environment, such as regulatory changes, market fluctuations, and economic uncertainty (Yi et al., 2021). For this reason, government intervention is needed to ensure that every business actor gets protection and financial guarantees through regulations implemented by a country (Boron et al., 2023).

Small and medium enterprises (SMEs) performance is an essential indicator in ensuring the sustainability of business ventures (Ooi et al., 2023). To survive the pressure of competition, increasing the number of customers, working capital, and assistance from the government (Arsad et al., 2022).

This condition will be even more complicated when small and medium-sized business units find it difficult to obtain additional business capital. However, on the other hand, the number of orders increased significantly (Zouaoui et al., 2022).

One of the factors that can significantly affect the performance of SMEs is the business motivation of the owner or managers (To et al., 2020). Business motivation is an internal drive that affects passion, commitment, and dedication in managing a business (Graafland and Bovenberg, 2020). High levels of business motivation positively impact performance (Kusa et al., 2021). Meanwhile, low motivation can hinder business growth and success (Suyati and Rozikin, 2021). Understanding the role of business motivation in the performance of SMEs is crucial. This is because motivation, a psychological factor, affects the attitudes and behaviors of business owners as they deal with everyday business challenges. Proper motivation can inspire SMEs to navigate uncertainty, embrace risks, innovate, and work towards their business objectives more efficiently (Tajvidi and Karami, 2021).

Efforts to avoid the risk of business failure must start with solid business motivation from business actors (Selamat and Windasari, 2021). Often, the business that is run comes from a family business. Emotionally, business people will continue to try so

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that the family business that has been running does not suffer losses (Tajvidi and Karami, 2021). Business motivation can also be improved through stimulus provided by the government as a form of concern for its people (Ahmad and Ahmad, 2021). Various seminars and mentoring training activities are needed so that business actors continue to have the strength to maintain their business (Al-Ajlouni, 2021).

Business motivation will encourage people to continue to excel to show others that their business is on the right track. These business actors will face Sharing risks and challenges (Iqbal et al., 2021). The power of business motivation can also increase enthusiasm for business governance (Siregar et al., 2021). Various efforts include recording accountable financial statements, responding to customer complaints, and building solid supplier relationships (Beltramino et al., 2020). Previous research indicates that motivation has a significant impact on the performance of small and medium-sized business operators (Zheng et al., 2021). This shows that business motivation is significant in improving the performance of small and medium-sized business actors, especially when facing business competition and opportunities to increase the expansion of products or services that have been produced.

The uncertainty of the current business environment significantly impacts performance and enthusiasm in running a business (Bodlaj and Čater, 2019). These uncertainties can arise from various sources, such as changes in government regulations, market fluctuations, economic policies, technological changes, and consumer trends (Saoula et al., 2023). High levels of uncertainty can lead to rapid changes in business decisions, tapering the risks and opportunities faced by SMEs (Saeed et al., 2022). The business environment is often unpredictable due to rapid change and complexity (Temouri et al., 2022). Environmental uncertainty occurs when organizations face many external variables and factors that cannot be controlled or predicted with certainty. These variables may include technological changes, market fluctuations, changing government regulations, intense competition, and changing consumer preferences (Parnell et al., 2012).

Environmental uncertainty is a significant concern for small and medium enterprise entrepreneurs as it can lead to changes in business strategies, investment decisions, and efforts to improve performance (Bodlaj and Čater, 2019). Therefore, research on the effect of environmental uncertainty on the performance of small and medium-sized business entrepreneurs is essential to provide better insights in the face of evolving changes and challenges. Environmental uncertainty is one of the significant challenges faced by small and medium-sized business entrepreneurs (Nuseir and Aljumah, 2020). The results of previous research state that uncertainty has a significant effect on the performance of SMEs (Temouri et al., 2022).

The Aceh Provincial Government is actively working to enhance the success rate of SMEs. There

is a noticeable increase in the growth of SMEs in Aceh, evidenced by the rising number of businesses obtaining business identification numbers, halal certification programs, and taxpayer registrations. This growth presents a challenge for the Aceh government to ensure the ongoing viability of these SMEs. However, there is an observed need for improvement in the business motivation among SME operators in Aceh. These businesses are currently facing considerable pressure, largely due to the uncertainties in the business environment. This research is important as it aims to support the endurance of SMEs in the face of these challenges. The findings are anticipated to provide solutions to the Aceh Provincial Government for reducing the risk of business failures among SMEs. This study is particularly novel as it specifically focuses on the performance of SMEs in Aceh and considers business motivation as a mediating factor between environmental uncertainty and SME performance, an area not yet extensively researched.

2. Theoretical background

2.1. SMEs performance

Business actors must constantly respond to competitive changes in business competition. Maintaining sales targets enables business actors to contribute to a country's economy (Ali and Li, 2021). The products or services of business people require continuous innovation and development. This goal is necessary so that users of these products or services will have a positive perception (Lo and Shiah, 2016). In supporting the improvement of SMEs, performance is inseparable from business motivation (Maimunah et al., 2022). So, government intervention is needed to support business actors. Generally, small and medium-sized businesses are still concentrated in rural areas (Junaidi et al., 2022). So, there are many challenges and fundamental problems in raising the brand image of products or services of small and medium-sized business actors (Mallinguh et al., 2020). In this case, the government can be done through the financial sector, which offers support, education, and market access to help with business capital (Putra and Santoso, 2020). In addition, the tax abolition program is also considered capable of encouraging the acceleration of improving the performance of SMEs (Selamat and Windasari, 2021).

2.2. Environmental uncertainty

Business environment is a concept in management studies that emphasizes the influence of the uncertainty and complexity of the external environment on organizations and business strategies (Saeed et al., 2022). Environmental Uncertainty business issues will change business actors and their strategies (Parnell et al., 2012). Good relationships with suppliers and customers are

needed to improve the unpredictable changes in the business environment (Wang and Fang, 2012). The changing and uncertain business environment challenges organizations in making decisions, formulating strategies, and achieving optimal performance (Pashutan et al., 2022). Uncertainty is the uncertainty of the state of the environment, the inability to predict the impact of environmental change, and the inability to predict the consequences of answer choices (Milliken, 1987). When managers make decisions, environmental uncertainty can be explained as a need for more critical environmental information. The results of previous research show that environmental uncertainty is considered to have a significant role in increasing the motivation of business people (Saeed et al., 2022).

Furthermore, SMEs that can make Environmental Uncertainty will also positively impact their business performance (Pashutan et al., 2022). SMEs with high business motivation will succeed in positioning their products or services compared to their competitors (Pashutan et al., 2022). So many business people make environmental uncertainty a business challenge to continue to try to maintain the risk of business failure (Temouri et al., 2022).

H1: Environmental uncertainty has a significant effect on motivation

H2: Environmental uncertainty has a significant effect on SMEs' performance

2.3. Motivation

Business motivation is the impetus or cause that motivates SMEs to establish, develop, and manage their businesses (Graafland and Bovenberg, 2020). This inspiration can come from various sources and is often a powerful motivator for business owners to succeed and survive in a cutthroat business environment (Purwanto et al., 2022). This desire to be economically independent and not depend on official employment or other parties encourages small and medium-sized entrepreneurs to start their businesses (Kusa et al., 2021). Businesses allow them to capitalize on opportunities, generate income, and manage resources (Muñoz-Pascual et al., 2021). The desire to put their original concepts into practice and create innovative goods or services is another driving force behind businesses (Haris et al., 2022). They hope to contribute value and fulfill unmet market needs. It takes persistence to increase motivation, a continuous process (Kusa et al., 2021). Depending on the needs and characteristics of the personnel, each business actor may demand a different strategy. Business owners and managers can practice compelling motivation and performance improvement techniques by recognizing and attending to the needs of their workforce (Siregar et al., 2021). Previous research results show that motivation directly has a significant effect on the performance of small and medium businesses (Kusa et al., 2021). So, efforts to maintain good business motivation require a strong commitment from

business actors to maintain the business units they run.

H3: Motivation has a significant effect on SMEs' Performance

H4: Motivation has a significant role in mediating environmental uncertainty on SME's Performance

3. Methodology

This research is classified as survey research. To obtain research data that is primary data, the researcher distributed questionnaires that had been prepared based on indicators of the variable Environmental Uncertainty, motivation, and SMEs performance. Before testing the hypothesis, this research data will be tested for validity and reliability. The target population is small and medium business actors in Aceh province, totaling 1,245 respondents. The sampling technique used purposive random sampling with a sample of 275 respondents. The researchers chose the 275 respondents because the businesses that have been running so far have continued to grow and survive with many uncertain issues, such as COVID-19 and the war crisis between Russia and Ukraine. Finally, the data analysis in this study used SEM based on Smart PLS, where it is hoped that the direct and indirect effects of Environmental Uncertainty on SME Performance through motivation can be known correctly.

4. Result

4.1. Testing of outer models

Measurement model analysis uses two tests: Construct reliability and validity and discriminant validity.

4.1.1. Construct reliability and validity

Composite reliability is the component used to evaluate the dependability of indicators on a variable. A variable with a composite reliability value greater than or equal to 0.6 can be said to meet composite reliability.

Table 1 shows that the composite reliability value for all research variables is more significant than 0.6. These findings indicate that each variable meets the composite reliability criteria, leading to the conclusion that each variable has a high level of reliability.

Table 1: Composite results reliability

	Composite reliability
Environmental uncertainty (X)	0.968
Motivation (Y1)	0.967
SMEs performance (Y2)	0.967

According to Table 2, the value of average variance extracted (AVE) facilities, organizational culture, service quality, motivation, and SMEs is > 0.5. So, each variable has discriminant solid validity.

In contrast to Cronbach alpha, this metric does not presuppose measurement equivalence or that each indicator is given equal weight. With the assumption that parameter estimates are valid, Composite dependability is a closer approximation, but Cronbach Alpha tends to lower bond estimate dependability.

Table 2: Value result AVE every variable

	AVE
Environmental uncertainty (X)	0.833
Motivation (Y1)	0.829
SMEs performance (Y2)	0.833

4.1.2. Discriminant validity

The cross-loading value is used in the discriminant validity test. If an indicator's cross-loading value on a given variable is higher than that of other variables, it is said to have discriminant validity. The cross-loading value for each indication is shown in Table 3.

Table 3: Results of loading factor value of each indicator

	Environmental uncertainty (X)	Motivation (Y1)	SMEs (Y2)
MV1	0.190	0.728	0.665
MV2	0.165	0.958	0.758
MV3	0.189	0.939	0.724
MV4	0.159	0.935	0.721
MV5	0.178	0.947	0.742
MV6	0.162	0.935	0.748
KL1	0.802	0.124	0.188
KL2	0.935	0.165	0.214
KL3	0.968	0.195	0.244
KL4	0.884	0.170	0.205
KL5	0.969	0.190	0.242
KL6	0.907	0.191	0.224
UK1	0.278	0.679	0.957
UK2	0.235	0.663	0.943
UK3	0.207	0.651	0.938
UK4	0.232	0.666	0.947
UK5	0.208	0.644	0.925
UK6	0.162	0.935	0.748

Table 3 demonstrates that each indicator in the research variable displays the highest cross-loading value on its respective variable when compared to other variables. This indicates that the indicators used in this study possess strong discriminant validity for constructing their specific variables. Based on these results, a conclusion can be drawn.

4.2. Inner model

4.2.1. R square

Based on the data processing that has been done using the SmartPLS 3.0 program, the R-Square value is obtained in Table 4.

Table 4: Result coefficient of determination (R square)

	R square	R square adjusted
Motivation (Y1)	0.073	0.066
SMEs performance (Y2)	0.649	0.646

Based on the data from Table 4, it is known that the R Square Adjusted value for the motivational variable is 0.066 or 6.6%. In comparison, the remaining 93.4% is influenced by other variables

that are not the variables of this study. Then, for the SME performance variable, the R Square Adjusted value is 0.646 or 64.6%, while the remaining 35.4% is influenced by other variables that are not the variables of this study.

4.2.2. Predictive relevance (Q2)

The Q2 value has the same meaning as the coefficient of determination (R-Square). Q-significant Square value (Q2) 0 indicates the model has predictive relevance; if a value (Q2) is less than 0, this indicates the model has less predictive relevance; or in other words, where all the Q2 values are higher, the model can be considered to fit the data better. Judgment of the Q2 value can be done as follows:

$$Q_2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_n^2)$$

$$Q_2 = 1 - (1 - 0.066)(1 - 0.646)$$

$$Q_2 = 1 - (0.934)(0.354)$$

$$Q_2 = 1 - 0.33$$

$$Q_2 = 0.67$$

Based on these results, the Q2 value is 0.67. So, all the variables in this study, Environmental Uncertainty, motivation, and SME performance, contributed to the original data in the existing structural model by 67%. Then, the remaining 33% needs to be developed apart from research variables. The results of hypothesis test can be seen in Table 5.

4.2.3. The effect of environmental uncertainty on motivation

Based on the results of data analysis, Environmental Uncertainty does not directly have a significant effect on the motivation of SMEs perpetrators. The results of this study are not in line with the results of research (Lasdi and Mulia, 2014; Lo and Shiah, 2016; Ahammad et al., 2021), which states that business Environmental Uncertainty has a significant influence in increasing business motivation. The results of this study also emphasize that when the business environment is full of uncertainty, it encourages every business person to work harder in maintaining sales targets. The implications of the findings in this research show that Environmental Uncertainty makes SMEs actors in Aceh province considered not motivating for businesses to become better.

4.2.4. The effect of environmental uncertainty on SME's performance

The data analysis results show that environmental uncertainty in this study directly shows that business environmental uncertainty significantly affects SMEs' performance. The results of this study are in line with the results of previous studies, which stated that Environmental Uncertainty is an essential element in driving SME performance (Kafetzopoulos, 2021; Pashutan et al.,

2022; Saeed et al., 2022). The implications of the findings in this study indicate that uncertainties such as COVID-19 place psychological pressure on SMEs actors to continue trying to maintain the business that has been undertaken so far. The COVID-19 pandemic is considered positive in encouraging growth in sales of SMEs in Palak in Aceh Province. Aceh is very lucky with COVID-19 in the food sector because the Aceh government has provided a lot of equipment and business capital assistance. Environmental uncertainty can force SMEs actors to improve their performance. This is proven by the awareness of SMEs actors to register business identification numbers. So, the presence of environmental uncertainty is positively assessed by SMEs actors, the Aceh government, and the Indonesian government.

4.2.5. The effect of motivation on SMEs' performance

The data analysis results show that motivation significantly affects SMEs' Performance. The results of this study support the results of research conducted by Graafland and Bovenberg (2020), Kusa et al. (2021), and Haris et al. (2022), which stated that business motivation has a significant effect on SME Performance. The results of this study also state that business motivation will be vital when the business run by SMEs actors comes from a family business. Finally, indirectly, motivation has a significant role in mediating Environmental Uncertainty on SME performance. The implications of the findings in this study can be seen from the strong desire of small and medium business actors to maintain businesses that originate from family heritage. Many family members are committed to achieving minimum monthly sales targets. So that operational costs can be covered. On the other hand, family members and small and medium businesses are willing to save on expenses. So this makes business finances safer.

4.2.6. The effect of environmental uncertainty on SME performance through motivation

The data analysis results show that indirect motivation has a significant role in mediating Environmental Uncertainty on the performance of SMEs. The results of this research are in line with the results of previous research, where motivation plays a crucial role in environmental uncertainty, being able to increase SME performance (Lee, 2014; Lutfi, 2020; Lubis et al., 2023). The implications of the findings in this research show that the issue of COVID-19, the impact of the Russian-Ukrainian war crisis, is considered to encourage business actors to continue to anticipate all environmental changes that occur quickly. Many business actors change the marketing strategy map to maintain monthly sales levels.

5. Conclusion

The researchers found that Environmental Uncertainty has a direct and positive effect on the performance of SMEs. Additionally, motivation plays a significant role in encouraging SMEs to work harder in the face of Environmental Uncertainty. Both SMEs and the governments of Aceh and Indonesia are increasingly aware and concerned about addressing Environmental Uncertainty, particularly in relation to COVID-19. The study suggests that post-COVID-19, continuous support should be provided to SMEs, including capital, funds, and equipment, along with business assistance. This support should aim to promote superior products in every district of Aceh province. A limitation of this study is its focus solely on business operators in Aceh province. Future research could expand to include other Indonesian provinces, such as Medan, Jakarta, Bandung, and Surabaya.

Table 5: Direct effect and indirect effect

	Original sample (O)	Sample means (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Environmental uncertainty (X) -> Motivation (Y1)	0.028	0.027	0.076	0.370	0.712
Environmental uncertainty (X1) -> SMEs performance (Y2)	0.115	0.114	0.044	2,596	0.010
Motivation (Y1) -> SMEs performance (Y2)	0.788	0.790	0.033	23,664	0.000
Environmental uncertainty (X1) -> Motivation (Y1) -> SMEs (Y2)	0.022	0.021	0.060	3,436	0.001

Compliance with ethical standards

Conflict of interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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