

# ***The Role of Coaching Program and Entrepreneur's Self-Efficacy on Business Growth in SMEs Context***

Ni Made Suci<sup>1,\*</sup> Ni Luh Wayan Sayang Telagawathi<sup>2</sup> I Wayan Bagia<sup>3</sup>

<sup>1,2,3</sup> *Management Department, Universitas Pendidikan Ganesha, Singaraja, Indonesia*

\*Corresponding author. Email: [made.suci@undiksha.ac.id](mailto:made.suci@undiksha.ac.id)

## **ABSTRACT**

This explanatory research aims to examine the effect of government coaching on business growth in SMEs, either directly or mediated by entrepreneur's self-efficacy. This study was conducted on 180 SME entrepreneurs who were determined by purposive sampling technique. The data collection method is a survey using a questionnaire instrument, then the data is analyzed by using Structural Equation Modeling (SEM). The results showed that (1) Government coaching has a positive and significant effect on business growth in SMEs. (2) Government coaching has a positive and significant effect on entrepreneur's self-efficacy (3) Entrepreneur's self-efficacy has a positive and significant effect on business growth in SMEs. (4) Entrepreneur's self-efficacy is proven to partially mediate the influence of coaching on business growth in SMEs. There is a need for a sustainable coaching program to change the behavior of entrepreneurs in developing their business.

**Keywords:** *Business growth, Coaching, Entrepreneur's self-efficacy*

## **1. INTRODUCTION**

The development of small and medium enterprises (SMEs) is a priority in national economic development in our nation because these businesses have a social and economic contribution. The social contribution of SMEs in absorbing labor in 2018 reached 89% and contributed 56.6% to the gross domestic product (GDP) of the Indonesian economy (Ministry of SMEs and Cooperatives, 2018). Unfortunately, the growth of SMEs is still very low, only 2% when compared to the growth of other industrial sectors [1]. The low business growth of SMEs is thought to be due to a classic problem, namely the lack of the ability of entrepreneurs to access sources of finance, markets and technology [2]. In fact, various coaching programs have been provided by the central and regional governments to improve the ability of entrepreneurs to manage their businesses effectively and sustainably [3]. In fact, the findings of [4] study show that coaching has no effect on business growth in SMEs because they are less targeted, there is no uniformity of indicators of success, and SME entrepreneurs are only the object of guidance without any follow-up. In contrast to the findings of [5] that the low business growth of SMEs is precisely due to behavioral of the entrepreneurs.

Entrepreneur behavior affects the growth of their business. The reluctance of entrepreneurs to increase

business growth in order to minimize external control, avoid the risk of failure and uncertain income and reduce high workloads so that entrepreneurs do not optimize their business growth opportunities [6]. This condition shows that the classic reasons for the low business growth of SMEs are not entirely correct. Therefore, a study is needed to understand the actual business management practices of SMEs.

Many previous studies have been conducted to explain business growth in SMEs but still show mixed findings. The diversity of empirical findings in explaining business growth in SMEs is because it only emphasizes the characteristics of SMEs and the demographics of their entrepreneurs without considering the cognitive aspects of the entrepreneurs. This is important because in the management of SMEs there is no clear separation between owners and managers so it is likely that the cognitive aspects of entrepreneurs influence their decisions in increasing their business growth. Emphasis is on the cognitive aspects of entrepreneurs because through the cognitive process, entrepreneurs know and assess their abilities, observe and select information to make decisions. This prediction is in accordance with the findings of [7] stated that the cognitive aspect actually plays the most role in influencing a person's behavior. In addition, [8] suggests that the use of Theory of Planned Behavior (TPB) is very

suitable to explain business growth in SMEs. The use of TPB to explain business growth in SMEs is by emphasizing perceived behavior control and this concept is the same as the concept of self-efficacy by [9].

Guidance means all government efforts by providing capital assistance, training and stipulating regulations to increase the ability and self-confidence of entrepreneurs in increasing their business growth. More operationally, coaching aims to change the mindset, work ethic and behavior of entrepreneurs in managing the company effectively and efficiently. The guidance provided by the government to SME entrepreneurs can be in the form of providing capital assistance, training and establishing regulations. Capital assistance will be useful if access to capital sources is clearly informed, according to needs, the repayment period is not too fast, the types of capital vary, the administrative costs are not too large, the administrative requirements are not too difficult [10]. Coaching by providing capital assistance, training and setting regulations affects the performance and business growth of SMEs [11]. Coaching aims to influence the behavior of entrepreneurs in developing a business. Based on the theoretical descriptions and empirical findings above, the following hypothesis is formulated.

H<sub>1</sub>: Coaching has an effect on business growth in SMEs

H<sub>2</sub>: Coaching affects entrepreneur's self-efficacy in increasing business growth.

There is no clear distinction between owners and managers of SMEs so that business decisions that are taken depend on the owner's ability, capability and personal beliefs [12]. Self-efficacy is the result of a cognitive process, which is related to certain specific behaviors so that it is different from other self-concepts in explaining one's behavior [9]. Self-efficacy for an entrepreneur is called entrepreneur's self-efficacy [13]. Entrepreneur's self-efficacy is used to explain business growth in SMEs because it shows how high the entrepreneur's self-confidence is in making decisions about developing his business. The higher an entrepreneur's self-efficacy, the more aggressive the entrepreneur will be in increasing his business growth. Based on the theoretical and empirical descriptions, the following hypothesis is formulated

H<sub>3</sub>: Entrepreneurial self-efficacy affects business growth in SMEs

Behavior is sometimes difficult to manifest even though it has been given continuous guidance. Coaching aims to increase the self-confidence of entrepreneurs in increasing their business growth. The higher the guidance given, the higher the entrepreneur's self-efficacy of the entrepreneur. This is because an entrepreneur's self-efficacy shows a person's belief in his ability to organize certain behaviors to achieve predetermined goals [14]. Entrepreneurial self-efficacy is task specific so its measurement must be based on certain tasks and

behaviors. The more and according to the guidance given, the higher an entrepreneur's self-efficacy is in increasing his business growth. Coaching aims to change an entrepreneur's self-efficacy in developing his business. This change in behavior is expected to increase the knowledge and skills of entrepreneurs in managing their business effectively and efficiently. Effective and efficient business management in accordance with the demands of the internal and external business environment is expected to increase business growth in SMEs.

Many previous studies have been done to explain the role of coaching to increase self-confidence of entrepreneurs in increasing their business growth. However, there are no studies that have tried to reveal how the mediating mechanism of entrepreneur's self-efficacy influences financing on business growth in SMEs. This is important so that the resulting findings are more comprehensive and have optimal practical use in changing the behavior of entrepreneurs in increasing their business growth. Based on these arguments, the following hypothesis is formulated.

H<sub>4</sub>: Entrepreneur's self-efficacy mediates the influence of coaching on business growth in SMEs

## **2. METHOD**

The design of this research is explanatory research which is intended to provide an explanation of the phenomenon of business growth in SMEs in Bali Province. The variables of this research consist of 1) coaching is the provision of capital assistance, stipulating regulations and training to increase business growth.

Government guidance is measured by the entrepreneur's perception of the suitability of coaching with the needs of entrepreneurs in increasing their business growth, ease of procedures and confidence in the achievement of business development goals. 2) Entrepreneur's self-efficacy is the entrepreneur's perception of his ability to increase business growth. Entrepreneurial self-efficacy is measured by indicators of the ability to identify opportunities, manage resources, build relationships with related parties and have skills in the developed business fields. 3) business growth is the entrepreneur's perception of the performance achieved in managing his business.

Business growth is measured by an increase in the number of business units, labor, capital, sales volume and increased profit. The population of this research is SME entrepreneurs in Bali Province. The sample was determined by purposive sampling with the following considerations: a) SME entrepreneurs who have a business license, b) have established a business for at least three years, c) receive guidance. Based on these criteria, the number of samples was set at 180 entrepreneurs according to the provisions of [15]. The

data was collected using a survey method with a questionnaire instrument which was developed based on a Likert scale. The data were analyzed using the analysis technique of Structural Equation Modeling (SEM).

### 3. RESULT AND DISCUSSION

#### 3.1 Characteristics of SME Entrepreneurs

Entrepreneurs who are the subjects of this study consist of small and medium-sized entrepreneurs in the handicraft industry sector spread across Bali Province. The characteristics of SME entrepreneurs are distinguished by age group, gender and level of education which are shown in Table I.

Table I shows that (a) SME entrepreneurs aged 41-50 years are 41 people or 45.55% for small companies and 38 people or 43.22% for medium companies while the age of entrepreneurs less than 30 years is 3 or 2, 33% for small companies and 5 people or 5.56% for medium enterprises. (b) Most of the entrepreneurs were male, namely 55 people or 61.12% for small companies and only 35 people or 38.88 % women, while for medium companies 76 people or 84.44% were men and 14 or 15, 56% female. Overall as many as 131 people or 72.77% of SME entrepreneurs are male and 49 people or 27.23% are female (c) seen from the level of education of entrepreneurs, most SME entrepreneurs have high school education namely 46 people or 51.11% for small entrepreneurs while for medium entrepreneurs as many as 48 people or 53.33%. Overall entrepreneurs with high school education were 94 people or 52.22% and

entrepreneurs with diploma education and above were 58 people or 32.22%.

#### 3.2 Convergent Validity and Construction Reliability Test Results

The test results of the convergent validity and construction reliability are shown in table II. Table II shows that all AVE values are greater or equal to 0.5, meaning that all research variables are declared valid. While the results of the construct reliability test showed that the value of Cronbach's alpha and composite reliability coefficients for all variables above 0.5 means that all research variables are said to be reliable. Furthermore, the results of the Goodness of Fit Model test are shown in table III. Table III shows that the Goodness of Fit Index required in model testing is based on SEM analysis techniques, so that the proposed model is good and appropriate. Furthermore, the results of hypothesis testing are shown in Table IV as follows.

Table IV shows that coaching has a positive and significant effect on business growth in SMEs. Entrepreneur's self-efficacy has a positive and significant effect on business growth in SMEs. Coaching has a positive and significant effect on entrepreneur self-efficacy. Furthermore, referring to the provisions of Hair et al. (2014) the coefficient of variance accounted for / VAF of 24% indicates that entrepreneur's self-efficacy partially mediates the effect of coaching on business growth in SMEs. This shows that entrepreneur's self-efficacy meets the requirements as a mediating variable on the influence of coaching on business growth in SMEs.

**Table 1.** Characteristics of business and sme entrepreneurs

No	Characteristics	Criteria	Frequency	Percentage (%)
1	Company Age	4-10	47	26,11
		10 >	133	73,89
2	Size of SMEs	Small business	75	41,70
		Medium business	105	58,30
3.	Gender	Male	137	76,11
		Female	43	23,89
4.	Age of Entrepreneurs	25 -39	5	2,78
		40 -49	77	42,78
		50 ≥	98	54,44
5	Education	< Bachelor	69	38,3
		Bachelor ≥	111	61,7

**Table 2.** Results of convergent validity and construct reliability tests

No	Variable	Total Estimate	AVE	Reliability Value
1	Coaching program	1,431	0,5	0,51998
2	Entrepreneur's self-efficacy	2,414	0,6	0,73829
3	Business Growth	2,474	0,5	0,62776

**Table 3.** Goodness of fit coefficient

Goodness of Fit Index	Cut off Value
Chi Square ( $\chi^2$ )	265,765
Probabilitas	0,000
CMIN/DF	2.000
GFI	.9400
AGFI	.9180
TLI	.9700
CFI	.9780
RMSEA	.0710

**Table 4.** Direct effects between research variables

Effect of	Coefficient Path	<i>p</i> value	Information
Coaching -> business growth	0,700	0.0000	Sig.< 1%
ESE -> Business growth	0,229	0,0434	Sig.<5%
Coaching -> ESE	0,957	0,0000	Sig.<1%
Coaching->ESE->Business Growth	AVE		24%

Coaching has a positive and significant effect on business growth in SMEs. Coaching is an effort to produce changes in one's attitudes and behavior [16]. Change in the behavior of SME entrepreneurs means the increase in knowledge, expertise, skills and changes in the attitudes of entrepreneurs in managing their business. The influence of coaching on business growth is positive and significant, meaning that the more frequent and appropriate guidance provided will increase business growth in SMEs.

Coaching has a significant effect on business growth because it can increase the knowledge and skills of entrepreneurs in increasing their business growth [11]. Coaching has a positive and significant effect on business growth in SMEs, because seen from the age of the company, most of them have been established for more than 10 years, are medium-sized businesses and more are male entrepreneurs with over 40 years of age and undergraduate education and above. This indicates that entrepreneurs are very open to receiving information and changing their behavior to encourage increased business growth.

Entrepreneur self-efficacy has a positive and significant effect on business growth in SMEs. These findings indicate that the higher the entrepreneur's self-confidence in managing his business, the higher the business growth in SMEs. Behavior is sometimes difficult to manifest even though the environment is very supportive, so considering self-efficacy is important to make a behavior actually happen. Self-efficacy is a person's belief in his ability to organize certain behaviors to achieve predetermined goals [14]. Self-efficacy is specific to the task so that the measurement must be based

on certain tasks and behaviors. Entrepreneur's self-efficacy affects business growth in SMEs with the argument that business development decisions are based on the entrepreneur's ability to identify opportunities and manage the required resources, foster good relations with related parties such as: suppliers, customers and government as well as managerial skills in business development. The findings of this study contrast the findings of [17] study that entrepreneur's self-efficacy does not affect entrepreneur behavior in managing their business.

Government guidance has a positive and significant effect on entrepreneur's self-efficacy. The results of this study indicate that the more frequent and appropriate guidance given to entrepreneurs, the higher the entrepreneur's self-confidence in managing and increasing their business growth. These findings support the conclusion of [18] study that successful entrepreneurs are entrepreneurs who have high confidence in finding business opportunities; able to manage the resources owned and bear the risks of the business decisions taken.

Coaching has a positive and significant effect on entrepreneur's self-efficacy, seen from the majority of entrepreneurs agree and strongly agree that the guidance provided can increase entrepreneur confidence in managing and increasing business growth.

Entrepreneur's self-efficacy partially mediates the influence of coaching on business growth in SMEs. The results of this study indicate that the guidance provided by the government is able to increase entrepreneurial self-efficacy in managing and increasing business growth. Entrepreneur's self-efficacy in identifying opportunities,

resources and skills in making business decisions needed to maintain the survival of the company in the future.

#### 4. CONCLUSION

Government development has a positive and significant effect on entrepreneur's self-efficacy and business growth in SMEs, entrepreneur's self-efficacy has a positive and significant effect on business growth in SMEs and entrepreneur's self-efficacy has a significant partial effect on financing on business growth in SMEs.

It is necessary to plan a coaching program that is more targeted according to the needs of entrepreneurs in developing their business on an ongoing basis so that they are able to change the behavior of entrepreneurs in managing and increasing their business growth.

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