

What is the Role of Organizational Culture, Competence and Motivation on the SMEs Performance in the Digital Era and the Covid-19 Pandemic?

Suryoto

Universitas Wijayakusuma, Purwokerto, Indonesia

Corresponding email : suryoto@unwiku.ac.id

Abstract

The purpose of this study is to identify the influence of Organizational Culture, Competence and Motivation on the SMEs Performance in the Digital Era and the Covid-19 Pandemic. This research method is quantitative through online surveys through online social media. The sampling technique used was purposive sampling technique with the number of samples determined as many as 130 SMEs staff respondents. The quantitative data analysis technique used partial least square structural equation modeling (PLS-SEM) analysis. Based on the results of calculations using PLS-SEM software version 3.0, the results of this study are: The organizational culture has a positive and significant effect on the performance of SME employees. Companies can strengthen organizational culture to improve employee performance. Competence variable has a significant and positive effect on the performance of SMEs. The motivation variable has a positive and not significant effect on the performance of SME employees. By providing motivation to employees both materially and morally will increase employee morale at work. Simultaneously there is a significant influence positive and significant relationship between organizational culture, competence and motivation variables towards SME employee performance.

Keywords: Organizational Culture, Competence, Motivation, Performance, SMEs, Digital era, Covid-19 Pandemic

Introduction

The economic crisis due to the Covid-19 pandemic has impact on the sustainability of small and medium enterprises (SMEs). During the pandemic, there was a change in the consumption pattern of people's goods and services from offline to online. MSME actors must have difficulty in achieving the targets that must be achieved when the economy is disrupted. This change in pattern should be followed by Small and Medium Enterprises (SMEs) in order to survive and develop so that they are able to face new normal conditions. Digitization has become an important need that has given rise to the use of e-learning, eCommerce, digital literacy, delivery requests, and product needs. The understanding of SME actors towards technology, limited online marketing, production processes and online market access are still considered not optimal enough. Furthermore, consumers still feel insecure in conducting digital transactions. The condition of SMEs before COVID was quite good for almost all business actors. However, when there was COVID, things turned around. 56.8% of SMEs are in bad condition, only 14.1% of SMEs are still in good condition. The majority of SMEs or as many as 82.9% experienced a negative impact from this pandemic. Only a small percentage or 5.9% of the perpetrators actually experienced a positive impact. This pandemic has even caused 63.9% of the affected SMEs to experience a decline in turnover of more than 30%. Only 3.8% of SMEs experienced an increase in turnover. MSMEs are trying a lot offline, online, or a combination of the two. There are many ways to get through

this pandemic. However, internet access and the digital readiness index of these business actors indicate that these MSMEs are not fully ready to immediately switch to digital

In the digital era and covid 19 pandemic, an organization was formed to achieve common goal. Performance is a description of the level of achievement activity in realizing the target, the goals, mission and vision of SMEs are contained in the strategic planning of an organization. To achieve optimal performance in the company can be measured from the results the activities that has been achieved and compared to the standards set by company. Performance is the result of work achieved by employees in carrying out tasks according to with responsibility. According to Erlangga et al. (2021) In the context of competition, SMEs must have adequate resources toughness. According to Anasahmadi et al. (2020) every employee must know the basic principles of what he is doing so that can understand what is produced from what is achieved. According to Astuti et al. (2020) the good organizational culture, appropriate competencies still cannot produce employees perform well if there is no motivation in the employees work for the company. According to Uha (2013) organizations with a strong and positive culture will enables people to feel motivated to develop, learn and improve themselves. If people work in a well-managed organization, they will be motivated and higher satisfaction. This is in line with what was stated by Erlangga et al. (2021) that If employees are motivated to achieve their personal goals, then they must improve the performance and increased employee performance will also improve performance organization. Thus, increasing employee motivation will improve performance individuals, groups, and organizations. According to Anasahmadi et al. (2020); Asnah et al. (2021) decreased morale is a characteristic of a perceived lack of motivation by most workers. Various theories of motivation that have been produced by researchers starting from the problems faced about motivation. The findings are very useful for companies that have the same motivational problems and also become foundation for solving different problems. Good managers only choose theory motivation in accordance with the situation experienced by the company. Organizational culture, competence and motivation are some of the factors that influence support in employee performance. To achieve a success in a organization, a strong foundation is needed in the form of: competence, leadership, competence employees and organizational culture that is able to strengthen and maximize competence

The management can measure employees for their performance based on the performance of their employees. Performance is about doing work and getting results achieved from the work. According to Erlangga et al. (2021) Performance is about what is done and how do it. Performance is the result of work that can be achieved by someone or group of people in an organization both quantitatively and qualitatively, According to Anasahmadi et al. (2020) performance is the result obtained by an organization either the organization are profit oriented and non profit oriented which are produced during a certain period. Performance is the output produced by functions or indicators of a job or a profession in a certain time. The benchmark for the success of a company can be seen from the performance and a description of the level of achievement of the implementation of a program activities or policies in realizing the goals, objectives, vision and mission of the organization poured through the strategic planning of an organization.

Organizational culture as values or guidelines in a company, however, organizational culture that applied by all companies only have one goal, namely the achievement of company targer. This is in line with Astuti et al. (2020); Erlangga et al. (2021) that the culture of a business organization is effective and efficient mindset and behavior that is repeated continuously for profit. The ultimate goal of business organizations is to seek profit and increase economic value added, all members think and behave in terms of profit and loss. According to Astuti et al. (2020) defines organizational culture as norms, values, assumptions, beliefs, philosophies, organizational habits and so on developed over a long period of time

by founders, leaders and members of socialized to new members and applied in organizational activities thus influencing the mindset, attitudes and behavior of members of the organization in producing products, serve customers and achieve organizational goals. According Muizu and Sari (2019); Nguyen et al. (2020) states that corporate culture or management culture or also known as the term work culture are the dominant values that are disseminated in the organization and is referred to as an employee's work philosophy. According to Nguyen et al. (2020) organizational culture as the values that guide human resources to deal with external problems and efforts to adjust integration into the organization so that each member of the organization must understand the existing values and how they should act or behave. Meanwhile. According to Haryono and Arafat (2017); Lolowang et al. (2019) defines competence (skills) as individual skills demonstrated by a person in producing a product or service that suits with the required standards. According Muizu and Sari (2019); Nguyen et al. (2020) think that competence is a combination of skills, knowledge, creativity and positive attitude to a particular job embodied in performance.

Method

This research method is quantitative through online surveys through online social media. The sampling technique used was purposive sampling technique with the number of samples determined as many as 130 SMEs staff respondents. The quantitative data analysis technique used partial least square structural equation modeling (PLS-SEM) analysis.

H1 : There is positive and significant effect organizational culture on the SMEs Performance

H2 : There is positive and significant effect competence on the SMEs Performance

H3 : There is positive and significant effect motivation on the SMEs Performance

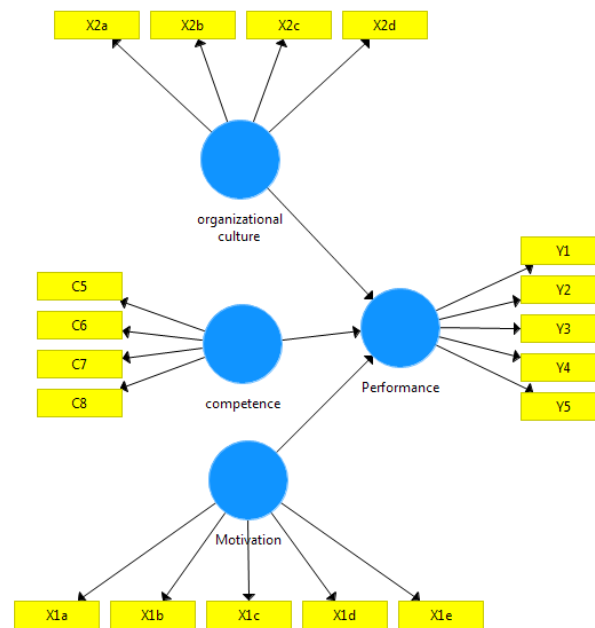


Fig 1. Research Model

Result, Discussion and Opinion

The evaluation of the PLS model is divided into two, namely as follows. (1) Evaluation of the outer model, including the value of outer loading > 0.5 (ideally more than 0.7), average variance extracted (AVE) > 0.5 , and composite reliability > 0.8 . (2) Evaluation of the inner model, including the value of latent variable correlations (valid when $r > 0.5$) and path coefficients (if r is valid, then path coefficients are significant). The variables in this study consisted of one exogenous variable, namely supply chain management practices and two endogenous variables, namely competitive advantage and SMEs performance.

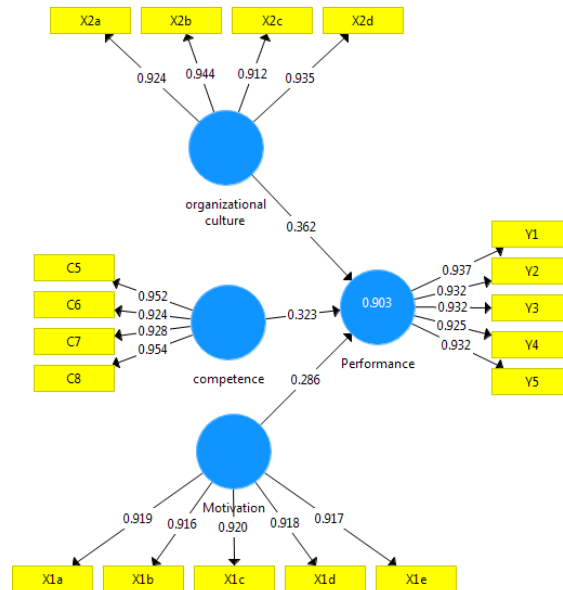


Figure 2. Convergent Validity Testing

Based on the estimation results of the PLS model in the picture above, all indicators have a loading factor value above 0.5 so that the model has met the convergent validity requirements.. The value of loadings, cronbach's alpha, composite reliability and AVE for each complete construct can be seen in table 1 and figure 2.

Table 1. Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE)

	Cronbach's Al...	rho_A	Composite Reliability	Average Variance ...
Motivation	0.953	0.954	0.964	0.843
Performance	0.962	0.962	0.971	0.868
competence	0.956	0.956	0.968	0.883
organizational culture	0.947	0.948	0.962	0.863

The reliability test results in table 1 above show that all constructs have composite reliability and Cronbach's alpha values greater than 0.7 (> 0.7). In conclusion, all constructs have met the required reliability

R-square Testing

The R Square value and the significance test value are obtained as shown in the table below:

Table 2. R Square

	R Square	R Square Adjusted
Performance	0.903	0.900

The R2 value of the performance is 0.903, which means 90.3% performance are described by Organizational Culture, Competence, Motivation, the remaining 9.7% is explained by other constructs outside this study.

Hypothesis testing

Hypothesis testing is carried out based on the findings of the inner model, which comprises the r-square output, parameter coefficient, and t-statistic, according to Hair et al. (2017). To determine if a hypothesis may be accepted or rejected by looking at the significant value between the constructs, t-statistics, and p-values, among other things. SmartPLS (Partial Least Square) 3.0 software was used to conduct the hypothesis testing for this study. The t-statistic > 1.96 was utilized in this investigation, with a significance threshold of p-value 0.05 (5 percent) and a positive beta coefficient.

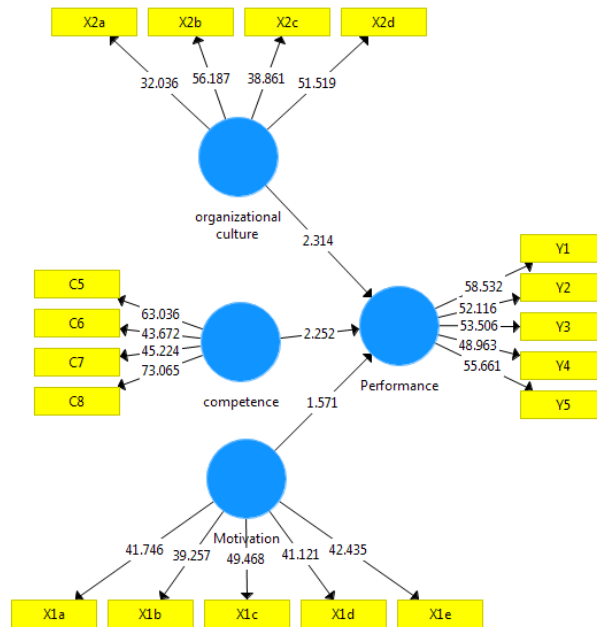


Figure 3. Hypotheses Testing

The results of hypothesis testing for all variables that have a direct effect are shown in the table 3 below

Table 3: Hypothesis Result of the Structural Model

	Original Sampl...	T Statistics (O...	P Values
Motivation -> Performance	0.286	1.571	0.117
competence -> Performance	0.323	2.252	0.025
organizational culture -> Performance	0.362	2.314	0.021

Correlation Organizational Culture on Performance.

Organizational culture as a pattern of basic assumptions created, discovered or developed by certain groups while learning to deal with external adaptation problems and culture organizations are shared assumptions. Based on the results of research by Purwanto and & Sudargini (2021) organizational culture has a positive and significant to employee performance. From the description of the results of the research above on the influence of organizational culture that associated with employee performance, it can be explained if organizational culture is related with the situation, paradigm, feelings and behavior of employees. Hence, organizational culture temporary, subjective and the subject is manipulated directly by the internal power company. In addition, organizational culture is related to the context of the company's development.

Organizational culture is an attitude that reflects the extent to which an employee know and be attached to the company. According to Renah et al. (2014);Praditya (2020);Purwanto and & Sudargini (2021) an employee who has an organizational culture highly likely to see himself as a true member of the organization to ignore minor sources of annoyance at the organization, and to see oneself becoming long-term members of the organization. Employees who feel more organizational culture in the organization have reliable habits, plan to stay longer in the organization, and put more effort into work. Size organizational culture includes employee loyalty and involvement in success organization. Someone who has a high organizational culture will have an identification with the organization, are deeply involved in the work and there is loyalty and affection positive about the organization. Organizational culture is considered important for organizations because its effect on turnover and the relationship with performance which assumes that Individuals who have an organizational culture tend to develop greater effort on the job.

Correlation Competence and Performance.

Competence is the ability to carry out work or tasks based on skills and knowledge and supported by work attitudes determined by the profession. Competence refers to certain knowledge, skills and attitudes of a profession in the characteristics of certain expertise, which characterizes a professional.

These results support the previous research by Stephen et al. (2016);Virgana (2020) organizational culture has a positive and significant influence on employee performance This illustrates that the majority of employees have understood about the benefits of competence for improving employee performance. Competence , knowledge and skills are relatively easy to develop, for example with training programs for increase the level of human resource capabilities. According to Sudibjo and Nasution (2020); Stephen et al. (2016); Virgona (2020) While the competence motive and trait is in a person's personality, so it is quite difficult to assess and develop.

Correlation Motivation and Performance.

This motivation is an important subject for managers, because managers have to work with and through other people. In addition, motivation is an encouragement from others to do a job consciously and

enthusiasm to achieve certain goals. This means that there is an influence between the motivational variables on employee performance. These results support previous research by Widiyati and Murwaningsari (2021) motivation to have positive and significant influence on employee performance. This illustrates that the majority of employees have understood that the more both the motivation possessed by employees, the spirit possessed by employees in doing work better so that their performance is also higher. This result shows that work motivation is one of the important elements in employment an institution or company.

. Employee performance Culture in the organization has the role of setting boundaries, which means, culture create a clear distinction between one organization and another, providing sense of identity to members of the organization, facilitate the emergence of commitment to something broader than one's personal interests. In addition, culture functions as a meaning-making and controlling mechanisms that guide and shape attitudes and behavior of employees. According to Widiyati and Murwaningsari (2021) By implementing the existing organizational culture in the company, especially for SME processing employees by making A strong culture will be able to improve the company's overall performance. In this case, the term competence the first refers to the general ability to perform a job competent. Second, the term competence refers to a set of behaviors that must be indicated by the person concerned in carrying out the tasks and the functions of a position competently. Motivation is an activity that causes, distributes and maintains man behavior . This motivation is an important subject for managers, because managers must work with and through other people. In addition, motivation is an encouragement from others and from oneself to do a job consciously and enthusiasm to achieve certain goals. So it can be concluded that motivation is a encouragement that a person to do something a job consciously and enthusiastically to fulfill a target or need certain factors.

Conclusion

The organizational culture has a positive and significant effect on the performance of SME employees. Companies can strengthen organizational culture to improve employee performance. Competence variable has a significant and positive effect on the performance of SMEs. The motivation variable has a positive and significant effect on the performance of SME employees. By providing motivation to employees both materially and morally will increase employee morale at work. Simultaneously there is a significant influence positive and significant relationship between organizational culture, competence and motivation variables towards SME employee performance. Companies need to be more intensive and strengthen the existing organizational culture in order to improve the performance of its employees, the implementation of culture organization is even stronger so that it is truly permeated and inspired by every individual who exists within the company. In terms of competence, the company should provide broad opportunities for employees to be able to improve their competence, provide training on communication, both verbal and verbal communication written communication. With these trainings, it will add insight employees so as to improve their performance. Regarding motivation, companies in making policies must be able to motivate the work of employees so that can carry out their duties and work well, by providing appreciation for employees who are professional for their work, as well as awards from related companies. Employees are motivated to improve their performance. Regarding organizational culture, competence and motivation must be in line with organizational goals so as to improve employee performance.

References

Anasahmadi, E., Herwidyaningtyas, F. B., & Fatimah, S. (2020). The Influence of Organizational Culture, Work Motivation, and Job Satisfaction on Management Lecturer Performance (Empirical Study at

- Higher Education in the Residency of Bojonegoro). *Journal of Industrial Engineering & Management Research*, 1(3), 76-83. <https://doi.org/10.7777/jiemar.v1i3.68>
- Asnah, A., Febrianti, E., Sabri, S., Antoni, A., & Nasfi, N. (2021). O Organizational Culture and Motivation Toward Job Satisfaction of Bank "XYZ" Employees. *International Journal of Social and Management Studies*, 2(3), 93–105. <https://doi.org/10.5555/ijosmas.v2i3.39>
- Astuti, R. Y., Sa'adah, N., Rahmawati, S. D., Astuti, J. P., Suprpti, S., & Sudargini, Y. (2020). impact of leadership style, work motivation, organization culture toward Satuan Polisi Pamong Praja work performance. *Journal of Industrial Engineering & Management Research*, 1(3), 49-64.
- Erlangga, H., Sos, S., & Erlangga, H. (2021). The Influence of Motivation, Ability, Organizational Culture, Work Environment on Teachers Performance. *Turkish Journal of Computer and Mathematics Education*, 12(4), 99-108.
- Haryono, S., & Arafat, Y. (2017). Effects of Organizational Culture and Work Motivation on Job Performance Among the Private Universities' Full-time Faculties in South Sumatera Province. *International Information Institute (Tokyo). Information*, 20(8A), 5563-5575.
- Lolowang, N. L., Troena, E. A., Djazuli, A., & Aisjah, S. (2019). The effect of leadership and organizational culture on employee performance that is educated by motivation (study on the implementation empowerment programs in Jayapura city). *Problems and perspectives in management*, (17, Iss. 1), 268-277.
- Muizu, W. O. Z., & Sari, D. (2019). Improving employee performance through organizational culture, leadership, and work motivation: Survey on banking organizations in Southeast Sulawesi. *Jurnal Bisnis dan Manajemen*, 20(1), 71-88.
- Nguyen, P. T., Yandi, A., & Mahaputra, M. R. (2020). Factors that influence employee performance: motivation, leadership, environment, culture organization, work achievement, competence and compensation (A study of human resource management literature studies). *Dinasti International Journal of Digital Business Management*, 1(4), 645-662.
- Renah, A., & Setyadi, D. (2014). The Influence of Organizational Culture, Working Environment and Educational Training on Motivation and Performance of Government Employees at West Kutai Regency East Kalimantan. *European Journal of Business and Management*, 6(30), 182-191.
- Praditya, R. A. (2020). Leadership, Work Motivation, Competency, Commitment and Culture: Which influences The Performance of Quality Management System in Automotive Industry?. *Journal of Industrial Engineering & Management Research*, 1(1b), 53-62. <https://doi.org/10.7777/jiemar.v1i1.27>
- Purwanto, A., & Sudargini, Y. (2021). Partial Least Squares Structural Equation Modeling (PLS-SEM) Analysis for Social and Management Research: A Literature Review. *Journal of Industrial Engineering & Management Research*, 2(4), 114-123.
- Sudibjo, N., & Nasution, R. A. (2020). Work environment, work motivation and organizational culture in influencing teachers' performance. *Jurnal Pendidikan Dan Pengajaran*, 53(3), 276-286.
- Suprpti, S., Astuti, J. P., Sa'adah, N., Rahmawati, S. D., Astuti, R. Y., & Sudargini, Y. (2020). The effect of work motivation, work environment, work discipline on employee satisfaction and public health center performance. *Journal of Industrial Engineering & Management Research*, 1(2), 153-172.
- Stephen, E. N., & Stephen, E. A. (2016). Organizational culture and its impact on employee performance and job satisfaction: A case study of Niger Delta University, Amassoma. *Higher Education of Social Science*, 11(5), 36-45.
- Virgana, V. (2020). The effect of job performance through organizational culture, work environment, personality, and motivation. *Jurnal Manajemen dan Kewirausahaan*, 22(2), 87-98.
- Vizano, N. A., Utami, W., Johanis, S., Herawati, A., Aima, H., Sutawijaya, A. H., ... & Elmi, F. (2020). Effect of Career, Organizational Commitment on Turnover Intention through Mediation of Organizational Culture: Evidence from Indonesian Companies. *Systematic Reviews in Pharmacy*, 11(9).

Widiyati, D., & Murwaningsari, E. (2021). Achieving Green Competitive Advantage Through Organizational Green Culture, Business Analytics and Collaborative Competence: The Mediating Effect of Eco-Innovation. *International Journal of Social and Management Studies*, 2(4), 98–113. <https://doi.org/10.5555/ijosmas.v2i4.57>