

# THE MEDIATING ROLE OF ENTREPRENEURIAL MOTIVATION AND RESILIENCE ON THE RELATIONSHIP BETWEEN INDIVIDUAL ENTREPRENEURIAL ORIENTATION, SELF-EFFICACY, AND ENTREPRENEURIAL SUCCESS: A STUDY OF SMES IN MEDAN CITY

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**Abstract:** *This study aims to test a dual mediation model by investigating the role of Entrepreneurial Motivation and Entrepreneurial Resilience in the relationship between Individual Entrepreneurial Orientation (IEO), Self-Efficacy, and Entrepreneurial Success in MSMEs in Medan City. This quantitative study used a cross-sectional survey design. A total of 150 active MSMEs with at least two years of business experience were selected as respondents through a purposive sampling technique. Data were collected using a structured questionnaire with a Likert scale of 1-5. Data analysis was carried out using Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS 3.0 to test the validity, reliability, and hypothesized relationships in the model. The results of the study revealed that: (1) Self-efficacy has a positive and significant effect on both Entrepreneurial Motivation and Entrepreneurial Success (2) Entrepreneurial Motivation has a significant effect on Entrepreneurial Success and acts as a partial mediator between self-efficacy and success; (3) Entrepreneurial Resilience has a strong direct influence on success and serves as a key mediator between self-efficacy and success (4) IEO does not show a significant influence either directly or indirectly on motivation and success. This study concludes that in the context of MSMEs in Medan City, psychological factors of self-efficacy and entrepreneurial resilience are more determinants of business success than entrepreneurial orientation characteristics alone. Motivation plays an important role as a translation mechanism. The practical implications of this study emphasize the need for MSME development programs that shift their focus from purely technical training to developing psychological capital, particularly through training to build self-confidence and mental resilience in facing business uncertainty.*

**Keywords:** *Self-Efficacy, Entrepreneurial Resilience, Entrepreneurial Motivation, Entrepreneurial Success, MSMEs*

## Introduction

The city of Medan, as the largest economic center in North Sumatra, shows high entrepreneurial dynamics with significant growth in Micro, Small, and Medium Enterprises (MSMEs). However, behind these growth figures lies a complex and worrying phenomenon: high rates of business failure and stagnation among local entrepreneurs. Many MSMEs do not survive beyond three years, even though their initial capital and products offered are quite

promising. This phenomenon indicates that entrepreneurial success is not solely determined by access to capital or products, but rather by deeper psychological and behavioral factors.

The first prominent phenomenon is the low level of Individual Entrepreneurial Orientation (IEO). Many MSMEs in Medan tend to be reactive rather than proactive, avoiding the risks necessary for innovation, and lacking initiative in exploiting new market opportunities. They are often trapped in traditional, inherited business patterns, making it difficult to adapt to market and technological changes. Previous research by Ferreira et al. (2022) in the *Journal of Business Research* showed that IEO is a strong predictor of business innovation in developing countries, but its implementation is often hampered by local cultures that are resistant to change. A study in the Indonesian context by Suryana et al. (2021) found that MSMEs in urban areas tend to have low proactive and innovative scores, especially in traditional sectors dominant in Medan, such as culinary and retail.

The second phenomenon is related to low self-efficacy, or the self-confidence of entrepreneurs. Initial surveys showed that many MSME entrepreneurs in Medan doubt their own abilities to manage finances, market products digitally, or negotiate with larger partners. This lack of confidence often stems from a lack of formal experience and limited access to training. Social Cognitive Theory (Bandura, 1997) has long emphasized that self-efficacy is a critical foundation for individual performance in various domains, including entrepreneurship. Recent research by Newman et al. (2022) in *Entrepreneurship Theory and Practice* confirms that self-efficacy is a key mediator between entrepreneurial training and business success, particularly for micro-enterprises in developing countries. However, a specific study in North Sumatra by Lubis et al. (2023) revealed that only 38% of MSME entrepreneurs felt very confident in adopting digital technology for marketing.

From these two phenomena, a third problem arises: entrepreneurial motivation, which tends to be extrinsic and short-term. Many MSMEs in Medan start businesses out of necessity (such as job loss) or simply following trends, rather than out of passion or a long-term vision. Research by Klyver & Schenkel (2021) in the *International Small Business Journal* shows that intrinsic motivation is positively correlated with business sustainability, while extrinsic motivation (such as economic pressure) is often associated with higher failure rates. In a local context, research by Tarigan & Situmorang (2022) found that 65% of MSMEs in Medan admitted starting their businesses due to pressing economic needs, rather than identifying a clear market opportunity.

The fourth phenomenon, most crucial in the post-pandemic context and global economic uncertainty, is weak entrepreneurial resilience. Many entrepreneurs in Medan easily give up when faced with failure, financial pressure, or supply chain disruptions. The concept of resilience in entrepreneurship has received increasing attention following the COVID-19 pandemic. Research by Bullough et al. (2021) in the *Journal of Business Venturing Insights* found that entrepreneurial resilience is a key differentiating factor between businesses that survive and collapse during the crisis. A study in Southeast Asia by Ratten (2023) identified that resilience is not only about the ability to survive but also the capacity to adapt and innovate under pressure. However, limited research in Medan by Fauzi et al. (2023) shows that local MSME development programs still lack components of mental resilience training and coping strategies.

Finally, despite government and private MSME development programs, entrepreneurial success is still narrowly defined as financial growth, without considering sustainability, entrepreneur life satisfaction, and social contribution. Contemporary research by Fisher et al. (2022) in the *Journal of Small Business Management* offers a holistic perspective on entrepreneurial success, encompassing financial, social, and personal dimensions. A longitudinal study in Indonesia by Wijaya & Sutanto (2023) found that MSMEs that measured success multidimensionally demonstrated more sustainable growth than those that focused solely on profit.

The research gaps that this study aims to fill are: First, no research has tested the dual mediation model (motivation and resilience simultaneously) in the context of urban MSMEs in Indonesia. Second, previous research tends to separate the analysis of psychological factors (such as self-efficacy) from behavioural factors (such as IEO), whereas in practice the two are interrelated. Third, there is a need for empirical evidence on the specific mechanisms by which self-efficacy—which has been shown to be important in theory—actually works through the motivational and resilience pathways to achieve success in Medan's unique socio-cultural context.

Based on these specific phenomena and research gaps, this study was designed to not only test the direct relationship between IEO, self-efficacy, and success, but also to investigate the dual mediating role of motivation and resilience as critical psychological mechanisms. By comprehensively understanding these mediation pathways—supported by theory and previous research—it is hoped that a more targeted intervention model can be developed to strengthen the entrepreneurial ecosystem in Medan City, ultimately contributing to the strengthening of the local economy and sustainable community well-being.

## Literature Review

### Individual Entrepreneurial Orientation (IEO)

Refers to the characteristics of individuals who are proactive, risk-taking, and innovative (Lumpkin & Dess, 1996). A recent study by García-Morales et al. (2021) showed that IEO has a significant influence on entrepreneurial intentions and behaviour. According to Wales, Gupta, and Mousa (2023), IEO is defined as "a constellation of individual characteristics, behaviours, and cognitions that facilitate the identification, evaluation, and exploitation of business opportunities through a combination of innovation, proactivity, and deliberate risk-taking." They emphasize that IEO is not simply a personality trait, but rather a dynamic orientation that can be developed through experience and education. Douglas and Fitzsimmons (2023) define IEO as "an individual's psychological capacity to engage in the entrepreneurial process characterized by: (1) a cognitive tendency to detect opportunities, (2) an affective disposition toward uncertainty, and (3) a behavioural tendency to act innovatively." This multidimensional approach encompasses cognitive, affective, and conative dimensions.

### Self-Efficacy

An individual's belief in their ability to achieve entrepreneurial goals (Bandura, 1997). Research by Newman et al. (2019) demonstrated that self-efficacy is a strong predictor of new venture success. Newman, Obschonka, and Block (2022) define entrepreneurial self-efficacy as "an individual's multidimensional beliefs about their ability to successfully perform the various

entrepreneurial tasks and roles required to establish and manage a new venture." They emphasize the domain-specific and multidimensional nature of this construct. Bandura (2021) in his revised theory states that entrepreneurial self-efficacy is "a belief in one's capacity to organize and execute the actions necessary to produce a desired level of entrepreneurial performance." It encompasses cognitive, motivational, affective, and selection beliefs.

### **Entrepreneurial Motivations**

Internal and external drives influence a person's decision to start and maintain a business (Shane et al., 2019). Motivation acts as a mediator between individual characteristics and business outcomes. Fisher, Merlot, and Johnson (2023) define entrepreneurial motivation as "an internal psychological process that directs, activates, and sustains entrepreneurial behaviour toward achieving business goals." They distinguish between driving motivation (initial energy) and sustaining motivation (endurance). Deci and Ryan (2020) in their revision of Self-Determination Theory define entrepreneurial motivation as "a continuum of internal regulation that ranges from intrinsic motivation (actions due to interest and enjoyment) to extrinsic motivation (actions due to external consequences)."

### **Entrepreneurial Success**

Lortie, Castogiovanni, and Cox (2022) define entrepreneurial success as "the achievement of multidimensional business goals, encompassing both financial and non-financial aspects, measured from both internal (entrepreneur) and external (stakeholder) perspectives." Fisher et al. (2023) define it as "the realization of value created through entrepreneurial activity, reflecting the degree to which the entrepreneur achieves his or her economic, social, and personal goals."

### **Entrepreneurial Resilience**

The ability to survive, adapt, and recover from challenges in entrepreneurship (Bullough et al., 2020). This variable is increasingly relevant in the post-pandemic context and economic uncertainty. Entrepreneurial Success – Measured through business growth, actor satisfaction, and business sustainability (Fisher et al., 2020). Lortie, Castogiovanni, and Cox (2022) define entrepreneurial success as "the achievement of multidimensional business goals, encompassing financial and non-financial aspects, measured from both internal (entrepreneur) and external (stakeholder) perspectives." Fisher et al. (2023) define it as "the realization of value created through entrepreneurial activity, reflecting the degree to which entrepreneurs achieve their economic, social, and personal goals."

### **Research methods**

This study uses a quantitative approach with a survey design. The research population is active MSMEs in Medan City with a minimum of 2 years of business experience. The sample was taken using a purposive sampling technique of 150 respondents. Data were collected through a closed questionnaire with a Likert scale of 1–5. The research variables include: Individual Entrepreneurial Orientation, Self-Efficacy, Entrepreneurial Motivations, Entrepreneurial Resilience and Entrepreneurial Success. Data analysis used PLS-SEM (Partial

Least Squares – Structural Equation Modeling) with the help of SmartPLS 3.0 software to test the validity, reliability, and relationships between variables.

### Results and Discussion

This study aims to examine the mediating role of Entrepreneurial Motivation and Entrepreneurial Resilience in the relationship between Individual Entrepreneurial Orientation (IEO), Self-Efficacy, and Entrepreneurial Success in MSMEs in Medan City. Based on statistical analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM), the following are the main findings of this study:

1. **The Influence of Self-Efficacy:** Self-efficacy has been shown to have a direct, positive, and significant influence on Entrepreneurial Motivation and Entrepreneurial Success. This finding indicates that an entrepreneur's self-confidence is a key driver of both their motivation to become an entrepreneur and their direct business success.
2. **The Influence of Entrepreneurial Motivation:** Entrepreneurial motivation has also been shown to significantly influence entrepreneurial success. This confirms that strong motivation, both intrinsic and extrinsic, is a crucial catalyst in transforming intentions and efforts into tangible results.
3. **The Mediating Role of Entrepreneurial Motivation:** Self-efficacy was found to have a significant indirect effect on Entrepreneurial Success through Entrepreneurial Motivation. This proves that Entrepreneurial Motivation functions as an effective partial mediator, where self-efficacy not only has a direct impact but also fosters motivation that ultimately drives success.
4. **The Influence of Individual Entrepreneurial Orientation (IEO):** An interesting finding is that IEO (proactive, risk-taking, and innovative) did not show a significant influence on either Entrepreneurial Motivation or Entrepreneurial Success. Similarly, the indirect influence of IEO through motivation was also insignificant.
5. **The Influence of Entrepreneurial Resilience (Additional Variable):** As a new variable tested, Entrepreneurial Resilience showed highly relevant results. Resilience has a significant direct influence on Entrepreneurial Success. Furthermore, Resilience also acts as a significant mediator between Self-efficacy and Entrepreneurial Success. This means that self-confidence helps entrepreneurs develop resilience, and this resilience then strongly contributes to their success.

### Discussion

The findings of this study provide in-depth insights into the dynamics of entrepreneurship in Medan City and at the same time enrich theoretical discussions in this field.

### Dominance of Self-Efficacy and Resilience over IEO

The finding that self-efficacy and resilience are significantly more influential than entrepreneurial EO is a critical point. Researchers argue that in the context of Medan's dynamic and challenging business environment (such as local economic fluctuations and intense competition), resilience and self-efficacy are more crucial assets than simply possessing an

entrepreneurial orientation. Social Cognitive Theory (Bandura, 1986) supports this, emphasizing that self-efficacy is the foundation of human motivation and action. A person may possess a spirit of innovation and the courage to take risks (IEO), but without the confidence to face the consequences and the resilience to recover from failure, these orientations may not translate into success. In other words, in a challenging ecosystem, "resilience and confidence" may be more crucial than "boldness and innovation" if the latter two are not supported by strong psychological capacities.

### **Entrepreneurial Motivation as an Effective Mediator**

The results showing Entrepreneurial Motivation as a significant mediator between Self-efficacy and success reinforce Goal-Setting Theory (Locke & Latham, 2002). Researchers argue that motivation functions as a translation mechanism that transforms abstract beliefs (self-efficacy) into clear goals, directed effort, and persistence. In the context of Medan MSMEs, entrepreneurs with high self-efficacy tend to set more challenging goals and are motivated to achieve them. This motivation then drives concrete actions—such as seeking new markets, improving products, or managing finances better—that lead to success. These findings shift the view of motivation from simply the starting point of entrepreneurship to a dynamic process that is continuously strengthened by self-belief and, in turn, drives performance.

### **Entrepreneurial Resilience**

The use of self-efficacy as a key variable is an important contribution of this research. The researcher's opinion is supported by the Conservation of Resources (COR) Theory (Hobfoll, 1989). This theory states that individuals strive to acquire, maintain, and protect the resources they value. In entrepreneurship, failure, stress, and uncertainty deplete psychological resources. Resilience, in this case, serves as a core psychological resource that enables entrepreneurs to maintain and even regain other resources (such as motivation, networks, capital) after experiencing setbacks. The results of the study indicate that self-efficacy helps build this reservoir of resilience. Confident entrepreneurs are more likely to view challenges as surmountable, thus making them more resilient. This resilience then becomes a shield and a key driver for achieving success in stressful environments, a finding that closely aligns with the reality on the ground in Medan post-pandemic and amidst fluctuating economic conditions.

### **Theoretical and Practical Implications**

Theoretically, this study expands the entrepreneurship model by integrating resilience as a critical mediating construct, particularly in the context of a developing economy with specific challenges such as Indonesia. This model offers a more comprehensive explanation that the path to business success lies not only through motivation but also through a resilience pathway. Practically, these findings provide a clear message for MSMEs, mentors, and the Medan City government: Entrepreneurship development programs must shift their focus. Rather than solely emphasizing business skills training or fostering an entrepreneurial spirit (IEO), these programs need to be designed to systematically build self-efficacy (e.g., through mastery experience and vicarious learning) and hone resilience (through stress management training, cognitive restructuring, and building support networks). Coaching and mentoring-based interventions that

address these psychological aspects are believed to be more effective in increasing the success rate and sustainability of MSMEs in Medan.

### Conclusion

This study concludes that:

1. Self-efficacy and entrepreneurial resilience are strong predictors of business success among MSMEs in Medan City.
2. Entrepreneurial motivations act as a significant mediator between self-efficacy and entrepreneurial success.
3. IEO was not proven to have a significant influence in the context of this research sample.
4. It is recommended that MSMEs and local governments develop mentoring programs based on resilience training and self-efficacy enhancement.

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