



# More Than Just Skills: How Competencies, Motivations, and Social Capital Shape New Venture Performance

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## ABSTRACT

Entrepreneurial success is shaped by the interplay of individual competencies, intrinsic and extrinsic motivations, and access to social capital. While prior studies have explored these factors independently, their combined impact on new venture performance remains underexamined. Grounded in the Resource-Based View (RBV) and Social Capital Theory, this study investigates the role of entrepreneurial competencies, motivations, and social capital in shaping business success. Using data from 360 owner-managers of small and medium enterprises (SMEs) in North Sumatera, Indonesia, this study applies Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the proposed relationships. The findings reveal that both competencies and motivations significantly influence venture performance, while social capital moderates these relationships. Notably, social capital strengthens the effect of competencies but weakens the direct influence of motivations on business outcomes. These results highlight the complex role of social capital, which can serve as both an enabler and a constraint depending on the entrepreneurial context. This study contributes to the theoretical discourse by integrating human and social capital perspectives, while offering actionable insights for policymakers and practitioners seeking to foster entrepreneurial growth. Future research should explore the contextual nuances of these relationships across different industries and economic landscapes.

**Keywords:** Entrepreneurial Competencies, Motivations, Social Capital, New Venture Performance, SMEs, Resource-Based View

**JEL Classifications:** L26, M13, O32

## 1. INTRODUCTION

The performance of businesses owned and managed by individuals is significantly influenced by their personal competencies, motivations, and social capital. Personal competencies, encompassing skills, knowledge, and experience, are crucial for effective decision-making and operational management. Owner-managers with strong competencies are better equipped to navigate challenges and seize opportunities, leading to improved business performance. Research indicates that owner-managers motivated by intrinsic factors, such as personal growth and achievement, typically demonstrate superior performance relative to those primarily driven by extrinsic rewards (Isaga et al., 2015). This intrinsic motivation fosters resilience and innovation, essential for the growth of small and micro enterprises.

Moreover, social capital plays a vital role in enhancing business performance. This relates to the networks, relationships, and norms that facilitate cooperation among individuals and groups. Research shows that owner-managers who engage in networking and leverage their social capital can access vital resources, information, and support, which significantly enhances their business outcomes (Habib and Awan, 2020). In family-owned businesses, the motivation of owner-managers correlates with growth rates that exceed those of non-family enterprises, underscoring the critical role of personal drive in attaining business success (Wahlgrén and Virtanen, 2015).

The study of owner-managers and their business performance occurs within a complex interaction of individual capabilities, external environments, and organizational dynamics. Owner-managers, typically the founders or key decision-makers in small

and medium-sized enterprises (SMEs), are essential in determining their businesses' strategic directions and operational efficiencies. This research highlights the importance of owner-managers' competencies, knowledge, and decision-making processes, which are shaped by factors such as the business lifecycle, market dynamics, and personal characteristics (Brown and Hyseni, 2012; Rasheed and Siddiqui, 2018).

Essential concepts in this domain encompass the connection between owner-managers' knowledge and their capacity to innovate and adjust to evolving market conditions. Research shows that ongoing professional development and the attainment of management skills are essential for owner-managers to improve their business performance (Steinerowska-Streb and Wziątek-Staško, 2019; Hameed and Ali, 2023). Research indicates that owner-managers who actively participate in learning and knowledge development are more inclined to implement product innovations, resulting in enhanced business outcomes (Steinerowska-Streb and Wziątek-Staško, 2019). The role of owner-managers in decision-making processes is crucial, as their attitudes and competencies significantly influence financial decisions and overall business success (Azam and Abdullah, 2015; Elias et al., 2018).

The theoretical foundations of this study primarily draw from entrepreneurship theory, which examines how individual traits and behaviors shape business performance. Additionally, the resource-based view (RBV) underscores the significance of owner-managers' unique resources—such as knowledge, skills, and experience—as sources of competitive advantage (Hameed and Ali, 2023; Ghobakhloo and Tang, 2013). While these frameworks provide valuable insights, they often fail to capture the dynamic interplay between competencies, motivation, and social capital in driving business success.

Empirical research highlights the influence of external market conditions and social networks on owner-managers' decision-making and strategic direction (Rasheed and Siddiqui, 2018). However, existing studies tend to treat these factors in isolation rather than exploring their interactive effects. Given the increasing complexity of micro and small enterprises (MSEs), a more integrated approach is needed to understand how these dimensions collectively shape business performance.

Prior research underscores the role of various competencies—cognitive, interpersonal, intrapersonal, and technical skills—in shaping business outcomes. However, these competencies are often examined in silos rather than as an interrelated set of capabilities. While Eniola and Entebang (2017) emphasize financial literacy and managerial professionalism, they do not investigate how these competencies interact to influence overall business success. A more comprehensive framework that examines the synergies between different competencies is needed to fully understand their impact on SMEs' performance.

Owner-managers' motivations, commonly categorized into push (necessity-driven factors) and pull (opportunity-driven factors), are frequently analyzed separately, overlooking their dynamic

interplay. This fragmented approach limits understanding of how motivation interacts with competencies and social capital to shape business trajectories. Jayeola et al. (2018) argue that environmental factors significantly influence MSE performance, but they do not explore how owner-managers' motivations mediate this relationship. An integrated perspective that examines motivation as both a driver and a moderator of business success remains largely underdeveloped.

Despite its widely acknowledged importance, social capital—comprising structural, cognitive, and relational dimensions—remains underexplored in the owner-managerial context. Many studies highlight the role of networking and relationships in facilitating business success but fail to examine how these dimensions interact with owner-managers' competencies and motivations. For instance, Alva (2019) emphasizes the relevance of non-cognitive skills in trade microenterprises yet does not contextualize these skills within a broader social capital framework. This gap necessitates a more holistic approach that integrates social capital within a multidimensional model of business performance.

An additional gap lies in understanding how education, career experiences, and cognitive frames shape owner-managers' competencies and informal learning strategies. While Coetzer et al. (2022) highlight the role of informal learning in SME development, the extent to which demographic factors influence these processes remains insufficiently explored. This limitation constrains the ability to develop targeted capacity-building strategies for owner-managers across diverse business contexts.

To address these limitations, this study aims to develop a comprehensive framework that integrates the interplay of competencies, motivation, and social capital in shaping business performance. By examining the combined effects of cognitive, interpersonal, intrapersonal, and technical competencies, alongside push and pull motivations and the structural, cognitive, and relational dimensions of social capital, this research seeks to provide an empirically grounded understanding of owner-managed enterprise performance.

## 2. LITERATURE REVIEW

### 2.1. Social Capital

Social capital is a multidimensional construct that significantly shapes the resilience and performance of small and medium-sized enterprises (SMEs). It is commonly categorized into three interrelated dimensions: structural, cognitive, and relational social capital. Each dimension plays a distinct yet interconnected role in enhancing an owner-manager's ability to access resources, interpret knowledge, and foster collaborative relationships, ultimately influencing business outcomes.

Structural social capital refers to the network of relationships and linkages that owner-managers establish to facilitate resource access and knowledge exchange. Research has shown that network composition and density significantly influence an individual's absorptive capacity, which is the ability to recognize,

assimilate, and apply new knowledge for business innovation (Debrulle et al., 2013). Moreover, McLeod et al. (2022) argue that social networking serves as a conduit for knowledge spillover, reinforcing the premise that firms embedded in robust networks can gain a strategic edge in competitive markets. Despite these insights, existing studies primarily focus on the quantitative aspects of networking (e.g., number of connections) rather than examining the qualitative dimensions, such as the depth of interactions and the sustainability of these ties over time (Sari et al., 2023).

Cognitive social capital pertains to the shared understanding, mental models, and collective beliefs within an owner-manager's network. Pongtanalert and Assarut (2022) highlight that the cognitive orientation of small business owners plays a crucial role in shaping their resilience, particularly during economic crises such as the COVID-19 pandemic. This dimension fosters a common language and shared norms, which are essential for reducing uncertainty and enhancing collaborative decision-making (Rossanty et al., 2022). However, while cognitive social capital is often linked to adaptability and innovation, there remains limited empirical exploration of how cognitive alignment among network members affects strategic agility in different industry sectors (Nasution et al., 2023).

Relational social capital encompasses the quality of relationships, trust, and mutual commitment among network members. High levels of trust facilitate efficient knowledge sharing and collaboration, reducing transaction costs and fostering long-term partnerships (Chao et al., 2020; Lans et al., 2016). Kazemi et al. (2016) further argue that understanding interpersonal interactions within social capital structures can enhance entrepreneurial orientation, leading to more effective opportunity recognition and business expansion.

## 2.2. Owner-Manager's Competencies

The competencies of owner-managers in small and medium-sized enterprises (SMEs) represent a critical determinant of business performance and long-term sustainability. These competencies can be categorized into cognitive, interpersonal, intrapersonal, and technical dimensions, each contributing to different aspects of strategic and operational decision-making (Mieszajkina, 2021). Cognitive competencies, encompassing problem-solving, decision-making, and strategic thinking, enable owner-managers to navigate business complexities and adapt to changing market conditions (Gilmore et al., 2004). Interpersonal competencies are equally essential, facilitating relationship-building with employees, customers, and stakeholders, thereby fostering an environment of collaboration and effective leadership (Shek and Lin, 2015). Intrapersonal competencies, including self-awareness, self-regulation, and intrinsic motivation, have been shown to enhance leadership effectiveness and organizational learning (Ng and Kee, 2018). Meanwhile, technical competencies ensure industry-specific expertise, promoting operational efficiency and quality assurance (Ng et al., 2016; Orobias et al., 2020).

Research suggests that owner-managers develop experiential knowledge over time, integrating multiple competencies to enhance their strategic agility and decision-making effectiveness (Gilmore

et al., 2004). This experiential learning process is further reinforced through self-regulatory mechanisms, such as goal-setting and self-monitoring, which are essential for maintaining adaptability in dynamic market environments (Ng and Kee, 2018). Notably, the ability to acquire and refine managerial competencies tends to follow a nonlinear trajectory, often peaking during middle age before declining in later years (Elias et al., 2018). This observation underscores the importance of lifelong learning initiatives tailored to different career stages of SME owner-managers.

Although existing literature has extensively examined the impact of individual competencies, few studies have explored the interactive effects of multiple competencies on business outcomes. For instance, while Wickramaratne et al. (2014) identify commitment as a key determinant of entrepreneurial orientation, they do not account for how this interacts with cognitive and interpersonal competencies in shaping entrepreneurial decision-making. Similarly, Ahmad et al. (2010) establish that management capabilities significantly influence SME success in dynamic environments, yet the underlying mechanisms through which competencies translate into business resilience remain underexplored.

## 2.3. Push and Pull Motivations

The decision-making processes of owner-managers are shaped by a dynamic interplay of pull and push motivations, each exerting distinct influences on entrepreneurial behavior and business performance. Pull factors, which stem from intrinsic desires and aspirations, have been linked to superior business outcomes, as they attract individuals toward entrepreneurship based on passion, self-fulfillment, and opportunity recognition (Isaga et al., 2015). These motivations often emerge from personal values and long-term strategic vision, fostering resilience and innovation in business ventures (Grynko and Yehorova, 2020). Conversely, push factors are primarily driven by external pressures, such as economic instability, regulatory constraints, or employment dissatisfaction, compelling individuals into entrepreneurial endeavors as a means of necessity (Grynko and Yehorova, 2020). The nuanced interaction between these motivations shapes the entrepreneurial trajectories and decision-making frameworks of owner-managers across various sectors, from hospitality to sustainability-driven enterprises (Tzschenk et al., 2004; Gunawan et al., 2020).

Within the SME landscape, owner-managers often exhibit a dualistic approach to risk and responsibility. While they maintain a generally positive orientation towards their work environment, they also tend to defer financial risks and operational responsibilities onto employees, a strategy that reflects the intersection of push factors (risk mitigation) and pull factors (entrepreneurial autonomy) (Hasle et al., 2012). This phenomenon underscores the delicate balance between embracing entrepreneurial challenges and adopting adaptive strategies to maintain business viability.

Moreover, research suggests that ecopreneurship within SMEs is predominantly driven by intrinsic, pull-based motivations, where owner-managers engage in sustainable business practices not merely as a regulatory obligation but as a reflection of personal values and long-term commitment to environmental responsibility (Gunawan

et al., 2020). This reinforces the premise that personal ideology and ethical considerations can serve as powerful motivators for business innovation and sustainability-driven strategies.

## 2.4. New Venture Performance

The performance of owner-managed businesses is significantly influenced by a combination of motivations, personal values, and competencies. Owner-managers often drive innovation within their firms, as their continuous professional development is linked to the introduction of new products and services, regardless of the firm's size or industry (Nasution et al., 2023; Steinerowska-Streb and Wziątek-Staško, 2019). This highlights the importance of owner-managers' motivations to enhance their knowledge and skills, which directly impacts their business performance.

Moreover, the personal values and motivations of owner-managers play a crucial role in shaping their business practices. For instance, altruism and philanthropy are often reflections of the owner-manager's personal beliefs and motives, which can influence the organizational culture and community engagement of small businesses (Lähdesmäki and Takala, 2012). This connection between personal values and business practices underscores the importance of these motivations in driving owner-managers to pursue sustainable and socially responsible business strategies (Giudice et al., 2017).

Competencies, particularly self-efficacy and dynamic capabilities, are also critical in determining the success of owner-managed businesses. Owner-managers who possess a strong belief in their abilities are more likely to engage in proactive decision-making and adopt innovative practices that enhance their business operations (Kevill et al., 2017). Furthermore, the competencies acquired through experience and learning are essential for navigating the complexities of small business management, as they enable owner-managers to effectively respond to challenges and seize opportunities (Elias et al., 2018).

## 2.5. Hypotheses Development

Empirical research suggests that well-educated owner-managers are more likely to engage in logical and strategic decision-making, which contributes to improved business performance. Decision-making competence is closely linked to cognitive abilities, highlighting the role of cognitive skills in facilitating effective business strategies (Skagerlund et al., 2021). Additionally, the development of cognitive competencies fosters a greater emphasis on continuous learning and skill enhancement, which drives innovation and firm performance (Ng et al., 2019).

Beyond cognitive abilities, interpersonal competencies—including social skills and relationship-building—are equally critical. Owner-managers with strong interpersonal skills can leverage social networks to facilitate workplace learning, enhance team collaboration, and navigate business complexities more effectively (Lans et al., 2016). This social competence strengthens communication and strategic partnerships, reinforcing the resilience and adaptability of the firm.

Intrapersonal competencies, such as self-awareness and emotional intelligence, also contribute positively to business outcomes.

However, while their impact on leadership effectiveness and organizational performance is well-documented, the direct link between these competencies and owner-managers' business success remains underexplored (Isaga et al., 2015). Further empirical research is required to examine how self-awareness and emotional intelligence influence decision-making and firm resilience in different industry contexts.

In addition, technical competencies—which encompass industry-specific expertise and technological proficiency—are fundamental for operational success. Owner-managers with strong technical skills are better equipped to implement modern technologies and innovative practices, enhancing productivity and market competitiveness (Ng and Kee, 2018). The integration of cognitive, interpersonal, intrapersonal, and technical competencies not only supports efficient daily operations but also positions the firm for long-term sustainability and strategic growth. Building upon the established importance of entrepreneurial competencies, this study proposes the following hypothesis:

H<sub>1</sub>: Entrepreneurial competencies have a positive impact on new venture performance.

The motivations of owner-managers play a crucial role in shaping business performance, particularly through the interplay of push and pull factors. Pull factors—such as autonomy, financial gain, and personal fulfillment—drive owner-managers toward innovation and business expansion, as these motivations align with their long-term aspirations and strategic goals (Isaga et al., 2015). Similarly, research highlights that both push and pull motivations contribute to entrepreneurial success, particularly among migrant women entrepreneurs, where personal characteristics and aspirations significantly influence business formation and performance (Vardhan et al., 2020).

Conversely, push factors, often arising from unemployment or job dissatisfaction, can act as catalysts for entrepreneurship. While these motivations stem from adverse conditions, they frequently foster resilience and adaptability, leading individuals to establish businesses as a means of escaping undesirable situations (Bell et al., 2023). This dual motivational dynamic underscores the complexity of entrepreneurial decision-making and its impact on business performance.

Furthermore, research suggests that owner-managers often operate under a combination of both push and pull motivations, a phenomenon referred to as “mixed motivations” (Gabarret et al., 2017). This integration of motivational drivers enhances commitment, engagement, and long-term sustainability, reinforcing the idea that entrepreneurial success is not solely driven by opportunity or necessity but rather by a combination of both factors. Based on the substantial influence of push and pull motivations on business performance, this study proposes the following hypothesis:

H<sub>2</sub>: Entrepreneurial motivations have a positive impact on the new venture performance of owner-managers.

The relationship between owner-managers' competencies and business performance is significantly moderated by social capital,

which consists of structural, cognitive, and relational dimensions. Structural social capital refers to the networks and connections owner-managers establish, facilitating access to critical resources and information (Rossanty et al., 2024). Empirical evidence suggests that active participation in professional networks and business organizations enhances resource availability and collaboration opportunities, leading to improved business performance (Rajennd et al., 2015). Cognitive social capital encompasses shared norms, values, and collective understanding, shaping owner-managers' decision-making processes. High levels of trust and reciprocity within these networks foster effective collaboration and innovation, while also creating an environment conducive to knowledge sharing and collective problem-solving, ultimately enhancing business outcomes (Sun and Lü, 2020; Zhang et al., 2015).

Relational social capital, which focuses on the quality of relationships and trust, further strengthens an owner-manager's ability to leverage competencies effectively. Studies indicate that strong interpersonal connections enhance resilience and adaptive capacity, particularly in highly uncertain environments, such as during the COVID-19 pandemic (Pongtanalert and Assarut, 2022). This support system enables owner-managers to navigate uncertainties and seize new opportunities, reinforcing business sustainability (Felicio et al., 2014). Given the pivotal role of structural, cognitive, and relational social capital in moderating the relationship between competencies and business performance, it is essential to empirically examine these moderating effects. Thus, the following hypothesis is proposed:

H<sub>3</sub>: Social capital moderates the relationship between owner-managers' competencies and their new venture performance.

Research suggests that social capital dimensions are interrelated, with cognitive and relational social capital positively influencing structural social capital, which in turn enhances micro-enterprise performance (Rajennd et al., 2015). This indicates that strong relational ties and shared cognitive frameworks enable owner-managers to leverage their networks more effectively, leading to improved venture success. Social capital fosters innovation capabilities among SMEs by facilitating knowledge sharing and collaboration, which are critical for sustaining competitive advantages (Sulistyo and Ayuni, 2019). By integrating motivations with social resources, owner-managers can enhance strategic decision-making and business performance.

Additionally, adaptive capacity during crises, such as the COVID-19 pandemic, is closely linked to social capital. Studies indicate that an entrepreneurial mindset supported by strong networks enhances resilience and business transformation, particularly in tourism SMEs (Pongtanalert and Assarut, 2022). This resilience allows owner-managers to navigate challenges while maintaining focus on business objectives. Given the moderating role of social capital in aligning owner-managers' motivations with business performance, empirical investigation is necessary to understand how these dimensions influence entrepreneurial success. Thus, the following hypothesis is proposed:

H<sub>4</sub>: Social capital moderates the relationship between owner-managers' motivations and their new venture performance.

### 3. RESEARCH METHODOLOGY

The study adopts a quantitative research design to investigate the relationship between competencies, motivations, and social capital in shaping new venture performance. A positivist research paradigm was employed, facilitating the use of empirical data to establish patterns and causal relationships among the key constructs (Creswell, 2014). The methodological framework is structured to ensure the reliability and validity of findings, with each component of the research process carefully designed to align with established best practices in survey-based quantitative research. The study area was selected based on its relevance to entrepreneurial activities, while the sample size and sampling approach were determined using statistical guidelines to ensure representativeness. The survey instruments were adapted from validated sources, and data collection was conducted through structured face-to-face interviews. Measurement model and structural model assessments were performed using Partial Least Squares Structural Equation Modeling (PLS-SEM), which allows for the evaluation of latent constructs and hypothesis testing (Hair et al., 2019). Further details regarding the study area, sample size, measurement items, data collection process, and analytical techniques are presented in the subsequent sections.

#### 3.1. Study Areas

This study was conducted in four regencies in North Sumatera, Indonesia: Tanjungbalai, Batubara, Langkat, and Deli Serdang. These regions were selected based on their economic significance and entrepreneurial activities, particularly in agriculture, trade, and services, which align with the study's focus on new venture performance and social capital in business development (Siregar et al., 2024). Tanjungbalai is a coastal city known for its fishing industry and trading sector, contributing to regional economic growth. Batubara is an area with a strong agricultural base, where many small and medium-sized enterprises (SMEs) operate in agribusiness and fisheries. Langkat, located near the provincial capital, has a diverse business environment, ranging from traditional markets to modern retail. Deli Serdang, as one of the fastest-growing economic hubs in North Sumatera, hosts a mix of manufacturing, services, and trade industries, making it an ideal location for studying entrepreneurial dynamics. These regions were chosen to capture variations in business environments and entrepreneurial ecosystems (Nasution et al., 2021), providing a comprehensive perspective on how competencies, motivations, and social capital influence new venture performance. According to BPS (2023), these areas have experienced significant growth in SMEs, with a reported increase of 12.5% in the number of registered businesses over the past five years. The selection of these regions allows for a representative analysis of business challenges and opportunities in both urban and semi-rural contexts.

#### 3.2. Sample Size

This study employed a random sampling method to ensure a statistically representative dataset. A total of 500 questionnaires were distributed, with 360 valid responses collected, resulting in a response rate of 72%. The sample size was determined based on PLS-SEM recommendations (Hair et al., 2019) to ensure adequate statistical power for hypothesis testing. Respondents were selected using a computer-generated randomization process

from updated resident lists. Each village contributed 30 randomly chosen respondents, ensuring diversity in age, gender, occupation, and education level. The final sample composition reflects the demographic structure of the target population.

### 3.3. Survey Instruments

The survey instrument was developed based on a review of relevant literature to ensure validity and reliability in measuring the key constructs. The questionnaire was structured into four main sections, covering Competencies (Cognitive, Interpersonal, Intrapersonal, Technical), Motivations (Push and Pull Factors), Social Capital (Structural, Cognitive, Relational), and New Venture Performance (Growth and Customer Value). Each construct was measured using a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), allowing respondents to express their perceptions with varying degrees of agreement. The questionnaire was initially developed in English and translated into the local language to ensure clarity and comprehension among respondents. A pilot study was conducted to refine the wording and structure of the questionnaire before full-scale data collection. The final measurement items and their sources are summarized in Table 1.

### 3.4. Data Collection

Data collection took place over a 4-month period (August–December 2023) through structured face-to-face interviews conducted by trained enumerators. Before the interview, respondents were briefed on the study objectives, and informed consent was obtained to ensure ethical compliance. Enumerators were trained to maintain neutrality during the interview process and to follow a standardized protocol for administering the questionnaire. To ensure data confidentiality, respondents were assured that their personal information would remain anonymous and used solely for research purposes. To detect potential Common Method Variance (CMV), Harman's Single-Factor Test was performed, yielding a variance explanation of 37.905%, which is below the 50% threshold (Podsakoff et al., 2003), confirming that method bias was not a concern in this study.

### 3.5. Data Analysis

The collected data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), which is well-suited for examining complex relationships and handling data that do not meet strict distributional assumptions (Hair et al., 2019). PLS-SEM was chosen over Covariance-Based SEM (CB-SEM) due to its advantages in handling small sample sizes, accommodating both reflective and formative measurement models, and providing robust estimates for exploratory research (Henseler et al., 2015).

The analysis was conducted in several key stages. Model specification involved defining both the measurement and structural models, outlining the relationships between Competencies (Cognitive, Interpersonal, Intrapersonal, Technical), Motivations (Push and Pull factors), Social Capital (Structural, Cognitive, Relational), and New Venture Performance. Data preprocessing was performed to handle missing data, outliers, and data normalization, ensuring a high-quality dataset for analysis.

Model estimation was conducted using SmartPLS 4.0, where factor loadings, path coefficients, and construct weights were calculated. Bootstrapping with 5,000 resamples was employed to assess the statistical significance of path coefficients, providing bias-corrected confidence intervals (Hair et al., 2017).

Model evaluation was based on several key metrics. Reliability and validity were assessed using Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE), ensuring internal consistency and convergent validity. Discriminant validity was verified using Heterotrait-Monotrait Ratio (HTMT), which remained below the 0.90 threshold (Henseler et al., 2015). Structural model assessment included  $R^2$  values, which measure explanatory power, and  $Q^2$  values, which determine predictive relevance using Stone-Geisser's test.

Additionally, Variance Inflation Factor (VIF) analysis was conducted to check for multicollinearity among latent variables, ensuring that all VIF values were below the critical threshold of 5.0 (Hair et al., 2019). The overall model fit was assessed using the Standardized Root Mean Square Residual (SRMR), where values below 0.10 indicate a good model fit (Sarstedt et al., 2022). This structured analytical approach provides empirical insights into the drivers of new venture performance, validating the study's theoretical framework and reinforcing the robustness of the proposed model.

## 4. RESULTS

### 4.1. Characteristics of Respondent

The characteristics of the respondents are summarized in Table 2, which provides an overview of their demographic, educational, occupational, and regional distribution. The data offer insights into the composition of participants involved in the study, allowing for a deeper understanding of the factors influencing entrepreneurial performance.

The table presents a balanced gender distribution, with 51.94% male and 48.06% female, ensuring diverse perspectives in the study. The majority of respondents fall within the productive age range, particularly 36–45 years (29.17%), followed by 26–35 years (27.22%), indicating that the study mainly involves individuals with considerable business experience. Educational background varies, with 36.67% having completed secondary school, while 35.28% attained higher education, suggesting that most respondents possess formal knowledge that may influence business decision-making.

In terms of occupation, a significant proportion are self-employed (38.33%) and business owners (30.83%), demonstrating that the dataset is largely comprised of individuals directly engaged in entrepreneurial activities. Regarding business sectors, services (35.00%), agriculture (30.00%), and trade (20.00%) dominate, reflecting the economic structure of the studied regions. The regional distribution aligns with population size, with Deli Serdang accounting for the highest share (54.17%), followed by Langkat (30.83%), ensuring that the sample represents the broader demographic structure of the area.

**Table 1: Measurement items**

Constructs	Dimensions	Items	Key references
Competencies	Cognitive competencies	1. I can produce a clear and consistent picture of the long-term future state of the organization.	Mai et al., 2022
		2. I am aware of the firm's strengths and weaknesses and of the impact of the board's decisions upon them.	
		3. I am aware of the factors (market, technology, etc.) which determine the firm's opportunities and threats.	
		4. I generate and recognize imaginative solutions and innovations.	
		5. I make decisions based on reasonable assumptions and factual information.	
		6. I show a readiness to take decisions and make judgments.	
		7. I identify problems, transform and relate information from different sources, and identify possible or actual causes.	
		8. I identify the disadvantages of proposals and provide counterarguments.	
		9. I can relate disparate facts and see the wider issues and implications.	
	Interpersonal competencies	1. I make a strong positive impression on first meeting	Mai et al., 2022
		2. I adopt a flexible style when interacting with others	
		3. I show an understanding of the feelings and needs of others, and a willingness to provide personal support	
		4. I inspire others to achieve goals	
	Intrapersonal competencies	5. I persuade others to give their agreement	Meerits et al., 2022
		1. I am clearly aware of the impact I have on others.	
		2. I always try to see situations from others' perspectives.	
		3. I understand my own strengths and weaknesses.	
		4. I am aware of how my moods and actions affect others.	
		5. I understand how specific actions impact others.	
		6. I am aware of my own feelings, beliefs, and motives.	
		7. I continuously stay in touch with my feelings and how they affect me.	
		8. I use my core beliefs to make decisions.	
		9. I remain ethically steadfast even when facing dissent from others.	
		10. I resist pressure to do things contrary to my beliefs.	
		11. My actions are guided by my internal moral standards.	
		12. I am clear about my core values, the ones I am not willing to negotiate.	
		13. I make difficult decisions based on high standards of ethical conduct.	
		14. I make decisions based on my core beliefs.	
		15. I view ethics as an active choice rather than a compromise.	
		16. I consistently act as a role model for others.	
	Technical competencies	17. I remain approachable even when facing significant challenges.	Rahman et al., 2015
		1. I have expertise in technical or functional areas.	
		2. I use specific techniques/tools relevant to this business.	
		3. I have good basic knowledge in my business area.	
Motivations	Push factors	4. I utilize technical knowledge relevant to the business.	Felan et al., 2021
		5. I have access to and familiarity with different technical resources.	
		1. I started my business because I was dissatisfied with my previous job.	
		2. I started my business to escape financial difficulties or instability.	
		3. I was motivated to start my business due to a lack of job security.	
	Pull factors	4. I started my business because I needed more flexibility to meet family obligations.	Felan et al., 2021
		5. I felt that my career needs and ambitions were not being met in my previous employment.	
		1. I started my business because I wanted more control over my work and decisions.	
		2. I was attracted to the potential for higher earnings and financial rewards through entrepreneurship.	
		3. I saw a market opportunity that I wanted to capitalize on.	
Social capital	Structural Social Capital	4. I wanted to achieve personal satisfaction and a sense of accomplishment through my business.	Suti and Sari, 2023
		5. I had innovative ideas that I wanted to bring to life.	
		1. My friends and I maintain close social relationships.	
		2. My friends and I spend a lot of time interacting with each other.	
	Cognitive Social Capital	3. My friends and I have frequent communication with each other.	Suti and Sari, 2023
		4. My friends know me at a personal level.	
		1. When interacting, my friends and I use common terms or jargon.	
		2. During discussions, my friends and I use mutually understandable communication patterns.	
	Relational Social Capital	3. When communicating, my friends and I use mutually understandable narrative forms.	Suti and Sari, 2023
		4. We care about the same issues.	
		5. We have common goals.	
		6. We understand each other.	
New venture performance	Growth performance	1. The relationship between my friends and I is characterized by mutual respect.	Li and Feng, 2023
		2. The relationship between my friends and I is characterized by high reciprocity.	
		3. The relationship between my friends and I is characterized by personal friendship.	
	Customer value	1. We are satisfied with the long-term sales of the company.	Li and Feng, 2023
		2. We are satisfied with the growth rate of new employees of the company.	
		3. We are satisfied with the growth rate of the company's market share.	
		1. Our products or services have unique value to customers.	Li and Feng, 2023
		2. Our products or services are attractive to customers.	
		3. Overall, our customers are very satisfied.	

## 4.2. Common Method Variance

Harman's Single-Factor Test is commonly used to detect Common Method Variance (CMV), which occurs when variance is influenced by measurement methods rather than actual relationships between constructs. CMV testing is crucial in studies

relying on self-reported data to ensure results are not biased by the data collection method. In this study, the first component accounts for 37.905% of variance, below the 50% threshold, confirming no significant CMV concerns (Podsakoff et al., 2003).

## 4.3. Analysis of Measurement Model

The evaluation of the measurement model is conducted through an assessment of outer loadings, as illustrated in Figure 1. This figure presents the relationships between observed variables and their respective latent constructs, demonstrating the strength of each indicator in measuring its underlying factor. The analysis ensures that each indicator exhibits sufficient loading values, supporting the validity and reliability of the measurement model.

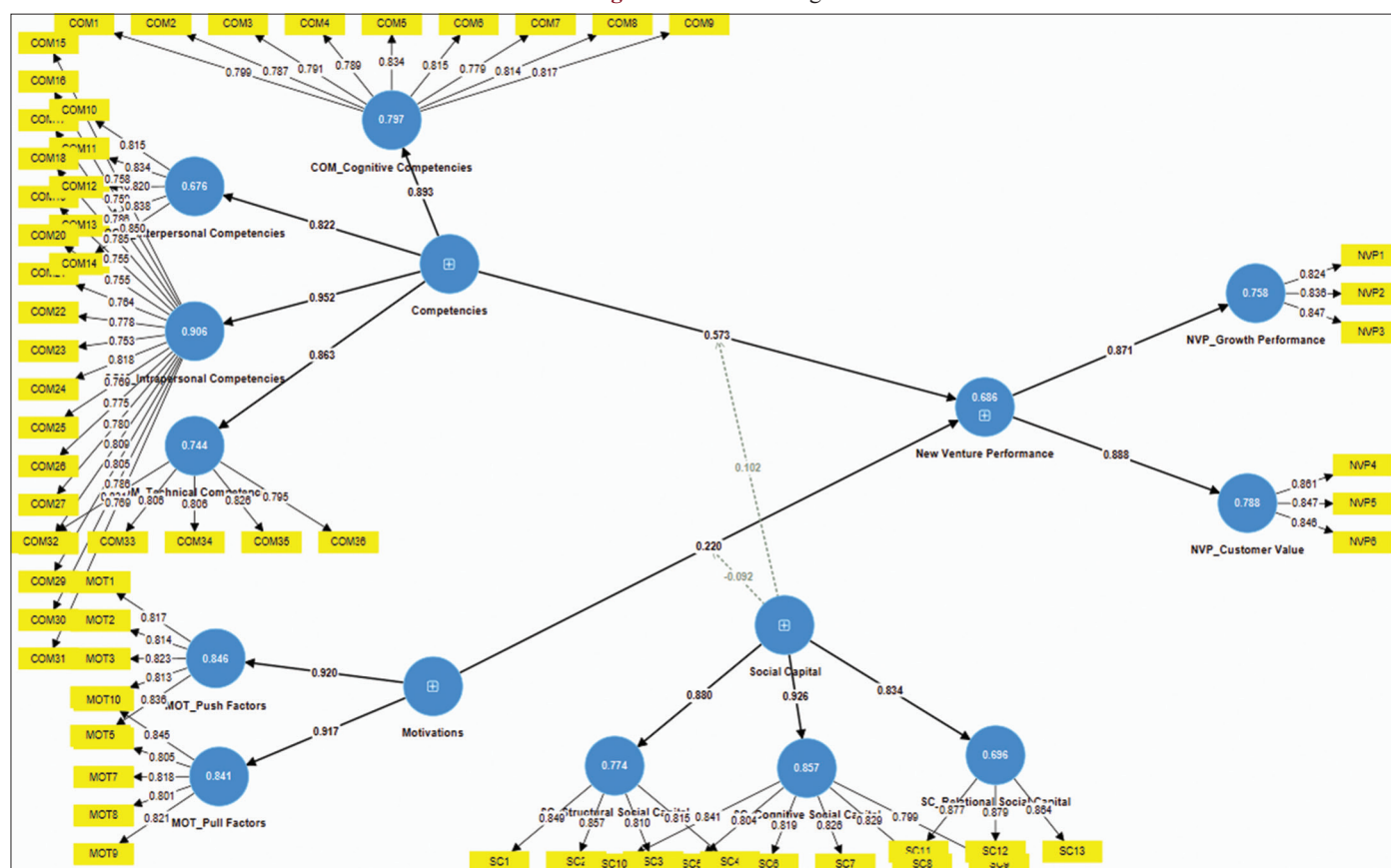
The measurement model was assessed to ensure the validity and reliability of the constructs used in this study. Table 3 presents the outer loadings of observed variables, Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE), which are key indicators of measurement quality. These values provide insights into the consistency and explanatory power of the constructs in capturing the underlying theoretical concepts.

Table 3 presents the results of the first-order and second-order measurement model evaluation, assessing the structural relationships between latent variables and their observed indicators. The findings confirm the robustness of the measurement model across multiple validity and reliability criteria. All outer loadings exceed the recommended threshold of 0.70, indicating

**Table 2: Characteristics of respondents**

Characteristic	Category	Frequency (N)	Percentage
Gender	Male	187	51.94
	Female	173	48.06
Age Group	18-25 years	67	18.61
	26-35 years	98	27.22
	36-45 years	105	29.17
	46-55 years	55	15.28
	56+ years	35	9.72
Education Level	No Formal Education	20	5.56
	Primary School	81	22.50
	Secondary School	132	36.67
	Higher Education	127	35.28
Occupation	Business Owner	111	30.83
	Self-employed	138	38.33
	Employee	73	20.28
	Other	38	10.56
Business Sector	Agriculture	108	30.00
	Manufacturing	54	15.00
	Services	126	35.00
	Trade	72	20.00
Region	Tanjungbalai	18	5.00
	Batubara	37	10.28
	Langkat	111	30.83
	Deli Serdang	195	54.17

**Figure 1: Outer loading**



**Table 3: Assessment of measurement model (first and second order)**

Variable	Dimension	Item	Loading		CA		CR		AVE	
			First order	Second order	First order	Second order	First order	Second order	First order	Second order
COMP	COG			0.893	0.931	0.974	0.942	0.974	0.645	0.520
		COG1	0.799							
		COG2	0.787							
		COG3	0.791							
		COG4	0.789							
		COG5	0.834							
		COG6	0.815							
		COG7	0.779							
		COG8	0.814							
		COG9	0.817							
	INT			0.822	0.888		0.918		0.692	
		INT1	0.815							
		INT2	0.834							
		INT3	0.820							
		INT4	0.838							
	INTRA	INT5	0.850							
		INTRA1	0.758	0.952	0.959		0.963		0.604	
		INTRA2	0.759							
		INTRA3	0.786							
		INTRA4	0.785							
		INTRA5	0.755							
		INTRA6	0.755							
		INTRA7	0.764							
		INTRA8	0.778							
		INTRA9	0.753							
		INTRA10	0.818							
		INTRA11	0.769							
		INTRA12	0.775							
		INTRA13	0.780							
		INTRA14	0.809							
		INTRA15	0.805							
		INTRA16	0.786							
		INTRA17	0.769							
	TECH			0.893	0.872		0.907		0.661	
		TECH1	0.831							
		TECH2	0.806							
		TECH3	0.806							
		TECH4	0.826							
MOTIV	PUSH	TECH5	0.795			0.915	0.915	0.915	0.674	0.567
		PUSH1	0.817	0.920	0.879		0.912			
		PUSH2	0.814							
		PUSH3	0.823							
		PUSH4	0.813							
	PULL	PUSH5	0.836							
		PULL1	0.845	0.917	0.876		0.910		0.669	
		PULL2	0.805							
		PULL3	0.818							
		PULL4	0.801							
SOC	COGN	PULL5	0.821			0.933	0.933	0.933		0.554
		COGN1	0.841	0.926	0.902		0.925		0.672	
		COGN2	0.804							
		COGN3	0.819							
		COGN4	0.826							
		COGN5	0.829							
		COGN6	0.799							
		COGN7	0.804							

(Contd...)

**Table 3: (Continued)**

Variable	Dimension	Item	Loading		CA		CR		AVE	
			First order	Second order	First order	Second order	First order	Second order	First order	Second order
NVP	REL			0.834	0.844		0.906		0.763	
		REL1	0.877							
		REL2	0.879							
	STRU	REL3	0.864							
				0.880	0.853		0.901		0.694	
		STRU1	0.849							
		STRU2	0.857							
		STRU3	0.810							
		STRU4	0.815							
	GRO			0.888	0.784	0.836	0.874	0.837	0.698	0.550
		GRO1	0.824							
		GRO2	0.836							
	VAL	GRO3	0.847							
				0.871	0.810		0.888		0.725	
		VAL1	0.861							
		VAL2	0.847							
		VAL3	0.846							

Loading: >0.70; CA (Cronbach's alpha): > 0.70; CR (Composite reliability): >0.70; AVE (Average variance extracted): >0.50. COMP: Competencies (COG=Cognitive, INT=Interpersonal, INTRA=Intrapersonal, TECH=Technical), MOTIV: Motivations (PUSH=Push Factors, PULL=Pull Factors), SOC: Social Capital (COGN=Cognitive, REL=Relational, STRU=Structural), NVP: New Venture Performance (GRO=Growth Performance, VAL=Customer Value)

that each observed indicator makes a strong contribution to its respective latent construct. Additionally, the internal consistency of the constructs is validated through Cronbach's alpha (CA) values, all of which surpass 0.70, demonstrating reliable measurement scales.

Further supporting the reliability of the model, Composite Reliability (CR) values are consistently greater than 0.70, confirming the constructs' strong internal consistency. Convergent validity is also established, as Average Variance Extracted (AVE) values exceed 0.50, ensuring that the latent variables explain a sufficient proportion of variance in their respective indicators. These findings affirm that the measurement model effectively captures the theoretical underpinnings of entrepreneurial competencies (COMP), motivations (MOTIV), social capital (SOC), and new venture performance (NVP). The overall results provide empirical support for the model's reliability and validity, establishing a strong foundation for subsequent structural model analysis.

In order to ensure that the constructs in this study are distinct from each other, discriminant validity is assessed using the Heterotrait-Monotrait Ratio (HTMT). Table 4 presents the HTMT values for both first-order and second-order constructs. This analysis is crucial in confirming that each construct captures a unique concept and is not highly correlated with other latent variables.

Table 4 evaluates discriminant validity by examining the HTMT values among constructs. Discriminant validity is considered acceptable when HTMT values are below 0.90, indicating that constructs are empirically distinct from one another. The results for first-order constructs demonstrate that all measured variables, including competencies (C\_Cog, C\_Inter, C\_Intra, C\_Tech), motivations (M\_Pull, M\_Push), social capital (SC\_Cog, SC\_Rel, SC\_Str), and new venture performance (NVP\_CV, NVP\_GP),

exhibit sufficient discriminant validity, as their HTMT values remain within the acceptable threshold.

Similarly, the second-order constructs, namely Competencies (COM), Motivations (MOT), New Venture Performance (NVP), and Social Capital (SC), also maintain acceptable discriminant validity. The highest HTMT value observed is 0.807 (between COM and NVP), which remains below the 0.90 threshold, further supporting the distinctiveness of the constructs. These findings confirm that each construct in the model is conceptually unique and not overly correlated with others, thereby strengthening the credibility of the study's structural model and ensuring the theoretical framework is robust.

#### 4.4. Analysis of Structural Model

The model's overall fit and predictive capability were assessed using key indicators, as summarized in Table 5. The evaluation was conducted to determine how well the structural model explains variance in the dependent variable and to verify its predictive relevance. By analyzing  $R^2$ ,  $Q^2$ , and SRMR values, the model's explanatory power and overall goodness-of-fit were examined.

Table 5 presents the model fit and predictive assessment based on three critical indicators:  $R^2$  (coefficient of determination),  $Q^2$  (predictive relevance), and SRMR (Standardized Root Mean Square Residual). The  $R^2$  value of 0.686 for New Venture Performance indicates that the independent variables explain 68.6% of the variance in the dependent variable. According to established criteria, this value reflects strong explanatory power (>0.50), confirming that the model accounts for a substantial portion of variance in business performance. The  $Q^2$  value of 0.370 is positive, which suggests that the model possesses predictive relevance. A positive  $Q^2$  value indicates that the structural model provides meaningful insights beyond mere data fitting, reinforcing its ability to forecast new observations accurately. The SRMR

**Table 4: Discriminant validity: HTMT (first and second order)**

Construct	First order												
	C_Cog	C_Inter	C_Intra	C_Tech	M_Pull	M_Push	NVP_CV	NVP_GP	SC_Cog	SC_Rel	SC_Str	SCxMOT	SCxCOM
C_Inter	0.763												
C_Intra	0.800	0.767											
C_Tech	0.828	0.775	0.835										
M_Pull	0.513	0.550	0.491	0.401									
M_Push	0.549	0.562	0.526	0.454	0.782								
NVP_CV	0.729	0.716	0.701	0.642	0.640	0.683							
NVP_GP	0.676	0.682	0.636	0.569	0.623	0.633	0.684						
SC_Cog	0.388	0.371	0.337	0.249	0.300	0.319	0.481	0.466					
SC_Rel	0.365	0.368	0.318	0.252	0.301	0.322	0.479	0.498	0.750				
SC_Str	0.375	0.413	0.333	0.259	0.342	0.339	0.506	0.461	0.798	0.777			
SCxMOT	0.027	0.031	0.028	0.044	0.307	0.329	0.219	0.247	0.434	0.467	0.489		
SCxCOM	0.279	0.219	0.297	0.302	0.025	0.021	0.198	0.193	0.466	0.480	0.499	0.555	

Second order			
Construct	COM	MOT	NVP
MOT	0.587		
NVP	0.807	0.764	
SC	0.399	0.371	0.580

HTMT ratio <0.9 indicates acceptable discriminant validity. COM: Competencies (C\_Cog=Cognitive, C\_Inter=Interpersonal, C\_Intra=Intrapersonal, C\_Tech=Technical), MOT: Motivations (M\_Pull=Pull Factors, M\_Push=Push Factors), NVP: New Venture Performance (NVP\_CV=Customer Value, NVP\_GP=Growth Performance), SC: Social Capital (SC\_Cog=Cognitive, SC\_Rel=Relational, SC\_Str=Structural), SCxMOT: Interaction between Social Capital and Motivations, SCxCOM: Interaction between Social Capital and Competencies.

**Table 5: Comprehensive model fit and predictive assessment**

Variable	Predictive power	Predictive relevance	Goodness of fit model
	R <sup>2</sup>	Q <sup>2</sup>	
New venture performance	0.686	0.370	
SRMR			0.070

R<sup>2</sup> (Weak: <0.25; Moderate: 0.25–0.50; Strong: >0.50); Q<sup>2</sup> (Positive: >0 indicates the model has predictive relevance); SRMR (Good fit: <0.1)

value of 0.070, which is below the 0.10 threshold, confirms that the model achieves a good fit and that the discrepancy between the observed and predicted covariance matrices remains within an acceptable range. Overall, the findings validate that the structural model is both statistically robust and theoretically meaningful, with strong predictive capability and an acceptable fit. These results support the reliability of the model for further hypothesis testing and interpretation.

The structural model was evaluated to determine the significance and strength of relationships among constructs. The assessment was conducted using path coefficients ( $\beta$ ), mean scores, standard deviations, T-scores, and p-values, as summarized in Table 6. This analysis was performed to validate the hypothesized relationships between competencies, motivations, social capital, and new venture performance.

Table 6 presents the results of the structural model assessment and hypothesis testing, examining the relationships among key constructs. The path coefficients ( $\beta$ ) measure the strength and direction of these relationships, while T-scores and significance values validate their statistical robustness. The findings indicate that Competencies (COMP) exert a strong and highly significant influence on New Venture Performance (NVP) ( $\beta = 0.573$ ,  $P < 0.001$ ), underscoring the critical role of entrepreneurial competencies in driving business success. Similarly, Motivations (MOT) demonstrate a significant positive relationship with

NVP ( $\beta = 0.220$ ,  $P < 0.001$ ), suggesting that a higher degree of entrepreneurial motivation is associated with improved business performance.

The interaction effect between Social Capital and Motivations (SCxMOT) on NVP is negative but statistically significant ( $\beta = -0.092$ ,  $P < 0.05$ ). This result implies that, under certain conditions, social capital may attenuate the direct impact of motivation on business performance, highlighting the complexity of social resource utilization in entrepreneurial settings. Conversely, the interaction term Social Capital  $\times$  Competencies (SCxCOMP) positively moderates the relationship between competencies and NVP ( $\beta = 0.102$ ,  $P < 0.05$ ), indicating that access to social capital enhances the effectiveness of entrepreneurial competencies in driving business success.

These findings provide empirical validation of the theoretical framework, reinforcing the notion that entrepreneurial success is influenced by both individual capabilities and external social structures. The results suggest that while competencies and motivations are primary drivers of venture performance, their effectiveness is contingent upon the availability and strategic utilization of social capital. Such insights contribute to the broader discourse on entrepreneurial resource orchestration, offering a nuanced understanding of how human and social capital interact in shaping business outcomes.

## 5. DISCUSSION

The findings reveal a strong and statistically significant relationship between entrepreneurial competencies and new venture performance ( $\beta = 0.573$ ,  $t = 9.248$ ,  $P < 0.001$ ), supporting the argument that cognitive, interpersonal, intrapersonal, and technical competencies are critical determinants of business success. This result aligns with previous studies emphasizing

**Table 6: Assessment of structural model and hypothesis results**

Linkage	$\beta$	Mean score	Deviation value	T-score	Significance	Decision
COMP→NVP	0.573	0.568	0.062	9.248	0.000	Accepted***
MOT→NVP	0.220	0.226	0.059	3.700	0.000	Accepted***
SCxMOT→NVP	-0.092	-0.096	0.046	2.023	0.044	Accepted**
SCxCOMP→NVP	0.102	0.102	0.041	2.475	0.014	Accepted**

\*( $P < 0.10$ ); \*\*( $P < 0.05$ ); \*\*\*( $P < 0.001$ ). COMP: Competencies, MOT: Motivations, NVP: New Venture Performance, SCxMOT: Social Capital×Motivations, SCxCOMP: Social Capital×Competencies

that entrepreneurs with higher competency levels tend to be more adaptive to market changes, develop more effective strategies, and manage resources more efficiently (Ng et al., 2019).

Specifically, cognitive competencies play a crucial role in enhancing strategic decision-making and problem-solving. This finding reinforces Skagerlund et al. (2021), who argue that individuals with stronger cognitive abilities systematically evaluate risks and optimize opportunities, leading to improved business efficiency. However, while previous research has primarily highlighted the role of cognitive skills in decision-making, this study extends that understanding by demonstrating that cognitive competencies also drive innovation and competitive advantage, suggesting that entrepreneurs with strong analytical skills are more likely to recognize emerging market trends and implement proactive business strategies.

Additionally, the study confirms the significance of interpersonal competencies, particularly in facilitating business networking, relationship management, and stakeholder engagement. Lans et al. (2016) emphasized that entrepreneurs with strong interpersonal skills can build strategic partnerships, secure external resources, and enhance customer loyalty, all of which contribute to improved firm performance. The present findings further validate that effective communication and social intelligence enable entrepreneurs to navigate complex business environments, reinforcing the notion that entrepreneurship is not solely an individual pursuit but a collective process supported by external interactions.

Furthermore, intrapersonal competencies, such as self-awareness and emotional intelligence, are found to significantly contribute to business outcomes. Prior research by Isaga (2015) suggests that entrepreneurs with high emotional intelligence exhibit greater resilience in volatile business environments, enabling them to maintain long-term business sustainability. This study adds empirical evidence to that claim by demonstrating that self-regulation and emotional control are not only essential for managing personal stress but also crucial for optimizing resource allocation, maintaining employee morale, and fostering leadership effectiveness.

The role of technical competencies is also confirmed as a key driver of business performance, particularly in areas requiring industry expertise and operational efficiency. The findings support Ng and Kee (2018), who argue that entrepreneurs with higher technical skills are better positioned to adopt new technologies, optimize production processes, and introduce market-driven innovations, all of which contribute to sustained competitive advantage. Interestingly, while previous research has suggested that technical competencies are primarily relevant in manufacturing industries, the present study demonstrates that their impact extends across

sectors, including services and trade, highlighting the broader applicability of technical expertise in entrepreneurial success.

Additionally, while Skagerlund et al. (2021) emphasize that cognitive competencies play a dominant role in business success, the present study suggests that interpersonal and intrapersonal skills are equally crucial, particularly in uncertain and competitive markets. This finding introduces an important consideration for future research—whether different competency dimensions exert varying degrees of influence depending on the stage of business development. In summary, the findings reinforce the Resource-Based View (RBV) theory (Barney, 1991), confirming that competencies are strategic resources that enhance competitive advantage and drive firm performance.

The empirical results reveal a statistically significant relationship between entrepreneurial motivations and new venture performance ( $\beta = 0.220$ ,  $t = 3.700$ ,  $P < 0.001$ ), confirming that motivations play a crucial role in shaping business success. This finding aligns with prior studies that highlight how entrepreneurial motivations, particularly the interplay between push and pull factors, drive business performance by influencing strategic decision-making and resource mobilization. Consistent with Isaga et al. (2015), this study reinforces the argument that pull motivations, such as autonomy, financial gain, and personal fulfillment, positively impact business expansion and long-term strategic growth. Entrepreneurs driven by personal aspirations rather than external pressures tend to invest more in innovation, market positioning, and business scalability, which in turn enhances firm performance. This supports the broader theoretical perspective that intrinsic motivations lead to higher engagement and commitment, which are key determinants of business sustainability.

Furthermore, these results corroborate Vardhan et al. (2020), who found that both push and pull motivations contribute to entrepreneurial success, particularly in contexts where socio-economic conditions shape business formation. Entrepreneurs facing job insecurity or financial instability often enter business ownership as a necessity (push factors), yet over time, they may develop stronger commitment and growth-oriented mindsets, similar to those initially driven by pull factors. The present study extends this understanding by demonstrating that regardless of whether motivations originate from necessity or opportunity, they exert a measurable influence on venture outcomes.

Additionally, the findings validate the concept of “mixed motivations” proposed by Gabarret et al. (2017), which suggests that entrepreneurs frequently operate under the influence of both push and pull factors. Entrepreneurs who balance opportunity-driven and necessity-driven motivations exhibit greater resilience

and adaptability, ultimately leading to sustained firm performance. The significant yet moderate effect size in this study suggests that while motivations are important, their impact on business success may be contingent upon other factors such as competencies, resource access, and market conditions.

However, the relatively lower coefficient compared to entrepreneurial competencies ( $\beta = 0.573$ ,  $P < 0.001$ ) suggests that motivations alone may not be sufficient to drive performance unless complemented by additional factors such as managerial skills, social capital, and external support structures. This implies that while motivations act as a catalyst for business formation and initial success, long-term performance is likely driven by a combination of human capital, industry expertise, and strategic networking.

The findings reveal a significant but negative moderating effect of social capital on the relationship between owner-managers' competencies and new venture performance ( $\beta = -0.092$ ,  $t = 2.023$ ,  $P < 0.05$ ). This result suggests that while social capital influences the competency-performance relationship, its impact is not universally positive. Contrary to prior assumptions that social capital consistently enhances business success, these findings indicate that under certain conditions, social capital may constrain how competencies translate into performance.

The role of social capital as a facilitator of resource access, collaboration, and business performance is well-documented. Rajennd et al. (2015) emphasize that structural social capital—represented by an entrepreneur's network connections—enhances access to financial, human, and informational resources, which in turn strengthens business performance. The present study aligns with this view by confirming that social capital significantly moderates the competency-performance relationship, although the negative coefficient suggests that this effect is more complex than previously assumed.

Similarly, previous research highlights the importance of cognitive social capital in shaping decision-making processes. Sun and Lü (2020) and Zhang et al. (2015) found that shared norms and values within social networks enhance knowledge exchange and collective learning, allowing entrepreneurs to make more informed strategic choices. While these studies present social capital as a positive enabler of business outcomes, the negative moderation effect observed in this study suggests that high levels of cognitive social capital might lead to excessive conformity, reduced innovation, or over-reliance on existing networks, thereby limiting entrepreneurial flexibility.

Moreover, relational social capital, which emphasizes trust-based relationships, has been linked to stronger business resilience and adaptability (Felicio et al., 2014). The findings of this study are consistent with research indicating that strong relational ties can enhance an entrepreneur's ability to leverage competencies effectively. However, the observed negative effect raises questions about whether overembeddedness in social networks may restrict strategic autonomy, slow decision-making, or create excessive obligations that hinder performance rather than enhance it.

The results confirm a statistically significant and positive moderating effect of social capital on the relationship between owner-managers' motivations and new venture performance ( $\beta = 0.102$ ,  $t = 2.475$ ,  $P < 0.05$ ). This suggests that entrepreneurs who leverage social capital—whether through trust-based relationships, network ties, or shared knowledge—are better able to translate their motivational drive into tangible business success. These findings reinforce prior research emphasizing the role of social networks in enhancing entrepreneurial decision-making, resource mobilization, and business sustainability (Rajennd et al., 2015).

The results align with Sulistyo and Ayuni (2019), who highlight that social capital fosters innovation among SMEs by enabling knowledge exchange and strategic partnerships, thus strengthening the impact of entrepreneurs' motivations. This implies that entrepreneurs with high motivation, particularly those driven by autonomy, financial incentives, or personal fulfillment, can amplify their business success through social network integration. The present findings support this argument, indicating that both push and pull motivations gain strategic effectiveness when complemented by strong social capital structures.

Moreover, this study corroborates Pongtanalert and Assarut (2022), who found that social capital played a crucial role in SME resilience during crises such as the COVID-19 pandemic. Their findings indicate that highly motivated entrepreneurs with strong networks were more capable of sustaining business performance despite economic shocks, as social capital provided access to alternative resources and collaborative support mechanisms. The results of this study confirm that entrepreneurs who lack external support may struggle to translate motivation into performance, whereas those embedded in strong social networks can better secure resources, mitigate risks, and drive business expansion.

While these findings reinforce the positive role of social capital, they also contrast with studies suggesting that excessive reliance on social capital may lead to constraints in decision-making autonomy (Felicio et al., 2014). Overembeddedness in social networks may create dependencies and expectations that limit entrepreneurs' ability to pivot quickly or adopt unconventional business strategies. This nuance suggests that while social capital enhances the relationship between motivations and performance, it must be strategically leveraged to avoid potential drawbacks.

### 5.1. Theoretical Contributions

This study makes several significant theoretical contributions to the entrepreneurship literature, particularly in the domains of entrepreneurial competencies, motivations, and social capital in relation to new venture performance. First, by integrating the Resource-Based View (RBV) and Social Capital Theory, this research extends existing frameworks by illustrating how individual-level competencies interact with external social structures to shape business success. Prior studies have primarily examined these constructs in isolation; however, this study provides a more nuanced understanding of their interplay, demonstrating that competencies alone are insufficient without the support of social capital.

Second, this research refines the conceptualization of entrepreneurial competencies by empirically validating four distinct dimensions: cognitive, interpersonal, intrapersonal, and technical competencies. While previous studies have recognized competencies as crucial for venture success, few have systematically examined their individual and combined effects. The findings confirm that cognitive and technical competencies drive strategic decision-making and innovation, whereas interpersonal and intrapersonal competencies contribute to leadership effectiveness and organizational resilience.

Third, this study advances the discourse on entrepreneurial motivations, distinguishing between push and pull factors in influencing venture performance. While push factors (e.g., necessity-driven entrepreneurship) are often viewed as secondary to pull factors (e.g., opportunity-driven motives), the findings reveal that both categories play complementary roles in shaping entrepreneurial success. The negative moderating effect of social capital on motivation, particularly in necessity-driven contexts, adds depth to our understanding of how external resources may sometimes hinder, rather than enhance, entrepreneurial drive.

Finally, this study provides empirical support for the moderating role of social capital in competency and motivation-driven entrepreneurship. While previous literature has largely focused on the direct effects of social capital, this research identifies its contingent effects, demonstrating that the efficacy of competencies and motivations in driving new venture performance depends on the strategic utilization of social networks. This contributes to ongoing debates in the field of entrepreneurial resource orchestration, highlighting the need for entrepreneurs to balance personal skills with effective external engagement.

## 5.2. Managerial and Policy Implications

The findings also offer several practical implications for entrepreneurs, business educators, and policymakers aiming to enhance the success of new ventures. For entrepreneurs, the study highlights the importance of developing a well-rounded competency profile. Entrepreneurs should not solely focus on technical skills but also invest in interpersonal and intrapersonal development, as these competencies play a critical role in leadership and organizational sustainability. Additionally, strategic networking is essential; while social capital can be beneficial, over-reliance on it without strong individual competencies may reduce entrepreneurial autonomy and decision-making agility.

For business educators and training institutions, the findings suggest the need to design curricula that go beyond technical entrepreneurship training. Programs should incorporate soft skill development, including negotiation, leadership, and emotional intelligence training. Moreover, training should emphasize the strategic use of social capital, ensuring that entrepreneurs leverage networks without becoming overly dependent on them. For policymakers, the results underscore the need for policies that foster both entrepreneurial skills development and networking opportunities. Government programs aimed at supporting new ventures should combine training in entrepreneurial competencies with mentorship and networking platforms, enabling entrepreneurs to acquire both human and social capital. Furthermore, financial

support programs should differentiate between necessity-driven and opportunity-driven entrepreneurs, tailoring interventions to match their unique motivations and challenges.

## 6. CONCLUSION

This study provides empirical evidence on the role of entrepreneurial competencies, motivations, and social capital in shaping new venture performance. The findings confirm that entrepreneurial competencies significantly enhance business success, reinforcing previous studies that emphasize cognitive, interpersonal, intrapersonal, and technical skills as critical factors for sustained performance. Additionally, the study highlights the substantial role of entrepreneurial motivations, demonstrating that both push and pull factors contribute to business outcomes. However, while entrepreneurial motivations positively influence new venture performance, their impact appears to be weaker than that of competencies, suggesting that motivation alone is insufficient without adequate skills and knowledge.

Moreover, the study explores the moderating role of social capital in the relationship between entrepreneurial competencies and new venture performance. The findings indicate that while social capital can enhance business outcomes by providing access to resources, networks, and information, it can also impose constraints in certain conditions, leading to unintended negative effects. The results highlight that overembeddedness in social networks may limit strategic flexibility, slow decision-making processes, or create excessive dependencies that restrict business growth. Conversely, when social capital is effectively leveraged, it strengthens the relationship between entrepreneurial competencies and firm success. These insights contribute to the broader discourse on entrepreneurial resource orchestration, suggesting that business success is shaped by a combination of individual capabilities and external social structures.

### 6.1. Limitations and Future Research Agendas

Despite its contributions to entrepreneurial literature, this study has several limitations that warrant further exploration. First, the research relies on cross-sectional data, which limits the ability to infer causality between entrepreneurial competencies, motivations, social capital, and new venture performance. A longitudinal approach in future studies could provide deeper insights into how these relationships evolve over time, particularly in response to external market dynamics and economic fluctuations.

Second, while the study focuses on owner-managers in selected regions of North Sumatera, Indonesia, the findings may not be directly generalizable to other contexts with different institutional environments, cultural factors, and levels of economic development. Future research should expand the geographical scope by conducting comparative studies across different regions or countries to assess the universality of the proposed model.

Third, the study employs self-reported data, which may introduce common method bias despite the use of Harman's single-factor test to mitigate such concerns. Incorporating multi-source data collection methods, such as objective financial performance

metrics and third-party assessments, could enhance the robustness of future analyses.

Additionally, the study does not account for sector-specific variations in entrepreneurial behavior and business performance. The influence of competencies and social capital may vary significantly across industries, such as technology-driven sectors versus traditional retail businesses. Future research could explore sectoral heterogeneity to provide more granular insights into how entrepreneurial competencies and motivations manifest in different business environments.

Finally, while this study conceptualizes social capital as a moderating factor, future research could further investigate its potential role as a mediating variable, particularly in the interplay between entrepreneurial competencies and firm success. Moreover, incorporating emerging themes such as digital transformation, sustainability-driven entrepreneurship, and crisis resilience would provide valuable extensions to the current framework, offering richer insights into the evolving nature of entrepreneurship. By addressing these limitations, future studies can build upon the theoretical foundation established in this research, contributing to a more comprehensive understanding of the dynamic relationships that drive new venture performance.

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