

FACTORS INFLUENCING ENTREPRENEURIAL SUCCESS OF MICRO-ENTREPRENEUR: PARTIAL LEAST SQUARE (SEM-PLS)

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ABSTRACT: *The underpinning theories of this study are based on entrepreneurship theory and self-determination theory. The purpose of this article is to develop a model micro-entrepreneurs' success at Sarawak Malaysia. Two factors are found to have potential influences on micro-entrepreneurs' success. The factors comprise risk taking and self efficacy. The results showed that the risk taking behaviour, as well as self efficacy positively predicted intrinsic entrepreneurial success among micro-entrepreneurs.*

Keywords: Entrepreneurship, Entrepreneurial success, Malaysia

1. INTRODUCTION

Micro-entrepreneurs can be viewed as a significant group that contribute to an economy through the creation of new business as well as job opportunities at local levels [1], especially with regards to rural and less industrially concentrated regions. In conjunction to national policy on the other hand, micro-entrepreneurial developments could be categorised as a pro-poor [2] initiative geared towards eradicating poverty.

Due to the importance of knowledges on various aspect of entrepreneurial domain, there have been streams of research conducted in order to enhance knowledge in this field. [3] for example, argued that "change" provides opportunities that can benefit businesses via the creation of new value(s). To a larger extent it could be argued that a new business venture or perhaps a start-up could be established or conceived as a result of "opportunity" presented from the alteration of environmental surroundings. Success of these ventures on the other hand were attributed to personality [4] and motivation factors [5]. Past research confirmed the important relationship between individual factors such as personality [4], motivation factors and entrepreneurial success [6]. Moreover, numerous scholars believed that personality [4] and motivational [7] factors are critical when studying entrepreneurial intention and success. Although previous studies recognised the importance of personality and motivation in driving entrepreneurial success, little if any has studied both factors together and explain how these factors impact micro-entrepreneurs success. Therefore, it is argued that relevant factors with regards to personality and motivation factors needs to be integrated to enhance our understanding on micro-entrepreneur research.

To this extent, the research bearings are as such: Why some micro-entrepreneurs were observed to be more successful than others? What were the contributing factors that lead to micro-entrepreneurs' success? What were the variables that explained greater variance in micro-entrepreneurs' success? This study attempts to answer these research questions, and as the result would contribute towards narrowing the knowledge gap in the specific context of entrepreneurial success of micro-entrepreneur, particularly from the Malaysian perspective.

Micro-entrepreneurs

Entrepreneurs can be defined as individuals with initiative and creative thinking [8] who took risks [9] and exploit market opportunity [10] and turn resources and situations to practical account.

In term of scales, a micro-entrepreneur can be classified as a micro businesses. This is in line with the definition suggested in APEC micro-enterprise summit 2002, i.e. "Enterprise with than five people, self-employed workers, are classified as micro-enterprise, no matter whether it is just a people-oriented company, personal studio, sole proprietorship or partnership micro and small business owners are their tiny amount of investment and small-sized business scale [11].

Entrepreneurial Success

Literature suggested that there are several factors affecting entrepreneurial success. These include individuals, motivation factors, environmental surroundings, as well as social support.

Entrepreneurial success can be measured by accumulating and evaluating those activities conducted by entrepreneurs for the duration of establishing a business [12]. [13] On the other hand, success also can be measured by looking at entrepreneur's self-referent subjective success. This study concur with this type of view.

2. LITERATURE REVIEW

Based on the theory of entrepreneurial behavior and self-determination theory, a research model as depicted in Figure 1 was drawn. In this model, it is proposed that individual's entrepreneurial success were influenced by expressed risk taking behaviour, locus of control, perceived barrier, and self-efficacy.

Risk Taking Behaviour

Economic theory assumes that numerous entrepreneurs are generally risk-averse and won't be inclined to attempt high-risk venture unless substantial return is predicted. However, several researcher [14] argue that risk is manageable and controllable with the "engineering of risk taking" and "risk management". In line with this argument, other researcher [15] claimed that entrepreneurs can research and evaluate risks as a way to reduce uncertainty and apply useful strategies to manage risk. Hence, entrepreneurs can adjust risk as an alternative to simply accept a particular degree of risk. Consequently, successful risk taking behaviour might help a company to outperform its competitors [15].

Accordingly, it is predict that entrepreneurial risk taking will be positively associated with entrepreneurial success. Thus, H1. Entrepreneurs risk taking behaviour is positively associated with intrinsic entrepreneurial success.

Perceived of Barriers

Besides the preceding factors explaining entrepreneurial success, it is very important to take into account the impact of business barriers. It is believed that a person perceptions with the barriers should affect entrepreneurial success, either positively [16] or negatively [17]. In this regard, it could be postulated that the vector of an individual entrepreneur's view towards the perceived barrier impact his/her success either positively or negatively.

As an entrepreneur is viewed as a positive minded person, perceived barriers could be viewed as a positive challenges that further drive an entrepreneur towards better achievements. Thus:

H2. The potency of beliefs about barrier to entrepreneurship is positively associated with intrinsic entrepreneurial success.

Entrepreneurial locus of control

Locus of control is the term for one's beliefs about critical factors that determine entrepreneurial success These include:(a) internal factors including personal motives, capabilities or effort, (b) external factors such as social or organizational determinants, and (c) chance factor for example luck or chance events. One expert personality [18] suggested that people with the internal locus of control attribute behavioural consequences to their own personal characteristics. Therefore, they are more inclined to proactively develop relevant competencies and skills to attain positive entrepreneurial outcomes. Previous research has also found that internal locus of control was related to better entrepreneurial outcomes, e.g., income, and also perceived intrinsic success. Considering this, it is proposed that:

H3. Entrepreneurial locus of control is positively associated with intrinsic entrepreneurial success.

Entrepreneurial Self Efficacy

Social cognitive theory proposes that high self-efficacy directs behaviour, shapes considerations, and increases perseverance when confronted with obstacles. Indeed, self-efficacy has been found to be significantly associated with career related decision-making among entrepreneurs [19]. Furthermore, highly efficacious individuals prefer challenging activities and display higher endurance in those pursuits [20] In truth, the highly efficacious individual may view setbacks as learning experiences instead of personal failure. Thus, those individuals who perceive high entrepreneurial self-efficacy should be expected to start a business venture. Indeed, self-efficacy has become related to opportunity recognition and risk taking (Krueger and Dickson,1994). Self-efficacy has been seen as to have a positive relationship with entrepreneurial success in several studies. Therefore, it is proposed that:

H4. Entrepreneurial self-efficacy is positively associated with intrinsic entrepreneurial success.

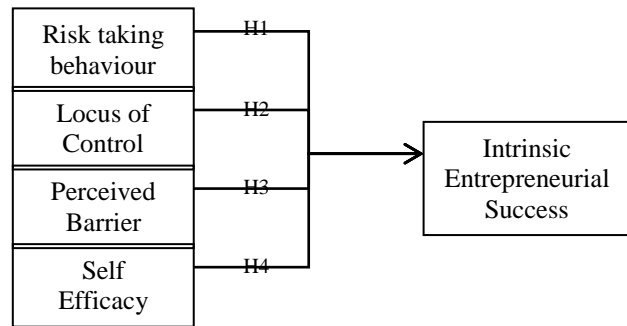


Figure 1. Proposed model of Intrinsic Entrepreneurial Success

3. METHOD

Research design, sampling and data collection

There are 168 respondents for this research survey that employed correlational research design approach. The selection of micro-entrepreneur at the state of Sarawak was made through stratified random sampling procedure. Questionnaires were distributed using one techniques of data collection, 'drop-and-pick-later', with an average response rate of 84 percent.

Respondents

The respondents for this research comprise of 168 micro-entrepreneurs in the state of Sarawak, Malaysia. The average age of respondents was 40 years old (SD=10.8). In term of gender, the sample comprised 40 males (23.0%) and 128 females (76.0%). The respondents also come from diverse ethnic groups that represent Sarawak's socio- demographic makeup. These include Iban (23.8%), Bidayuh (14.3) and Malay (16.7%) among others.

Instrument

In order to ensure the validity and reliability of the instrument, it is essential to define the variables accurately and clearly.

Intrinsic entrepreneurial success

In this study, the four-item scale measuring intrinsic entrepreneurial success was adapted from previous career study [13]. The items were measured on a seven-point scale (1 = very dissatisfied to 7 = very satisfied). The sample item is "I consider my entrepreneurial venture is successful." The composite reliability found in this study was 0.95, and the composite reliability was 0.94.

Locus of control

Locus of control was assessed using a 3-item scale adapted from by previous measurement [21]. All items are measured using a 7-point Likert scale with values ranging from 1 = "not all accurate" to 7 = "very accurate". The sample item is "I do not really believe in luck". The composite reliability in this study is .93.

Risk Taking

A three-item scale of risk taking was also adopted and adapted from previous study [14]. All items are measured using a 5-point Likert

scale with values ranging from 1 = “not all accurate” to 7 = “very accurate”. The sample item is “I have taken a risky decision in the last 6 month”. The composite reliability in this study is .76.

Perceived Barrier

A three-item scale measured on a 7-point Likert scale designed by [22] was employed to measure perceived barrier among micro-entrepreneurs. The sample item is “It hard to find a business idea for a business that has not been realized before”. The composite reliability for this construct is .55.

Self-Efficacy

To measure self-efficacy, we used the scale developed by previous researcher [23] which comprised of 3 items. Micro-entrepreneurs rated their confidence on decision-making tasks with a scale from 1 (not all accurate at all) to 7 (very accurate). The entire composite reliability was .93.

Data analysis and Result

The proposed research framework was tested using Partial Least Square 2.0 programme to measure strength of relationships. Convergent and discriminant validity were also used to test construct validity and reliability.

Convergence validity

To ensure the validity and reliability of the measurement model, convergence validity and discriminant validity were examined. The convergent validity of the items for each construct should be supported by item reliability, composite reliability and the average variance extracted (AVE) [24]. In this study, the CFA results demonstrated that the loadings of all items were significant ($p < 0.01$) and were greater than 0.5 (refer to Table 1), indicating good item reliability [25]. Table 1 demonstrates satisfactory convergent and discriminant validity of the measures. The average variance extracted (AVE) for all constructs is more than 0.50. The composite reliability of each construct is above the threshold of 0.7; the AVE of each construct is above the threshold of 0.5 [25]. Thus, the above evidences show satisfactory convergence validity of the constructs examined in the study.

Discriminant validity

Discriminant validity measures the extent to which constructs differ from one another. It is assessed by comparing the square root of a given construct’s AVE with the correlations between that construct and all others [25]. Table 1 shows that the estimates for all constructs are more strongly correlated with their own measures than with any of the other constructs. Diagonal elements are the square root of the variance shared between the constructs and their measurement (AVE). Off-diagonal elements are the correlations among constructs. Diagonal elements should be larger than off-diagonal elements in order to obtain the discriminant validity. The findings revealed a high level of discriminant validity. Having achieved convergent validity and discriminant validity, the constructs in the proposed model are deemed adequate.

Table 1: Convergent and Discriminant Validity Coefficients

	AVE	CR	1	2	3	4	5
1. Intrinsic success	.94	.98	.98				
2. Risk taking	.76	.90	.88	.87			
3. Locus of control	.82	.93	.63	.70	.91		
4. Perceived barrier	.85	.94	-.36	-.40	-.57	.92	
5. Self-efficacy	.87	.95	.82	.76	.55	-.27	.93

AVE: Average Variance Extracted.

CR: Composite Reliability

4. RESULTS

Figure 2 depicts the PLS results for the hypothesized model. As shown, the factor loadings for the reflective-indicator constructs of all variables were all greater than .70 and reached statistical significance ($p < .01$). The results showed that both risk taking and self-efficacy were positively associated with intrinsic entrepreneurial success. Thus, Hypotheses 1 and 4 were supported.

Of all the independent variables, the total effect of risk taking on intrinsic entrepreneurial success is the strongest ($\beta = .64$), followed by self efficacy ($\beta = .35$). Furthermore, the R^2 value of intrinsic entrepreneurial success is 0.84, indicating that risk taking, locus of control, perceived barrier and self efficacy explained 84 percent of the variance in intrinsic entrepreneurial success.

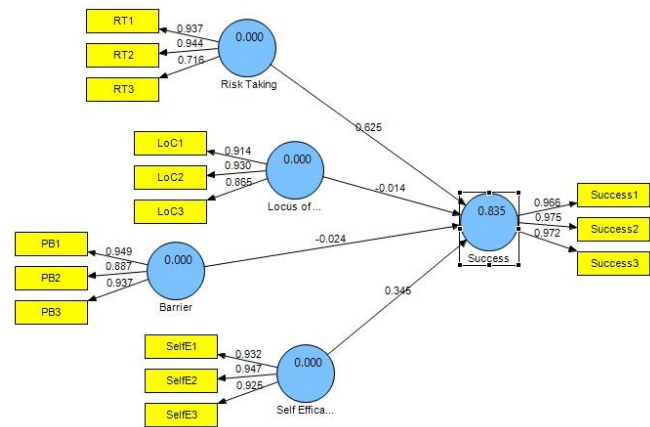


Figure 2. Results of testing the proposed model

4. DISCUSSION

Based on entrepreneurial behavior and self-determination theory, this study examined the influence of individual factors of micro-entrepreneurs' (risk taking behaviour, locus of control, perceived barrier, and self-efficacy) in predicting their intrinsic entrepreneurial success. Results showed that risk taking behavior, as well as self-efficacy positively predicted micro-entrepreneurs' intrinsic entrepreneurial success. These findings have both theoretical and practical implications.

4.1. Theoretical and practical implications

The results showed that risk taking behaviour of micro-entrepreneurs as well as self-efficacy were associated with intrinsic entrepreneurial success. These results supported the entrepreneurial behavior theory [26] and social capital theory [20] by demonstrating the positive effects of both variables on intrinsic entrepreneurial success. As a result, individuals with a high level of self-efficacy as well as risk taking behaviour will also drive high level intrinsic entrepreneurial success.

The results showed no significant effect of perceived barrier on intrinsic entrepreneurial success. This finding suggests that the relationship between these two variables may involve different mechanisms. In previous study it was found that perceived barrier can reduce the intrinsic entrepreneurial success [17]. On the other hand, self-determination theory suggests that perceived barrier can increase individuals' motivation to success in their career development [16]. The above findings suggests that perceived barrier may have both positive and negative effects on intrinsic entrepreneurial success, dependent other individual or contextual factors. Future research should be undertaken to examine this important phenomenon.

Practically, the findings of this study suggest that the risk taking behaviour, as well as self efficacy can drive micro-entrepreneurs to take proactive actions in developing their career abilities. Relevant authorities may consider adopting the multi-dimensional framework of entrepreneurial success to tackle various problems faced by micro-entrepreneur to encounter in their career development impediments. Consequently, these initiatives may contribute towards a better pro-poor initiatives implementations that geared towards micro-entrepreneurial development.

4.2. Limitations and future directions

This study has several limitations. First, as the results were based on a micro-entrepreneurs sample at one state (Sarawak) in Malaysia, whether the current findings can be generalized to other micro-entrepreneurs, or micro-entrepreneurs in other cultures needs further investigation. For example, as Malaysian culture is characterized by the collectivistic value, power distance value and dialectical thinking [27]. These cultural orientations may also influence the effects entrepreneurial success. These should be examined in future research.

5. CONCLUSIONS

Despite these limitations, this research contributes to current literature by testing how micro-entrepreneurs risk taking behaviour, locus of control, perceived barrier and self efficacy predict intrinsic entrepreneurial success. The results showed that the risk taking behaviour, as well as self efficacy positively predicted intrinsic entrepreneurial success among micro-entrepreneurs.

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