

**FACTORS THAT INFLUENCE  
ENTREPRENEURIAL MOTIVATION OF  
SABAHAN ENTREPRENEURS: PERSONALITY  
AND ENVIRONMENTAL INFLUENCES**

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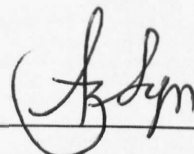
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## DECLARATION

I hereby declare, that the material in this thesis is my own except for quotations, excerpts, summaries and references, which have been duly acknowledged.

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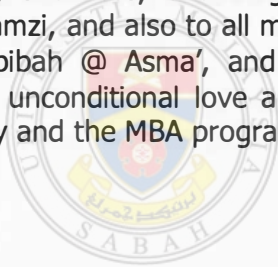
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## **ABSTRACT**

### **FACTORS THAT INFLUENCE ENTREPRENEURIAL MOTIVATION OF SABAHAN ENTREPRENEURS: PERSONALITY AND ENVIRONMENTAL INFLUENCES**

The objective of this paper is to investigate the influences of personality traits and environmental factor on entrepreneurial motivation of Sabahan entrepreneurs. The researcher seeks to contribute to the development of the theoretical framework that relates the personality traits namely achievement striving, social networking and optimism, and the environment factor namely perceived importance of business environment, with the entrepreneurial motivation. This study is carried out among entrepreneurs of SMEs listed in SME corporation Sdn. Bhd. database, who are operated their businesses in Kota Kinabalu area. For the purpose of this research, the researcher used questionnaire as the main research instrument. Quantitative data collected is analyzed and summarized using Statistical Package for Social Sciences (SPSS) version 17.0. A comprehensive literature review was performed to form the conceptual framework which guided this study. The findings of this study show that achievement striving, optimism and perceived importance of business environment have a significant positive relationship with entrepreneurial motivation, whereas social networking is not significantly related to entrepreneurial motivation among Sabahan entrepreneurs.

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## **ABSTRAK**

*Objektif kajian ini adalah untuk menyelidik pengaruh-pengaruh dari sifat personaliti dan faktor persekitaran terhadap motivasi keusahawanan bagi usahawan-usahawan Sabah. Penyelidik cuba untuk menyumbang di dalam pembinaan rangka teori yang menghubungkan sifat personaliti seperti berteraskan kejayaan, rangkaian sosial dan optimis, dan faktor persekitaran seperti kepentingan persekitaran perniagaan dengan motivasi keusahawanan. Kajian ini melibatkan usahawan-usahawan SMEs yang terdapat di dalam data maklumat SME Corporation Sdn. Bhd, yang menjalankan perniagaan mereka di sekitar Kota Kinabalu. Di dalam kajian ini, penyelidik telah menggunakan soalan kaji-selidik sebagai instrumen kajian yang utama. Data kualitatif yang dikumpulkan telah dianalisis dan diringkaskan menggunakan Statistical Package for Social Sciences (SPSS) versi 17.0. Ulasan kesusasteraan yang menyeluruh telah dilakukan untuk membentuk rangka teori yang menjadi panduan kajian ini. Hasil kajian ini menunjukkan personaliti berteraskan kejayaan, optimis dan kepentingan persekitaran perniagaan mempunyai hubungan yang penting dan positif dengan motivasi keusahawanan, manakala rangkaian sosial tidak mempunyai hubungan yang penting dengan motivasi keusahawanan di kalangan usahawan-usahawan Sabah.*



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# CHAPTER 1

## INTRODUCTION

### 1.0 Overview

Entrepreneurship has played more important role in present economic development in Malaysia. Nowadays, entrepreneurship has become one of the significant sources of economic growth for Malaysia. This can be seen through the various supporting means and policies that exist to support the entrepreneurial activities in the country including funding schemes, entrepreneurial programs, business incubators and advisory services (Othman, Sulaiman, Zainudin and Hassan, 2008).

The number of entrepreneurs in Malaysia has increased from year to year. As published by Companies Commission of Malaysia (2010), the statistic shows that the number of registered businesses is increasing from 3,778,129 businesses in year 2008, to 4,090,710 businesses in year 2009. Additionally, for first two quarters of year 2010, the registered businesses have increased to 4,230,489 businesses. This shows that Malaysian people have started to adapt the entrepreneurial culture into their life and activities.

However GEM Global Report 2010 reported that Malaysia included in an average of just 23% of people in efficiency-driven economies who expressed their intention to start businesses over the next three years. It is still considered as low compared to countries with factor-driven economies (the Sub-Saharan African countries: Angola, Ghana, Uganda etc) which has an average of 43%. Furthermore Malaysia's Total Early-Stage Entrepreneurship Activity (TEA)<sup>1</sup> rate is 5% which is relatively lower than other countries but it has increased from last year; 4.4%.

Under the Ninth Malaysia Plan: 2006-2010 (9MP), government has targeted to create 150,000 entrepreneurs through various programs such as Vendor Development Program, Franchise Development Program, cooperatives in the

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<sup>1</sup> Total Early-Stage Entrepreneurship Activity (TEA) is the prevalence rate of individuals in the working-age population who are actively involved in business start-ups, either in the phase preceding the birth of the firm (nascent entrepreneurs), or the phase spanning 3½ years after birth of the firm (owner-managers of new firm).

business sector and technopreneurs, in order to increase Bumiputera participation in commercial and industrial sector. Government also target to increase Bumiputera equity ownership to 20%-25%. As published by the Economic Planning Unit, the mid-term review of the Ninth Malaysia Plan, under public sector initiatives, 67,533 new entrepreneurs are created and then 24,449 micro-businesses are created under TEKUN Nasional in 2007.

While under the Tenth Malaysia Plan: 2011-2015 (10MP), the creativity, energy and initiative of private enterprises will be harnessed, as the primary drivers of Malaysia's growth. A series of initiatives will be undertaken to support the private sector and unleash its growth potential, during the Plan period such as modernizing business regulation, liberalizing the services sector, removing market distortions by rationalizing subsidies, introducing competition legislation and improving the interface between government and business.

The government initiatives in supporting small and medium enterprises (SMEs) has began on 2 May 1996, when a specialized agency was established to stimulate the development of SMEs by providing infrastructure facilities, financial assistance, advisory services, market access and other support programs. Known as the Small and Medium Industries Development Corporation (SMIDEC), its aim was to develop capable and resilient Malaysian SMEs to be competitive in the global market.

Another chapter of SME development in Malaysia continued with the establishment of the National SME Development Council (NSDC) in 2004. NSDC is the highest policy-making body and among of its roles were to formulate strategies for SME development across all economic sectors, coordinate the tasks of related Ministries and Agencies, encourage partnership with the private sector, as well as ensure effective implementation of the overall SME development programs in this country. Initiatives under NSDC included enhanced access to financing, financial restructuring and advisory services, information, training and marketing coordination and a comprehensive SME database to monitor the progress of SMEs across all economic sectors.

In 2007, the NSDC decided to appoint a single dedicated agency to formulate overall policies and strategies for SMEs and to coordinate programs across all related Ministries and Agencies. SMIDEC was tasked to assume the role and the official transformation into Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia) commenced on 2 October 2009. SME Corp. Malaysia is now the central point of reference for information and advisory services for all SMEs in Malaysia.

Even though many initiatives provided by the Government, the performance of Bumiputera entrepreneurs in Malaysia is still not at satisfactory level because they are still far behind the non-Bumiputera entrepreneurs. This can be seen in the equity ownership owned by Bumiputera for year 2004, as stated in Mid-Term Review of 9MP (2008), which is only 18.9 percent compared to 40.6 percent by non-Bumiputera. However, in year 2006, the percentage of the ownership for Bumiputeras is slightly increased to 19.4 percent but still lower than non-Bumiputeras which is 43.9 percent.

In Sabah, Sabah Economic Development Corporation (SEDCO) formed on 21 December 1971 as a state-owned agency to assist in the Government efforts in stimulating industrial, commercial and socio-economic development of the State of Sabah. SEDCO's roles include; promote economic development especially industrial development, provide modern industrial and commercial infrastructure, including the planning and execution of infrastructural project, promote the business image of Sabah, incorporating all aspects of promoting Sabah as a conducive and attractive business centre, create Bumiputera Commercial and Industrial Community (BCIC).

Besides SEDCO, there are other agencies and bodies formed in order to help government in developing and supporting entrepreneurs in Sabah such as Sabah Ministry of Industrial Development (MID), Sabah Women Entrepreneurs and Professional Association (SWEPA), PENIAGANITA, Sabah Bumiputera Chamber of Commerce (SBCC) and Kadazan Chamber Commerce and Industry (KCII). These show that entrepreneurship in Sabah has become more important and Sabahan



realized that the development of entrepreneurs inevitably contribute towards the economy, peace, wealth of the State and nation.

However, Chief Minister Datuk Seri Musa Aman (Daily Express, 2005) said up-and-coming entrepreneurs in Sabah generally still need assistance from the Government while existing entrepreneurs need to be enhanced in terms of their development. He added that apart from facilities, these entrepreneurs need guidance, training and a change in their attitude and mentality. According to him, at that time in year 2005, it is the right time for Bumiputera to go into entrepreneurship since the Government is placing more emphasis on commercial agriculture, agro-based industries and Halal-food business. He also gave opinion on successful entrepreneurs by saying, "Genuine entrepreneurs are those who truly embrace the spirit of entrepreneurship and able to show through their personality, thinking, practices and actions. Such are the key to success of an entrepreneur either large or small".

Moreover, Deputy Minister of International Trade and Industry, Datuk Jacob Dungau (Bernama, 2010) said based on the present performance level of the Bumiputera entrepreneurs, there is still much space for improvement. He highlighted as of December 2008, the performance of Bumiputera entrepreneurs in the ownership of companies is only control 27.45 percent compared to the 72.45 percent for non-Bumiputera entrepreneurs. This shows that Bumiputera entrepreneurs are left far behind and are not fully grabbing the available opportunities. The implementation of the Sabah Development Corridor (SDC) is one venture that Bumiputera community in Sabah needs to consider. SDC is expected to create new job opportunities for more than a million people in the state and Bumiputeras have to grab these opportunities.

In present years, the importance of entrepreneurship in Sabah has increased. This can be seen through the registered number of entrepreneurs. In 2005, about 24,796 Small and Medium Enterprises (SMEs) registered under one-stop SMEs resources. These SMEs are developed from three major sectors including manufacturing sector, services sector and agriculture sector. The 24,794 companies are divided by categories as follows:



**Table 1: Profile of SMEs in Sabah**

<b>Sector Categories</b>	<b>No. of Companies</b>	<b>Percentage (%)</b>
Manufacturing Sector	1,540	6.21
Services Sector	21,764	87.78
Agriculture Sector	1,490	6.01
<b>TOTAL</b>	<b>24,794</b>	<b>100</b>

(Sources: <http://www.smeinfo.com.my>, one stop SME resources, 2005)

While in 2010, the numbers have increased approximately to 25,000 companies as mentioned by State Director of SME Corporation Sdn. Bhd., Mr. Ghazali Ahmad in a seminar organized by UiTM, Sabah on 2<sup>nd</sup> April 2011.

Consequently, the numbers have shown that Sabahan have realized that entrepreneurship is an engine to economic growth and they start to open their own businesses. Therefore, understanding the factors that influence their motivation to start the business is essential for future economic growth of Sabah. This paper seeks to investigate the factors that influence entrepreneurial motivation of Sabahan entrepreneurs.

### **1.1 Research problem**

Entrepreneurship becomes more important in recent years. There has never been more need to understand entrepreneurship than today (Bygrave, 1993). Research on entrepreneurship has conventionally based on two approaches. The first approach is research that examines the personal attributes of business founders to see what makes them different from the general population and the second approach focuses on the external (environmental) conditions that seem to generate variations in the number of business starts-ups over time (Taormina and Lao, 2007). Similarly Mazzarol, Volery, Dose and Thein (1999) stated that entrepreneurial research has developed along two main lines; the personal characteristics or traits of the entrepreneurs and the influence of social, cultural, political and economic contextual factors. Mazzarol *et al.* (1999) noted in their

research that both personal characteristics and environmental influence play a central role in the start-up process. Few empirical studies have tried to study both personality characteristics and the external environment for their influence on business start-up (Taormina and Lao, 2007).

However there has been no or little study focusing primarily on the influences of both personal traits and environmental factors on entrepreneurial motivation in Malaysia, particularly in Sabahan context. Although the government and related agencies have provided many initiatives and supports to develop the entrepreneurship in Malaysia, especially in Sabah, the result is still not achieved their expectation to produce more entrepreneurs. As mentioned by Deputy Minister of MITI, Datuk Jacob Dungau Sagan (Bernama, 2010), the Sabah Bumiputera entrepreneurs are still left behind because they are not fully grabbing the opportunities which available to them. By understanding the factors that motivate people to start the business, hopefully it helps to identify the reasons that caused this problem. Therefore, research on the factors that influence the entrepreneurs' motivation to start a business might be useful in overcoming this problem and this paper attempts to fill the gap.

## **1.2 Research questions**

Entrepreneurship continues to contribute significantly towards the economic growth in Malaysia. The government has put in place many initiatives to assist Malaysian particularly entrepreneurs; to be more competitive in the challenging business environment regionally and globally. Due to the significant development of entrepreneurship in Malaysia especially in Sabah, this research tries to identify the influencing factors that drive to the entrepreneurial motivations among Sabahan entrepreneurs.

The study will try to answer the following important questions:

- 1) Does the personality factor (achievement striving) influence the entrepreneurial motivation?

- 2) Does the personality factor (social networking) influence the entrepreneurial motivation?
- 3) Does the personality factor (optimism) influence the entrepreneurial motivation?
- 4) Does the environmental factor (perceived importance on business environment) influence the entrepreneurial motivation?

### **1.3 Research objectives**

Since the number of Malaysian entrepreneurs has increased, it is important to study what drives their decision toward self-employment and what has influenced their motivation to start a business.

This research project is important to be carried out in order to achieve these main objectives:

- 1) To investigate the influence of the personality factor (achievement striving) on the entrepreneurial motivation.
- 2) To investigate the influence of the personality factor (social networking) on the entrepreneurial motivation.
- 3) To investigate the influence of the personality factor (optimism) on the entrepreneurial motivation.
- 4) To investigate the influence of the environmental factor (perceived importance on a favorable business environment) on the entrepreneurial motivation.

### **1.4 Scope of study**

This study is a quantitative type of research which specifies a correlation study. It is mainly to analyze the relationships between the independent variables; personality traits: achievement striving, social networking and optimism, and environmental factor: perceived importance of business environment and the dependent variable; entrepreneurial motivation.

This study will focus on the factors that influence entrepreneurial motivation of Sabahan entrepreneurs and also consider other factors such as age, gender,

marital status, number of children, education level, years of experience and type of business. The respondents for this study will be entrepreneurs in the area of Kota Kinabalu. It is believed that entrepreneurs in Kota Kinabalu are appropriate to become the sample as representing Sabahan entrepreneurs. In addition, this study will cover only SMEs entrepreneurs who are listed in SME Corporation Sdn. Bhd database. Questionnaires will be used to collect the data. This study will utilize a cross sectional data collection method.

### **1.5 Significance of study**

The research study was created to answer the call of researches for a better understanding of the birth of a start-up (Summer, 2001). An understanding of entrepreneur's goals for business ownership is seen as significant for both researchers and owners (Naffziger, Hornsby and Kuratko, 1994). For both entrepreneurs and educators, especially in Malaysia, knowing how the entrepreneurial motivations stimulated will contribute to a new knowledge and practical application.

The study may assist government (e.g. Ministry of International Trade and Industry and Ministry of Entrepreneurs and Co-operative Development), entrepreneurship agency (e.g. SME Corporation Sdn. Bhd. and SEDCO) and other related agencies (e.g. MID, SWEPA, SBCC and KCII) to understand the reasons behind motivation to start the business for entrepreneurs in Malaysia as well as in Sabah. By understanding the pattern, they can develop and provide the appropriate initiatives and assistances, which are really applicable to the entrepreneurs in term of tax reductions, government laws and policies, loans and other supports. Lastly, it may help government to produce more entrepreneurs in the future.

The study also may give insights into the different approaches that can be used in determining the influences on the entrepreneurs' motivation to start a business. Hopefully it will help other researchers in future by giving them the alternatives of approach that can be used in their research. The study is also considered as a learning process and a practice to the researcher in producing a

good research. Consequently, it will encourage the researcher to do more research in the future. In the end, it will lead to the enrichment and increment of knowledge in academic field.

Last but not least, the study also can help entrepreneurs in Malaysia particularly in Sabah to understand the reasons behind their involvement in entrepreneurship. Through participation in this research, it will increase their awareness about the importance of entrepreneurs and their contribution towards economic growth. The study also can encourage the entrepreneurs to perform better in their businesses by highlighting the difference of factors that motivating each entrepreneur. The study also can give opportunity to the entrepreneurs to participate and contribute in academic research.

## **1.6 Definition of Key Variables**

### **1.6.1 Achievement Striving**

Achievement striving is similar to McClelland's (1961) "need for achievement" concept which is on the basis of classical theories of need as a motivator of human behavior (Maslow, 1970) and closely linked to Murray's (1938) theory of psychogenic needs. Murray's theory of psychogenic of needs also called as "press-needs" which means pressure a person to act in ways that satisfy those needs. In this study, this need is referred as achievement striving because alternative measures have been developed to assess the achievement construct (Taormina and Lao, 2007).

### **1.6.2 Social networking**

Social networking is the tendency to connect and interact with people (Taormina and Lao, 2007). It is included in social behavior but it also may be viewed as a psychological variable because Maslow (1970) identified the desire for social



interaction (e.g. belongingness) as a significant psychological need. Social networking is referred to "Guanxi" which means creating personal relationships and people used it to overcome hardships and to achieve both personal and business goals (Taormina and Lao, 2007).

### **1.6.3 Optimism**

Optimism is the tendency to have a favorable outlook on life (Taormina and Lao, 2007). It is a person's confidence about favorable outcomes will surpass the unfavorable outcomes. According to Scheier, Carver and Bridges (1994), optimists are individuals who tend to hold positive expectancies of their futures. Cooper, Woo and Dunkelberg (1988) stated that individuals who have already made the commitment to become entrepreneurs showed a remarkable level of optimism.

### **1.6.4 Perceived Importance of Business Environment**

The business environment is the relative strength of the regulatory environment towards the operation of a business (Klapper, Amit, Guilen and Quesada, 2007). According to Taormina and Lao (2007), perceived importance of business environment means the perception of entrepreneur towards the business environment. Therefore, this variable will focus on a potential entrepreneur's perceptions of conditions in the environment; whether it certainly could positively or negatively influence his or her motivation to start a business. In Taormina and Lao (2007) research, there are ten items classified under business environment such as operating cost, global economy, government tax, demand in market, business laws, purchasing power of the currency, government policies, bank loans, opportunity for business development and government loans.

### 1.6.5 Entrepreneurial Motivation

Entrepreneurial motivation is the “motivation” that entrepreneurs have during start-up as a link to the sustaining behavior exhibited later (Naffziger, Hornsby and Kuratko, 1994). Motivation is the driving force which causes people to achieve goals. According to Victor Vroom, motivation is a process governing choices among alternatives forms of voluntary activity (Ivancevich, Konopaske and Matteson, 2011). In this study, the entrepreneurial motivation, is based on *push* and *pull* factors. The *push* factors are the elements that drive people into entrepreneurship, such as the need for greater income and dissatisfaction with the labor market (Humbert and Drew, 2010). Next the *pull* factors are the elements that induce people to become entrepreneurs, such as desire for autonomy and independence or simply because they saw an opportunity in the form of a gap in the market (Humbert and Drew, 2010). Both factors will be used in measuring the motivation to start a business in this study.

## 1.7 Chapter Summary

This chapter is designed to provide a broad overview of the research study. This chapter includes the introduction of the study, the problem statement, the research questions and objectives, the scope of study, the significance of study and the definition of key variables which are relevant to this study. The key variables that are studied in this paper are personality traits: achievement striving, social networking and optimism, environmental factor: perceived importance of business environment and entrepreneurial motivation.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter provides background in the past studies on entrepreneurship and a review of the literature on the relationship of entrepreneurial motivation, personal traits and environmental factors. The first section explains about the definition of the entrepreneurship in more detail and the importance of the entrepreneurship studied. This part explains the concept of entrepreneurship, why it is important and why people involved in entrepreneurship. Then second part discusses in details about entrepreneurial motivation, personal traits which are achievement striving, social networking and optimism, and environmental factor which is perceived importance of business environment.

#### **2.1 Entrepreneurship**

There is no specific definition for the term entrepreneurship. Grilo and Thurik (2004) believed that entrepreneurship is a multidimensional concept, whose definition mainly depends on the focus of the research undertaken. Entrepreneurship adopts what Schumpeter (1950) as a father of entrepreneurship, called "the gale of creative destruction" which changes whole or part of inferior innovations across markets and industries, concurrently creating new products as well as new business models. Consequently, this creative destruction is largely responsible for the dynamism of industries and economic growth in the long-term. Stevenson and Jarillo (1990), two highly regarded academics, entrepreneurship is defined as the process by which individuals pursue opportunities without regard to resources they currently control. Similarly, Krueger and Brazeal (1994) defined "entrepreneurship" as the pursuit of an opportunity regardless to existing resources.