

**DEMOGRAPHIC FACTORS, RISK TAKING  
BEHAVIOR, INNOVATIVENESS AND  
ENTREPRENEURIAL SUCCESS WITH  
THE MODERATING EFFECT OF  
ACCESS TO FINANCE**

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IJAZAH: MBA

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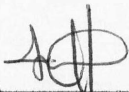
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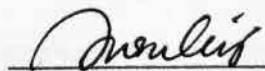
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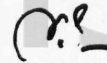
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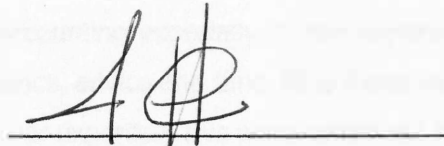
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## DECLARATION

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Heather Ericca Adesine

October 2014

## **ABSTRACT**

### **DEMOGRAPHIC FACTORS, RISK TAKING BEHAVIOR, INNOVATIVENESS AND ENTREPRENEURIAL SUCCESS WITH THE MODERATING EFFECT OF ACCESS TO FINANCE**

Entrepreneur is an individual who makes and develops an organization and displays identity characteristic, for example, risk taking and innovation. People who pursue entrepreneurial careers are high in achievement motivation, take moderate risks, have more inclination and capability to innovate and have internal (rather than external) locus of control. This study is carried out in Kota Kinabalu to investigate the success factors of entrepreneurs (demographic factors, innovativeness, risk taking behavior), with access to financial as the moderator. The respondent for this study were any entrepreneur that owns a business. The overall sample revealed that innovativeness has significant relationship with entrepreneurial success and can be moderated by access to finance. However, the other variables, demographic factors and risk taking behavior were found not significant in determining the entrepreneurial success.



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## **ABSTRAK**

*Usahawan adalah seorang individu yang membuat dan membangun organisasi dan memaparkan ciri identiti, misalnya, mengambil risiko dan inovasi. Usahawan adalah seorang yang mengejar kejaya keusahawanan yang tinggi motivasi pencapaian, mengambil risiko yang sederhana, mempunyai lebih kecenderungan dan keupayaan untuk berinovasi dan mempunyai lokus dalaman (bukan luaran) kawalan. Kajian ini dijalankan di Kota Kinabalu untuk menyiasat faktor kejayaan usahawan (faktor-faktor demografi, daya inovasi, pengambilan risiko tingkah laku), dengan akses kepada kewangan sebagai moderator. Responden untuk kajian ini ialah mana-mana usahawan yang memiliki perniagaan. Sampel keseluruhan mendedahkan bahawa inovasi mempunyai hubungan yang signifikan dengan kejayaan keusahawanan dan boleh disederhanakan oleh akses kepada pembiayaan. Walau bagaimanapun, pembolehubah lain, faktor-faktor demografi dan pengambilan risiko tingkah laku didapati tidak penting dalam menentukan kejayaan keusahawanan.*



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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of the study

Entrepreneur is an individual who makes and develops an organization and displays identity characteristic, for example, risk taking and innovation. People who pursue entrepreneurial careers are high in achievement motivation, take moderate risks, have more inclination and capability to innovate and have internal (rather than external) locus of control. Stankiewicz believes that the role of the entrepreneur in the firm has no acceptable limits. Additionally, Ajagu (2005) argued that entrepreneurship pursuit is close missing in Nigeria and that the deficiency of information in the area has brought in not many individual that ventured into entrepreneur without the essential information succeeding while others have to abandon their dreams.

As indicated by Timmons (1994) entrepreneurship is "the ability to create and build something from practically nothing. It is initiating, doing, achieving and building an enterprise or organization, rather than just watching, analyzing or describing one. It is the ability for sensing an opportunity where others see chaos, contradiction and confusion. It is the ability to build a 'founding team' to complement own skills and talents. It is the know-how to find, marshal and control resources (often owned by others) and to make sure you don't run out of money when you need it most.

Finally, it is the willingness to take calculated risk, both personal and financial and then do everything possible to get the odds in your favor." This study consider Timmons' definition is the most precise in portraying 'entrepreneurship', however it has

the hindrance that it is hard to use in practice. In this manner, this study views an entrepreneur as person who possesses and runs an independent business but acts and carries on pretty much in an entrepreneurial way.

In comparison with different nations within this GEM analysis Malaysia's GDP per capita is relatively low coupled with a very low Total Early-stage Entrepreneurial Activity rate or TEA rate. This is conflicting with the standard where by generally low GDP is related with high TEA rates. Malaysia's TEA rate is also very low within the efficiency-driven economies grouping. Malaysia share the spot with Bosnia and Herzegovina as the second lowest TEA rate. This result is not in tandem with its positioning as an efficiency-driven economy as such low new business ownership rates are more in the domain of innovation-driven economies. Along this lines, for nations with low levels of per capita income, a decrease in commannes rates of early-stage entrepreneurial activity may be a good sign of sustainability, particularly if this is accompanied by financial development and political solidness as seems, to be the situation with Malaysia currently.

Malaysia is well below the average and in fact the lowest for efficiency-driven economies, where early stage social entrepreneurship is concerned. This proposes that the opportunity expenses are high or that Malaysia has overall put institutional support from the government that undertakes a major portion of such tasks. Whichever way it is imperativet for Malaysians to be more aware of social commitments and social entrepreneurship needs to be further empowered and developed.

The New Economic Policy (NEP) was acquainted in year 1971 to encourage the member of Bumiputera entrepreneur's development in business and commercial activities to empower them to compete with other ethnics in Malaysia. Thus, indirectly decreasing the poverty rate among Bumiputera. NEP primary goal was to promote the economy equity (30%) for indigenous individuals in the Chinese dominated business.

Government has also perceived the need to assist in tackling the issue of inadequate finance and lack of access to commercial bank credit experienced by the Bumiputeras. (Saad Al-Harran).

There are few entrepreneurs association structured in Sabah such as Sabah Women Entrepreneurs and Professional Association (SWEPA), Sabah West Coast Entrepreneur Network Association, and Sabah Entrepreneurs Association (S.E.A). SWEPA is a non-governmental organization where formation was headed by the Economic Committee of the Sabah Women's Advisory Council and it aims to bring women entrepreneurs and professionals to the forefront in the economic development of the state and nation (SWEPA. Retrieved on 12/5/2012 at 4.42pm).

## **1.2 Research Problem**

As indicated by Abd Razak Ahmad *et al.* (2012), whom did a research on preliminary study of rural entrepreneurship development program in Malaysia, entrepreneurship is known as an essential source of financial development. Without entrepreneurship, other elements of development will be futile or wasted away. Entrepreneurship is critical to the financial development in Malaysia and it may influence the future in terms of innovation and business opportunities. Entrepreneurship also involves in procurement of occupations and creation of new businesses.

Previous researchers had bring up that absence of financial assistance and access to financing as the critical failure factors for entrepreneurs (Roomi and Hussain, 1998). The principal question address in this study is how each of the independent variables and access to capital related, and how they collectively enable entrepreneurs to perform or success. There is no study that has examine the linkage among these constructed variables in an integrated manner, even though the research on demographic factors,

risk taking, innovativeness, access to financial and entrepreneurs success have been done

As per Ahmad Fadhly Arham & Norhayati Sulaiman (2013), the entrepreneurs in Malaysia are ready to take considerable amount of risks. They understand that taking more risks could enhance higher chances of success. But, few of them have demonstrated that they do not have sufficient financial support. Hence, a powerful financial support for these entrepreneurs may help them to enhance their organizational performance and henceforth contribute towards better financial development for the country.

### **1.3 Research Questions**

Main research question:

What is the determinant of success among the entrepreneurs in Kota Kinabalu, Sabah?

- a. Does demographic factors influence the success of entrepreneurs in Kota Kinabalu, Sabah?
- b. Does risk taking behavior influence the success of entrepreneurs in Kota Kinabalu, Sabah?
- c. Does innovativeness influence the success of entrepreneurs in Kota Kinabalu, Sabah?
- d. Does access to finance moderates the relationship between demographic factors and entrepreneurs' success in Kota Kinabalu, Sabah?
- e. Does access to finance moderates the relationship between risk taking and entrepreneurs' success in Kota Kinabalu, Sabah?
- f. Does access to finance moderates the relationship between innovativeness and entrepreneurs' success in Kota Kinabalu, Sabah?

#### **1.4 Research Objectives**

- a. To investigate demographic factors influences on the success of entrepreneurs in Kota Kinabalu, Sabah?
- b. To examine the risk taking influences on the success of entrepreneurs in Kota Kinabalu, Sabah?
- c. To determine the innovativeness influences on the success of entrepreneurs in Kota Kinabalu, Sabah?
- d. To examine whether access to finance moderates the relationship between demographic factors and entrepreneurs' success in Kota Kinabalu, Sabah?
- e. To examine whether access to finance moderates the relationship between risk taking and entrepreneurs' success in Kota Kinabalu, Sabah?
- f. To examine whether access to finance moderates the relationship between innovativeness and entrepreneurs' success in Kota Kinabalu, Sabah?

#### **1.5 Scope of the study**

This study is carried out in Kota Kinabalu to investigate the success factors of entrepreneurs (demographic factors, innovativeness, risk taking behavior), with access to financial as the moderator. The respondent for this study were any entrepreneur that owns a business.

#### **1.6 Significance of the study**

This study seeks to determine whether demographic factors, innovativeness and risk taking behavior have significance relationship with entrepreneurs' success in Kota Kinabalu. The practical benefits of this study is mainly for entrepreneurs. To entrepreneurs, this study will provide a clearer picture on which determinants that entrepreneurs should be focusing to achieve success.

Furthermore, this study will also assist in providing information by examining the moderating effect of access to financial to clarify whether it has significance impact on the relationship between the success factors and entrepreneurs performance (success). These information would be much interest to the entrepreneurs itself, business managers and leaders, researchers and local entrepreneurs associations.

Lastly, for the theoretical benefits of this study, there was no previous study in the moderating effect of access to finance. Thus, the theoretical implication for this study is to add on new theory/conceptualisation of access to financial as the moderator which can be improve in future research. To future researchers, this study will benefits and help them as their guide and also open for development of this study.

## **1.7 Definition of variables**

### **1.7.1 Entrepreneurial Success**

The measure of success is based on the satisfaction of business growth. If the entrepreneurs are satisfied, it means that they are successful in their business. Entrepreneurial success is the business success of an entrepreneur in associated to the measurement on financial criteria (Solymossy, 1998).

### **1.7.2 Risk Taking**

Risk taking behavior is related to the individual's self-confidence and his or her perceptions of control (Sirec and Mocnik, 2010).

### **1.7.3 Innovativeness**

Innovativeness is the tendency to learn about and embrace innovations (new products) within a specific domain of interest (Goldsmith & Hafacker, 1991)

#### **1.7.4 Access to Financial**

Access to finance refers to the likelihood that individuals or ventures can access financial services, including credit, deposit, payment, insurance, and other risk management services (Demirgüç-Kunt, Beck, & Honohan, 2008).



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## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Entrepreneurship**

An entrepreneur is define as a person who creates and develops a new enterprise and exhibits characteristics of risk taking and innovation. Person who pursue entrepreneurial professions are high in achievement motivation, take moderate risks, have more inclination and capable to innovate and have internal (rather than external) locus of control. The roles of entrepreneur may range from articulating the commercial goals of the enterprise, identifying and soliciting the necessary resources to coordinating their use and assuming responsibility for the success of the enterprise, depending on the character and phase of development of the enterprise.

Entrepreneurs are managers who perform their roles in an entrepreneurial way, their primary focus being change instead of maintaining the status quo, as per Drucker Wickham concurs that entrepreneurship is a style of administration. As indicated by Covin and Slevin (1989), entrepreneurial style of administration is that in which top managers are inclined to take business risks, are proactive and support change and innovativeness.

Entrepreneurship is an idea that has been characterized in various ways (Bruyat and Julien, 2001), ranging from narrow meanings such as startup one's own business, widen conceptualisations such as a work attitude that emphasizes self-reliance, initiative, innovativeness, and risk-taking. The accomplishment of a business is cause of numerous elements, yet the best determinant of a business's prosperity is the entrepreneur

him/herself. Individuals who startup and run businesses need to know their particular qualities and shortcomings because "entrepreneurship involves the capability to construct an 'establishing team' with corresponding skills and talents" (Timmons, 1994). Banks and venture capitalists, as well as consultants who avail entrepreneurs, stress the paramount of the entrepreneur's personality for the prosperity of a business. Further understanding of the personality of the entrepreneur is required for a sound judgment of whether the entrepreneur will help through the marketable strategy successfully. The accomplishment of entrepreneurship is generally subject to individual and or circumstantial variables (Owoseni and Akanbi, 2010). Much research has been conducted into the characteristics and personality of successful entrepreneurs.

Yonekura (1984) suggested the following traits: assertiveness, insistence, forward-looking, critical thinking, creativity, innovation, continuity, preparedness, responsibility, open-mindedness, etc., in the discussion paper on "Entrepreneurship and Innovative Behaviour of Kawasaki Steel"

## **2.2 Demographic Factors**

An extensive variety of studies (Mohammed S. Chowdury, Zaharul Alam, & Md. Ifttekhar Arif, 2013; Prihatin Dwi Riyanti, 2004) profiling the demographic characteristics of entrepreneurs is prove in the writing. A typical pattern in all of these studies depends on clear profiles of demographic and personal characteristics, which are then often compared with results derived from kindred studies in different country settings. Education, age and experience are the proposed demographic factors in this study.

## **2.2.1 The Relationship between Demographic Factors and Entrepreneurial Success**

### **a. Age**

In spite of the fact that Zimmerer and Scarborough (1998) point out that vast majority of entrepreneurs in the United States begin business amidst their 30s and 40s, numerous researchers found that there is no restriction of age for their entrepreneurial goals. Age variation at the beginning of business appears to have no immediate connection to business achievement. As per Staw (1991), at the beginning of any business age is not a definitive factor, however with enough training and preparation, the earlier he/she starts business the better. Staw (1991) also notes that age is related to business achievement in the event that it incorporates both chronological age and entrepreneurial age. This implies that the older an entrepreneur is, the more experiences in business he has. Thus age implies extensive experience.

### **b. Education**

Kim (Meng & Liang, 1996) conducted a study involving entrepreneurs in Singapore disclosed that successful entrepreneurs have higher education levels compared to unsuccessful entrepreneurs ( $p = 0.01$ ). 70% of successful entrepreneurs are university graduated, while 23% are not.

As indicated by Staw (1991), those with higher levels of education are more successful after entering entrepreneurial world. This is because university education provides them with knowledge on modern managerial skills, making them more conscious of the reality within business world and subsequently in a position to utilize their learning capability to manage business. Van der Sluis, Van Praag and Vijverberg (2004) meta-analysis of 94 studies conclude that educating has significant and positive effects on entrepreneurial performance. In addition, research done by Bosma *et al.*

(2004) on Dutch, found that the entrepreneurs that have completed their higher education have higher reported profits.

### c. Experience

Staw (1991) affirms that experience is the best predictor of business achievement, particularly when the new business is related to earlier business experiences. Entrepreneurs with wide experiences in managing business are more fit for discovering approaches to open new business compared to employees with different career pathways.

The essentialness of experience for small-scale business achievement is likewise underscored by other experts. In Zimmerer & Scarborough (1998) study, they note that noticeable explanations for business failures are managerial and experiential incapacities. However, Meng & Liang, 1996 different idea on relation between experience and entrepreneurs success. In their study, they found that 30% of successful entrepreneurs have no work experiences, compared to just 3% of unsuccessful. This indicate that experience is not critically important for business success.

## 2.3 Risk Taking

Risk taking is one of entrepreneur characteristic. Generally people think risk taking is extreme risking, however entrepreneurs intend to receive medium and rational risks. Most individual mean to go to their own mentality extremes about risk and risk taking.

Risk-taking refers to the tendency to participate in practice that can possibly be harmful or dangerous, yet at the same time create chance for outcome that can be perceived as positive (Mehdi Aman Allah & Hamid Nakhaie, 2011). Buttner & Gyskiewicz