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# ENTREPRENEURIAL INTENTIONS AMONG MANAGERS IN KOTA KINABALU SABAH

**SAMRY BIN SUHAIMIN**

**SCHOOL OF BUSINESS AND ECONOMICS  
UNIVERSITI MALAYSIA SABAH**

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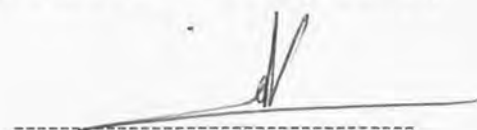
(Penulis : SAMRY BIN SUHAIMIN)

Alamat Tetap :

No.55,Lrg.Wijaya 5,  
Taman Wijaya Park,  
88450,Mengatal,Sabah.

Tarikh : 21hb Julai 2006

(TANDATANGAN PUSTAKAWAN)



(DR.KALSOM ABDUL WAHAB)

Tarikh : 21 JULAI 2006

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## DECLARATION

The materials in this thesis are original except for quotations, excerpts, summaries and references, which have been duly acknowledged.

SAMRY BIN SUHAIMIN  
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## ABSTRACT

This paper aims to identify determinants of entrepreneurial intentions among managers. This study based on data collected from ninety nine (99) managers in Kota Kinabalu, Sabah. A total of 99 copies questionnaire were received which made up 49% response rate. The main focus is to what extent the impact of demographic factors, individual background, personality trait and attitudes and contextual elements on entrepreneurial intention. Independent variables in the study include demographic factors and individual background, personality traits and attitudes, and contextual elements. The dependent variable is entrepreneurial intention. Self-efficacy and instrumental readiness are the variables that affect entrepreneurial intention most significantly. Previous entrepreneurial experience and family background in entrepreneurship have significant influence the entrepreneurial intention. However, age, gender, level of education, educational background are not significant influence entrepreneurial intention. The variance in the regression analysis on entrepreneurial intention was significantly explained by the four independent variables namely, need for achievement, and locus of control, self efficacy and instrumental readiness.



## **ABSTRAK**

### **NIAT KEUSAHAWAN DI KALANGAN PENGURUS-PENGURUS DI KOTA KINABALU SABAH**

*Kajian in bertujuan untuk mengenal pasti faktor-faktor niat keusahawanan di kalangan pengurus-pengurus. Data kajian berdasarkan data yang diperolehi daripada sembilan puluh sembilan (99) pengurus-pengurus di Kota Kinabalu, Sabah. Sebanyak 99 salinan soal selidik telah dikembalikan menjadikan kadar responden keseluruhan berjumlah 49%. Fokus utama kajian in ialah tahap mana kesan faktor-faktor demografi dan latar belakang individu, ciri-ciri keperibadian dan sikap, unsur-unsur mengikut konteks mempengaruhi niat keusahawanan. Keputusan ujian-ujian hipotesis menjelaskan kecekapan diri dan instrumen kesediaan telah memberi kesan ke atas niat keusahawanan. Pengalaman perniagaan dan keluarga yang mempunyai perniagaan juga telah mempengaruhi ke atas niat keusahawanan. Walaubagaimanapun, umur, jantina, tahap pendidikan, latarbelakang pendidikan tidak mempengaruhi niat keusahawan. Variance di dalam regresi berganda ke atas niat keusahawanan sebahagiannya di pengaruhi oleh keperluan pencapaian, kawalan lokus, kecekapan diri dan instrumen kesediaan.*



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# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

Over the past two decades, massive corporate downsizing has led governments around the world to increasingly acknowledge entrepreneurs as a key contributor to new job creation and economic growth. Since the 1980s, about 10 million jobs have been eliminated in an effort to reduce cost and improve performance (Turner, 2000). This trend is expected to grow in the near future as there is a lot of uncertainty in the global economy due to recent outbreaks of war and violence in many parts of the world. At the local front, the Malaysian economy, which has been one of the fastest growing economies in South East Asia since 1987, has seen some dramatic downturn in 1998, which in turn led to the collapse of the Malaysian economy due to the impact of the East Asian Financial Crisis. Retrenchment then was the order of the day by a number of companies. The Malaysian government changed its policies on retrenchment because of this economic crisis. The recent merger exercise by the banks in the year 2001 shed about 10 to 15% of its workforce by affecting the VSS (Hamisah Hamid, 2001). Most of those who opted for the voluntary separation scheme were clerical staff as when the branches closed the staffs most likely affected are the tellers. An entrepreneur can be defined as a person who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them (Zimmerer and Scarborough, 2002). Whereas entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and



receiving the resulting rewards of monetary and personal satisfaction and independence (Hisrich and Peters, 2002). Pleitner, (1986) found that certain characteristics such as the high need for achievement and a high degree of self confidence can determine whether an entrepreneur will be successful or not. Hornaday, (1982) identifies 19 characteristics for successful entrepreneurs such as self confidence, perseverance, and ability to take calculating risk, creativity, flexibility, foresight, leadership, knowledgeable, profit orientation and optimism.

More recent studies have been more specific on demographic factors and personal history, as well as on personality characteristics and environmental factors influencing entrepreneurial intention. Kristiansen and Indarti, (2004) identified those previous studies of business start-ups have documented limited descriptive power of variables related to individual or situational qualities, like age and gender and employment status. Krueger *et al.*, (2000) therefore suggest that attitudes behind intentions deserve more attention in entrepreneurship research. According to Hmieleski, Keith M, Corbett, Andrew, (2006) suggested that improvisation is an important construct to consider in regard to entrepreneurial intentions in that it appears to add explanatory value above and beyond other significant predictors, such as measures of personality, motivation, cognitive style and social models. In this paper, we make a distinction in the theoretical discussion and empirical analyses between entrepreneurial intention, demographic factors and individual background, personality traits and attitudes, and contextual elements

## **1.2 Statement of the problem**

More than ever the driving force in the modern economy remains entrepreneurship. Entrepreneurs are meeting our economic needs through the creation of thousands of new businesses each year. While larger corporations have instituted "downsizing" or "outsourcing" programs, job creation and economic growth has become the domain





of the new ventures and the entrepreneurs who create them. If small businesses are to make the uttermost contribution to the economy, it is therefore incumbent on policy makers, trainers and business advisers to pay attention to the factors impeding and fostering their start-up (Thirerry *et al.*, 1997). Massive corporate downsizing has led governments around the world to increasingly acknowledge entrepreneurs as a key contributor to new job creation and economic growth. For example, the 1985 and 2001 recessions in Singapore exposed the vulnerability of an economy over dependent on foreign capital and lacking a vibrant small and medium-sized enterprise sector (Choo, 2005). These events have led the Singaporean leaders to encourage its citizens to embrace entrepreneurship (Saywell and Plott, 2002). If new ventures are to be considered as engines of growth in an economy, it is therefore incumbent on policy makers to understand the key factors that encourage or impede the creation of start-ups. Therefore, this paper attempts to identify determinants of entrepreneurial intention among managers in Kota Kinabalu, Sabah. The study focuses on managers are those working in public and private sectors who are seeking, either by choice or at will and a later career change. The determinants of entrepreneurial intention are demographic factors and individual background, personality trait and attitudes and contextual elements. The research question of this study is to what extent the demographic factors and individual background, personality trait and attitudes and contextual elements influence the entrepreneurial intention among managers in Kota Kinabalu, Sabah.

### **1.3 Objectives of the study**

The main objectives of this study are as follow:

- i) To investigate the relationships between demographic variables and entrepreneurial Intention.





- ii) To investigate the relationships between Personality traits and attitudes and entrepreneurial Intention.
- iii) To investigate the relationships between contextual elements and entrepreneurial Intention.

#### **1.4 Significance of the Study**

The results of the study will help future entrepreneurs to better understand of reasons behind their own intentions. Those who teach potential entrepreneurs could similarly gain from better understanding managers' motivation and perception of career objective. It is also help the policy makers to understand how potential entrepreneur of small medium enterprise prioritise and how they could encourage pursuing their entrepreneurial intention.

#### **1.5 Scope of Study**

The study was being carried out in the federal and state government's departments/agencies and companies in Kota Kinabalu, Sabah. This study will use the term public sector as to indicate federal and state government agencies and departments or units while private sector to indicate all type companies.

#### **1.6 Background of Research Methodology**

The questionnaire based on the five-point Likert Scale was chosen for this study from **random sampling method** of public and private sectors. A total of 200 self-administered questionnaires were sent to managers in public and private sectors in order to investigate the impact of personality trait and attitudes on managers to start their own business while attention will also be taken to demographic factors, individual background and contextual elements. The Statistical Package for Social Science (SPSS) software was used to further analyse an aggregate data.



## 1.7 Structure of the study

The introduction of the study, problem statement, objective, scope and significance of this study will be explained in Chapter 1. In Chapter 2, elaborates a literature review on the determinants entrepreneurial intention. The conceptual framework and the research methodology of the study will be exhibited in Chapter 3 through the development of eleven (11) hypotheses testing. The results of the data analyses will be presented in Chapter 4. The discussion and limitation of the study will be highlighted in Chapter 5.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter deals with survey of literature in the area of entrepreneurial intention and its determinants, which is divided into four main sections. This chapter also enlightens the definitions, theoretical explanations and some historical research of the pertinent variables, namely demographic factors and individual background, personality trait and attitudes, contextual elements and entrepreneurial intention.

#### 2.2 Entrepreneurial Intentions

According to Bandura, (2001) an intention is a representation of a future course of action to be performed; it is not simply an expectation of future actions but a proactive commitment to bringing them about. Intentions and actions are different aspects of a functional relation separated in time. Intentions centre on plans of actions. Absent intention, action is unlikely. Intentions represent the belief that one will perform certain behaviour. Logically, intent precedes action.

Krueger, (1993) defines entrepreneurial intentions as a commitment to starting a new business. This is accepted as a more encompassing concept than merely to own a business, since the creation of a venture is central to the definition of entrepreneurship as embodied for this purpose study. Starting a business or initiating new venture is often described as purposive, and intentional career choice with the role of entrepreneurial self-efficacy been emphasised as a key indication or antecedents (Chen *et al.*, 1998: 297). By the understanding the antecedents of intentions increases understanding of intended behaviour. Attitudes influence behaviour by their impact on intentions. Intentions and attitudes depend on the





situation and person. Investigating the effect attitudes had on intention to start on business, (Douğlaş and Shepherd, 2002) found that the intention to be an entrepreneur is stronger for those with more positive attitudes to risk and independence. Further study confirmed that the correlation between attitudes and behaviour is fully explained by attitude – intentions, and intention – behaviour links (Kim and Hunter, 1993). Intentional behaviour helps explain why many entrepreneurs decide to start a business long before they scan for opportunities (Krueger et al., 2000). Two intention-based models that are widely recognized, and offer a well-developed theory base that increases stiffness of research, are: (Ajzen's, 1991) theory of planned behaviour and (Shapero's, 1982) model of entrepreneurial event. These models are compared by Krueger et al., (2000), who suggests that by studying these models, which overlap considerably, it is realized that to encourage economic development in the form of new enterprises it is important to first increase perception of feasibility and desirability. Evidence is persuasive that perceived credibility, perceived desirability, and propensity to act explain well over half the variance in intentions toward entrepreneurship, with feasibility perceptions explaining the most (Krueger and Brazeal, 1994). Factors such as individual differences and purely situational influences operate indirectly on intentions by changing these antecedents not by directly affecting intentions. Moreover demographic characteristics indirectly relate to entrepreneurial intentions, for e.g. having a successful entrepreneurial parent is associated with entrepreneurial intentions (Crant, 1996). Education has also been found to be linked to higher levels of entrepreneurship. Research indicates that ethnic and gender differences in career choice are largely explained by self-efficacy differences.

Kolvereid, (1996a) that suggest that entrepreneurial activity in a nation or in a geographical area not only depends on the desirability and feasibility of





entrepreneurship, but also upon the desirability and feasibility of employment. For example, entrepreneurial activities in a nation may decrease when employees are given increased job security, shorter working hours, or longer vacations. Under such circumstances being self-employed becomes a less desirable alternative.

The number of potential entrepreneurs in a region or in a nation is not only determined by the attractiveness of self-employment, but also by the attractiveness of organizational employment. When one of these groups is given increased compensation and/or improved working conditions, this will probably lead to a shift in people's employment status preferences (Kolvereid, 1996b).

The most recently study on proclivity for improvisation as a predictor of entrepreneurial intention by (Hmieleski, Keith M, Corbett, Andrew ,2006), found that improvisation is an important construct to consider in regard to entrepreneurial intentions in that it appears to add explanatory value above and beyond other significant predictors, such as measures of personality, motivation, cognitive style and social models. The authors suggested that individual who have a proclivity for improvisation might not intend to start a business, but may spontaneously undertake in the creation of a new venture if an opportunity to do so present itself. Therefore, proclivity for improvisation might predict a greater proportion of variance in the actual decision to start a business than in entrepreneurial intention.

### **2.3 Demographic and Individual Background**

Several studies support the argument that demographic characteristics, such as age and gender, and individual background, such as education and previous employment experience, have an impact on entrepreneurial intention.

Mazzarol *et al.*, (1999) found that females were generally less likely to be founders of new businesses than males. Similarly, Kolvereid, (1996a) concluded that males had significantly higher entrepreneurial intention than females in a Scandinavian



context. Reynolds *et al.*, (2000) found that individuals aged 25-44 years are the most active in entrepreneurial endeavour in Western countries.

Findings from a study in India also indicate that successful entrepreneurs are relatively young (Shinha, 1996). The same study from India revealed that educational background is of importance for entrepreneurial intention as well as for business success. Lee, (1997) studied women entrepreneurs in Singapore and found that university education had great impact on their need for achievement.

Mazzarol *et al.*, (1999) found that respondents with previous government employment experience were less likely to be business starters compared with employees from private businesses.

Kolvereid, (1996a) found that individuals with prior entrepreneurial experience had significantly higher entrepreneurial intention when compared with those without such experience. Students with entrepreneurial parents reported higher entrepreneurial intentions than those without such role models (Crant, 1996).

## **2.4 Personality Traits and Attitudes**

### **2.4.1 Need for Achievement**

Need for achievement means a person's desire for excellence in competitive situations is a key personal attribute of successful entrepreneurs. McClelland, (1961, and 1971) emphasized that a personality characteristic such as the need for achievement influences individuals in the direction of entrepreneurial intention. He characterized individuals with a high need for achievement as having a strong desire to be successful. People who score high on the need for achievement scale usually appreciate personal responsibility and like taking risks, and they have a strong interest in seeing the results of decisions they make.





Terpstra *et al.*, (1993) more recently stated that the concept of need for achievement includes such characteristics as the desire to be personally successful, the tendency to take moderate or calculated risks, and the desire for immediate and concrete feedback. Lee, (1997: 103) argued that the need for achievement is conceptualized as a unitary disposition that motivates a person to face challenges in the interest of attaining success and excellence'. Scapinello, (1989), in a study of differences in the attributions of groups with high or low motivation, concluded that those with a high need for achievement were less accepting of failure, and thereby suggesting that need for achievement clearly affected attributions for success and failure. Nathawat *et al.*, (1997) found that low need for achievement is associated with low competence, low expectations, an orientation toward failure, and a tendency toward self-blame and low inspirations.

#### **2.4.2 Locus of Control**

The locus of control of individuals determines the degree to which they believe their behaviours influence what happens to them (J.R. Rotter, 1966). They were called internals, when some people believe they are independent that they are control of their own fate and responsible for what happens to them where as they were called externals when themselves as helpless pawns of fate, controlled by outside forces over which they have little, if any, influence. Locus of control is another personality characteristic indicating the level of individual feeling of control. According to Hisrich and peters, (1998: 68), locus of control should be understood as an attribute indicating the sense of control that a person has over life'. When considering forming a new business venture, people will be concerned whether they will be able to sustain the drive and energy required for handling the challenges of establishing and managing the business and making it prosperous.

Locus of control refers to the degree to which an individual perceives success and failure as being contingent on his or her personal initiatives (Green *et al.*, 1996). The level of internal control has been identified as one of the most dominant entrepreneurial characteristics (Venkanthapathy, 1984). Individuals with a high score on feeling of control are also more likely to have a clear vision of the future and long-term business development plans (Entrialgo *et al.*, 2000). There seem to be a general acceptance in the literature that the stronger the internal locus of control of the individuals, the greater the degree of entrepreneurial intention (Mazzarol *et al.*, 1999). However, Krueger *et al.*, (2000) state that predicting entrepreneurial activities by modelling personal factors usually result in disappointingly small explanatory power and even smaller predictive validity. Personality traits may count, but probably first and foremost through related individual attitudes. Intentions are predictors of planned behaviour, while certain specific attitudes in turn predict intentions (Bagozzi *et al.*, 1989 and Kim and Hunter, 1993). Ajzen, (1991) argues that intentions mainly depend on perceptions of personal attractiveness, social norms and feasibility, and (Shapero, 1982) claims that entrepreneurial intentions are dependent on individual perceptions of desirability and feasibility, and on the propensity to act. Self-efficacy is at the core of these theories. Cromie, (2000) emphasizes the need to make a clear distinction between the concepts of locus of control and self-efficacy. The first is a generalised construct that covers a variety of situations, while self-efficacy is task and situation specific. Thus, individuals exhibit a weak feeling of control in general, but may have a high self-efficacy with regard to specific tasks.

### **2.4.3 Self-Efficacy**

The term self-efficacy, derived from Bandura, (1977) social learning theory, refers to a person's belief in his or her capability to perform a given task. According to Ryan, (1970), self-perception plays an important role in the development of intention.



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