

Factors of Entrepreneurial Personality Characteristics on Business Failure of SMEs

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Abstract—The purpose of this research is to identify the factor of entrepreneurial personality characteristics that can lead to the business failure of Small and Medium Enterprises (SME) in Melaka, Malaysia. This research used the Big Five Personality Model or OCEAN Model as the independent variables which include openness, conscientiousness, extraversion, agreeableness, and neuroticism. The quantitative method had been conducted by the researcher to collect the data through the questionnaire that was distributed and answered by the respondent of this research. A total of 379 Small and Medium Enterprises (SME) that established and operate in the business in Melaka, Malaysia had been participating in this data collection process. The result of the analysis showed that openness, conscientiousness, extraversion, and neuroticism have significant relationship with the factors of entrepreneurial personality characteristics on business failure of Small and Medium Enterprises (SME) in Melaka, Malaysia. There is one factor of entrepreneurial personality characteristics which is agreeableness has no significant relationship with factors of entrepreneurial personality characteristics on business failure of Small and Medium Enterprises (SME) in Melaka, Malaysia. The result of this study contributes in improve the rate of business success among SME in Melaka, Malaysia by eliminating the possibility of business failure

Keywords—*Entrepreneurial personality characteristics, Big Five Personality Model, business failure, Small and Medium Enterprises (SME), Melaka.*

I. INTRODUCTION

THIS research was focus on the factors of entrepreneurial personality characteristics that can lead to SME business failure. It is logical to conclude that an entrepreneur should be able to increase the probability of achieving business success than business failure if an entrepreneur can have a better understanding of why entrepreneurship fails [1]. The respondent for this research was focused on Small and Medium Enterprises (SME) in Melaka, Malaysia. It is because the contribution of GDP of Melaka state to the Malaysia GDP was fluctuated around 2.9%-3.0% [2], which means there do not have any high improvement of Melaka's GDP in this recent year. So, it is important to ensure that SME in Melaka can succeed in their business in purpose to provide more contribution and high improvement to the GDP of Melaka. Other than that, majority of the research is only focused on the factor success of SME business, the factor of SME business failure should be also point out in purpose to provide more important information for SME to improve in purpose to increase the chance of success by reducing the risk of failure [3].

II. LITERATURE REVIEW

A. *Entrepreneur Personality Characteristics*

In this research, the theory that was used to identify the factors of entrepreneurial personality characteristics was the Big Five Personality Model (OCEAN) introduced and established by McCare and Costa in the year 1985. Big Five Personality Model (OCEAN) has become a seminal personality theory that offers a scientific explanation for the casual factors that define an individual's potential and direction. All the personality characteristics have categorized into the Big Five Personality Model which are openness(O), conscientiousness(C), extraversion(E), agreeableness(A), and neuroticism(N) from the study of McCare and Costa in the year 1985 [4]. The Big Five Personality Model aiming to discover all the personality that different between the entrepreneur and non-entrepreneur. The Big Five Personality Model as the important tools for manifestation of entrepreneurship start-up activities and intentions that can critically assess the business success and lead to business failure of an entrepreneur business [5]. Most entrepreneurs would have high personality in openness, conscientiousness, extraversion, and have low personality in agreeableness and neuroticism (O+, C+, E+, A-, N-) [6].

B. *Openness(O)*

Openness is summarized about the individual tendency that favors creativity, new experiences, change, and diversity [7]. The entrepreneur who has high openness personality has a better mental state to receive and act the signals of opportunity from the environment [5]. In contrast, the entrepreneurs who are low openness personality will more prefer the conventional, traditional or existing business style in which the entrepreneurs will only stay in a comfort zone by following the policies, procedures, and culture that already have implement by the established business [7].

C. *Conscientiousness(C)*

Conscientiousness is all about self-regulation and the capacity to organize and manage something. An entrepreneur with high conscientiousness

personality has high level of self-discipline [7] which entrepreneur will operate the business with organized, efficient, and also systematic [5]. The qualities of this personality such as hard work, possessing work goal orientation, self-efficacy perseverance can be the vehicle to help entrepreneurs to achieve the business goals and success more easily [4]. The entrepreneur who has low conscientiousness personality can be meet with business failure easily because of poor managerial performance and achievement motivation [8].

D. *Extraversion(E)*

Extraversion is the personality that more about communication and social skill which summarize the individual tendency on favour outgoing, talkative, and energetic style in social interactions [7]. High extraversion personality is important for an entrepreneur to build and maintain the good relationship of them with the suppliers, employees, customers, and also stakeholder [5]. This including with communication of vision and enthusiasm, building networks with stakeholders, good negotiating skill with the client, fostering positive relationships with employees [4]. The entrepreneur lack of extraversion may face with business failure easily seems not able to communicate with the stakeholder for long term relationship and benefits.

E. *Agreeableness(A)*

Agreeableness describes the individual tendency towards harmony and altruism in social interaction [7] which include sympathetic, warm, kind, cooperative, and others [5]. An individual with high agreeableness personality is characterized as trusting, selfless, cooperative, and modest [4]. According to the research from [5], individual who with high agreeableness personality not suitable to become an entrepreneur because the bright side of agreeableness such as sympathetic, kindness and selfless can be the biggest obstacle to entrepreneur intentions and behaviour on business activity decision making.

F. *Neuroticism(N)*

Neuroticism is more about subclinical neurotic issues. The entrepreneur who has high neuroticism personality more prone to negative feelings such as fear, guilt, or worry [7]. High neuroticism personality can bring no beneficial but bad effect to the relation and communication of the entrepreneur with their stakeholder that can lead to business failure because of all the negative emotions such as angry, moody, and others [8]. In contrast, the entrepreneur who in the low score are more emotionally stable and able to remain claim in any difficult situation [7]. According to the research [4], it is important to perform low neuroticism personality which is emotional stability that can help in improve the entrepreneur's performance in any situation.

G. *Business Failure*

When a business not able to achieve business success, then it will face business failure. Business failure always happens in today's business world, which is considered as an essential and significant part of new business ventures [9]. The risk of business failure is important at any stage of business development [10]. It was also argued that there is no failure until an entrepreneur stop trying to maintain their business [11]. However, business failure not only defines as situation when a business is unable to survival continuous or closure but also the moment when businesses not able to gain high profit and start creating losses on their business is also defined as business failure [9]. Other than that, there are also several dimensions of business failure which can be bankruptcy, business closure, ownership change, and also failure to meet expectations [9]. There are many factors can assess business success and also lead to business failure which includes entrepreneur characteristics, quality of products and services, marketing strategy, resources and finance management, and others [12].

H. *Small and Medium Enterprises (SME) in Melaka, Malaysia*

In Malaysia, two main criteria are used to determine the definition of SME, which are

sales turnover and also the numbers of full-time employees [13]. There are three categories for Malaysia SME, which are micro, small, and medium enterprise. There are 3.5 % from 907065 SMEs which are 31361 SMEs are established, and operate the business in the state of Melaka [2]. Part of this population, there were 379 SMEs (220 Melaka Tengah & 159 Alor Gajah) were selected as the respondents of this research.

I. *Theoretical Framework*

The five factors of entrepreneurial personality characteristics that use in this study come from the Big Five Personality Model or OCEAN model which are openness(O), conscientiousness(C), extraversion(E), agreeableness(A), and neuroticism(N).

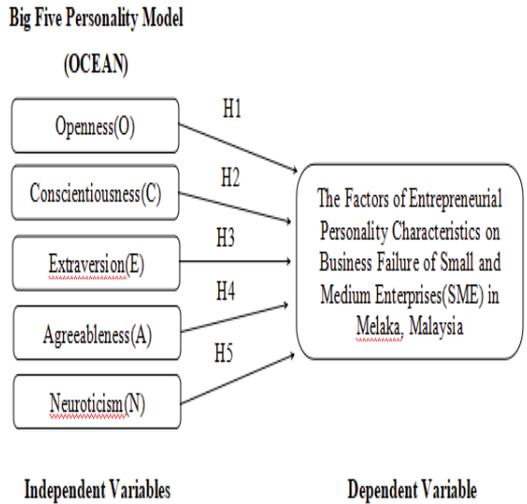


Fig. 1. Theoretical Framework [5]

III. METHODOLOGY

A. *Methodology Choice*

Descriptive research design had been used to describe the factors of entrepreneurial personality characteristics on the business failure of SME Melaka, Malaysia and refer to the issues on previous research papers. This research not only creates an understanding of the factors of entrepreneurial personality characteristics on business failure, it is also used the hypothesis to define the relationship between entrepreneurial personality characteristics and business failure.

The quantitative method had been conducted in this research. This method allows large sample size and a large amount of data can be collected in the shortest time [14]. There were 379 SME in Melaka involved in this research according to Krejcie and Morgan table [15].

B. Location of Research

The researcher focused on Melaka as a state of Malaysia in sampling design. The reason why this research focused on Melaka, Malaysia is because the contribution of Melaka GDP to Malaysia GDP has no improvement in this recent year which always fluctuated between 2.9% to 3.0%. There have 31361 of SME in Melaka [2]. If all of these SMEs can achieve business success, this will able to contribute to the high improvement to the Melaka GDP and improve the lives of people in Melaka.

C. Questionnaire Design

In this research, the researcher had developed the questionnaire for data collection purposes use to get a solution for the problem statement. The questionnaire in this research consisted of three parts. The first part of the questionnaire was cover about the demographic profile of respondents such as gender, age, and others. The demographic profile for the use of determination on the general character of the respondent. For the second part, it was focused on the awareness of SME Melaka, Malaysia towards factors of entrepreneurial personality characteristics on the business failure of SME in Melaka which was the dependent variables of this research. It is used to define whether the entrepreneur of SME Melaka, Malaysia will think that the factors of entrepreneurial personality characteristics as an important factor that can lead to business failure. The third part of the questionnaire was asked about the factors of entrepreneurial personality characteristics that can lead to business failure. It is used to define the most significant factor of entrepreneurial personality characteristics that can influence a business failure from the perspective of SME in Melaka, Malaysia. The questionnaire was developed by using a Likert scale for data collection. This approach consisted

of asking subjects that use to define the extent of agreement on respondents with each of the statements related to the focus of the desired attitude. The responses for each statement are scored from one(1) to five(5), which are strongly disagree(1), disagree(2), neutral(3), agree(4), and strongly agree(5) [16]. Respondents are asked to show the level of agreement with the given statement on the questionnaire [17].

D. Data Analysis Method

Descriptive analysis was used to describe the result of the data collected. The table was used to display the data for easy reading and understanding. The aggregate measures for the description of sample data are also calculated which include measures of central tendency and measure of dispersion [18]. Inferential statistics was conducted by the researcher in purpose to investigate the relationship between independent and dependent variables. The analysis that had been conducted from inferential statistics were Pearson correlation analysis for defined correlation coefficient and multiple regression analysis for estimated the regression coefficients.

IV. RESULTS AND DISCUSSION

A. Demographic profile

The respondent's background which includes gender, age, race, year of business, size of the business, education level, and also industry field of SME that had highest frequency in Melaka has been shown on table 1.

TABLE 1. DESCRIPTIVE ANALYSIS OF RESPONDENT'S DEMOGRAPHIC WITH HIGHEST FREQUENCY

Demographic	Frequency with highest value	N	%
Gender	Male	194	51.2
Age	25 - 29 years old	101	26.6
Race	Chinese	159	42
Year of Business	1 - 5 years	160	42.2
Business Size	Small Enterprise	168	44.3
Educational Level	Degree	186	49.1
Industry Field	Food and Beverages	143	37.7

B. Entrepreneurial Personality Characteristics on Business Failure

There is 5 range scale of agreement levels for Likert scale which strongly disagrees (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

TABLE II. ENTREPRENEURIAL PERSONALITY CHARACTERISTICS OF BUSINESS FAILURE

Statement	Likert Scale	Frequency	(%)
1. Entrepreneurial personality characteristics have effect relationship with business failure.	Strongly Disagree	3	0.8
	Disagree	37	9.8
	Neutral	22	5.8
	Agree	114	30.1
2. Cultivation of positive entrepreneurial personality characteristics is importance for an entrepreneur to avoid from business failure.	Strongly Disagree	3	0.8
	Disagree	35	9.2
	Neutral	21	5.5
	Agree	153	40.4
3. Negative entrepreneurial personality characteristics can speed up the happen of business failure.	Strongly Disagree	2	0.5
	Disagree	27	7.1
	Neutral	21	5.5
	Agree	152	40.1
4. It is importance for an entrepreneur to learn and understand with the type of entrepreneurial personality characteristics that should prevent by them to avoid from business failure.	Strongly Disagree	3	0.8
	Disagree	22	5.8
	Neutral	16	4.2
	Agree	155	40.9
Strongly Agree	183	48.3	

C. Reliability Test

From the result, the Cronbach's Alpha value was achieved 0.917 which considered that the data collected from the questionnaire for all variables were reliable and acceptable because the Cronbach's Alpha value was greater than 0.7.

TABLE III. RELIABILITY TEST

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.917	0.917	29

D. Pearson Correlation Analysis

From the result, all the independent variables have a positively and significant relationship

($p < 0.05$) with the factor of entrepreneurial personality characteristics on business failure of SME in Melaka. All the independent variables have strong positively relationship with dependant variable which the correlation coefficient (r) value was higher than 0.5, except agreeableness as the only independent variable that has only positively relationship with dependent variable because the correlations coefficient (r) value was higher than 0 but lower than 0.5.

TABLE IV. PEARSON CORRELATION BETWEEN VARIABLES

	r	Business failure
Openness(O)	r	0.637
Conscientiousness(C)	r	0.683
Extraversion(E)	r	0.692
Agreeableness(A)	r	0.464
Neuroticism(N)	r	0.657

****Correlation is significant at the 0.01 level (2-tailed).**

E. Multiple Regression Analysis

Table 5 showed that the estimated coefficients were beta (constant) 0.543 which beta of openness was 0.168, the beta of conscientiousness was 0.319, the beta of extraversion was 0.293, the beta of agreeableness was -0.053, and the beta of neuroticism was 0.154.

TABLE V. COEFFICIENT TABLE

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
(Constant)	0.543	0.183	0.003
1 Openness(O)	0.168	0.058	0.004
Conscientiousness(C)	0.319	0.056	0.000
Extraversion(E)	0.293	0.072	0.000
Agreeableness(A)	-0.053	0.048	0.274
Neuroticism(N)	0.154	0.064	0.017

a. Dependent Variable: Entrepreneurial Personality Characteristics on Business Failure of SME in Melaka

The equation of the multiple regression analysis based on the data above formed as below:

Factor of Entrepreneurial personality characteristics on business failure of SME in Melaka = 0.543 + 0.168 O + 0.319 C + 0.293 E + (-0.053) A + 0.154 N

The equation above with the meanings of every unit of openness would lead to 0.168 increase in the factor of entrepreneurial personality characteristics on the business failure of SME in Melaka, every unit of conscientiousness would lead to 0.319 increased, and so on. Table 4.19 showed that conscientiousness as the independent variable that had the highest beta value which was 0.319. It means that conscientiousness was the major factor that influenced the factor of entrepreneurial personality characteristics on business failure of SME in Melaka. Other than that, agreeableness as the independent variable that has the lowest beta value that was -0.053 which means it is the least influence factor on the factor of entrepreneurial personality characteristics on business failure of SME in Melaka. Other than that, according to the p-value or significant level, except for agreeableness, other four of the independent variables include openness, conscientiousness, extraversion, and also neuroticism have significant relationship with the dependent variable of this research which the p-value is lower than 0.005.

IV. CONCLUSION

In conclusion, four independent variables include openness, conscientiousness, extraversion, and also neuroticism as the factors of entrepreneurial personality characteristics that lead to business failure of Small and Medium Enterprise (SME) in Melaka, Malaysia. The first implication of this research is a theoretical implication that provides a more deeply understanding of OCEAN Model which as the independent variables of this research to the knowledge of SME Melaka, Malaysia. Then, the managerial implication of this research is Melaka's SME can apply the use of OCEAN Model in the management of their business in purpose to avoid from business failure which openness for creativity and competitive advantages, conscientiousness for managerial performance and achievement motivation, extraversion for social interaction skills, agreeableness for harmony and altruism in social interaction, and neuroticism on emotional

stability. Finally, the practical implication of this research toward Melaka's SME is the guideline for them in the improvement of entrepreneurial personality characteristics. Melaka's SME should conduct the personality test based on OCEAN Model in purpose to help SME understand the structure of their personality which neither their current personality are suitable to become an entrepreneur or not.

The first recommendation from the researcher is a similar research study that will be going to conduct on future should apply the method of qualitative. The qualitative method by an interview with numbers of SME can be more easily for the researcher to collect the data and reduce the time consuming to gather data. Other than that, similar research recommends also to conduct for the other state of Malaysia. The reason is that the finding of the relationship between agreeableness personality with business failure is still inconsistent. More detailed research and investigation need to be conducted in purpose to get the most accurate answer for it. Finally, the research study that related to factors of entrepreneurial personality characteristics or other factors that can lead to business failure should also conduct by the future researcher. It is important also to point out all the factors that can lead to business failure of SME in purpose to improve their understanding of why business failure can happen and increase the possibility of business success.

ACKNOWLEDGMENT

We would like to express our gratitude to the Universiti Teknikal Malaysia Melaka (UTeM) and Faculty of Technology Management and Technopreneurship (FPTT) for the support and information to complete this work.

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