

Entrepreneurial Personality in Predicting Self-Regulation on Small and Medium Business Entrepreneurs in Pekanbaru, Riau, Indonesia

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ABSTRACT

Objective – The present study was conducted to describe the psychological state of the entrepreneur in the utilization of resource potential and business development, and to identify the personality factors that most influence self-regulation in SMEs entrepreneurs.

Methodology/Technique – This study was performed using a measurement scale in order to test the response of the personality factors and self-regulation of entrepreneurs of SMEs in Pekanbaru, Riau. The sample included 152 entrepreneurs of SMEs. Regression analysis was been applied to test the influence of the personality factors contributing towards self-regulation. In addition, descriptive response analysis is used to describe the response shown by the participants regarding the variables measured.

Findings – The analysis shows that personality factors (openness to experience, conscientiousness, extraversion, agreeableness) have a significant effect on self-regulation in entrepreneurs in Pekanbaru City. The results also show that the personality factor neuroticism does not have a significant effect on self-regulation in entrepreneurs of SMEs in Pekanbaru, Riau.

Novelty – SMEs in Indonesia hold the potential for increasing economic growth. Despite this, the Central Bureau of Statistics has recorded a decrease in the number of new SMEs from 2011 to 2014.

Type of Paper: Empirical.

Keywords: Entrepreneurial Personality; Self-Regulation; Small and Medium Business Entrepreneurs.

JEL Classification: L20, L26; L29.

1. Introduction

Entrepreneurship is seen as the most important driving force in economic growth, due to its ability to create jobs, increase individual income, accelerate poverty alleviation and support creative innovation. Indonesia's economic growth resulting from business is only able to reach less than 2 percent of Indonesia's

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population, when compared to other ASEAN countries such as Singapore and Malaysia (Barley, 2014). Micro, Small and Medium Enterprises are therefore the foundation for strong economic growth in Indonesia. Based on data from the Ministry of Cooperatives and Micro, Small and Medium Enterprises (SMEs) in 2014, the growth index of Indonesia ranges from 1.56 per cent of the population of Indonesia (Buchari, 2010).

Various studies have investigated entrepreneurial orientation in empirical studies, which has revealed that certain known psychological factors contribute to an individuals' desire to become an entrepreneur (Dej, 2008; Liang, Lee and Liang, 2015; McClelland and Winter, 1969; Ullah, Farooq and Ahmad, 2012). The Central Bureau of Statistics Riau (2010) states that the number of entrepreneurs in Pekanbaru city is only 0.1% of the total population, being 867 million people. This low number is primarily due to the fact that business activities inherently carry certain risks and uncertainties that may cause various challenges and problems that are difficult for the individual to overcome (Suryana and Bayu, 2010).

Personality plays an important role in the development of entrepreneurs. For instance, an intention to serve others is one of the first considerations in a career as an entrepreneur (Zhao, Seibert and Hills, 2005). Antoncic, Kregar, Singh and Noble (2013) have identified a direct link between an individual's personality and the likelihood that they will become an entrepreneur. Based on the results of that study, entrepreneurship is described as a mental state in which an individual sees opportunity in taking the action of creating and developing a business.

Further, Antoncic et al (2013), determines that personality factors such as openness, extraversion and agreeableness signal an increased chance that an individual will want to become an entrepreneur. The key to being a successful entrepreneur is to have a superior personality, to be creative and to be bold in taking risks. A young entrepreneur with a superior personality will inherently be more confident than others (Lowe and Ziedonis, 2006), will be more inclined to take risks, and will be better equipped to make sound judgments when dealing with issues or problems (Marcu, Iordanescu and Iordanescu, 2012).

However, personality not only refers to individual differences (McCrae and Costa, 1996). Brice (2003) states that personality factors account for 72% of the confidence of entrepreneurs in building their business. One key personality factor that all successful entrepreneurs must have is the ability to self-regulate; to control themselves and to develop and create different innovations to face any challenges (Stokes, Wilson and Mador, 2010).

2. Personality Traits That Predict Self-Regulation

The big five personality factors can provide a fundamental difference in outcomes of individual behavior when they are exercising self-regulation (John, 1990). McCrae and Costa (1992) reveal that the big five personality factors serve as a common framework for examining human personality. Self-regulation is very important for human life and refers to the process whereby individuals seek to control their thoughts, feelings and impulses (Baumeister, Gailliot, DeWall and Oaten, 2006). John and Gross (2004) suggest that the big five personality factors play an important role in the formation of one's self-regulation, because each personality trait are significant to have a large effect on self-regulation. Dias and Castillo (2014) further state that the ability of individuals to regulate their own behavior is an indicator of their ability to exercise discipline in achieving their goals (Morosanova, 2013).

Jantz (2011) also states that the ability of a person to self-regulate can also have an effect on the likelihood that a person will enter into entrepreneurship. Further, Zhao and Seibert (2006) believe that the key traits of an entrepreneur are openness and good self-control. Self-regulation allows individuals to take control of the environment around them and supports them in their success (Frese and Gielnik 2014). Based on the above, it is hypothesised that the big five personality factors have a significant effect on the self-regulation of entrepreneurs.

3. Method

This study aims to analyse the relationship between the big five personality traits and self-regulation. From this, it also determines how this relationship can be used to describe the psychological disposition of entrepreneurs and how their ability to self-regulate supports their success in business development.

3.1 Participants

There are approximately 12,166 entrepreneurs of Micro, Small and Medium Enterprises (SMEs) in Pekanbaru. The business population in that area is spread across 12 districts in Pekanbaru City, Riau Province. In this study, the type of businesses used as the research subjects include those related to creative efforts and those that contain elements of local cultural wisdom. After passing the initial screening phase, 152 entrepreneurs were selected with individual small business owners. The selected entrepreneurs were aged between 22 and 39 years old, 28.9% between 40 and 57 years old, 61.8% between 58 and 75 years old, and 9.2% of entrepreneurs.

The researchers visited each business where the respondents work and asked them to complete the questionnaire. A small number of respondents did not understand the purpose of the questions given, and hence they were given assistance when completing the questionnaire. In addition, only those businesses that deals with local wisdoms consisting of creative products (such as hard and soft crafts, carvings, sculptures, etc.), textiles (weaving and batik), and culinary products (typically cakes and foods from Riau or other foods typically found in one of the regions in Indonesia) were used in the study. Further, the businesses studied must not have an annual revenue above 50 million rupiah.

3.2 Research Instruments

The scale of the big five personality factors used in this study is an adaptation of the scale based on the big five personality theory by McCrae and Costa (2004), consisting of 60 items. The factors that will be measured are: (1) openness to experience, (2) conscientiousness, (3) extraversion, (4) agreeableness and (5) neuroticism.

The scale of self-regulation in this study has been adapted to the Indonesian culture, prepared by Miller and Brown in 1991, and translated into many languages, including Indonesian. This self-regulation scale consists of 63 item based on indicators of self-regulation in an individual. The dimensions of the formation of self-regulation are as follows:

- 1) receiving;
- 2) evaluating;
- 3) triggering change;
- 4) searching;
- 5) formulating;
- 6) implementation; and
- 7) assessing.

4. Results

In general, the scores for self-regulation in terms of the big-five personality factors are described by reference to the response categories. The response categories aim to place individuals into separate groups in stages based on the measured factor indicators. The descriptive analysis of each variable response is summarized in Table 1.

Table 1 Descriptive Response Factors of Personality and Self-Regulation

Variable	M	SD	Very high	High	Moderate	Low	Very low
Openness to experience	12,23	1,26	1	42	31	14	12
Conscientiousness	32,81	2,92	7	45	8	34	6
Extraversion	31,24	2,80	7	25	53	10	5
Agreeableness	41,30	4,52	4	34	22	32	8
Neuroticism	24,01	1,95	8	41	13	30	10
Self-Regulation	165,76	15,48	7	26	26	23	9

Based on the description above, it is concluded that the majority of entrepreneurs in Pekanbaru City displayed a high response to the following personality factors: openness to experience, conscientiousness, agreeableness and neuroticism. Additionally, the majority of responses were shown to contribute to the personality factors of extraversion and self-regulation.

4.1 The Influence of Personality Factors Toward Self-Regulation

The hypothesis testing is conducted to determine the effect of the personality factors (openness to experience, conscientiousness, extraversion, agreeableness, neuroticism) on self-regulation. The results in Table 2 indicate that the correlation between the five personality factors and self-regulation in entrepreneurs is significant ($R = .67$; $R^2 = 44.8$; $**p \leq .000$). The highest coefficient in relation to the personality factors was extraversion ($R = .544$; $R^2 = 29.6$; $**p \leq .000$). Meanwhile, low neuroticism was found to have a negative effect on the regulation of self-esteem ($R = .032$; $R^2 = 1\%$). The results therefore highlight the influence of those personality factors on self-regulation in entrepreneurs of SMEs in Pekanbaru, Riau.

Table 2. Regression Analysis Testing Personality Factors Towards Self-Regulation

Variable	R	R Square	Adjusted R2
Openness to experience	.536**	.288	.280
Conscientiousness	.545**	.297	.290
Extraversion	.544**	.296	.289
Agreeableness	.613**	.376	.369
Neuroticism	.032	.01	-.009

$$F = 15.288; R = .67; R^2 = 44.8; **p \leq .000$$

Based on the results of the data analysis using regression techniques, it was found that openness to experience has a significant impact on self-regulation in entrepreneurs in the city of Pekanbaru. This is consistent with the findings of Zhao and Seibert (2006). Entrepreneurs with this personality are often open to new business opportunities that are unique and those individuals are typically intellectual and resourceful in seeking new experiences and exploring new ideas. Further, the study by Huang and Bramble (2016) shows that conscientiousness also has a positive effect on self-regulation. According to that study, a complex environment creates a more dynamic business environment. Therefore, conscientiousness can have an effect on the self-regulation process and an individual's ability to consider situational challenges. Extraversion was

also found to have a significant impact on self-regulation. These results are consistent with research conducted by Busato, Prins, Elshout, and Hamaker (2000), which explains that extraversion is positively correlated with the ability to self-regulate (Kirwan, Gibson, Lounsbury, 2014). In addition, agreeableness also has a positive effect on self-regulation (Fathizadeh and Koshouie, 2017). If entrepreneurs are not able to organize and manage their businesses properly, then the entrepreneur will face difficulties in their entrepreneurship.

6. Conclusion

This study examines the influence of the big five personality factors on self-regulation among entrepreneurs of SMEs in Pekanbaru, Riau. The findings of the analysis of the data shows that there is a positive and significant relationship between the personality factors (openness to experience, conscientiousness, extraversion, agreeableness) and self-regulation. However, not all personality factors can predict the ability of entrepreneurs to self-regulate. In addition, neuroticism was shown to not have a significant effect on entrepreneurial self-regulation.

The results of this study report on the theory that personality factors may be used to determine the behavior and characteristics of entrepreneurship. The analysis in this study shows that certain personality factors are able to predict the presence of the ability to self-regulate among entrepreneurs. Those entrepreneurs displaying these extravert characteristics tend to be liked by their community, because of their communication skills and confidence. Further, an individual who is conscientious displays consistency in their business path, is hardworking and diligent.

The importance of personality traits as predictors of self-regulation among entrepreneurs has been debated by certain experts (O'Shea, Buckley, and Halbesleben, 2017; Leutner et al, 2014), and their findings have resulted in the implications of empirical and inferential studies. Individuals who have a strong personality characteristics tend to have an increased ability to deal appropriate with problems and challenges as they arise, to achieve success in the operation of their business (Kusumo, 2006). Further, individuals with the ability to self-regulate tend to have a greater capacity to control negative emotions during difficult times, thereby setting them up for success. Therefore, an individual's personality type may be useful for future study of entrepreneurship, particularly if the personality factors are considered separately.

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