

**THE FACTORS OF ENTREPRENEURIAL PERSONALITY
CHARACTERISTICS ON BUSINESS FAILURE OF SMALL AND MEDIUM
ENTERPRISES (SME) IN MELAKA, MALAYSIA**

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‘ I hereby declared that I had read through this thesis and in my opinion that this thesis is adequate in term of scope and quality. This thesis is submitted to Universiti Teknikal Malaysia Melaka which fulfill the requirements for the completion and award of Bachelor of Technopreneurship with Honors (Btech).’

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**The thesis is submitted in partial fulfillment of the requirements for the award
of Bachelor of Technopreneurship with Honors**

**Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka**

December 2019

DECLARATION OF ORIGINAL WORK

“I hereby declare this report is the result of my own, expert certain explanations and passage where every of it is cited with source clearly.”

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DEDICATION

I would like to dedicate the appreciate to my beloved family members who supported me in terms of spiritual and financial. Other than that, I would like to dedicate the appreciate to my beloved supervisor and panel who guided me throughout the research by providing valuable suggestion. Finally, I would also like to dedicate appreciate to my course mates for their assistance through the journey of completing the research.

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Furthermore, I would like to thank for the researcher who have previously conducted and published the similar research study. All the theory and knowledge that provided by all these previous similar research had became the useful information as reference that help in complete this Final Year Project.

Lastly, I would also thankful to all the Small and Medium Enterprises (SME) in Melaka, Malaysia who was willing to sacrificed their time in answering the questionnaire. Appreciate goes also to those involved directly or indirectly in this Final Year Project. I hope this report able to become useful sources in the future.

ABSTRACT

Entrepreneurial personality characteristics of an entrepreneur is an importance factors that can lead to the business failure of the Small and Medium Enterprises (SME) in Melaka, Malaysia. It is include with set of behaviors, characteristics, qualities and also emotional pattern of an entrepreneur on managing the business, interact with customers and others. 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. Quantitative method had been conducted by researcher to collect the data through questionnaire that distributed and answered by 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 participate in this data collection process. The result of analysis showed that openness, conscientiousness, extraversion, and neuroticism has 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 contribute in improve the rate of business success among SME in Melaka, Malaysia by eliminate the possibility of business failure.

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

ABSTRAK

Ciri perwatakan keusahawanan sebagai faktor penting yang boleh menyebabkan kegagalan perniagaan kepada “Small and Medium Enterprises (SME)” di Melaka, Malaysia. Ini termasuklah dengan tingkah laku, ciri-ciri, kualiti dan corak emosi kepada seseorang usahawan dalam menguruskan perniagaan dan, berinteraksi dengan pelanggan, dan lain-lain. Tujuan kajian ini adalah untuk mengenal pasti ciri perwatakan keusahawanan yang boleh menyebabkan kegagalan perniagaan kepada “Small and Medium Enterprises (SME)” di Melaka, Malaysia. Kajian ini menggunakan “Big Five Personality Model” sebagai variasi pembolehubah termasuk “openness”, “conscientiousness”, “extraversion”, “agreeableness”, dan “neuroticism”. Kaedah kuantitatif telah dijalankan oleh penyelidik untuk mengumpul data melalui soal selidik yang diedarkan dan dijawab oleh responden kepada kajian ini. Sebanyak 379 SME yang beroperasi perniagaan di Melaka, Malaysia telah terlibat dalam proses pengumpulan data. Keputusan analisis kajian ini menunjukkan bahawa “openness”, “conscientiousness”, “extraversion”, dan “neuroticism” mempunyai hubungan penting dengan faktor-faktor ciri perwatakan keusahawanan yang boleh menyebabkan kegagalan perniagaan kepada “Small and Medium Enterprises (SME)” di Melaka, Malaysia. Terdapat satu faktor ciri perwatakan keusahawanan yang tidak mempunyai hubungan penting dengan faktor-faktor ciri perwatakan keusahawanan yang boleh menyebabkan kegagalan perniagaan kepada “Small and Medium Enterprises (SME)” di Melaka, Malaysia. Hasil kajian ini menyumbang bagi meningkatkan kadar kejayaan perniagaan di kalangan SME di Melaka, Malaysia dengan menurunkan kemungkinan kegagalan perniagaan.

Kata Kunci: Ciri perwatakan keusahawanan, “Big Five Personality Model”, kegagalan perniagaan, “Small and Medium Enterprises (SME)”, Melaka, Malaysia.

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LIST OF ABBREVIATIONS

ABBREVIATIONS	MEANING
SME	Small and Medium Enterprises
OCEAN	The Big Five Personality
GDP	Gross Domestic Product
IV	Independent Variables
DV	Dependent Variables
SPSS	Statistical Package for Social Science
ANOVA	Analysis of Variance
O	Openness
C	Conscientiousness
E	Extraversion
A	Agreeableness
N	Neuroticism

LIST OF SYMBOL

ABBREVIATIONS	MEANING
α	Cronbach's Alpha Coefficients
r	Correlation Coefficients
B	Beta Value
H ₀	Null Hypothesis
H _a	Alternative Hypothesis
X	Independent Variable
Y	Dependent Variable

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CHAPTER 1

INTRODUCTION

1.1 Introduction

On this chapter, the reason of why the research is needed and how importance to the society was explained details in the part of research background. Other than that, the problem statement also had been covered in this chapter to explain more details about the problem that related and lead to the business failure of SME in Melaka, Malaysia that now existing and still not solve yet. After that, the research question had been create based on the problem statement, and the research objective had been created in purpose used to answer the research question. The significant of study also explained details on how this research is importance and useful to the society. Finally, the scope of study of this research also had been fix and why should focus on it also explained details in this part.

1.2 Research Background

Entrepreneur define as the person who start up the business and very importance for new wealth creation and development of economic (Antoncic et al., 2013). In this recent year, entrepreneur and entrepreneurship help in improve the economy and the people life of a country by job creation, generating new ideas for problem solution, develop the technology that improve productivity and efficiency,

and exchange idea globally (Acs, Szerb, and Lloyd, 2018). To become a success entrepreneur, entrepreneurial personality characteristic is one of the importance factor that need to focus by an entrepreneur. Personality characteristics define as an individual inclination to give react and ability to maintain that attitude steady at any different situation (Sabiu, Abdullah and Aziz, 2017). An entrepreneur should have the suitable personality to become entrepreneur in purpose to ensure the well management of business and also achievement of long-term sustainability and business success. According to theory of OCEAN Model, entrepreneurial personality characteristic is the personality that different between entrepreneurial and non-entrepreneurial that are high in personality of openness, conscientiousness, extraversion, and low in personality of agreeableness and neuroticism (Zhou et al., 2017).

Business failure have many different definition from the view of different parties, such as entrepreneur define as failure to meet business expectations such as achievement and personal satisfaction, investors define as negative return of investment on the business and others (Salminen, 2012). 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 able to increase the probability of achieve business success than business failure if an entrepreneur can have the better understanding on why entrepreneurship fail (Lussier, 2016).

The respondent for this research was focused on the Small and Medium Enterprises (SME) in Melaka, Malaysia. The reason of why this research focusing on SME was because SME as the party that very importance for every country to address many challenge, such as job creation, sustainable economic growth, equitable distribution, and also the overall stimulation of economic development (Fatoki, 2018). The SME in Malaysia successful to improve the rate of gross domestic product (GDP), exportation of local product, and also the rate of employment in this recent year (Department of Statistics Malaysia, 2018). Other than that, SME are also as the backbone of the Malaysia economy which 98.5% of business that established in Malaysia are SME. The reason of why this research focused on the SME in Melaka, Malaysia was because there are about 31, 361 SME in the state of Melaka and the Melaka state was able to contribute RM 35, 155

Million for the GDP of Malaysia in 2016 (Department of Statistics Malaysia, 2017). All the SMEs in Melaka is able to contribute for the improvement of GDP for Melaka and also Malaysia. So it is importance that to make sure all of the SME able to success in business for continuous contribution to the growth of Malaysia.

1.3 Problem Statement

Table 1.1: GDP by State, 2010-2016 of Constant 2010 prices
- Annual Percentage Change & Percentage Share to GDP

(Source: Table Publication GDP 2010-2016,
Department of Statistics Malaysia, 2017)

JADUAL TABLE 2		KDNK mengikut Negeri, 2010-2016 pada Harga Malar 2010 - Perubahan Peratusan Tahunan & Peratus Sumbangan kepada KDNK GDP by State, 2010-2016 at Constant 2010 Prices - Annual Percentage Change & Percentage Share to GDP													
		Perubahan Peratusan Tahunan Annual Percentage Change						Peratus Sumbangan kepada KDNK Percentage Share to GDP							
NEGERI STATE		2011	2012	2013	2014	2015 ^e	2016 ^p	2010	2011	2012	2013	2014	2015 ^e	2016 ^p	
1.	Johor	6.5	6.5	4.7	6.5	5.6	5.7	9.0	9.1	9.2	9.2	9.3	9.3	9.4	
2.	Kedah	8.1	5.6	4.8	4.1	5.6	3.2	3.3	3.4	3.4	3.4	3.4	3.4	3.4	
3.	Kelantan	7.1	5.2	3.3	5.1	3.5	4.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	
4.	Melaka	5.4	7.0	2.4	7.7	5.5	4.5	2.9	2.9	3.0	2.9	3.0	3.0	3.0	
5.	Negeri Sembilan	5.9	6.0	2.9	3.0	4.4	3.5	3.7	3.7	3.7	3.7	3.6	3.5	3.5	
6.	Pahang	6.3	5.0	5.4	4.1	4.4	2.0	4.4	4.4	4.4	4.4	4.3	4.3	4.2	
7.	Pulau Pinang	5.4	4.5	5.1	8.0	5.5	5.6	6.4	6.5	6.4	6.4	6.5	6.6	6.7	
8.	Perak	7.0	7.4	5.2	4.6	6.0	4.1	5.3	5.4	5.5	5.5	5.4	5.5	5.5	
9.	Perlis	2.7	5.0	3.3	5.1	2.3	3.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
10.	Selangor	5.5	7.2	5.8	6.8	5.7	4.8	21.6	21.7	22.0	22.3	22.4	22.6	22.7	
11.	Terengganu	3.2	3.3	4.3	6.0	3.3	3.1	2.8	2.7	2.7	2.7	2.7	2.6	2.6	
12.	Sabah	2.1	3.2	3.3	5.0	6.2	4.7	7.1	6.9	6.7	6.6	6.6	6.6	6.7	
13.	Sarawak	6.4	1.4	4.3	4.4	3.9	2.3	10.6	10.7	10.3	10.3	10.1	10.0	9.8	
14.	WP Kuala Lumpur ¹	8.7	7.0	6.9	8.5	5.3	5.9	13.8	14.2	14.4	14.7	15.1	15.1	15.3	
15.	WP Labuan	13.7	8.2	9.2	5.3	6.9	7.2	0.4	0.4	0.5	0.5	0.5	0.5	0.5	
16.	Supra ²	-6.9	3.3	-1.9	3.0	1.2	-2.0	6.3	5.5	5.4	5.1	4.9	4.8	4.5	
KDNK pada Harga Pembeli GDP at Purchases' Prices		5.3	5.5	4.7	6.0	5.0	4.2	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

According to the table 1.1, the contribution for GDP of Melaka state to the Malaysia GDP was fluctuated around 2.9%-3.0% (Department of Statistics Malaysia, 2017), which means there were don't have any high improvement of Melaka's GDP in this recent year. So it is importance to ensure that SME in Melaka is able to success in their business in purpose to provide more contribution and high improvement to the GDP of Melaka and Malaysia.

Majority of the research are 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 importance information for SME to make improvement in purpose to increase the chance of success by reducing the risk of failure. The factor that can lead to business failure can be divide into two main group which are individual factors and non-individual factors. Individual factors are standing for the entrepreneur's abilities and characteristics. For non-individual factors, it can be divide into two main group which are internal and external influence. Internal non-individual factors are describing the operation inside the SMEs business while the external non-individual factors are dealing with the environment and influence from the outside of the SMEs business on its performance (Mihajlovic et al., 2015).

There are several possible factors that can lead to business failure of SME in Melaka, Malaysia, which are entrepreneurial personality characteristic, difficult in obtaining new technology, business environment and also issues from PESTLE analysis. The entrepreneurial personality characteristic and difficult in obtaining new technology as the internal factors. Business environment and issues from PESTLE as external factors (Nikolic et al., 2017). This research chose to focus on the factor of entrepreneurial personality characteristics personality as the opponent of study among all the factors that can lead to business failure. This is because personality characteristics of entrepreneur to be the most importance factor that can lead to the SME failure (Nikolic et al., 2017). The factor of entrepreneurial personality characteristics that chose by researcher to involve in this study was Big Five Personality Model which include with openness, conscientiousness, extraversion, agreeableness and neuroticism (Antoncic et al., 2013). In the end of this research, the most significant factor of entrepreneurial personality characteristics that can lead to the SMEs business failure was defined by survey or questionnaire and discussed details.

1.4 Research Questions

The question that had been answered in this research study are:

1. What are the factors of entrepreneurial personality characteristics that can lead to business failure of SME in Melaka, Malaysia?
2. What are the relationship between entrepreneurial personality characteristics with business failure of SME in Melaka, Malaysia?
3. What is the most significant factor of entrepreneurial personality characteristic that can lead to business failure of SME in Melaka Malaysia?

1.5 Research Objectives

The objectives that had been created of this research are:

1. To identify the factors of entrepreneurial personality characteristics that can lead to business failure of SME in Melaka, Malaysia.
2. To investigate the relationship between entrepreneurial personality characteristics with business failure of SME in Melaka, Malaysia.
3. To clarify the most significant factor of entrepreneurial personality characteristics that can lead to business failure of SME in Melaka, Malaysia.

1.6 Significant of Study

This research had pointed out the factors of entrepreneurial personality characteristics that can lead to the SME business failure. The reason is to provide and instill the information and knowledge in SME mind to help in increase the rate of business success for SME business with better understanding on why a business fail. The most significant factor of entrepreneurial personality characteristics that can lead to SME business failure was also defined and discussed at the result finding of this research in purpose to make sure that SMEs will alert on that factors to avoid from