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Entrepreneurial Potential: An Exploratory Study Of A Community In Johor

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ABSTRACT

Two frequently cited personal traits associated with entrepreneurial potential are internal locus of control and innovativeness. This paper hypothesizes that internal locus of control and innovativeness is sufficient to explain entrepreneurial potential. This hypothesis was tested on a set of 124 responses to a survey did to a community in Johor. Eighteen items in the survey instrument were used to construct scales for innovativeness and locus of control. Items for the innovativeness scale were adapted from the Jackson Personality Inventory while items used for the locus of control scale were adapted from Rotter's I-E scale. The results found an increased likelihood of an internal locus of control and innovativeness that support entrepreneurial orientation. To be motivated to act, potential entrepreneurs must perceive themselves as capable and psychologically equipped to face the challenges. This work has been supported by Universiti Teknikal Malaysia Melaka (UTeM) and Ministry of Higher Education Malaysia.

Keywords: Entrepreneurial Potential, Locus of Control, Innovativeness, Community

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Introduction

Entrepreneurship research has identified a number of personal characteristics believed to be instrumental in motivating entrepreneurial behavior. Two frequently cited personal traits associated with entrepreneurial potential are internal locus of control and innovativeness. Internal locus of control and innovativeness have been the most studied psychological traits in entrepreneurship research.

An equally important question has not been addressed: is there an adequate supply of prospective entrepreneurs? That is, are there sufficient numbers of individuals with the requisite personal attitudes, aptitudes, values, perceptions, and ambitions to exploit opportunities and initiate business ventures?

This paper investigates the relationship between two personal characteristics commonly associated with entrepreneurial potential: internal locus of control and innovativeness. The results of this study provide the basis for assessing differences in potential for entrepreneurial activity.

Entrepreneurial Potential

Several theorists have argued that some personal characteristics or traits define the entrepreneur are instrumental in motivating entrepreneurial behavior. Hisrich (1990) noted that, entrepreneur is someone who demonstrates initiative and creative thinking, able to organize social and economic mechanisms to turn resources and situations to practical account, and accepts risk and failure. These traits are high need for achievement, moderate risk-taking propensity, preference for energetic and/or novel activity, and assuming personal responsibility for successes or failure. Brockhaus (1982) reviewed a number of trait studies and identified three consistent attributes associated with entrepreneurial behavior are: need for achievement, internal locus of control, and a risk-taking propensity. This paper examines two frequently cited personal traits associated with entrepreneurial potential, namely internal locus of control and innovativeness.

Internal Locus of Control

According to Rotter (1966), an individual perceives the outcome of an event as being either within or beyond his or her personal control and understanding. An *internal* believes that one has influence over outcomes through ability, effort, or skills. On the other hand, *externals* believe that forces outside the control of the individual determine outcomes. Rotter's locus of control constructs and later adaptations and refinements of his original I-E scale have been widely used in studies related to organizational and managerial issues. Internal locus of control has been one of the most studied psychological traits in entrepreneurship research that associated entrepreneurial behavior, which brought to the prospective that entrepreneurs are more likely to have an internal locus of control origination than an external one (Brockhaus and Horowitz, 1986).

Early studies during the 1970s showed generally positive findings. Borland (1974) found in a sample of 375 business-school students that those students who expected to start a company someday had a stronger belief in internal control. Brockhaus (1975) found that business students with entrepreneurial intentions tended to have a higher internal locus of control than those who did not have such intentions. In a similar study, Pandey & Tewary (1979) found entrepreneurs to score higher on internal locus of control measures.

Innovativeness

A very classic and early suggestion by Gabor (1970), concludes that innovation is the process that turns an invention into a marketable product. Innovation is more than invention; it also involves the commercialization of ideas, implementation, and the modification of existing products, systems and resources. Role of the entrepreneur as a catalyst of change, seeing the entrepreneur as *an idea man* and *a man of action* in discovering new opportunities. Drucker (1985) further elaborated the innovator role of the entrepreneur and described innovation as the specific tool of entrepreneurs and the means by which they exploit change.

Methods

Research Procedure

This study was done to a group of community member of KEJORA (Southeast Johor Development Authority) housing estate who attended a CSR program organized by Universiti Teknikal Malaysia Melaka (UTeM). The CSR program is a knowledge transfer activities by university staff to community members. Three area of knowledge sharing in this program were Entrepreneurial Skills Workshop, School Student Study Skills Workshop,

and Bike Mechanical Maintenance Workshop. The instrument administered was to measure locus of control and innovative orientations among this community member. Respondents were additionally instructed to provide specific biographical background information so they could be categorized by age and gender. Questionnaires were administered in classroom setting by researcher.

Research Tools

The survey instrument was composed of 62 items. Respondents were asked to indicate the extent to which they agreed or disagreed by Likert Scale of 5. Of the 62 items, 18 were used to construct scales for innovativeness (10 items) and locus of control (8 items). Items for the innovativeness scale were adapted from the Jackson Personality Inventory (Jackson, 1994) while items used for the locus of control scale were adapted from Rotter's I-E scale (Rotter, 1966). Reliability test results indicate that Cronbach's alpha scores were in an acceptable score of 0.82 for the innovativeness scale and from 0.81 for the internal locus of control scale.

Innovativeness

The Jackson Personality Inventory Manual (JPI), which defines innovativeness as a tendency to be creative in thought and action, was used to capture this construct as innovation, creativity, and initiative have been consistently identified as one of the enduring characteristics of entrepreneurs. Adjectives on the instrument used to describe entrepreneurs which highly correlate with innovativeness include imaginative, inventive, enterprising, original, resourceful, and farsighted (Jackson, 1994). A high score on the JPI innovativeness scale indicates a preference for novel solutions to problems and an appreciation for original ideas. For this study, 8 items were adapted from the JPI innovativeness scale

Locus of Control

A modified Rotter's I-E Scale was used in this study to measure internal locus of control. This scale is designed to measure the respondent's perceived ability to influence events in his or her own life. Internal persons believe that fame and fortune is within their own personal control. In contrast, external persons believe that their lives are controlled by external forces such as destiny, luck, or powerful others (Begley and Boyd, 1987). Ten items were adapted for this purpose.

To minimize the effect of response bias in which some respondents tend to give more extreme responses than others, innovativeness and locus of control scores were converted from a numeric to a binary score (high or low). Scores ranged from a maximum of 40 to a minimum of 8 for innovativeness and a maximum of 60 to a minimum of 10 for internal locus of control. A frequency distribution of scores for both measures was used to determine a suitable breakpoint value which separated the upper 50 percentile from the lower 50 percentile. In this manner, each respondent's score was converted from a numeric score to a high/low value.

Results

Table 1 provides descriptive statistics and zero order correlations for each of the variables. As shown in Table 1, the mean value for gender is 0.53 indicating 53% of the sample is male and 47% of the sample is female.

Variables	Means	SD	1	2
1. Gender	0.53	0.5		
2. Innovativeness	0.41	0.49	0.1287*	
3. Locus of Control	0.41	0.49	0.0367	0.2011*

N 124 ; * p < 0.001

TABLE 1: Descriptive Statistic and Correlations

As the mean values indicate, 41% of the sample have an innovative orientation, 41% have an internal locus of control orientation. Result also concluded that, it was low occurrence of a high innovativeness and ILOC (Internal Locus of Control) in our sample, and is consistent with the expectation that entrepreneurial potential is a relatively rare characteristic.

DISCUSSION

The results of this exploratory study support the proposition that an internal locus of control orientation supporting the argument foster strong entrepreneurial values that promote self reliance and independent action. Innovativeness, as it relates specifically to the new venture creation process and the problems that entrepreneurs must solve, may be another matter. As other researchers have demonstrated, entrepreneurs differ from non-entrepreneurs in their decision-making *styles*. Buttner and Gyskiewicz (1993) found that entrepreneurs have a more innovative problem-solving style. Goldsmith and Kerr (1991) found that entrepreneurship students used a more innovative problem-solving style than general business students.

This research suggests that it is equally important that there be a supportive culture to cultivate the mind and character of the potential entrepreneur. To be motivated to act, potential entrepreneurs must perceive themselves as capable and psychologically equipped to face the challenges of a global, competitive marketplace. Traits such as internal locus of control and innovativeness are not necessarily immutable. As entrepreneurship educators are fond of saying "*entrepreneurs are made, not born.*" This statement implies that entrepreneurship can be taught and an individual's self-perception and potential for entrepreneurship can be enhanced. Krueger & Brazeal (1994) noted that research suggests we can train individuals to behave more autonomously. Such training would be aimed at enhancing students' and individual who intend to embark into entrepreneurship, perceived self-efficacy at specific tasks or competencies critical to launching and maintaining a successful venture.

Clearly, business education can play an important role in this regard by providing not only the technical tools of business (accounting, marketing, finance, etc.), but also helping students and individuals develop the necessary skills for self-management and coping with adversity and uncertainty (Krueger and Brazeal 1994). Characteristics such as locus of control and innovativeness are not necessarily imprinted at birth or an early age and may be acquired at a later time due to experiences in the work place, education, exposure to role models, parents, and social setting (culture) which shape values and beliefs.

These findings highlight the need for the development of entrepreneurial profiles which recognize both commonality and differences. The observed differences between males and females in this study also highlight the need for a more thorough examination of gender effects.

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