Psychological Resilience Predicted by Personality Traits, Locus of Control and Self-Regulation of Young Entrepreneurs in Pekanbaru

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ABSTRACT

Objective - Entrepreneurs are one of the important contributors to increasing non-agricultural economic income and developing micro, small and medium enterprises. In Indonesia, entrepreneurial orientation has empirically proven that psychological factors affect individuals in improving the economy of society. The concept of psychological resilience as the development of models to predict the events and situations of failure. In certain circumstances difficulties cannot be avoided, a person with psychological resilience is able to reduce the problem by creating a new situation. Individuals who have strong personality characteristics thought to be one important factor in the process of creation and development of enterprises.

Methodology/Technique – The scale used in this study consisted of a scale big five personality (Openness) McCrae & Costa (2004), The Self-Regulation Questionnaire (SRQ) by Brown et al (1999), The Work Locus of Control Scale (WLCS) by Spector (1988) as modified by Spector (2004), and Connor-Davidson Resilience Scale (CD-RISC) compiled by Connor & Davidson (2003) as modified by Manzano and Ayala (2013). A total of 238 micro businesses have voluntarily participated.

Findings - The results of path analysis showed that the openness personality directly ($\beta = 0.131$) was significantly associated with resilience. Similarly, the personality trait through self-regulation shows indirect influence on resilience (p1 p3 0.027 x 0.175 = 0.0047) significantly.

Novelty – The contributions of personality openness and self-regulation of the resilience of 0.136 or 13.6%. It can be concluded that indirectly associated the entrepreneur's psychological resilience of the personality trait through self-regulation significantly.

Type of Paper: Empirical.

Keywords: Personality Traits; Locus of Control; Self-regulation; Entrepreneurs; Psychological Resilience.
JEL Classification: M50, M59.

1. Introduction

The Indonesian government has taken various avenues to develop entrepreneurial spirit among youth. This starts with changes in lending policies with low interest rates, conducting cooperative reforms such as rehabilitation of cooperatives, reorientation of cooperatives, and development of cooperatives. It even involves providing business credit with low interest rates to provide physical and psychological training to young entrepreneurs. Various steps have been taken to develop entrepreneurship in various aspects of business life. This is seen from the high interest in entrepreneurship among youth which can reduce unemployment rates in Indonesia. Individuals who decide to become an entrepreneur are not shaped solely by their environment, but naturally, they have the talent to recognize opportunities and utilize available resources (Sanchez, Carballo & Gutierrez, 2011).

Data from the Ministry of Cooperatives of Small and Medium Enterprises reports that the number of entrepreneurs in Indonesia is not comparable with other ASEAN members countries such as Malaysia, Singapore and Thailand. It is estimated that 1.65% or about 3.7 million Indonesians are entrepreneurs. In fact, in a country that is categorized as a developed country, the number of entrepreneurs should be more 2% of the total population. If the population of Indonesia reaches 252 million people, it would require 4.8 million people to be entrepreneurs to reach 2%. Entrepreneurship is the backbone of any country's economy; small businesses are the key to their economic progress. Small and medium-sized businesses already have a source of competition in their circle to help restore economic growth (Sarvadi, 2005). The contribution of Micro, Small and Medium Enterprises in some developed countries such as the United States has absorbed 58% of the workforce, as well as contributing 40% of the GDP (The US Small Business Administration, 2006).

Entrepreneurship aims to develop creativity and create and expand economic activities by exploiting and exploring available resources. This activity is often associated with high pressure and measures the ability of individuals to transform obstacles into challenges (Manzano-Garcia & Cavlo, 2013). Psychological factors play a role in influencing business actors in maintaining their interests, capacities and abilities; this is referred to as resilience.

Resilience and personality traits are considered to be unique to an individual. The concept of resilience in some studies is found to be a factor that protects business actors against the threats posed by challenges and changes in the business environment (Chen & Yang, 2009). Resilience may reduce difficulties faced by entrepreneurs and enable them to solve problems more effectively (Hedner, Abozeedan, & Klofstenn, 2011). Resilience in entrepreneurship is not derived from external characteristics (policy and capital); however, internal factors such as personality and self-regulation are factors that contribute to the resilience of a business actor.

When faced with an uncertain situation, an entrepreneur is forced to develop an adjustment strategy for addressing the issues. Most studies on entrepreneurship focus on its behavioral and cognitive aspects, thus neglecting the role of personality characteristics. Personality traits are not just innate traits; it includes the characteristics of initiative, encouragement, risk taking, analytical skills, and skills in fostering relationships with others (Davidson, Low & Wright, 2001).

The entrepreneurial dynamics encountered by individuals is tested through the ability of positive adaptation of skills in the face of even traumatic difficulties. Strong individuals do not doubt themselves in the face of challenges; they are able to adapt to change and confident in themselves (Burns & Anstey, 2010). Another study states that the ability of individual psychological resilience is more than just a remarkable ability that comes from within (Sutcliffe & Vogus, 2003).

Research from Farradinna, Fadhlia and Azmansyah (2018) demonstrates that personality factors are linked with self-regulation. Based on the above, it can be seen that the nature of personality, the locus of control and self-regulation can be used to predict the psychological resilience of an entrepreneur. This study will focus on the personality trait of openness, locus of control and self-regulation which can be attributed directly and indirectly to improved psychological resilience.

2. Theory and Hypothesis

2.1 Openness to Experience, Self-regulation and Resilience

Antonicic 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).

In some studies, individuals with high levels of openness to experience demonstrate an ability to adapt to difficult situations. Other researchers state that openness to experience has a positive correlation with psychological resilience (Friborg, Barlaug, Martinussen, Rosenvinge & Hjemdal, 2005). Hence, researchers are keen to measure the relationship between openness to experience and psychological resilience.

Hypothesis 1a: Openness to experience as an entrepreneur will have a direct influence on psychological resilience.

This study suggests that openness to experience can predict high self-regulation skills (Sautelle et al, 2015). When faced with a state of distress, those with an openness to experience are more readily able to accept obstacles in the challenge as an effective form of feedback. Self-regulation indirectly mediates between the dimensions of openness to experience and psychological resilience. This is evidenced in the analysis by Sautelle et al (2015) which concludes that individuals with high adaptability and openness to work are able to manage their workload better and to seek help from others.

Hypothesis 1b: Openness to experience is positively related to psychological resilience through self-regulation.

Locus of Control Internal, Self-regulation and Resilience Psychology

Entrepreneurs develop resilience not only due to external factors, but as a result of internal factors too such as spirit and ambition. Entrepreneurs with an internal locus of control that is stronger than their external locus are believed to be able to foster hope and success (Hedner et al, 2011). As with the external locus, the internal control locus also contributes to the perception of success.

Individuals with a high internal locus of control perceive obstacles and difficulties as challenges to be conquered. The locus of control is the control exercised by an individual to persevere in any given task. Individuals with a high internal locus of control tend to be persistent, view obstacles as challenges that may be conquered, and see themselves as an important factor determining their own success (Kirkcaldy, Shepherd, & Furnham, 2002).

Previous research has concluded that psychological resilience refers to an individual's internal factors in response to unstable situations or conditions. Individuals who have confidence in themselves are better able to adapt and utilize resources to help reduce stress and develop effective coping methods. Thus, the researchers expect that an individuals' internal locus of control is positively linked to their psychological state.

Hypothesis 2a: The internal locus of control in a positive entrepreneurship is directly related to psychological resilience.

Entrepreneurs with strong psychological resilience are typically better at adapting to change and better prepared to face any challenges that may come their way (Tugade & Fedickson, 2004). Those individuals need one key self-regulating skill in order to manage a positive atmosphere and recover from negative experiences

(Manzano-Garcia & Cavlo, 2013). This is the ability to adapt and self-regulate with respect to the uncertainties and difficulties that may be faced by an entrepreneur.

Self-regulation is effective in exercising control over individual behavior. The emphasis of behavior lies in the process of self-regulation as an entrepreneur; this is the principle of individual motivation in the face of obstacles and difficulties (Gramzow, Sedikides, Panter, Sathy, Harris, & Insko, 2004). In other words, entrepreneurs with a high internal locus of control perceive tough conditions when viewed as a challenge may help overcome stress that may occur during a disaster (Fatemeh, Maryam, Leila, & Nadya, 2016. However, self-regulation can be used to manage a burden (Sautelle, Bowles, Hattie, Arifin, 2015).

Hypothesis 2b: Internal locus of control is positively related to psychological resilience through self-regulation.

3. Method

3.1 Participants

This study examined 238 entrepreneurs in Riau, Indonesia. The respondents have been in business for more than 3 years and less than 10 years. The mean age of the respondents was 41.37 (SD = 10,511). The youngest age is 22 years old and the oldest is 73 years. The respondents come from 3 types of business: culinary (52.1%), textile (12.2%), and creative goods (35.7%). Most of the businesses from which the respondents come are still in their infancy (95%) included in the category of individual business type, while the other 5% are established firms. Each question uses a 5-point Likert scale ranging from strongly agree (5), while to disagree (1).

3.2 Instruments and Procedures

This study contains 5 parts, which consists of:
  a. A self-report. In this case, self-report questions relate to age, type of business, and type of establishment effort.
  b. Personality trait of openness to experience. This scale is a part of the five five-factor personality traits developed by McCrae and Costa (1992). Current studies show that the questionnaire consists of 11 questions (6 positive questions and 5 negative). After testing the measuring instrument, the value of alpha Cronbach was determined as 0.828. The results of the analysis of the scale screening phase reported a reduction in item numbers (as many as three questions) used in the current study. An example item is: "I am easily touched when I hear a sad story".
  c. Internal locus of control. This scale contains 8 items to measure the capabilities, interests and efforts of the entrepreneurs. This scale is based on the locus of control theory developed by some experts such as Spector (1988) as modified by Spector et. al. (2004) and Macan, Trusty and Trimble (1996). This scale is known as The Work Locus of Control Scale (WLCS). The alpha Cronbach value from the current study was 0.812. The screening results indicate that the entire item can be used and forwarded to the next stage. An example of a question from this scale is: "Everyone has the ability to open a business if they want to try".
  d. The scale of self-regulation. This scale contains skills in the form of thoughts, feelings, and actions deliberately employed by individuals to achieve goals and manage the environment appropriately. This scale is known as The Self-Regulation Questionnaire (SRQ) formulated by Miller and Brown (1991).
  e. The total number of item scales is 63 questions, consisting of 7 dimensions: receiving, consisting of 4 positive items (i.e. I usually track my progress towards my goal) and 5 negative items (i.e. I do not pay attention to the effects of my actions until it's too late); evaluation, consisting of 7 positive items (i.e. My behavior is similar to my friends) and 2 negative items (i.e. my behavior is not much different from others); Triggering change, consisting of 4 positive items (i.e. I am willing to

consider other ways of doing things) and 5 negative items (i.e. It's hard for me to see anything helpful about changing my ways); searching, consisting of 8 positive items (i.e. If I wanted to change, I am confident that I could do it) and 1 item negative (i.e. I doubt I could change even if I wanted to); formulating, consisting of 3 positive items (i.e. Once I have a goal, I can usually plan how to reach it) and 6 negative items (i.e. I have trouble making plans to help me reach my goals); implementation, consisting of 4 positive items (i.e. I have a lot of willpower) and 5 negative items; (i.e. Little problems or distractions throw me off course) and assessing, consisting of 7 positive items and 2 negative items. The reason the researchers used this scale for this study is because the test-retest that has been done to this scale obtained a high score that is $r = 0.94$, $p < 0.0001$.

f.   The Connor-Davidson Resilience Scale (CD-RISC) is developed by Connor and Davidson (2003) as modified by Manzano and Ayala (2013). This scale consists of 25 items and has been completed by 900 entrepreneurs through interviews and questionnaires. The reason researchers use this scale is because of its internal consistency scale which shows that $x > 0.80$; while the mean scale is 79.95 (SD = 9.78) and the reliability of the instrument is 0.89. Psychological Resilience Scale o Entrepreneurship consists of a 3-dimensional measurement of difficulty (i.e. under pressure, I focus and think clearly), resourcefulness (i.e. I take pride in my achievement), and optimism (i.e. I have a strong sense of purpose).

3.3 Data Analysis

These entrepreneurs joined in a forum that was being run at the same time as this research. The participants in the study are voluntary. Researchers are given the time to explain the purpose of the research being carried out. The policy in this study is not to pressure the participants to participate in this study; any assessment will be kept confidential.

The analysis in this study is used to describe the subject demography and to answer the research hypothesis. Descriptive analysis using an adaptation formula from Azwar (2009) was carried out to describe the response of participants' scores to the variables studied. To answer this research hypothesis, a path analysis and R2 value were conducted to demonstrate the relationship between openness to experience and control of internal locus if through self-regulation to psychological resilience.

4. Result

Descriptive analysis was conducted to explain the frequency of responses for each of the variables studied. Following this, the steps assumption identified no deviation from the requirements analysis path (normality, linearity, multicollinearity, and heteroscedasticity). The value of each variable coefficient indicates a weak correlation coefficient. Figure 1 in this study reports the results of the descriptive analysis which explains the scores of the participants' responses to openness to experience, control of internal locus, self regulation, and psychological resilience.

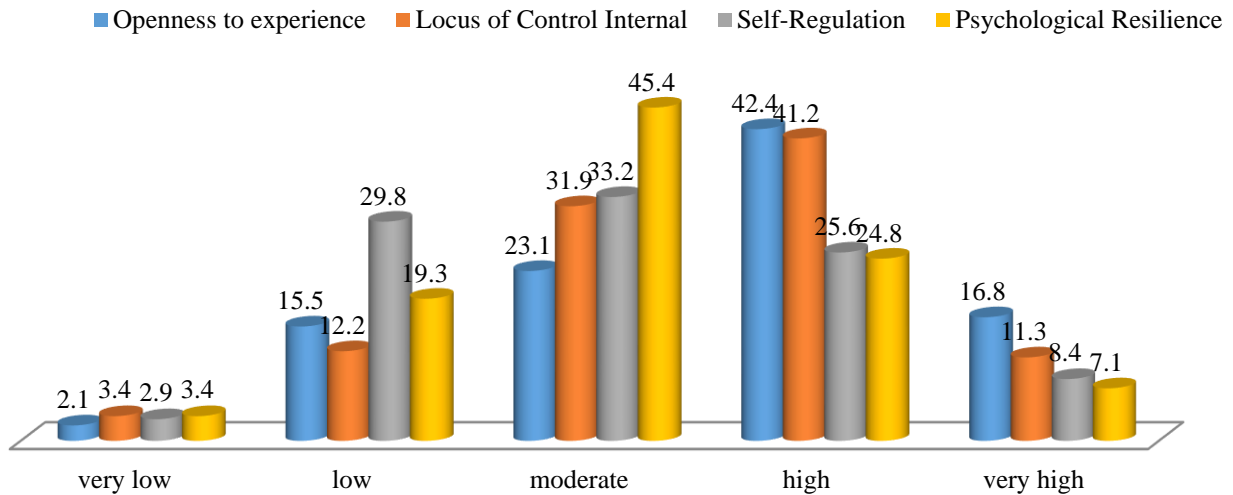**DESCRIPTIVE ANALYSIS ENTREPRENEURIAL IN PEKANBARU, RIAU**

Figure 1.

The analysis shown in Figure 1 above demonstrates that an entrepreneur exhibits a more dominant characteristic of openness to experience. Similarly, most of the respondents reporting having a high internal locus of control. Nevertheless, more entrepreneurs show traits of self-regulation. The results are similar for resilience levels; the respondents reported high levels of resilience.

A path analysis was used to determine the standardized coefficients, which can be seen in Figure 2 below. Based on these figures it can be concluded that the model testing using path standards identifies a significant coefficient and contributions on each lane that seem to be positively related to one other. The hypothesis was developed as follows.

As can be seen in Figure 2, the direct paths of openness to experience and internal locus of control toward self-regulation are significant. On the other hand, this model has a direct influence on psychological resilience, and this has an indirect impact on self-regulation. Therefore, it can be concluded that openness to experience and internal locus of control increase psychological resilience through self-regulation.
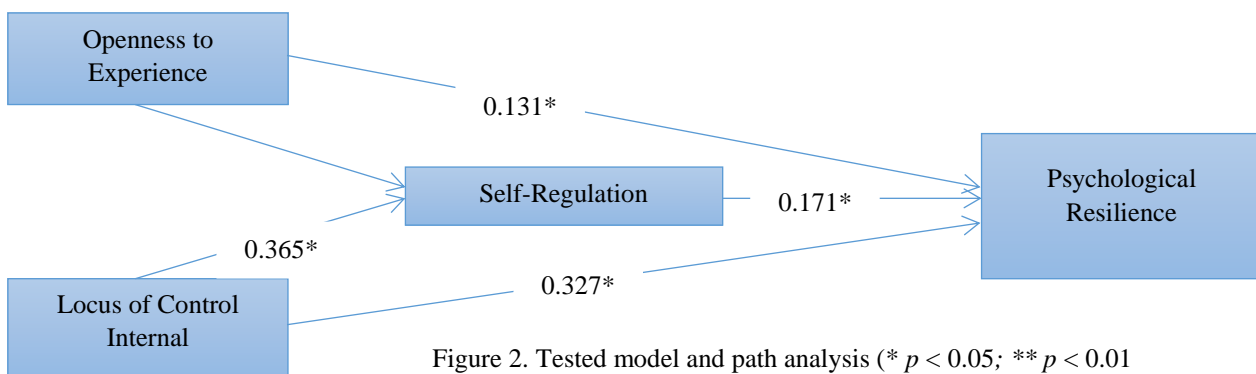

Figure 2. Tested model and path analysis (* $p < 0.05$; ** $p < 0.01$

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As shown in Figure 2 above, the direct effect of openness to experience and internal locus of control on psychological resilience is statistically significant. This model shows that each of the independent variables has a direct influence on psychological resilience through self-regulation. Therefore, it can be concluded that openness to experience and internal locus of control can increase psychological resilience by improving self-regulation.

The results of the first analysis show that openness to experience has a positive influence on psychological resilience. This is evidenced from the coefficient value of $\beta = 0.131$; <0.05, which is both positive and significant. Thus, the first hypothesis is accepted. The results of the second hypothesis show that internal locus of control has a positive and significant effect on psychological resilience. This study therefore demonstrates that internal locus control affects psychological resilience, as shown in the coefficient scores of $\beta = 0.327$ <0.05. Thus, the second hypothesis of this study is accepted.

Additional analysis showed that openness to experience and internal locus of control have a positive influence on psychological resilience through self-regulation. The coefficient value of the contribution of openness to experience to psychological resilience is $R2 = 0.020$ or 2%. Meanwhile, when openness to experience of psychological resilience is traversed by self-regulation, the coefficient of determination of $R2 = 0.017$ or 1.7%. Meanwhile, the coefficient of determination shown by the internal locus of control and its contribution to psychological resilience is $R2 = 0.107$ or 10.7%. Further, the variant contribution of self-regulation to psychological resilience is $R2 = 0.021$ or 2.1%. However, if the total of the two variants are combined, the coefficient is 0.128 or 12.8%. Thus, it can be concluded that internal control locus through self-regulation does not effect psychological resilience more or less.

5. Conclusion

Based on the results of the empirical and conceptual examination of the model reported in Figure 2, it can be concluded that the variables of disclosure to experience and internal control of the locus are independent variables which may be mediated by self-regulation.

The results show that internal locus of control through self-regulation has the most significant impact on the psychological resilience of entrepreneurs in Pekanbaru, Riau. These findings prove that people with a high internal locus of control perceive obstacles and difficulties as challenges to be conquered, therefore changing their perception of these situations. The findings of this study are consistent with previous research (Manzano-Garcia & Cavlo, 2013).

Based on the above results, it can be concluded that openness to experience and a high internal locus of control may not necessarily require high levels of self-regulation to have a positive effect on psychological resilience. However, psychological resilience is an important trait for entrepreneurs and for the success of their business. The results of this study also support various studies related to the psychological resilience of entrepreneurs such as Burns and Anstey (2010) who state that tough individuals may not doubt themselves in the face of obstacles and challenges because a meaningful inner self increases their preparedness for change and their confidence in growing their business.

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