The Influence of Entrepreneurial Characteristic on Business Performance

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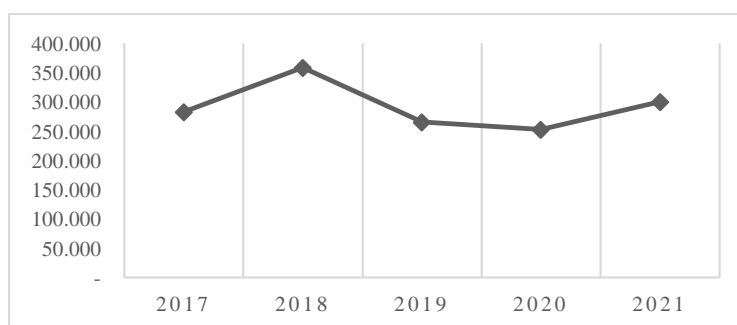[3]Fakultas Ekonomi, Universitas Garut, Indonesia

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Abstract. This study discusses the analysis of the effect of entrepreneurial characteristic on business performance. Researchers used quantitative methods with data collection techniques using questionnaires. Data quality analysis techniques used validity test methods, reliability tests, while hypothesis testing used simple linear regression analysis and t test. Based on the results of research conducted, entrepreneurial characteristic has a significant effect on business performance. That way the results of this research can help companies and entrepreneurs to implement the business that is being occupied, and can make it easier for future researchers to find the latest references if they have the same variables so that the research can be helped to be more perfect.

1. Introduction

Business performance is level of company achievement in a certain period. Business performance is a measure to determine the extent to which business activities are carried out precisely on the goals or objectives. Business performance with the Balanced Scorecard concept using balance measurement of financial and non-financial aspects with four perspectives: financial, customers, internal business processes, growth, and learning [1].

The existence of increasingly fierce competition due to the business environment that is experiencing rapid changes has forced business people to think of the best steps to win the competition. Efforts to empower Indonesia small business are not limited to the local market but must be brave and ready to face the global market.

Figure 1. Unit of Small Business in Indonesia
Source: [2]

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Upscale small business is one of country development indicator based on quantity and quality. However, this is still an obstacle for Indonesia, which have many small businesses as ASEAN countries. The main goal of small business is company growth to medium scale. In simple terms, small business owner are people who dare to take risks to open a business on various occasions.

Small business owner are people who always look for change, respond, and take advantage as an opportunity. The results of National Socio-Economic Survey by Central Bureau of Statistics, describe 10.54% of Indonesia's total population is below the poverty [3]. This has an impact on the high unemployment rate, especially higher education graduates [4]. Business performance can be influenced by internal and external factors. Success can be obtained depending on the ability to manage both factors through environmental analysis, formation, and implementation of business strategies. One of business performance driver is entrepreneurial character of business owner [5]. Business performance in this study based on small business concepts. Given that small businesses are supporters of Indonesia's national economy, the author needs to conduct research on the influence of entrepreneurial characteristics on business performance.

2. Literature Review

2.1 Business Performance

Performance is one of the most significant dependent variables for researchers concerned with almost all the areas of business and management, because it explains how well an entrepreneur is doing. Business performances have been studied by some researchers in several literatures and they concentrate majorly on the causes of performance and how it can be maintained business performance is defined as the ability of the entrepreneur or the organization to realize their objectives such as high profit, good quality products, good financial outcomes, long term survival and large market share, by using relevant strategies for action [6]. Business performance initiatives in any of the following: 1) capital, 2) sales, 3) profit, and 4) market [7]. Many small businesses do not separate business capital from personal money. In addition, small businesses experience a low sales growth rate which has an impact on the low growth of operating profit from. Increasing the ability of small to open opportunities through market expansion. All will not happen by chance, one of business performance driver is entrepreneurial character of business owner [5]. Therefore, we propose the following hypothesis:

H_0: There is not positive influence of entrepreneurial characteristics on business performance.
H_a: There is positive influence of entrepreneurial characteristics on business performance.
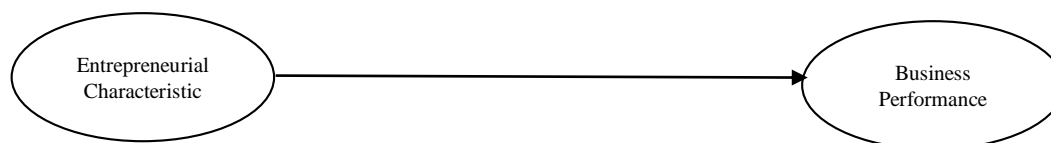
2.2 Entrepreneurial characteristic

Entrepreneurial characteristics are the possession of certain personalities that expose an individual toward entrepreneurial behaviour [8]. In the studies of entrepreneurship, there are three factors; social, individual, and environmental factors that influence the entrepreneurial behaviour. Entrepreneurial characteristic consists of six basic components: 1) innovativeness, 2) need for achievement, 3) locus of control, 4) risk taking propensity, 5) tolerance for ambiguity, and 6) self- confidence [9]. These characteristics are well attached to successful entrepreneurs and can be developed by people who want to become successful entrepreneurs in the future.

Innovativeness as the ability to create new products with better quality, innovative production method and penetration of wider market. Need for achievement forces individuals to fight for their gain and benefit in achieving perfection in their work which eventually motivates them to excel in their career. Locus of control as the basis of the propensity to entrepreneurship which is essential to the entrepreneur's attainment as well as their patience towards uncertainty. Risk taking propensity refer to the ability of a person who is involved in business to tolerate risks and endure difficulties given that the risky nature of entrepreneurship. Tolerance for ambiguity is the capacity of a person to react positively under a particular vague circumstance. Self-confidence is a required entrepreneurship characteristic [10].

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3. Methods

This article is causal research at 95% of confidence interval. This design allows the researcher to collect the data and construct the data structure to perceive the cause-and-effect on the research variables [11]. The causal research aims: 1) to understand exogenous and endogenous variables towards marketing phenomena, 2) to decide the nature of the relationship among the variables, and 3) to test the hypothesis of causal relationship variable.

Figure 1. Relationship between entrepreneurial characteristic and business performance
Source: [5]

To collect the data, this causal research design utilized survey as a method to collect the data from a sample through questionnaires comprising structured questions [11]. Questionnaires as the data collection was carried out by giving a series of questions or written statements to the respondents to be answered. Questionnaires as instruments used are distributed to respondents via email.

The target population was the small business owner as supporters of Indonesia economy. There are no specific criteria that the author sets, which small business owners are willing to be respondents. Furthermore, the ideal limit of the population according to the provisions of the number of stakeholders who have been more than five years. Sampling was conducted randomly, thereby everyone had the same probability of being selected from the population and representing it. Basic formula of the sample refers to the number of the independent variables, namely $N \geq 50 + 8i$ (i is the number of independent variables) [12]. However, this number is still in the appropriate sample size range from 30 to 500 [13]. Therefore, the sample of this study was 34 small business owners.

The data analysis technique in this quantitative study utilized statistical analysis. Verifiable data analysis will be used to test hypotheses and focus on the disclosure of the behaviour of research variables. The data analysis technique used to determine the corelative relationship in this study is Partial Least Square to provide a combination of three main goals, namely: 1) to estimating path analysis using latent contracting with multiple indicators, 2) does not assume a specific distribution so that it can be used for Likert scales with a small sample count of less than 100, and 3) to confirm or predict an applied, middle, or grand theory. The program used to perform data analysis with path analysis method was SPSS.

The measurement scale used was interval as a scale that allows researchers to perform arithmetic calculations on data collected from respondents [11]. The measurement has no real zero value. The measure of attitude that is commonly used in business research is the Likert scale. The Likert scale is a scale that requires respondents to respond to the extent to which they agree or disagree about a perceived object, namely strongly agree, agree, neutral, disagree and strongly disagree.

4. Results and Discussion

The first analysis was carried out to determine the value of the regression coefficient in each dimension of entrepreneurial characteristic to business performance. Based on the results of data processing, it shows that dimensions of variable business performance are influenced by capital, sales, profit, and market.

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Table 2. **Regression Coefficient of Entrepreneurial Characteristic and Business Performance**

Dimension Entrepreneurial Characteristic	Business Performance	Regression Coefficient	Sig	Result
Innovativeness	Capital	0.342	0,001	Accepted
Need for achievement		0.317	0,014	Accepted
Locus of control		0.418	0,000	Accepted
Risk taking propensity		0.514	0,000	Accepted
Tolerance for ambiguity		0.567	0,000	Accepted
Self- confidence		0.563	0,000	Accepted
Innovativeness	Sales	0.398	0,000	Accepted
Need for achievement		0.506	0,000	Accepted
Locus of control		0.405	0,000	Accepted
Risk taking propensity		0.684	0,000	Accepted
Tolerance for ambiguity		0.664	0,000	Accepted
Self- confidence		0.546	0,000	Accepted
Innovativeness	Profit	0.418	0,000	Accepted
Need for achievement		0.526	0,000	Accepted
Locus of control		0.459	0,000	Accepted
Risk taking propensity		0.572	0,000	Accepted
Tolerance for ambiguity		0.367	0,000	Accepted
Self- confidence		0.521	0,000	Accepted
Innovativeness	Market	0.416	0,000	Accepted
Need for achievement		0.183	0,307	Rejected
Locus of control		0.505	0,000	Accepted
Risk taking propensity		0.489	0,000	Accepted
Tolerance for ambiguity		0.499	0,000	Accepted
Self- confidence		0.497	0,000	Accepted

Source: Data processing

The second analysis was carried out to determine the level of relationship between entrepreneurial characteristic and business performance expressed with an R value of 0.897 is highest. While the R^2 of 0.804 is stated as the coefficient of determination which means that small business performance is influenced by entrepreneurial characteristic of 80,4%.

Table 3. Model Summary Business Performance

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.897a	.804	.798	4,515

a. Predictors: (Constant), EC

Source: Data Processing

The third analysis was carried out to determine whether the three dimensions of entrepreneurial characteristic affect business performance. In this study, there is a main hypothesis that will be tested, namely Ha: There is positive influence of entrepreneurial characteristics on business performance. The signification value of $0.000 < 0.05$ then Ha is accepted and can be widely applied outside the research focus. The results of this study have similarities with previous research, that business performance is positively influenced by entrepreneurial characteristic [5].

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Table 4. ANOVA Business Performance

ANOVAa

Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	2766322	1	2766322	135,680	.000b
	residual	672,821	33	20,389		
	Total	3439143	34			

a. Dependent Variable: BP
b. Predictors: (Constant), CE
Source: Data Processing

This research is a development of applied theory. This research provides information that there is a concurrent influence of entrepreneurial characteristic on business performance. Further research is expected to conduct similar research on different industries.

5. Conclusion

This study demonstrates that entrepreneurial characteristic is on the one hand side very important and becomes more challenging in a business performance. The contribution of entrepreneurial characteristic is relatively high. Nevertheless, even the medium impact of entrepreneurial characteristic on business performance that company with achieve better results quality of capital, sales, profit, and market from innovativeness, need for achievement, locus of control, risk taking propensity, tolerance for ambiguity, and self-confidence.

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