

# **THE RELATIONSHIP BETWEEN SOCIO-ECONOMIC CHARACTERISTICS OF SMALL BUSINESS OWNER AND ENTREPRENEURIAL BEHAVIOUR**

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## **Introduction**

Small family businesses are important for economic development through the start-ups stage and growth. The main person in small family business is the business owner who creates and owns the business. Even a small family business is operated and managed by more than one family members but the business owner is an important person. Therefore, the entrepreneurial behaviour among small business owners is a crucial study. In addition, small business owners have to adapt with the uncertain and competitive business environment.

Generally, this study is about the impact of business environment on small family business. There are little studies focusing on individual level in small family business (Gersick, Davis, Hampton, & Lansberg, 1997). As mentioned by Feltham, Feltham, and Barnett (2005) it is important to understand the small business owner because small family business tend to be overly dependent on a single decision maker. The old owner is a key in promoting a business's commitment and support of entrepreneurship (Zahra, Hayton, & Salvato, 2004). Thus, this research is interested in studying the entrepreneurial behaviour among small business owners. The objectives of the research are 1) to describe the socio-economic characteristics of small business owners, 2) to describe the entrepreneurial behaviour among small business owners, 3) to analyse the relationship between characteristics of small business owner and entrepreneurial behaviour.

The importance of an entrepreneurial behaviour study for small business owner is to assist the researcher and policy makers in identifying crucial

behaviour that inspire the business owner in order to sustain and enhance the business.

## **Literature Review**

### **Entrepreneurial behaviour**

Entrepreneurial behaviour is an intrinsic characteristic of the organization, as it occurs in either small or large businesses. It is important specifically in a business research related to a growing business stage (Kellermanns, Eddleston, Barnett, & Pearson, 2008). Generally, the decision maker characteristics such as age of small business owners and age of business have impact on entrepreneurial behaviour (Feltham *et al.*, 2005; Kellersman *et al.*, 2008).

Age of the small business owner is considered a key antecedent of entrepreneurial behaviour (Levesque & Minniti, 2006). The research found that, as small business owners grow older, they gain more experience in industry behaviour. Even by having more experience in their own business, the older owners may be limited in their strategic behaviours, such as seeking unique and innovative ideas. This is supported by Steward, Watson, Carland, & Carland (1999), where age has been found to be significantly negatively correlated with innovation and risk taking behaviour.

On the other hand, younger small business owners have been found to adjust their expectation faster in response to new information (Parker, 2006). Some of the small business owners prefer to have a conservative behaviour because they could reduce the high risk of entrepreneurial venture (Morris, 1998) and fear of losing family wealth (Sharma, Chrisman, & Chua, 1997). Thereby, a small business owner's age will be related to entrepreneurial behaviour.

Past literature showed that the age of business inspired entrepreneurial behaviour (Levesque & Minniti, 2006). This is because of the long age of business allows small business owners to accumulate physical (money and assets) and intrinsic wealth (knowledge and experience). In addition, the long age of business may allow small business owner to build networking with supplier, businessman and agency support. Thereby, the age of business has relations to entrepreneurial behaviour of small business owner.

### **Small family business**

Small family business in Malaysia has supported family economic development as well as country economic development. Small family

business has increased the family income of the business owner and the community in their area. Their contribution directly improve family and community wellbeing. In addition, their business contribution has increased the gross domestic income for the country.

Generally, the researcher in family business use the definition by Chua, Chrisman, and Sharma (1999). Their definition is applicable to be used in small, moderate and large family business. They have three criteria as a family business which is managed by family, have vision and sustainable. However, the decision of those criterias are changing over time, they keep the business to remain small for comfortable family management (Getz & Carlsen, 2000).

Family business is defined as a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families (Chua, Chrisman, & Sharma, 1999, p 25). The small business owners play roles in managing the business to achieve the business visions. The entrepreneurial behaviour should have an impact in achieving business visions.

## **Methodology**

The sample consist of 70 business owners associated with the small scale family business. The simple random sampling is used to select the small business owners. Four states were selected as a research location: Perak, Selangor, Terengganu and Johor. Entrepreneurial behaviour is the dependent variables. Entrepreneurial behaviour was assessed with 21 items on a 7-point Likert scale. The measures were adapted and adopted from Miller (1983); Kellersman *et al.* (2008), Delmar (1996), Walker and Brown (2004).

Those measures of entrepreneurial behaviour were chosen to utilize an adaptation due to its better fit to the small family business context. This measure demonstrated acceptable reliability, with Cronbach's alpha of 0.93. Whereas, the independent variable is the socio-economic characteristics of small business owner such as age of small business owner, level of education, gender, monthly income, age of business, annual gross income and annual gross expenses. The data were analysed by using descriptive analysis, crosstab analysis and Pearson correlation.

## Results

### Socio-economic of the business owner

The first objective of the research is to describe the socio-economic characteristics of small business owners. Respondents in this study are 70 percent female and 30 percent male. The average age of the respondents are 48 years old, while their spouses 50 years old. The majority of the business owners in this study are women. The education level for small business owners and their spouses are 17 years of completed schooling or having *Sijil Pelajaran Malaysia* (SPM). This illustrates that the education level for small business owners is higher than 10 years ago (Askiah, 2003). Due to that, small business owners have more knowledge in account and management matters.

A majority of the small business owners in this study are married and their spouses live together with them. Some of the spouses are involved full-time in the business operations. In average the monthly business income is RM5935. Based on Department of Agriculture (DOA) guideline, the monthly business income of more than RM3000 is defined as at the growing business stage. Meanwhile, a business monthly income of less than RM1500 is considered to be at livelihood stage. This definition is applicable for small family business in the food processing industry.

In average the number of full-time workers is four. Even though the number of full-time workers is small and as such is a microenterprise characteristic, but in average the annual gross income is large, amounting to RM320,152. It means that the monthly gross income for small business owners in this study is approximately RM26,700. Subsequently, the researcher explored the annual gross expenses. In average the annual gross expenses for this business is RM106,534. After that number is divided into twelve months, the monthly gross expenses is RM8877. As a consequence, the average gross monthly income for the food processing business is RM17,802. The business may use a small number of full-time workers, which is caused by the use of high technology machines producing more and quality products.

In conclusion, this study interprets that women are the main business owners. This is due to the women extension programme which was initiated by the DOA to enhance family economies in rural areas. Generally, business owners and their spouses are in the middle age category. The business owners have been involved in business since their thirties. Monthly family income is increasing by operating the food processing business. Even when

the number of workers is less than five, the business is categorized as at a growing stage.

***Entrepreneurial behaviour of business owner***

The second objective of the research is to describe the entrepreneurial behaviour among small business owners. In this sub-topic, it begins with an explanation of entrepreneurial behaviour items, followed by the distribution of entrepreneurial behaviour level and profile of business owner based on entrepreneurial level.

Table 1 demonstrates the mean, standard deviation of the entrepreneurial behaviour items and the normal tabulation of the items. There are 21 entrepreneurial behaviour items and a 7 point Likert scale. The point 1 is strongly not agree with the statement and point 7 is strongly agree with the statement. The items number 5, 13 and 20 are statements which were strongly agreed by the business owners. Then, skewness and kurtosis analysis described the normal tabulation of entrepreneurial behaviour items.

**Table 1: The Tabulation of Entrepreneurial Behaviour items**

<b>Items</b>	<b>Mean</b>	<b>SD</b>	<b>Skewness</b>	<b>Kurtosis</b>
1.	5.81	1.43	-1.386	2.018
2.	5.63	1.42	-1.073	.612
3.	5.36	1.33	-.349	-.554
4.	6.06	1.03	-.927	.077
5.	6.19	.937	-1.581	2.918
6.	5.80	1.05	-.796	.033
7.	5.89	1.02	-.750	-.159
8.	5.40	1.18	-.455	.032
9.	4.90	1.50	-.377	-.309
10.	5.64	1.32	-.826	.051
11.	5.61	1.33	-1.028	.583
12.	6.01	1.15	-1.211	.810
13.	6.16	1.09	-1.401	1.369
14.	4.40	1.91	-.455	-.858
15.	5.47	1.42	-1.078	1.034
16.	5.40	1.51	-1.109	.916
17.	5.01	1.62	-.698	-.267
18.	5.36	1.48	-.870	.147
19.	5.26	1.461	-.721	.346
20.	6.16	1.00	-1.393	1.755
21.	6.06	1.05	-1.206	1.267

The mean with more than 6.15 are items number 5, 13 and 20 (Table 2). It shows that the three statements have strong agreement by the business owner in this study.

**Table 2: Entrepreneurial Behaviour Statement with Strongly Agreement**

Item No.	Statement
5.	I insist on expanding my business, even though my business faces financial problems.
13.	I strive to extend the market.
20.	I am willing to bear hardship as a leader and do something without waiting for instructions.

The result shows that small business owners in this study want to expand the market even though it is risky decision to make. As a small business owner, the leadership characteristic is a main role for business success. Whereas, the lowest mean is number 9 with the statement *I am willing to pay some money to those who can assist me in overseas product*. This illustrate that, the small business owners in this study are not prepared yet to penetrate the overseas market.

After accumulating the entrepreneurial behaviour, the researcher followed up work done by Hair *et al.* (2010) in which the average of the total number of the scale is used as a benchmark to separate the low and high level. In this case, the average score for entrepreneurial behaviour is 117. The maximum score is 147 and the minimum score is 70. The result shows that 40 percent of business owners have low level of entrepreneurial behaviour, while, 60 percent of them have high level of entrepreneurial behaviour (Table 3).

**Table 3: The Distribution Entrepreneurial Behaviour Level**

Level	Frequency	Percent
LOW	28	40
HIGH	42	60
Total	70	100

The high level of entrepreneurial behaviour profile shows that 64.3 percent of the business owners are female and 35.7 percent are male. The number of female respondents is higher than male respondents. 54.8 percent are young business owners and 45.2 percent are older business owners in this profile. The business age of less than fifteen years illustrates 58.5 percent and the business age of more than fifteen years are 41.5 percent, which consist of high level entrepreneurial behaviour.

Subsequently, high entrepreneurial behaviour dedicates that businesses registered for less than four years are 63.4 percent and more than four years are at 36.6 per cent. The high level entrepreneurial behaviour is explained as having a female business owner, in the young age group, is operating the business for less than fifteen years and has registered the business less for than four years.

On the other hand, low level of entrepreneurial behaviour profile mentions that 78.6 percent of the business owners are female and 21.4 percent are male. 71.4 percent of business owners are of old age and 28.6 percent in the young age. The business age shows that 57.1 percent of business owners have more than fifteen years in business and 42.9 percent of business owner have less than fifteen years in business.

Business owners who have registered the business for less than four years are 60 percent and business owners who registered the business for more than four years are 40 percent. The profile of small business owners with low level entrepreneurial behaviour explains that they are female, in the old age group, is operating the business for more than fifteen years and have registered the business for less than four years.

The crosstab analysis successfully points that the younger business owners has high level entrepreneurial behaviour than the older business owners. The young age group are energetic, have more business idea and are knowledgeable in business management (Lau *et al.*, 2012; Kellersman *et al.*, 2008). Even though the older age group are more experienced than the young age group, they are less energetic. Moreover, they were more conservative in business management (Lau *et al.*, 2012; Siu, 1995; Tang, Tang & Lorkhrke, 2008).

High level entrepreneurial behaviour shows that business owners have business age of less than fifteen years. Whereas low level entrepreneurial behaviour illustrates that the business owners have business aging less than fifteen years. Generally, business owners with business age of less than fifteen years is more proactive, more committed and willing to take a risk in their business. Risk taking behaviour arises even when the business is at a small scale (Zahra, 2005). In addition, business owners in this research play the role as a leader in managing workers, market demand and networking with support agencies. All these activities involve risk taking behaviour too.

**Table 4: Entrepreneurial Behaviour Level and Socio-Economic Characteristic of the Business Owner**

	Low level		High Level	
	n	%	n	%
<b>Gender:</b>				
Male	6	21.4	15	35.7
Female	22	78.6	27	64.3
<b>Age:</b>				
Younger	8	28.6	23	54.8
Older	20	71.4	19	45.2
<b>Business age:</b>				
<15 years	12	42.9	24	58.5
>15 years	16	57.1	17	41.5
<b>Age registered the business:</b>				
< 4 years	15	60	26	63.4
>4 years	10	40	15	36.6

### **Relationship between socio-economic characteristic of business owner and entrepreneurial behaviour**

The third objective is to analyse the relationship between socio-economic characteristics of small business owners and entrepreneurial behaviour. There are two socio-economic variables showing the significant relationship between independent variable and dependent variable. The socio-economic variables are age of business owner and business age having a significant relationship with entrepreneurial behaviour. This study was supported by Kellersman *et al.* (2008) where the age of business owners and business age are the important elements influencing entrepreneurial behaviour.

There is a negative significant relationship between the age of business owner and entrepreneurial behaviour ( $r = -.245^*$ ,  $p = .041$ ). It explains that the younger business owners have high entrepreneurial behaviour. They are more innovative, pro-active, and risk taking than the older business owners (Kellersman *et al.* 2008). Even though this study is focusing on the age of business owners in the food processing industry, the finding reinforced past literature on area of small business from different types of business. Age is the important role to generate specific entrepreneurial behaviour.

There is a negative significant relationship between age of business and entrepreneurial behaviour ( $r = -.300^*$ ,  $p = .012$ ). It describes that business owners which are operating a young business have high entrepreneurial behaviour. They are more dedicated in managing the business management,



and take better care of their workers and customers. They work longer hours in business to fulfil customer demand.

In contrast, business owners which are operating longer business age have low entrepreneurial behaviour. This is related to succession issues, handing over the business to friends or relatives and being conservative in managing the business. They may have more experience in managing the business because of their involvement for more than ten years. However, their entrepreneurial behaviour level is decreasing when they have become involved for a longer time in their business.

## Conclusion

Generally, the author in small business explored entrepreneurial behaviour domain, and distinguished small business and entrepreneurship. The age of business owners and business age are the main factors influencing entrepreneurial behaviour. The older business owners have less entrepreneurial behaviour compared to younger business owners. The longer business age is decreasing the level of entrepreneurial behaviour when compared to shorter business. Older age of business owners is noteworthy with the business age. Therefore, entrepreneurial behaviour is reduced with the increase of age.

This study recommends future research to explore other business types such as aquaculture and tourism businesses. Business owners in those areas may have unique entrepreneurial behaviour items to study. In addition, the study of entrepreneurial dimensions is vital to be explored. The three dimensions of entrepreneurial behaviour are innovativeness, pro activeness and risk taking. In addition, the opportunities and leadership dimensions should be included as entrepreneurial behaviour in small business perspectives. The socio-economic profile of small scale business owners and entrepreneurial behaviour are important to be discovered. The finding will assist the business owners, business officers and advisors, financial institutions and policy makers.

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