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**EXAMINING ENTREPRENEURIAL SELF-EFFICACY AND
BASIC PSYCHOLOGICAL NEEDS SATISFACTION ON
ENTREPRENEURIAL RESILIENCE AMONG ENTREPRENEURS**

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Abstract:

The development of resilience in entrepreneurs is seen as a possible response to the highly competitive and unpredictable environments in which they work. Entrepreneurs are frequently overwhelmed with unforeseen circumstances such as financial crises, technological innovations, or new competitors in the field which could potentially threaten their venture survival and success, particularly for small and medium-sized enterprises. Thus, the problem of the failure of the small and medium-sized enterprise was also the front burner among entrepreneurs. Even so, researchers have several explanations on why the rate of failure of small and medium-sized businesses is high but have not been able to provide solutions to avoid it. Thus, the emergence of resilience in entrepreneurs is seen as a possible response to the highly competitive and unpredictable environments in which they work. By being resilient in the face of adversity and having the ability to start again is critical to venture continuation and success. Thus, this study tries to find out whether resilience can help to reduce this scourge to a large extent as this study is focused on the individual entrepreneur rather than the entrepreneurial process. However, entrepreneurial resilience research is still at an early stage even though academic interest in the concept of resilience has gradually increased in recent years but yet it still largely remains unclear, what entrepreneurial resilience means and which factors help to enhance this individual capacity. To help to fill this research gap, this study aims to examine the relationship between entrepreneurial self-efficacy, and basic psychological needs satisfaction on entrepreneurial resilience which capitalizes small and medium-sized enterprise entrepreneurs as the study setting. Social Cognitive theory and Self-determination theory as underpinning theory to support the established framework. The present study takes into consideration the entrepreneurial self-efficacy as an independent variable. The basic psychological needs satisfaction

is considered the mediating variable whereas entrepreneurial resilience is the dependent variable.

Keywords:

Entrepreneurial Resilience, Entrepreneurial Self-Efficacy, Basic Psychological Needs Satisfaction, Small And Medium-Sized Enterprises

Introduction

The crucial role and contribution of small and medium-sized enterprises to the progress of economic and business growth in Malaysia are widely acknowledged. It is accounted for 98.5 percent of total establishments employing 65.3 percent of the total workers in 2016 and contributing 36.6 percent to the country's GDP (National SME Development Corporation (NSDC), 2017; Department of Statistics, 2017). Evidence has shown that small and medium-sized enterprises in both developed and developing countries make a substantial positive contribution to the economic growth of the country.

However, has been recorded in all parts of the world that many small and medium-sized enterprise has been unable to maintain their businesses with major failures of almost 50% in the first five years of establishment and two-third years of failure in the first ten years of establishment (Small Business Administration (SBA), 2012; De Geest, Follmer, Walter & O'Boyle, 2015). As per SBA (2014, 2017) and the latest statistics as of March 2016, as published by the Bureau of Labor Statistics (2016), the failure rate of 50 percent of firms in the United States survives five years and only one third (1/3) survives more than ten years consistently over the years.

The same experiences are shared by small and medium-sized enterprises in Malaysia as many of them failed within the first 5 years (Kee-Luen, Thiam-Yong, & Seng-Fook, 2013) and registered with some 60% failure rate noted by Chong (2012) and, Ahmad and Seet (2009). As per the 2011 SME Census published in the 2012-2020 SME Master Plan, 42% of SMEs that existed in 2000 have not survived through 2005 (National SME Development Council (NSDC), 2014) followed by 80% of SMEs do not survive the first three years (Bernama, 2017). The failure rate of SMEs is also expected to be higher even without reliable data due to the unavailability of other published reports on the failure rate of SMEs in Malaysia (Jebna & Baharuddin, 2013).

This study focuses on the individual resilience of entrepreneurs and implicitly contributes to the literature that focuses on an individual entrepreneur. (e.g., Kets de Vries 1977; McMullen and Shepherd 2006; Miller 2015), thus resilience seems to be right, as it refers to individual strengths, and can be characterized as the capacity of individuals to withstand stress and cope with pressure. In line with the established frameworks in this study, entrepreneurial resilience also seems to be a process that depends on individual characteristics, such as characteristics, skills, and abilities, as well as environmental features.

Moreover, most of the studies focus on individual variables or call it an internal factor that is important for entrepreneurial resilience (e.g. de Vries and Shields 2005; Bullough and Renko 2013) and one of them is self-efficiency (Boyd and Vozikis 1994; Wilson et al . 2007; Bullough and Renko 2013). Instead, De Vries and Shields (2005) also focuses on defining entrepreneurial resilience as a set of behavioral characteristics where flexibility, motivation, inner strength, and

determination have been described as resilience-enhancing behaviors. Thus, this study aims to identify key factors in examining the relationship between self-efficacy, and basic psychological needs satisfaction as an internal individual factor on entrepreneurial resilience which capitalizes small and medium-sized enterprise entrepreneurs as the study setting.

Literature Review

The word resilience has different definitions depending on the framework under consideration (Madni and Jackson 2009). It can apply to individuals (e.g., Werner and Smith 1992; Werner 1995; Masten 2001), regions and cities (e.g., Coaffee et al. 2009; Mueller 2011), societies/communities (e.g., Duit 2016; Stark 2014), social-ecological structures (e.g., Holling 1973; Walker et al. 2006), organizations (e.g., Weick 1993; Burnard and Bhamra 2011) or networks (e.g., Najjar and Gaudiot 1990). This study focuses on the individual resilience of entrepreneurs and thus adds to the literature that focuses on an individual entrepreneur (e.g., Kets de Vries 1977; McMullen and Shepherd 2006; Miller 2015). Specifically, resilience has not received as much attention in entrepreneurship research, particularly concerning the individual unit of analysis (Branzei & Abdelnour, 2010; Dewald & Bowen, 2010). A broad framework of individual differences is needed to understand resilient outcomes in response to adverse conditions (Westphal & Bonanno, 2007)

Meanwhile, Self-efficacy refers to the belief of whether one person can achieve certain goals (Gist, 1987; Fast et al., 2014), and the Social Cognitive Theory regards self-efficacy as an important determinant of behaviour (Bandura, 1991). It is also referred to as the degree to which entrepreneurs have confidence in their entrepreneurial abilities to complete different tasks and ventures (Boyd and Vozikis, 1994; Chen et al., 1998). Even social cognitive variables (e.g., self-efficacy) function in concert with other personal factors (e.g., gender, business experience, and resilience) and environments but there is a lack of research involving these constructs in the sense of entrepreneurship in general. Specifically, previous literature on resilience suggests that individuals with higher levels of self-efficacy also use greater coping strategies (Leana & Feldman, 1994). Therefore, resilience and self-efficacy are also mutually reinforcing to influence actions and decision-making; confidence in one's ability to exert some degree of control over the entrepreneurial process in the face of obstacles and stressors goes hand in hand with resilience.

On top of that, the definition of basic psychological needs refers to the need for autonomy, competence, and relatedness, and it not only encourages the growth of human motivation and personality but is also important for well-being (Ryan and Deci, 2000). Having said that, the need for autonomy is satisfied when one can evaluate one's actions, while the need for competence is satisfied when one feels it and able to apply or improve one's skills and to achieve the desired objectives. Finally, the need for relatedness is satisfied when one can establish close relationships with others and feels mutual respect. But little attention has been paid to the role of entrepreneur's basic psychological needs for motivation and how it can impact their resilience and well-being. This study can also help to identify important areas for addressing the motivational-psychological needs of small and medium-sized entrepreneurs to be resilient.

Research Methodology

The aims of the study are to examine the relationship between entrepreneurial self-efficacy, and basic psychological needs satisfaction on entrepreneurial resilience which capitalizes small

and medium-sized enterprise entrepreneurs as the study setting. Hence, the nature of this study descriptive to elucidate the results of independent variables (entrepreneurial self-efficacy), mediating variable (basic psychological needs satisfaction) on the dependent variable (entrepreneurial resilience). This study is cross-sectional in nature, which denotes that all data regarding the variables in the framework is taken from one source at a specific time. Therefore, the most suitable research design to test the hypotheses is the quantitative approach, which enables the investigation into the nature of relationship between the dependent variable and predictor variables.

Regarding the unit of analysis, it was decided to opt for an individual level of analysis based on several justifiable reasons. Firstly, the variables under investigation are related to attitudes, motivation, and beliefs within the control of the individuals based on the items of each construct and dimensions. Secondly, it is proven that the individual unit of analysis provides enough cases for rigorous statistical analysis compared to dyad unit of analysis (Hemdi,2006). Lastly, the variables of interest in this study can be measured effectively at the individual level rather than dyad or in a group. Hence, the unit of analysis for the study is individual of small and medium-sized entrepreneurs. Therefore, individual entrepreneurs are chosen as the sample in this study.

In term of the study population, the sample comprises of small and medium-sized enterprise entrepreneurs who are operating the business at northern region of Malaysia consist of Penang, Kedah, Perlis and Perak as stated the highest percentage of SMEs distribution by states. In addition, the prominent consideration for any research is having an appropriate description of the sample, the sampling technique, response rate and the questionnaire development process. Based on the nature of study, non-probability sampling technique is chosen. In this study, purposive sampling is used because of the filtering questions in the questionnaire and the selection of the respondents.

Conclusion

This study seems to combine different research streams that refer to entrepreneurship research and psychological literature on individual resilience. It further combined findings on the personality of entrepreneurs, entrepreneurial behaviour, and motivational. In sum, this study contributes to the theoretical development of the entrepreneurial resilience concept. The findings can be used as a foundation for future empirical research and serve as a guideline for the development of entrepreneurial resilience in practice.

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