

Determinants of Entrepreneurship Mindset among Agribusiness Cooperative in Sarawak: A Conceptual Model

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Abstract

Cooperatives are a business model that serves entrepreneurs well because of its open concept and sharing of risk approach. However, the success of cooperatives lies with the entrepreneurs managing it. The objective of this paper is to understand what defines entrepreneurs' mind-set in making a business successful. This paper will proposed a conceptual model that will be used in a later stage to identify the strength of relationship between variables that will be derived based on existing literature.

Key Words: *Entrepreneurial mindset, Cooperative, Mindset constructs.*

Introduction

An entrepreneurial mind-set is required for firms to compete successfully in the new competitive landscape through use of carefully selected and implemented entrepreneurial strategies. This mind-set also denotes a way of thinking about business and its opportunities that captures the benefits of uncertainty (Hitt, 2002) These benefits are captured as individuals search for and attempt to exploit high potential opportunities that are commonly associated with uncertain business environments (McGrath, 2000).

Therefore, according to Hitt (2002) in response to business environments increasingly characterized by rapid and discontinues change, it has been suggested that organizations need to become more entrepreneurial. Jelinek (1995) further defined entrepreneurial organization as an entity that repeatedly initiates new product or services in the form of ideas which influence their people and assets to new uses, bringing new ideas from many sources into good currency. However, the above explanation and definition of entrepreneurial mindset are not agreeable to each other because of the dimension used to define entrepreneurial mindset. This will bring us to the next section.

Problem Statement

Although entrepreneurship is not a new topic according to Firdaus Abdullah, Jamil Hamali, Abdul Rahman Deen, Gluma Saban, Abg Zainoren Abg Abdurahman (2009), entrepreneurship in developing countries is arguably the least studied significant economic and social phenomenon. The authors further added that current issues facing Malaysian entrepreneurs in Sarawak include low level of technology, lack of innovation through research and development, low working capital, and of high domestic orientation which leads to the lack of resilience and efficiency.

However, these factors are external factors which are not related to the mindset of an entrepreneur. By definition an entrepreneur should be able to use their innovative ideas to make use of existing resources in order to be successful. Nonetheless, this is not happening in Malaysia where there are more failure stories than success stories. So it is important to point out if these failures are subject to the entrepreneurial mindset.

The next issue is the failure of entrepreneurs, particularly Bumiputera entrepreneurs in Malaysia. According to Rahim Thamby Chik (Bernama, 2017) who heads Federation of Malay Economic Bodies (GABEM) the rate of failure among Bumiputera entrepreneurs is still high because out of 100 companies registered with the Companies Commission of Malaysia in the last five years, only 18 succeeded.

Rahim further added even with the assistances and entrepreneurship programs developed by the Malaysian government, only a low success rate of 18 percent can be registered. On the same note there is a need to look at the entrepreneurial mind-set of the operators on what makes them tick. Among the variables that are interesting to this topic are Entrepreneurial Orientation (EO), Organizational Factors (OF), Self-Efficacy (SE) and Environmental Factors (EF) which may influence the Performance (P) of entrepreneurs through their mind-set.

Research Objectives

Based on the current scenario of entrepreneurs' development in Sarawak, Malaysia, the objectives of this paper will look into three main areas:

- a. To explore the relationship between Entrepreneurial Orientation (EO), Organizational Factors (OF), Environmental Factors (EF) and Performance (P) constructs of the entrepreneurial mind-set;
- b. To understand the role of Self-Efficacy (SE) in understanding entrepreneurial mindset as a whole; and
- c. To develop a conceptual model related to entrepreneurial mindset that may be used to measure the relationship between variables deem important for entrepreneurs to be successful.

Significance of the Research

Among the importance of this paper is the exploration of successful entrepreneurial mind-set components. By understanding what traits influences the mind-set of an entrepreneur, the success rate of new entrepreneurs might increase based on proper selection method.

Another potential contribution of this paper is the positive influence of successful entrepreneurs towards the economic and social landscape of Malaysia. By helping this targeted group the national economy may be spur to another level of success.

Literature Review

This section will have two parts: discussion on the existing model of entrepreneurial mindset and components of the proposed conceptual model. Based on the definitions (Table 1.0) all authors agree that an entrepreneur must have an edge in the business that they are involved in. Entrepreneurs are a special group of people who are able to use existing organizational resources and bring the organization to another height. The level of thinking for entrepreneurs is different from normal business people and this differentiation (e.g.: way of thinking) is also a gap that needs more study in order to understand the mindset of an entrepreneur.

Table 1.0 Entrepreneurial Mindset Definitions

Num	Definition	Sources
1.	Entrepreneurial mindset is a continual effort to develop new initiatives, such as e-business product, services, markets and processes is indicative of firms having a high entrepreneurial mindset.	(Scheepers, 2008)
2.	An entrepreneurial mindset describes the innovative and energetic pursuit of opportunities and facilitates action aimed at exploiting these opportunities	(Senges, 2007)
3.	An entrepreneurial mindset denotes a way of thinking about business and its opportunities that capture the benefits of uncertainty. These benefits are captured as individuals search for and attempt to exploit high potential opportunities that are commonly associated with uncertain business environments	(McGrath, 2000)
4.	An entrepreneurial mindset or dominant logic is prepared to take advantage of uncertainty by being flexible, building a strong capacity for innovation in order to preempt competitors to exploit product market opportunities and receptivity to novel and promising new business models	(Covin, 1989)
5.	An entrepreneurial mindset is similar to the concept of entrepreneurial dominant logic presented by Meyer and Heppard (2000).	(Hitt, 2002)

Existing Model of Entrepreneurial Mindset

Metacognitive Model of Entrepreneurial Mindset

McGrath and MacMillan (2000) proposed that focus should be made on metacognitive process that enable entrepreneur to think beyond or re-organize existing knowledge structure and heuristics which promotes adaptable cognitions in the face of novel and uncertain decision contexts. The authors posit that foundations of an entrepreneurial mindset are metacognitive in nature, and subsequently detail how, and with what consequences, entrepreneurs formulate and inform “higher order” cognitive strategies in the pursuit of entrepreneurial ends.

Entrepreneurial Orientation (EO) Theory

The relationships between EO as an individual dimension and contingency variables (Environmental Factors-EF & Organizational Factors-OF) in other studies have also shown significant association with performance (Covin, 2011). On this note, it is important to state that contingency theories have been

fundamental in furthering the organizational sciences by recognizing alignment among key constructs of interest (Burns, 1961). Covin and Selvin(1989) proposed that EO consist of three key dimensions that include propensity to innovate, take risks and pursue opportunities. However, Lumpkin and Dess (1996) argued that not three but five dimensions should be taken into consideration to measure EO namely autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness.

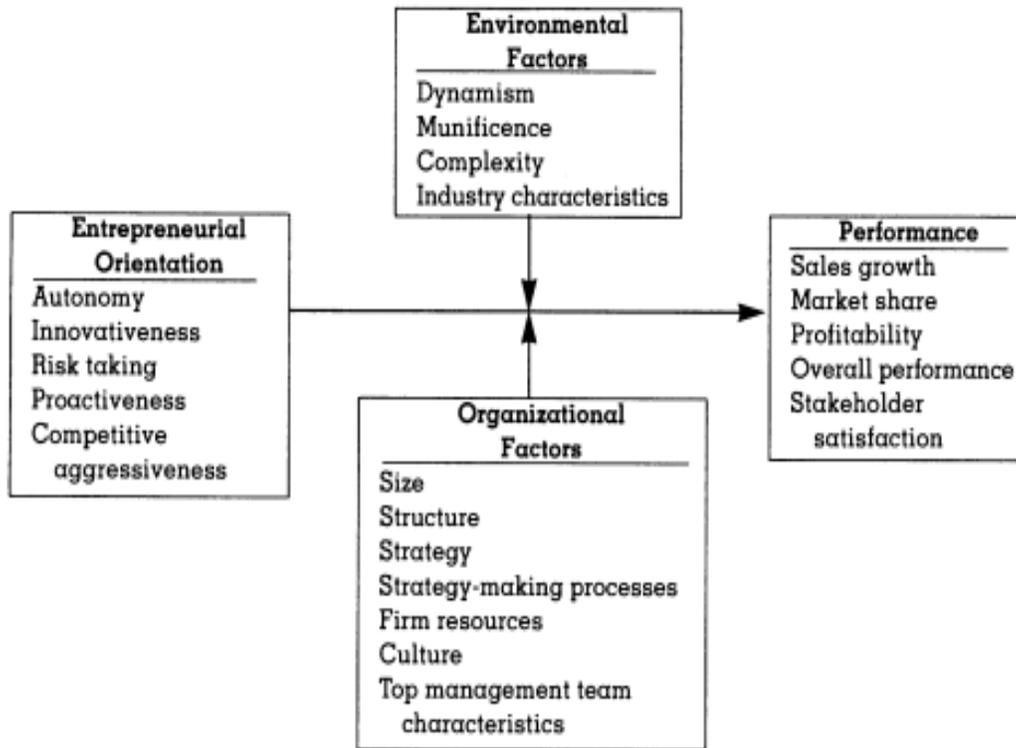


Figure 1.0 Relationship between an EO and Performance
Source: (Lumpkin, 1996)

The authors further stated that given the centrality of EO construct, it is necessary to investigate the role of environmental factor and organizational factor to further understand how EO contributes to performance outcome. In other words, Lumpkin and Dess (1996) were looking beyond bivariate correlation and focusing on contingency relationships (Figure 1.0). Another justification of looking at contingencies relationship was made by Rosenberg (1968) who stated a “more precise and specific understanding” of the two original variable relationship can be made through the introduction of a third variable into the analysis of two-variable relationship (EO-Performance) which help reduce the potential of misleading inferences.

Entrepreneurial Self-Efficacy (ESE)

Entrepreneurial Self-Efficacy (ESE) is one of the personal attributes of an entrepreneur belief or mindset. ESE appears to be an important antecedent to new venture intentions (Barbosa, 2007) and ESE is a construct that measures a person’s belief in their ability to stressfully launch an entrepreneurial venture. ESE is said to be particularly useful since it incorporates personality and well as environment factors, and is thought to be a strong predictor of entrepreneurial intention and ultimate action (Bird, 1988).

Conceptual Model

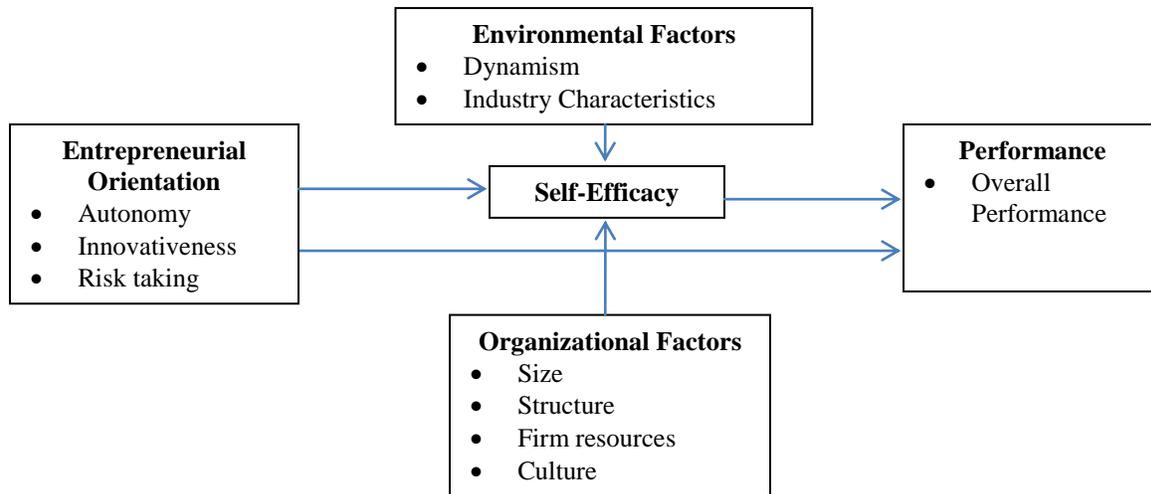


Figure 2.0 Proposed Conceptual Model

As mentioned by Bird (1988), self-efficacy is useful in incorporating personality (Entrepreneurial Orientation) as well as Environmental Factors (and Organizational Factors) as a strong predictor of entrepreneurs' action (Performance). The above proposed conceptual model (Figure 2.0) is an adaptation from Lumpkin and Dess (1996) model. Self-efficacy is added as the centre of the framework because this paper believes that self-efficacy will be the determining factor in understanding entrepreneurial mindset.

This paper will attempt to answer the following research questions:

1. Is there any significant relationships between EO, EF, OF and SE in measuring performance of an entrepreneur?
2. Can SE mediate the relationship between EO and Performance?
3. Is there a significant direct relationship between EO and Performance?

Conclusion

This paper attempts to explore the role of self-efficacy in understanding the mindset of entrepreneurs. The platform of this research will be the Entrepreneurial Orientation Theory back by the understanding of Self-efficacy as the holding the pivotal role in understanding entrepreneurs mindset.

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