



THE RELATION OF ENTREPRENEUR COGNITION AND PERSONALITY: THE DETERMINANT FACTORS OF E-COMMERCE ENTREPRENEURSHIP INVOLVEMENT IN MALAYSIA



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ABSTRACT

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A number of researches on entrepreneurs have been intensively conducted for the past years considering that it is one of the important elements in business. An entrepreneur is responsible for every aspect of new ventures creation considering that they are the lead person in every business decision. The process of forming new ventures is very challenging and involves a lot of thought. The process of forming new ventures has only received little attention in most established studies investigating the cognitive aspects of entrepreneur. On top of that, researchers tend to ignore the issues related to quality of entrepreneur in the creation of e-commerce ventures. Much uncertainty still exists; hence, this study set out to determine the role of entrepreneurial cognitive and personality that acts as the crucial components in the creation of new e-commerce ventures in Malaysia. This research uses a case studies approach in which data was collected by interviewing a total of twelve e-commerce entrepreneurs from May 2013 until December 2014. The findings revealed that personal background (education and family) as well as work and business skills are the important factors in the creation of new ventures by cognitive entrepreneurs in Malaysia. In the case of entrepreneur personalities; seven types of personality such as creativity, risk taking, inspiration, need for autonomy and freedom, tolerance of ambiguity, hardworking and persistence, and optimistic have vigorously to contributing of new e-commerce venture creation in Malaysia. Therefore, it is best for the government to promote entrepreneurial activity in the country by highlighting the elements of entrepreneurs in terms of cognitive ability and personality aspects. Finally, the emergence of new ventures is hoped to further strengthen the economic progress of the country.

Contribution/ Originality: This study set out to determine the role of entrepreneurial cognitive and personality that acts of new e-commerce ventures in Malaysia. Studies approach in which data was collected by interviewing a total of twelve e-commerce entrepreneurs. Business skills are the important factors in the creation of new ventures by cognitive entrepreneurs in Malaysia. Government needs to promote entrepreneurial activity in the country by highlighting the elements of entrepreneurs in terms of cognitive ability and personality aspects.

1. INTRODUCTION

Scholars have long debated about numerous issues in the studies of entrepreneurship, which include some widely varying definitions of these terms. According to Davidsson (2005) the followings are several definitions of

entrepreneurship proposed by a few scholars: a new entry, the creation of new enterprise, the creation of organizations and a process of creating something different with value. However, these varying terminologies seem to emphasize more on the creation of new organization in response to the question "how does an organization come into existence" brought up by Gartner (1988). The recent related study by Ahmad *et al.* (2016) have found that individual psychology is a significant element of entrepreneurship involvement besides other factors such as organizations, process, and the environment. In relation to this, most of the established studies were also interested in entrepreneurs' psychology as it plays a big role in the creation of new ventures. In her interesting analysis, Shane (2003) draws the attention towards the effect of different individuals' attributes (i.e. cognition, motivation and personality) on the process of decision-making among entrepreneurs, which in this case refers to entrepreneurship circumstances.

Furthermore, a cognitive element in psychology has become the main subject of interest in the field of entrepreneurship. It is important to note that human knowledge vary from one another based on the fact that their perceived knowledge is shaped by surrounding elements, which hugely controls their judgment and decision-making process. Nevertheless, Baron (1998) stated an argument that both cognitive and reasoning build up the fundamental structure of entrepreneurship which explains the distinct style of thinking among entrepreneurs. He further suggests that the underlying issue of entrepreneurship plays a major role in influencing one's decision to become an entrepreneur and make the best out of their given opportunities. Refer to Ahmad *et al.* (2017a) has identified the roles of cognitive perspective emerge from to two main factors that related to e-commerce entrepreneurship involvement in Malaysia. The first factor related to personal background such previous education they are received and family background. The second factor is related to previous work and business experience of entrepreneurs before a decision to start-up new ventures. In his argument, the personal history such as education and family background and also the work and business experienced play essential roles in cognitive perspective because it provides a useful source of information for entrepreneurs to start the new ventures in the future compare who those do not have any information about the business.

However, the recent trends have pointed out that the quality of entrepreneur; i.e. creativity, risk taking, inspiration, need for autonomy and freedom, tolerance of ambiguity, hardworking and persistence, and optimistic have vigorously to contributing of new venture creation as the result this present study. Most studies in the field of entrepreneurship have not explored the new venture creation of e-commerce in much detail; hence, the principal objective of this study is to determine the aspect of cognitive and personality of entrepreneurs has been significantly influence of e-commerce entrepreneurship involvement in Malaysia. Seven types of personality identified as a critical part of qualities needed to be successful entrepreneurs during start-up stages (Ahmad *et al.*, 2017b). The same result by Ahmad *et al.* (2017) shown that the elements of cognition and motivation are an essential part of the individual component in entrepreneurship.

In general, Dheeriya (2009) describes e-commerce as any activity performed online on the World Wide Web. The main distinction between e-commerce and conventional business can be explained based on the need to use internet and computerized systems in e-commerce. However, the conceptual framework of online entrepreneurship has yet to be properly established. On another note, Gartner (1985) pointed out that each type of business, industry, and entrepreneur distinctively affect the process of new venture creation. Hence, it is very important to understand the aspect of entrepreneurial personality in influencing the creation of new venture in e-commerce.

On top of that, it has been established that entrepreneurship is one of the major elements that contribute to economic growth (Wennekers and Thurik, 1999; Carree and Thurik, 2005). Market activity and economic system are majorly shaped by entrepreneurship based on the creation of wealth or something valuable (Drucker, 1985; Morris, 1998) which in turns promotes entrepreneurial activity for products and services (Shane, 2003). It cannot be denied that entrepreneurs and entrepreneurship widely encourage economic development even though they are not regarded as the main income of a country.

The new media age has witnessed the expansion of technologies that are integrated with the development of internet, which includes ICT and telecommunication, e-commerce, and other related businesses. However, the advantages of e-commerce have made it the new interest of the world based on popular demand. The development of e-commerce has managed to produce strong and excellent profits which consequently beat the conventional way of business, and this has turned e-commerce into a very reliable aspect in the global sales revenue growth firms (Dheeriyaa, 2009). Meanwhile, e-commerce has also set its foot in Malaysia based on the amount of profit reported by Mr. Azizan Mohd Findi, the General Secretariat of Planning and Coordination Commission, with almost two billion dollars recorded from 2010 to 2011 and three billion dollars in the following year. Hence, it is safe to summarize that the development of e-commerce in Malaysia has been very promising despite the limited information on the figure expressing the number of business entities.

As a result, the issues related to the factors influencing an entrepreneur to start a new business has received considerable critical attention among many scholars (Townsend *et al.*, 2010) considering that entrepreneurship is the main driver of economic growth of a country (Baron and Shane, 2008) which is expanded through the opportunities of new businesses, job and innovation. The main contribution of this present study expected to the development of entrepreneurship theory which is focusing more on individual aspect from various approaches by previous researchers. This study contributes to the existing literature which is two elements of entrepreneurs' cognition, and personalities significantly contributed as determinant factors of e-commerce entrepreneurship involvement in Malaysia. Recent studies of entrepreneurship in Malaysia lack on focusing the individual psychological as determinant factors in e-commerce ventures despite generating a billion dollars in GDP a year.

2. METHODOLOGY

In the case of the present study, a total of twelve successful entrepreneurs suggested by the Communication Commission (MCMC) 2013 were interviewed for the purpose of data collection. The demographic background of the interviewees was also considered, which include their business sector, gender, location, and historical background of e-commerce business. In relation to this, it is important to highlight that the participants come from small and micro enterprises (MSE) with less than 30 employees and annual sales amounting less than RM30 million. On top of that, they are very involved in their full-time e-commerce business that has been up and running between one to six years (start-up duration). A semi-structured interview was performed on all twelve participants, with each being tape-recorded and rewrite immediately. The analysed interviews had managed to offer tentative categories or themes that could fulfil the purpose of study (Merriam, 2009).

The tentative themes were derived from the research questions in the initial phase of data analysis. The data are then compared according to each category once the themes have been developed. The first step of inductive analysis (category construction) involves the open coding on a passage in the interview transcripts in response to the research questions (Merriam, 2009). Next, the coding was classified under one category known as axial coding proposed by Corbin and Strauss (2008). The themes are developed based on three stages which are open coding, axial coding, and selective coding, which is consistent with the grounded theory proposed by Corbin and Strauss (2008). Specifically, open coding requires the themes to be determined by constantly analysing the interview transcripts line by line because they are the key to answer the research questions. Following the review of the transcripts, the open coding was then established under axial coding which is described as "*coding that comes from reflection on interpretation and meaning*". In other words, axial coding is derived from several open coding that share similar meanings that construct a particular theme. Axial coding is important in formulating a theme as it extracts several open coding with similar meanings. Selective coding is the final stage of data analysis which selectively codes the main categories that comprise of several axial coding, with the purpose of reinforcing the establishment of the main categories.

3. FINDING AND DISCUSSION

Human cognition processes are caused by information they are received from previous experiences and personal background which greatly influence their personal judgment and decision to start new ventures. The findings of this study it is clearly demonstrated that cognition in which very much related with cognitive perspective of thinking and reasoning of an entrepreneur has a great influence on the new venture creation in e-commerce in Malaysia. The cognitive roles such as personal background due to family involvement in business and personal experiences pertaining to information, computer and technology have been recognized as important elements to influence the creation of new ventures by e-commerce entrepreneurs in Malaysia. The framework of cognitive perspective which is paramount important for early new venture creation in e-commerce is shown in table 1:

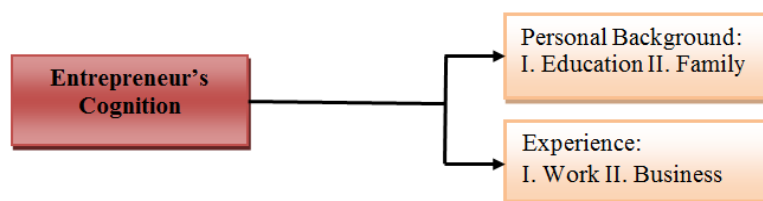


Figure-1. Cognitive as component that contributes to the e-commerce new ventures in Malaysia
Source: Merriam (2009).

Based on the figure 1, it shows the roles of cognitive perspective emerge from two main factors that related to new venture creation in e-commerce in Malaysia. First main factor related to the roles of cognitive is personal background such previous education they are received and family background. Second factor refer to cognitive entrepreneurs are related with previous work and business experience of entrepreneurs before decision to start e-commerce ventures in Malaysia.

The personal historical background such as education where they are received before started their business play very an important factor to lead their decision for creating the new venture in e-commerce. Education gives them information to generate basic ideas and awareness on how to start the new venture in e-commerce. The family's backgrounds also an important in business as influential factor to the new venture creation among entrepreneurs. Family background in business gave them the information and exposure about the business experience since they are young especially about how to create the product and manage the business.

The work experiences also play significant factor leading ones on the new venture creation among e-commerce entrepreneurs in Malaysia. Their previous work experienced gave them the knowledge especially in computer; it is a basic to establish the e-commerce business. There were also among entrepreneurs who have hard experience of finding the work that encourages them to start the new e-commerce venture as a source of income in the life. There were also entrepreneurs who have had various experiences in other business before starting an e-commerce. They already had a strong foundation in the businesses such the basic knowledge from others business experienced as basic ideas to create new e-commerce business.

Based on the findings of this study it is clear demonstrate that the personality of entrepreneurs has a great influence on the process of creating a new e-commerce venture in Malaysia. Seven element of personalities such as creativity, risk taking, inspiration, need for autonomy and freedom, tolerance of ambiguity, hardworking and persistence, and optimistic are an integral element of the process of creating an e-commerce new venture in Malaysia.

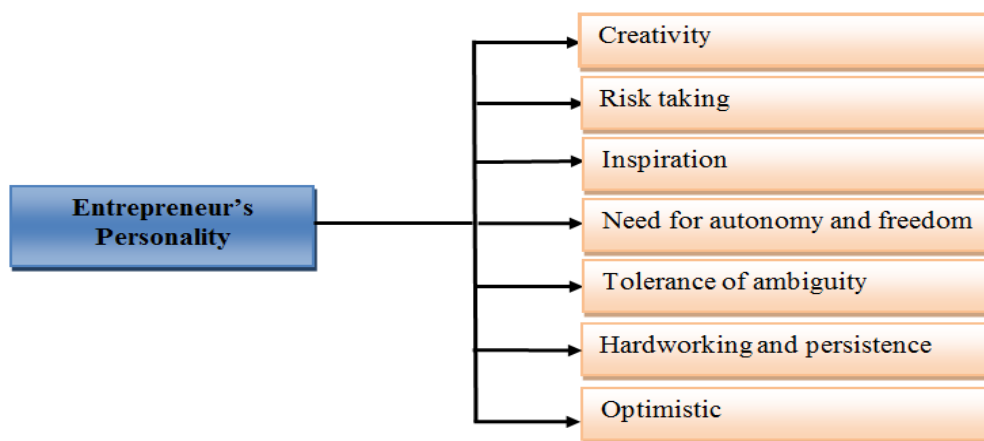


Figure-2. The personality traits that contribute to e-commerce new ventures in Malaysia
 Source: Merriam (2009).

Refer to figure 2, first element of entrepreneur's personality is related with creativity in online marketing strategies through social media such as Facebook, blogs and You tube. Entrepreneurs need to be creative in formulating marketing strategies and not only expect customers to contact them without doing anything to attract buying interest. Therefore, entrepreneurs need to be creative in designing marketing strategies such as introducing promotions online, using interesting passages for buyers' interest and putting beautiful pictures. The nature of e-commerce, entrepreneurs need to use virtual communication through the form of writing and insert the good pictures as marketing techniques rather than verbal communication. The concept of creativity in e-commerce requires more entrepreneurs to interact with computers and internet because it is the main medium for the business. Creativity arises when entrepreneurs can integrate all the applications in computers and online as catalysts to market their products. Therefore, entrepreneurs need to have creativity in designing business strategies and online technologies to attract the buyers.

Second, the element of personality entrepreneur's is related to the willingness to take risks in the business what they are started. E-commerce is a quite newest in Malaysia; entrepreneurs need to bear every possibility that is beyond expectation. The unexpected risk is related to the payment process during the transaction of business. Entrepreneurs are encountering the problem if dealing with dishonest customers are trying to take advantage of weaknesses in e-commerce. In fact, entrepreneurs are always suffering losses if goods are delivered but payment is still not received through electronic transfer as a primary transaction method. Entrepreneurs are also bearing the risk if items posted have been damaged or fulfilment the expected time of destination. Therefore, entrepreneurs need to replace the new product to gain customer confidence. Besides with the problems regarding payment and delivery, entrepreneurs also need to consider the risk of return on investment in online marketing such as Facebook or Google ads are become worst without any impact in sales. Unlike the regular businesses, the risks that entrepreneurs need to be faced may not be as complicated in e-commerce businesses which is require the willingness to received high risk for complex transaction processing as a result of customer relationships is indirectly occurring. Hence, certain issues that bring additional risks to entrepreneurs need to be high level of readiness.

The third personality is associated with inspiration of entrepreneur especially on expectation of potential e-commerce business. Most entrepreneurs are aware of huge potential e-commerce business in Malaysia especially for market the product around the world. Therefore, they set up an ambitious to develop a new business model to be more competitively in terms of e-commerce business opportunities in Malaysia. Some of the entrepreneurs have set the targets in their business to market products overseas via e-commerce and continue to grow rapidly through the setup of the new branches over the next few years. The inspiration is largely influenced by expansion businesses that are potentially due to the broad market through the platform in e-commerce. The level of customer access driven by internet infrastructure and lifestyle changes has made e-commerce purchases more vibrant in Malaysia.

E-commerce entrepreneurs only need to exploit on the business opportunities because internet access and lifestyle changes in Malaysia to expand their market share in the future.

The fourth personality of entrepreneurs is related to the need for autonomy and freedom which is desired to work independently without being control by employer. Self-employed without being control by an employer was giving a full satisfaction besides being able to enjoy unlimited income as an entrepreneur. Entrepreneurs were earned more than doubled of income by selling the product throughout e-commerce platform. Through e-commerce business as well, they gain flexibility in carrying out daily work without being bound by normal working hours. This is because time and commitment in the e-commerce business is flexible and not limited to a certain time. Potential customers can contact the entrepreneur at any time via email or Facebook as a 24-hour communication medium.

The fifth element of personality is about tolerance of ambiguity which is the willingness of an entrepreneur to accept the uncertainty in the business. Given the e-commerce business is still new in Malaysia, entrepreneurs need to face the uncertainties in the business especially with limited of knowledge. Although e-commerce business promises unlimited market opportunities, it is not an absolute guarantee of success in business. There are various strategies in e-commerce business that need to be learned in view of the many risks that will come into being. There are also interviewed entrepreneurs with a record of failure in the business almost a few times after opting for resigned previous work and refusing to enjoy a fairly high payroll based on the their education level. This clearly shows that they have a high level of tolerance of ambiguity when decided to be an entrepreneur. They have taken a dramatically decision toward the uncertainty that would be faced if they are wanted to become a successful entrepreneur.

Hard working and persistence are important features that drive entrepreneurial aspirations to achieve goals during the new venture creation process. Without having personalities such as hard working and persistence it is quite possible for entrepreneurs to face the uncertainties in an environment. The underlying uncertainty in environment requires the entrepreneur's persistence to face the challenges especially in relation to marketing and product making process. The persistence of entrepreneurs in implementing effective marketing strategies is highly demanded to ensure that the best selling products in the market. All effort should be decanted into marketing of product that are not yet recognized by customers. It is one of the major challenges for entrepreneurs in the early stages of business establishment to generate customer demand or facing losses if product are not sold. Entrepreneurs also need to work hard to produce the products and ignoring the work time used to ensure that orders can be delivered to customers without any unreasonable delays.

Entrepreneurs are also known for having high persistence to meet all risk expectations, especially in the early stages of the business startup process. At a early stage of business, entrepreneurs need more be patient in managing all aspects of marketing, product development or customer relationships. The process of startup a new business is difficult and requires entrepreneurs not to give up in every action to ensure success in the future. The e-commerce is one of the most difficult business to manage despite being able to generate lucrative profits. The challenges of e-commerce require entrepreneurs not always easy to give up, be eager and patient while managing business.

Finally, entrepreneur's personalty is related with optimistic; which is the confidence level towards the outcome expectation of the business in the future. Entrepreneurs are optimistic about what they expect to achieve in the future despite having to face the uncertainties in the business. The results of the interviews show that entrepreneurs have a high degree of confidence and courage towards making a decision regardless of the uncertainty. The optimistic of entrepreneurs in decision making is due to their positive attitude and high degree of stubbornness. Entrepreneurs with positive mind is more moderate accept the uncertainty in business while entrepreneurs who have stubbornness will be more courageous in decision-making in business. Both attitudes have affected entrepreneurs to become opportunists to take advantage of the e-commerce that has been identified to have great potential in the future. Therefore, it is no surprise that entrepreneurs are courageous and moderate to face of any

challenges because they are so optimistic about what they hope to achieve in future.

4. CONCLUSION

In the conclusion, the personal background such as education and family background; also the work and business experience play important roles in cognitive perspective because it provides a useful source of information for entrepreneurs to start the new business compare who those do not have any information about the business. Seven elements of personalities such as creativity, risk taking, inspiration, need for autonomy and freedom, tolerance of ambiguity, hardworking and persistence, and optimistic are qualities elements of entrepreneur in order to be determinant factors of e-commerce entrepreneurship involvement in Malaysia. All that two elements of entrepreneurs identified as good reasons to answer the question "how does an organization come into existence" in entrepreneurship.

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