

The Model of Business Success Factors for Micro-Entrepreneurs: A Conceptual Paper

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Abstract: *The objective of this study is to propose a model of business success factors for micro-entrepreneurs. The model is to comprehend and understand of what factors lead to micro entrepreneurs' success. Initially, the study reviews the literature and formulates hypotheses before proposing a model of business success factors for micro-entrepreneurs relevant to the current situation. Although many models have been proposed, they are less likely to emphasize on technology adoption, which is becoming paramount in the new daily lives due to the covid19 pandemic. Hence, it is hoped that the new model will provide beneficial insights to entrepreneurs, academicians, government agencies, and policymakers in formulating strategies and actions for the success and sustainability of micro-entrepreneurs.*

Keywords: *Business Success Factors, Entrepreneurs, Micro, Model*

1. Introduction

Entrepreneurship exponentially proliferates around the globe, creating jobs while improving the overall economic outlook of nations. Entrepreneurship is also part of poverty eradication strategies initiated by many governments, specifically for countries in an emerging economy. The governments provide constructive and productive funds to the underprivileged groups to empower them to become entrepreneurs. The advantages of being an entrepreneur are one will be financially independent, capable of generating his incomes, and thus can transform his lives, both economic and non-economic, to a decent or higher level.

Entrepreneurs are categorized in many levels, namely micro, small, and medium enterprises (MSMEs). The majority of the world's firms are under MSMEs, and they play significant roles in the national and worlds economies. Micro entrepreneurs are those who run a very small-scale business with employees of less than five full-time employees or less than RM300,000 of the sales turnover [1]. Since they are small, micro-entrepreneurs have many privileges. The businesses are easy to set up due to low capital and skill requirements. The business structure is also flexible and can function across diverse sectors of the economy. Moreover, the owners are often very closed to customers and quickly respond to market and customer demand.

On the other hand, micro-entrepreneurs are vulnerable to the economic crisis compared to large enterprises due to their micro size. As a result, many fail to succeed even with government support, specifically in the start-up phase. According to [2], only 10 % of the business created by entrepreneurs survive. Hence, a familiar

problem of new businesses is their high dissolution rate, in which of every 100 start-ups, only 50 firms stay for the first three years [3].

As seen today, the Covid-19 outbreak has severely affected the micro entrepreneurs' business. In Malaysia, almost forty percent of micro-entrepreneurs are shutting down, and 2 million people are losing their job due to lockdown [4]. Prior research indicated that micro-entrepreneurs tend to have a lower success rate than larger [5, 6]. This is due to the former has lack of resources, especially on financial and managerial. As a result, they do not prepare for such disruptions yet are not ready to face any turbulences [7, 8].

The afore-mentioned issues have captured the interests of many scholars and researchers to find novel solutions on what leads to the success of micro-entrepreneurs [2, 5]. To date, many theories, models, and factors have been proposed to predict the business success factors of SMEs (Small and Medium Enterprise). Yet, there are no consensus solutions and so far, are inconclusive. Moreover, little has been focused on micro-entrepreneurs.

Furthermore, business success factors or models might differ from small to micro-enterprises [9]. Indeed, those models are less likely to emphasize the context of a new normal era that has changed ones' life. Therefore, to fill this void at least partially, the objective of this study is to propose a model of business success for micro-entrepreneurs, which is relevant to the present situation.

The paper continues with reviewing the literature before proposing a hypothesis. Then it proceeds by developing a model of business success for a micro-entrepreneur before ending with closure.

2. Literature Review and Hypothesis Development

2.1. Social Cognitive Theory

Social Cognitive Theory was proposed by [10]. The theory provides a framework for understanding and predicting changes in human behavior or performance. It identifies human behavior as an interaction of personal factors (cognitive, affective, and biological events), behavior, and the external environment. The theory has been frequently used as an underlying model by prior studies and successfully predicts behavioral or performance outcomes. Emulating prior research, this study also applies the social cognitive theory as the underpinning framework to envision and develop a model of human performance, namely micro entrepreneurs' business success.

2.2. Micro Entrepreneurs' Business Success

Entrepreneurship is the creation of new business, providing goods and services with new employment opportunities. According to [11] successful entrepreneurs in business will significantly contribute to the economy and society, either at a national or global level. Research has also reported that economic growth requires participation from small business units [12].

The success of micro-entrepreneurs has been defined in various ways. In the simplest definition, it is the ability to survive or to sustain in business. However, previous research has indicated that multiple factors would lead to the success of the micro-entrepreneurial business. Amongst others were personal characteristics, namely self-efficacy of the owner [13-16], social environment [17-19] and digital adoption [5, 20].

2.3. Entrepreneurial Self-Efficacy

Entrepreneurial self-efficacy refers to the confidence in one's capability to perform the roles aimed at entrepreneurial outcomes. It is widely recognized as playing a crucial role in deciding whether one undertakes entrepreneurial professions and engage in entrepreneurial conduct. Some scholars have looked at self-efficacy as general confidence in one's ability to solve potential tasks of any sort to comprehend its implications [21, 22], which is consistent with [23] conceptualization of self-efficacy.

Thus, entrepreneurial self-efficacy has emerged in entrepreneurship research as a critical psychological construct, having been considered to enhance entrepreneurial motivation, purpose, actions, and performance [24]. Indeed, entrepreneurial self-efficacy is also becoming increasingly important to small business researchers due to the rising impact of entrepreneurial thought and action on positive entrepreneurial outcomes [14, 25-27].

2.4. Self-efficacy and entrepreneurial business success

Self-efficacy is a personal factor in the form of a cognitive or mental state of mind. It refers to one's belief that one can successfully perform the different roles and tasks of entrepreneurship [28]. Self-efficacious individuals tend to be over presented among entrepreneurs. Hence, a strong sense of efficacy in many ways promotes human achievement [10]. According to [10], the most crucial feature distinguishing between low and high self-efficacy is that high self-efficacy quickly pulls himself together against the failures and is persistent in his acts. In other words, he continually strives for success.

Entrepreneurship needs resilience, persistence, and passion for positive performance. Therefore, entrepreneurial self-efficacy has emerged as a critical psychological construct in entrepreneurship research, having been considered to boost entrepreneurial motivation, intention, behavior, and performance. It is the degree of confidence in achieving a goal that drives targeted action and helps gain higher performance. In other words, self-efficacy beliefs initiate the agentic behavior of an individual to achieve goals.

Empirical evidence also supported that self-efficacy is related to positive outcomes [29-33]. For instance, [33] examined entrepreneurial self-efficacy on the business success of 722 Malaysian university students. The results indicated that students' self-efficacy has the most significant impact on becoming successful entrepreneurs. In addition, [30] found self-efficacy was an important factor of employee performance in the health care sector. [31] found self-efficacy as a significant contributor to firm performance.

[32] investigated the effect of self-efficacy on the business success of 304 women entrepreneurs. They found a positive relationship between the variables. In another research by [29] that examined factors affecting women entrepreneurs' success in Pakistan among 181 registered SMEs, indicated that self-efficacy is positively related to entrepreneurial business success. Based on Social Cognitive theory and previous research [29-33], the following hypothesis is proposed.

H1: Entrepreneurial self-efficacy positively related to micro-entrepreneurial success factors

2.5. Social support

Research on entrepreneurship has typically focused on human attributes and attitudes to figure out the contribution of entrepreneurs represented by unique individual differences. This approach provides the understanding that entrepreneurs' drive is essential to their success [34]. However, despite their dispositions, entrepreneurs remain individuals conducting their work operations in social environments.

The social cognitive theory highlights those external factors would have an impact on one's behavior and performance. The social context might create a deeper understanding of environmental factors like family, friends, professionals, informal leaders, and governments on micro entrepreneurs' business success. The people in the system are believed to provide love, affection, and support [30].

Although behaviors, thoughts, and emotions of entrepreneurs have received significant attention, it remains uncertain how these motivators are created and maintained and how social context can enhance the motivation and success of entrepreneurs [35-37]. This conception is logical because support from family and friends can be an invaluable non-financial resource for business success.

2.6. Social support and entrepreneurial business success

Entrepreneurs are individuals who work in a particular social context. Social support by family and friends is a significant factor in determining their success. Many entrepreneurial studies have found social support as a vital factor of entrepreneurial business success [17-19]. For instance, [17] conducted a study to examine the relationship between social support and entrepreneurial success among future entrepreneurs in Saudi Arabia. Results indicated that social support had a positive relationship with entrepreneurial business success.

Likewise, [18] adopted the theory of planned behavior to investigate the relationship between social support and entrepreneurial business success. Data were gathered from 381 fresh business graduates. Results revealed that social support positively influenced entrepreneurial business success. In similar vein, [19] reported a positive relationship between social support and entrepreneurial business success. Hence, focusing on the social context could provide a deeper understanding of the effect of environmental factors, particularly on the micro-entrepreneur's business success. Therefore, it is hypothesized that:

H2: Social support is positively related to entrepreneurial business success.

2.7. Technology adoption

The Covid-19 pandemic is indeed pushing more consumers online and accelerating the adoption of e-commerce, requiring further technology adaptation by micro-entrepreneurs. Furthermore, adopting the technology will strengthen the relationships between entrepreneurs with existing customers and build more trust through mutual support while exploring and leveraging new customers. Although the adoption of technologies such as social media, digital marketing, E-payments, and E-commerce may differ between sectors and enterprises, it is vital for the survival and sustainability of the MSMEs.

Small businesses can leverage the technology for interaction through various platforms both internally and externally. This is immensely beneficial as it provides the business with an in-depth awareness of the environment around them. Advertisement to millions of people only at a click of a button is one of the most valuable technology. This can be done via many social networking sites like Facebook, Twitter, Instagram, WhatsApp, You tube. Hence, it is straightforward to create business and provide visibility.

Technology adoption, whether computers or mobile phones, serves as a gateway to vast quantities of information that can be easily accessed. Hence, technology has significant effects on the activity of the business. For instance, it can accelerate communication and facilitate efficient information flow, essential for business success. As MSMEs are part of the digital economy ecosystem, adoption, transformation, and innovation in technology skills are critical to sustaining and therefore they should be agile with any uncertainties and vibration of economies.

2.8. Technology adoption and entrepreneurial business success

Indeed, using at least essential technology devices and platforms can make even a small business effectively available to a broader range of customers. Therefore, it is even more critical for micro-entrepreneurs to use modern technology for better communication and customer satisfaction. Several studies have highlighted the significance of technology usage in the success of a small business [2, 5, 20, 38].

[20] examined the relationship between technology usage and entrepreneurial business success. A survey was carried out among 161 enterprises in Lagos, Nigeria. They documented a significant relationship between the variables, in which the higher technology usage, the more likely was the success of the entrepreneurial businesses. [2] investigated factors of success for online entrepreneurs in Thailand. Based on 180 online respondents, they found that advertising through social media is a significant factor of business success.

Another study was conducted by [5] to predict business success factors among small entrepreneurs. Data were collected via questionnaire from 199 small entrepreneurs operating under Malaysia's Federal Land

Development Authority (FELDA) scheme. Using a partial least square (PLS) approach, the results indicated that technology adoption was related to the success of small and micro-businesses.

Similarly, [38] investigated technology usage and business performance among small Canadian entrepreneurs. Findings indicated that the higher the use of technology in business, the higher the business outcomes in growth, productivity, and financial performance. Though practically significant, technology adoption has rarely been empirically examined in micro-entrepreneurial research.

Therefore, emulating the social cognitive theory and prior research, it is hypothesized in this study that:

H3: Technology adoption is positively related to entrepreneurial business success.

3. A model of micro-entrepreneurial business success

Drawing on social cognitive theory and evidence from the literature, the present study proposes a micro-entrepreneurial business success model representing conceptualized relationships between the proposed variables. Figure 1 depicts the model of micro-entrepreneurial business success.

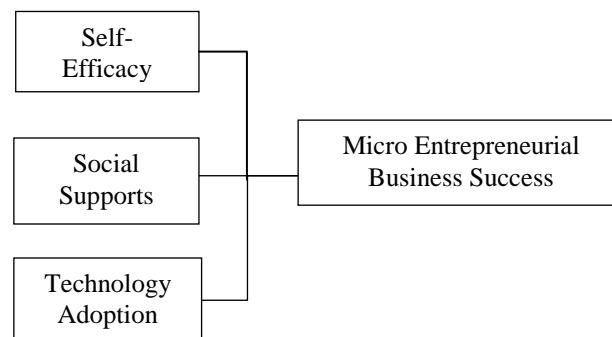


Fig. 1: A Model of Entrepreneurial Business Success

4. Conclusion

The rise and fall of a business always attract the interest of many. Hence, there have been continuous attempts to understand the factors behind the success story of a business. Equally, finding the reasons that drag a business to its demise is also intriguing. Understanding a business's success becomes more crucial when it involves micro-entrepreneurs, as this group is known to be very vulnerable in the case of business failures. Thus, the main objective of the present study is to propose a model of micro-entrepreneurial business success based on the social cognitive theory and empirical evidence of prior research. It is hoped that the model will provide valuable insights to the micro-entrepreneurs, academicians, government, and other related parties to improve and achieve the desired outcomes of the entrepreneurial business success threshold.

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