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# The impact of entrepreneurial motivation toward business performance among SMEs in creative industry

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### ABSTRACT

This paper explores the impact of entrepreneurial motivation towards business performance in SMEs in creative industry. The paper further identified four variables in entrepreneurial motivation that relate to the business performance, there are need for achievement, self-efficacy, locus of control and risk-taking. Entrepreneurial motivation is an asset especially for those who are involved in small and medium enterprises in the creative industry. Artists or business founder as the main player in the creative industry, where they should think entrepreneurially in a context of global challenge today. A good arts producers should not only think about the artistic value in their product, but they also should emphasize on how to utilize the strategic resources to fulfill consumer needs effectively in the competitive market. Entrepreneurial motivation becomes a crucial value to make a good business performance among arts founder of SME in creative industry.

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### Introduction

Previous study emphasized on the relationship strategic management to the performance of the company. Just some researcher relates the entrepreneurial motivation into the business performance. We also believe the study of the entrepreneurial motivation is a usual study. Most of researchers interested to present the topic of motivation in entrepreneurship, but in a different context. According to Shane, Locke and Collins (2003), they looked the relationship between entrepreneurial motivation and the business performance. So, this paper tries to explore the relationship on entrepreneurial motivations toward business performance in a creative industry in Malaysia.

The study of entrepreneurs has garnered many varied definitions of the topic. Some researchers have defined entrepreneurs as someone who recognizes an opportunity, and marshals the resources to take advantage of, or act on that opportunity (Huefner and Hunt, 1994; Chung and Gibbons, 1997; Begley, 1995). Today, most of entrepreneurial study will include the motivation in a context of human development. In fact, the word of entrepreneurs has become a common term used to describe people who are innovative, creative, ability to identify opportunities, and also motivate. Successful entrepreneurs are described as a high motivation and innovative individuals who recognize opportunities and marshal resources to achieve their goals (Stevenson & Gumpert, 1983).

Meanwhile, the term of entrepreneurial motivation describe on how human motivation influences the entrepreneurial characteristic. Shane, Locke and Collins (2003) identified several factors of human motivations that influence the entrepreneurial process; there are need for achievement, risk taking, tolerance for ambiguity, locus of control, self efficacy, and goal setting.

According to Shane, Locke and Collins (2003), entrepreneurs can pursue opportunities in any industry at any time. For example, some entrepreneurs build successful new companies by contributing to the founding of a new industry,

such as Robert Swanson in biotechnology. So, creative industry is a new practicing in Malaysia where it offers a lot of opportunities to entrepreneurs in arts field.

### Background of Creative Industry

The terms Creative Industries are often focused on creating and exploiting intellectual property products such as textile, handicraft, films, performing arts, or fashion designs; or providing business-to-business creative services (Wikipedia, 2006). Meanwhile, Carmen Marcus (2005) a writer of The UK Creative Industry Task Force report defined the term creative industry as those industries that have their origin in individual creativity, skill and talent and which have potentials for wealth and job creation through the generation and exploitation of intellectual property.

The creative industries are a new approach for Malaysian government to establish in several sector, and which relate to the needs of idea to develop arts composition through creativity. It provides a unique opportunity for designers, artists, filmmakers, researchers, educators and entrepreneurs to easily connect and collaborate with others to create new work, develop new ideas and increase the creative industries. Being creative and innovative are basic elements that we need to emphasis in term of productivity, product design, and competitive in a creative industry.

Our Prime Minister Datuk Seri Abdullah Ahmad Badawi has tabled the budget 2007 in the Dewan Rakyat where RM685 million is allocated for the development activities relating to arts, culture and heritage. The economic potential of the creative industry will be further developed through close collaboration between the public and private sectors since Malaysia has vast cultural and creative resources.

So, the Creative Industry Development Fund is one of the proposals under Budget 2007 that will promote the private sector's involvement in the creative industry, especially film-making and animation. The fund will contribute to enhance research in media content and creative arts. The ministry that is

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involved in creative industry needs to identify the priorities in research activities using the fund (Bernama, 2006).

Under the 9MP, RM442.4 million has been allocated for culture, arts and heritage programs. A special program, the Heritage Craft Apprenticeship Scheme will be implemented during the planned period to provide skill training as well as to preserve traditional arts and craft including indigenous craft (9MP, 2006). Beside that, National Craft Institute also takes responsibility to build various entrepreneur development programs that can contribute to the skilled artisans to meet future challenges

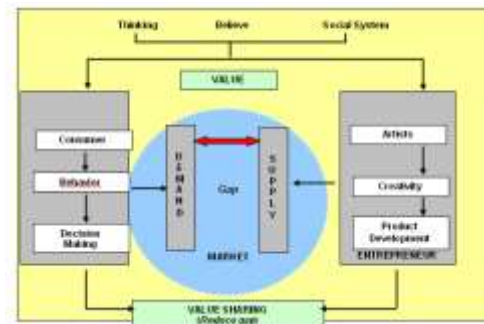
Artist who has an entrepreneurial motivation will deeply analyze on how to take advantage of opportunities in a marketplace, build strength in a market, how to face threat from competitors, and also to overcome weaknesses in addressing the local as well as international market forces. But how many of local artists are really high of entrepreneurial motivation? In fact, most of the foreign companies are prone to take the opportunities to market local product to local consumers or international directly without dependent on third parties to market foreign art products to local consumer. Just a few local artists are aware to the business opportunity and entrepreneurial motivation toward industry creative in Malaysia. Lack of entrepreneurialism may influence the local artists who are creative and rich with new ideas in arts. Some of them are totally depend on the third parties to market their products. Local artists should be aware about the threats of foreigners' products in the local market today.

Today, most of the universities in Malaysia produce a lot of graduates' student in the field of arts and design, like music, film, theater, craft, creative writing, carving, furniture, and textile. But, how many of them are really interested to take up entrepreneurship in their field of specialization as a profession? Meanwhile, our government encourages graduate students to be in entrepreneurship. In fact, local artist develop their inclination on seeking and seizing opportunities in creative industry. Most of our local artists can achieve a certain level of professionalism in industry through being an entrepreneur (Dr. Rais Yatim, 2006).

### Rising Issues

Motivation becomes crucial among entrepreneurs to develop their business performance especially in creative industry. But, how many of them are really motivated in a context of having a right management, better marketing strategy, and become a good financial planning in a business performance. Several problem statements that have been identified to discuss the important of entrepreneurial motivation toward the business performance among SMEs in creative industry, they are;

1. Most of local artists are not confident to face challenges in creative industry and still depend on the government to support their business activities. But, how well the government can take into consideration in term of market orientation, cultural value, research and development, and business environment to help entrepreneur in creative industry.
2. Local artists are not really motivated to study the consumers' value which affected to the demand of their product. But, some of them develop their self the value of product (composition) and ignore what are the consumers' requirements.
3. Some of them are creative toward the product design but not innovative in a term of product development and creative in a context of business development.



**Figure 1: A big gap in supply and demand (Market)  
The need of a new model of entrepreneurial motivation**

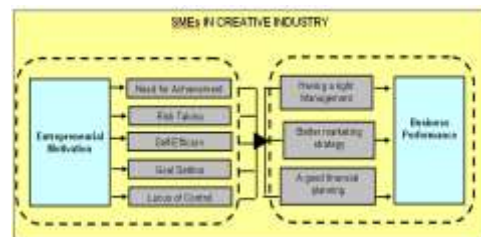
As the creative industry grows from the producing sector and becoming more complex in industrialization, entrepreneurship will draw more attention to the need for re-emphasizing on arts business. Entrepreneurship becomes important among artists who are involved in small and medium enterprise to make them more motivated.

A lot of suggestions that have been utilized in an entrepreneurship program to develop motivation in a sense of entrepreneurship among the Malay artists who have been involved in small business today. This is a new approach that is highlighted by Ministry of Arts, Culture and Heritage to build awareness among artists in entrepreneurship (Dr. Rais Yatim, 2006).

This paper will develop a new model of entrepreneurial motivation toward business performance in creative industry, where its can be practiced by government to implement a new policies in creative industry in Malaysia.

### Model of entrepreneurial motivation

This model illustrated the relationship between entrepreneurial motivation and business performance in creative industry in order to explore the correlation between two variables. In this study, we examine the relationships between several attributes in an entrepreneurial motivation and the business performance.



**Figure 2: The Relationship between Entrepreneurial Motivation and Business Performance in Creative Industry**

This model divided into two sections; there are entrepreneurial motivation and business performance section. This paper will further discuss the relationship between both variables. Therefore, several attributes will be highlighted to discuss this correlation.

### Entrepreneurial Motivation

Shane, Locke and Collins (2003) have identified five important factors in motivational concept in entrepreneurship; there are need for achievement, risk taking, locus of control, self efficacy, and goal setting.

### Need for Achievement

High achieving individuals are characterized by self-confidence, the ability to take calculated risks, the need to research their environment and the desire for feedback about their performance (McClelland, 1965). Good art entrepreneurs

will become confidence and also independent by their own foot in the business.

The work of McClelland in the early to mid-1960s suggested that the key to entrepreneurial behavior lie in achievement motivation (McClelland, 1961). The need to achieve is a drive to excel, to achieve a goal in relation to a set of standards (Chell, Haworth, and Brearley, 1991, Johnson, 1990). A person endowed with such a need is expected to spend time considering how to do a job better, or how to accomplish something important to them.

#### **Locus of Control**

Rotter (1966), defined locus of control is the belief in the extent to which individuals believe that their actions or personal characteristics affect outcomes. Individuals who have an external locus of control believe that the outcome of an extent is out of their control, whereas individuals with an internal locus of control believe that their personal actions directly affect the outcome of an event. So, art entrepreneurs with a higher internal locus of control believe that they influence the outcomes of their lives. They believe that they have more control over life events, including their own success or failure (Rotter, 1966).

Research (Brockhaus, 1975, 1980; Korunka et al., 2003) has shown a relationship between entrepreneurs and internal locus of control. People with an internal locus of control are those individuals who also believe themselves to be in control of their destiny (Chell, and colleagues, 1991). Rotter hypothesized that individuals with internal beliefs would more likely strive for achievement than would individuals with external beliefs.

#### **Risk-Taking**

Risk taking propensity is also associated with the entrepreneurial motivation that effected to the business performance. According to Begley (1995), risk taking propensity has been defined in the entrepreneurship literature as the willingness to take moderate risks. There have been a number of studies supporting the idea that risk bearing is a prime factor in the entrepreneurial character and function. McClelland (1961) claimed that individuals with high achievement needs would have moderate propensities to take risk. In particular, Hull and colleagues (1980) found that the personality characteristics most important in identifying entrepreneurial types of individuals are (1) functional task preference and (2) personality constructs of creativity, risk and flexibility

So, high risk-takers in creative industry will be more innovative to develop a new product in a new a market segment. A high market demand of creative product no totally depend on the commercial value, but also in esthetics value that appropriate with the consumer need and want (Hatta Azad Khan, 2006).

#### **Self-Efficacy**

Self-efficacy is the belief in one's ability to muster and implement the necessary personal resources, skills, and competencies to attain a certain level of achievement on a given task (Bandura, 1997). In other words, self-efficacy can be seen as task-specific self-confidence.

Art entrepreneurs with high self-efficacy for a given task will exert more effort for a greater length of time, persist through set backs, set and accept higher goals, and develop better plans and strategies for the task.

#### **Goal-Setting**

Most companies have their own goal-setting in a context of to develop a business strategic. One of the most commonly utilized frameworks within Strategic Management is the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis

model. This framework entails identifying a firm's strengths and weaknesses, and the opportunities and threats that are present in the external environment. It helps entrepreneurs design an effective strategy, using the firm's strengths to exploit opportunities and minimize exposure to threats (Ketchen, Snow, & Street, 2004; Priem, 2001).

This framework easily make the art entrepreneur can identify, acquire, and assimilate information from multiple sources (both external and internal,) and integrate those data into the strategic decision-making process.

#### **Business Performance in Creative Industry**

A good business performance among SMEs in creative industry normally effected by entrepreneurial motivation in a context of; need for achievement, locus of control, risk taking, self-efficacy, and goal setting (Shane, Locke and Collins, 2003). Therefore, a good business performance must be having a right management, better marketing strategy, and become a good financial planning.

#### **Having a right management**

The goal of having a right management among entrepreneurs in creative industry is to create the strategic management in their business. Basically, a strategic management is the process of developing a game plan to guide a company as it strives to accomplish its vision, mission, goals, and objectives and to keep it from straying off course (Zimmerer T.W, Scarborough N.M, 2005). Leadership and coordination also play an important role in management as supportive to the business plan and strategic management.

#### **Better marketing strategy**

A major requirement for success in business is understand and satisfy customer needs and expectations, creating, communicating and delivering customer value, and keeping promises (Aksoy, 2003). A good marketing strategy in any industry must know how to analysis of the environment, face market competitive and business solution; developing objectives, goals, strategies; and defining products, markets, distribution and quality plans to implement the business' strategies (Kotler, 1980).

Some entrepreneurs have a strategic to develop their own market orientation in business. While previous research has predicted a positive relationship between market orientation and performance, on the assumption that market orientation provides a firm with a better understanding of its environment and customer (Chiquan Guo, 2001). A good marketing strategy will correlate with the business performance.

#### **A good financial planning**

Profit maximization is frequently given as the goal of the firm (Scott, JR, Martin, Petty, Keown, 1999). A good financial planning will emphasized the maximization of the profit where it conscious about the expanses, planning for capital needs, sources of equity financing, budgeting, and asset. Most of entrepreneur in creative industry that are really conscious about the profit have a good financial planning toward their business performance.

#### **The Importantness of Study**

Nowadays, the Minister of Arts, Culture and Heritage takes responsibility to ensure that the implementation of creative industry in Malaysia becomes reality. So, the basic thing that we should think is a development of entrepreneurial motivation among practitioners in a context of business development in arts field. The development of entrepreneurship becomes crucial as fundamental steps to motivate among artists in creative industry.

A good infrastructure in industry becomes useless if we cannot produce a good human in business management in creative industry. Entrepreneurial motivation is part of the effecting factor to the business performance which plays an important role in the business management in creative industry.

This conceptual study will reduce several problem statements in this case. A good planning in motivation program will produce a good entrepreneur's behavior, like more independent in their business, become business motivated; self competition, innovative, profit-oriented and product value depend on customer demand.

Before Entrepreneurial Motivation Program	After Entrepreneurial Motivation Program
1. Dependent	1. Independent
2. Art motivated	2. Business and art motivated.
3. Self-appreciation	3. Self-competition.
5. Creative	5. Creative and Innovative
6. Social-oriented	6. Profit-oriented.
7. Product value depended on producer	7. Product value depended on customer

**Figure 3: An effective of entrepreneurial motivation program**

Handicraft is one of the sectors in creative industry that has quick progress in Malaysia. A variety of product from neighboring countries competes with our local handicraft product. The government plays an important role to control the demand of foreign product among local consumer. So, we have to produce a variety of handicraft product that fulfills the requirement of local consumers. Entrepreneurial motivation is one of the approaches that can solve this matter. Strategic implementation also plays an important role to motivate local producers involved in creative industry.

The study of entrepreneurial motivation toward business performance is a fundamental step for the government to move forward in creative industry. At the end of this study, researcher will get an applicable model that can be practiced in our country as a platform to develop creative industry.

### Conclusion

Malaysia has a vibrant art entrepreneurial base with a huge potential to become a global player in creative industry. Indeed, the past and current policies to create a class of entrepreneurs have succeeded in the sense that there are more bumiputeras (Origin race) involved in business and entrepreneurship now compared to before.

Creative industry is a new study in small and medium enterprise and also in entrepreneurship in Malaysia. The proposed model of this study are expected to be applicable to a wide range of creative industry in Malaysia that can increase the level of activities in arts field into a new dimension. Malaysian government can utilize this model as a initial steps to explicate and generalize into a new program planning and policies in the country soon.

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