

# *The Effect of Big Five Personality of Entrepreneurs on Business Growth in SMEs*

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**Abstract**— *This research aims to examine the effect of big five personality entrepreneurs on business growth in SMEs. The study was conducted on 180 handicraft industry entrepreneurs in Bali Province which were determined by purposive sampling. Data collected by questionnaire then analyzed by multiple regression analysis. The results showed that the dimensions of big five personality of entrepreneurs significantly influence business growth in SMEs, neuroticism have a negative and does not a significant effect on business growth in SMEs, extroversion and agreeableness has a positive and significant effect on business growth in SMEs while conscientiousness and openness to experience have negative and does not a significant effect on business growth in SMEs.*

**Keywords**— *big five personality; SMEs; business growth*

## I. INTRODUCTION

Increasing business growth in SMEs is one of the priorities in national economic development because of its high economic and social contribution and is expected to encourage the development of other economic sectors [1]. However, the growth of SMEs is still very low when compared to the growth rate of other industrial sectors which is only 2% [2]. The low business growth of SMEs so far has been due to a number of classic problems, namely the lack of entrepreneur's ability to access sources of financing, markets and technology [3]. In fact, various training and assistance programs have been provided by the central and regional governments to improve the ability of these entrepreneurs [4].

In contrast to the findings of refrence [5] that low business growth in SMEs is precisely because the behavior of entrepreneurs who tend to avoid external sources of finance to minimize control of the company, avoid the risk of failure and uncertain income and reduce high workload by not releasing business growth opportunities [6]. This condition shows that the classic reason for the low business growth in SMEs is because of the lack of ability of entrepreneurs to manage their

businesses is not entirely correct. Therefore, it is necessary to examine the determinants of business growth in SMEs to understand their business management practices.

Previous studies have been done to explain business growth in SMEs based on company and management theories but still show mixed findings. These factors are grouped into two types namely the characteristics of SMEs and the demographics of their entrepreneurs. The demographic characteristics of entrepreneurs such as: age, sex, education and experience of entrepreneurs influence business growth in SMEs [7].

However, the study of reference [8] state that older age and higher education and experience of employers tend to maintain company conditions to avoid control and high workload. Company characteristics such as company age and the business sector affect business growth in SMEs [9]. However refrence [10][8] find the opposite that older companies maintain company operations.

The inconsistency of previous research findings in explaining business growth in SMEs is because it only emphasizes the characteristics of the company and the demographics of the businessman without considering the personality aspects of the entrepreneur. This is important because in the management of SMEs there is no strict separation between owners and managers, the company and its entrepreneurs so that it is suspected that the entrepreneur's personality influences decisions in increasing business growth. Emphasis is placed on the entrepreneur's personality aspect because personality is basically the overall way in which a person reacts and interacts with the environment and other individuals. A person's behavior is not determined by a single personality but is a set of personalities and how strongly each personality influences his behavior. Refrence [11] found that there are five personality traits (big five personality) that affect a person's behavior, namely: extraversion, agreeableness, conscientiousness, neuroticism and openness to experience. The

personality traits of the entrepreneur are thought to influence the entrepreneur in assessing his ability, observing and selecting information to make a decision in developing his business.

The use of big five personality in explaining business growth in SMEs because it is a comprehensive assessment in which a person can perceive himself or herself with others. Therefore, in this study it is predicted that the entrepreneur's behavior in developing his business does not result from one dominant personality, but shows how strong each personality that the entrepreneur has. This prediction is in accordance with the findings of refrence [12], refrence [13] that aspects of cognition, personality and motivation play a role in influencing one's behavior. This was confirmed again by refrence [14]; refrence [15] that the importance of developing and applying various approaches to studying entrepreneurial behavior in managing their business.

Based on the description of the above problems, it is important and interesting to do further research formulated in the title "the influence of big five personality on business growth in SMEs"

## II. LITERATURE REVIEW

Business growth is the performance that has been achieved by the owner and / or manager in running the business. Business growth is an indicator of the success of a business and the difference between entrepreneurs who have an entrepreneurial spirit with entrepreneurs who only have a business. Business growth is characterized by increasing the number of business units, expanding market share, increasing the number of assets, absorbing more labor, increasing profit achievement.

Measuring performance objectively by using quantitative data on SMEs is very difficult to obtain because SME entrepreneurs do not have an adequate recording system. In addition, the use of financial indicators also has limitations because it cannot describe business growth as a whole such as growth in resources, improvement of production systems and technology and market expansion. Therefore, performance measurement in SMEs is possible to use performance measures subjectively, based on entrepreneurs' perceptions. In addition subjective measurement of performance has been found to have a high level of reliability and validity. Subjective performance measurement was chosen in SME research because (a) it has a high level of reliability and validity (b) information on subjective performance data is easier to obtain than financial statements; (c) SME financial data are difficult to interpret because the manufacturing objectives are different.

This theory is based on a model of five personality factors as a representation of the structure of trait which is the main dimension of personality [11]. Humans have the uniqueness of each depending on his personality. After years of personality researchers do not yet have the same understanding of human personality. After a long debate, since 1980 researchers have agreed that individual differences can be grouped into five personalities called the big five trait theory. The five personalities are: openness to experience, agreeableness and conscientiousness of neuroticism, extraversion.

Neuroticism shows someone who tends to be anxious, emotional and vulnerable to disturbances, stress and sensitive to criticism [16]. Because of its negative nature, neurotic entrepreneurs experience life events that are more negative than other individuals. Therefore, in relation to business development, entrepreneurs with high neuroticism tend not to realize their business growth opportunities [17]. Based on the theory and empirical findings, the following hypothesis is formulated.

H<sub>1</sub> Neuroticism has a negative effect on business growth in SMEs

Extroversion shows a person's level of comfort in a relationship. Someone with an extrovert personality tends to be friendly, assertive and friendly. Extroversion is characterized by a tendency to be confident, dominant, active and show positive emotions. Besides extroversion tends to be associated with the way someone uses rational in overcoming his problem [18]. Entrepreneurs with the characteristics of extraversion tend to be sociable, sociable, live in a group and firm that encourage entrepreneurs to take risks and have high achievement motivation. Based on the theory and empirical findings, the following hypothesis is formulated.

H<sub>2</sub> extroversion has a positive effect on business growth in SMEs

Conscientiousness shows someone who is responsible, organized in every job, reliable and persistent. Entrepreneurs who have the characteristics of conscientiousness tend to be reliable, responsible, diligent and oriented towards achieving goals so that their business [19]. Based on the theory and empirical findings, the following hypothesis is formulated.

H<sub>3</sub> Conscientiousness has a positive effect on business growth in SMEs.

Agreeableness means that someone tends to be more obedient and avoid conflict. Entrepreneurs with these characteristics are generally cooperative, kind, warm and gentle-hearted and like to help so that it is easier to access new information and access financial resources to increase business growth [19]. On the other hand, entrepreneurs who do not have agreeableness personalities tend to not easily agree with other individuals, like to oppose, are cold and not friendly. The findings of previous studies found that agreeableness and social support have a consistent relationship [20]. Entrepreneurs with a high agreeableness personality influence entrepreneurs in managing and increasing business growth. Based on the theory and empirical findings, the following hypothesis is formulated.

H<sub>4</sub> Agreeableness has a positive effect on business growth in SMEs

Openness to Experience means someone with a personality who is always interested in new things and wants to know and learn something new [21]. Individuals who have a high openness to experience personality tend to be creative, original, imaginative, full of curiosity, open, broad-minded. Whereas individuals who have low openness to experience scores are usually conventional, humble, conservative and not too curious about something. Therefore, SMEs with high openness to experience tend to be more creative, imaginative, intellectual,

curious and broad-minded so that they will be more aggressive in increasing business growth. Based on the theory and empirical findings, the following hypothesis is formulated

H<sub>5</sub> openness to experience has a positive effect on business growth in SMEs.

**III. METHOD**

This study aims to examine the effect of the big five personality of entrepreneurs on business growth in SMEs together and partially. This research was conducted on SME entrepreneurs in the handicraft industry sector in Bali Province. The research sample was determined by a purposive sampling technique of 180 entrepreneurs [22]. Data collected by questionnaire then analyzed by multiple regression analysis techniques

**IV. RESULTS AND DISCUSSION**

The characteristics of big five personality of SMEs entrepreneurs are shown in Table 01 as follows

TABLE 1 CHARACTERISTICS BIG FIVE PERSONALITY OF SMEs ENTREPRENEURS

No	Personality	Entrepreneurs (person)	Gender		Growth		
			male	female	Low	Medium	High
1	neuroticism	63	33	30	31	25	7
2	extraversion	27	20	7	7	13	7
3.	agreeableness	32	16	16	4	16	12
4.	conscientiousness	45	27	18	7	29	9
5	openness	13	9	4	2	9	2
<b>Amount</b>		<b>180</b>	<b>105</b>	<b>75</b>	<b>51</b>	<b>92</b>	<b>37</b>

Source: processed data

The results of the test of the influence of big five personality on business growth in SMEs jointly or partially are shown in Table 02 as follows.

TABLE 2. MULTIPLE REGRESSION TEST RESULTS

No	Variable	Correlation coefficient	Regression Coefficient	P value	Information
1.	Neuroticism	-0,352	-0,232	0,427	Not sig.
2.	Extraversion	0,422	1,386	0,012	Sig <0,05
3.	agreeableness	0,470	1,335	0,004	Sig<0,01
4.	Conscientiousness	0,347	0,957	0,084	Not Sig
5.	openness to new experience	0,408	0,299	0,570	Not Sig
<i>R-Square (R<sup>2</sup>)</i>		0,355			

Based on the data in the table, the regression equation is formulated as follows.

$$\text{Growth of SMEs} = 55.456 - 0,232 \text{ neuroticism} + 1,386 \text{ extraversion} + 0,229 \text{ Openness} + 1,335 \text{ Agreeableness} + 0,957 \text{ conscientiousness} + e_i$$

**V. CONCLUSION**

Based on the discussion of research results, it can be concluded that the big five personality dimensions of entrepreneurs, namely 1) neuroticism has no significant negative effect on business growth in SMEs 2) extroversion has a significant positive effect on business growth in SMEs 3) conscientiousness has no significant positive effect on business growth in SMEs 4 ) Agreeableness has a significant positive effect on business growth in SMEs 5) Openness to experience does not have a significant positive effect on business growth in SMEs

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