Motivating Factors that Influence Class F Contractors to Become Entrepreneurs

NOR AISHAH BUANG
YUFIZA MOHD YUSOF

ABSTRACT

The purpose of this study is to find out what are the motivating factors that influence class F contractors to become entrepreneurs. Those motivating factors include family background, education background, and psychological factors such as sense of freedom, satisfaction, innovation, success, recognition and important roles. The conceptual framework for this study was adapted from the Entrepreneurship Education and Development Process Model. Interviews and questionnaires were used to collect the data. Statistical analysis such as frequency, percentage, t-test, Pearson correlation, and one-way ANOVA were used. The findings suggested that business family background, education level and other psychological factors not necessarily serve as the motivating factors for the class F contractors to choose to become entrepreneurs. The conclusion that can be made from these findings is this type of business is unique in terms of the usual motivating factors that influence individuals to become entrepreneurs. In the case of class F contractors, exposure to the corresponding experiences and specific trainings in the relevant business area are more important motivating factors that encourage them to become entrepreneurs.

ABSTRAK

merupakan faktor pendorong kepada pemilihan kerjaya keusahawanan sebaliknya pendedahan kepada pengalaman dan latihan dalam bidang yang sama merupakan faktor pendorong yang utama.

INTRODUCTION

Malaysian government has shown significant interest in entrepreneurship development of the Malays from various levels since independence. Various efforts have been taken to increase the Malays’ involvement in various business sectors in the country by the Ministry of Entrepreneurship Development. The government is also committed towards its Vision 2020 to make Malaysia a developed and industrialized nation by year 2020. Malaysia Entrepreneurship Development Center (MEDEC) (2003) stated that the entrepreneurship scenario in Malaysia for the Malays have improved significantly over time. One of the reason is due to the good economic growth which encourages more Malays to become entrepreneurs in various sectors. For example, as of today, many Malay entrepreneurs have chosen to become contractors by involving in the more unconventional business area such as construction-related industry. Table 1 below shows construction business ranked the third in terms of the number of business activities taken up by Malaysian in the year 2001.

The number of entrepreneurs are also rising up. According to the statistics produced by the Ministry of Entrepreneurship Development, the rate of increase in the numbers of entrepreneurs from 1985 to 2000 is 75.79%. This increase is due to several factors especially the existence of several incentives and support by the Ministry of Entrepreneurship Development.

Contractor-related business covers a broad activities such as construction and its multi-phases development process and work stages. This sector is seen to be the catalyst to other industries like manufacturing, transport, finance, production of construction materials and the provision of physical infrastructure facilities. Contractor-related business also provides large number of job opportunities from labor to top management levels. In addition, it also encourages the development of new technology and transfer of technology through joint ventures with contractors from other countries (Ab. Aziz 2003).
TABLE 1. Monthly performance reports of business activities registered at trade registration office for year 2001

<table>
<thead>
<tr>
<th>Bil</th>
<th>Type of Business Activities</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food and beverages</td>
<td>3267</td>
<td>3389</td>
<td>3123</td>
<td>3267</td>
<td>3405</td>
</tr>
<tr>
<td>2</td>
<td>Sundry</td>
<td>1951</td>
<td>2029</td>
<td>3123</td>
<td>1968</td>
<td>1961</td>
</tr>
<tr>
<td>3</td>
<td>Construction</td>
<td>2488</td>
<td>2487</td>
<td>2257</td>
<td>2760</td>
<td>2369</td>
</tr>
<tr>
<td>4</td>
<td>Agriculture and farming</td>
<td>681</td>
<td>736</td>
<td>540</td>
<td>508</td>
<td>634</td>
</tr>
<tr>
<td>5</td>
<td>Accessories and computer softwares</td>
<td>713</td>
<td>559</td>
<td>625</td>
<td>647</td>
<td>620</td>
</tr>
<tr>
<td>6</td>
<td>Transport</td>
<td>753</td>
<td>820</td>
<td>738</td>
<td>918</td>
<td>781</td>
</tr>
<tr>
<td>7</td>
<td>Textiles and clothing</td>
<td>658</td>
<td>662</td>
<td>699</td>
<td>762</td>
<td>736</td>
</tr>
<tr>
<td>8</td>
<td>Wholesale and raw food</td>
<td>434</td>
<td>367</td>
<td>535</td>
<td>538</td>
<td>556</td>
</tr>
<tr>
<td>9</td>
<td>Insurance services</td>
<td>426</td>
<td>375</td>
<td>475</td>
<td>424</td>
<td>390</td>
</tr>
<tr>
<td>10</td>
<td>Management services</td>
<td>382</td>
<td>324</td>
<td>351</td>
<td>363</td>
<td>399</td>
</tr>
<tr>
<td>11</td>
<td>Others</td>
<td>820</td>
<td>883</td>
<td>936</td>
<td>993</td>
<td>845</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>12573</td>
<td>12631</td>
<td>11952</td>
<td>13148</td>
<td>12614</td>
</tr>
</tbody>
</table>

Source: Report from the Ministry of Internal and Consumers Affairs. 2001

PROBLEM STATEMENT

The number of Bumiputra contractors have increased drastically as reported by the Contractor’s Service Center. Table 2 shows the increase in the number of Bumiputra contractors by class for a period of three months from 10 March 2003 to 31 May 2003.

TABLE 2. Increase of Bumiputra contractors by class

<table>
<thead>
<tr>
<th>Class</th>
<th>10 March 2003</th>
<th>31 May 2003</th>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>981</td>
<td>1555</td>
<td>38.68%</td>
</tr>
<tr>
<td>B</td>
<td>1489</td>
<td>2309</td>
<td>39.20%</td>
</tr>
<tr>
<td>C</td>
<td>625</td>
<td>1149</td>
<td>35.23%</td>
</tr>
<tr>
<td>D</td>
<td>3116</td>
<td>4716</td>
<td>39.78%</td>
</tr>
<tr>
<td>E</td>
<td>400</td>
<td>1190</td>
<td>25.15%</td>
</tr>
<tr>
<td>F</td>
<td>26180</td>
<td>27839</td>
<td>48.46%</td>
</tr>
</tbody>
</table>

Based on Table 2 above, on the average, there is an increase of about 35% of Bumiputra contractors of all classes except for Class E with 25.15%. Class F contractors shows the highest increase in number, that is 48.46%. What are the factors that motivate Bumiputra entrepreneurs to become contractors, and in
this particular study the Class F contractors? According to Reitan (1997), there are several motivating factors that encourage people to become entrepreneurs. Those factors are cultural values, family encouragement, education in schools and peers’ advice.

Mohd Amir, Barjoyai and Rogayah (1995) in their study “Youth Entrepreneurship Program: The Effectiveness of Motivation and Interest in Entrepreneurship Among the Secondary Schools’ Students” found out that the program was effective in motivating and creating interests among the secondary schools students to become entrepreneurs. Mohd Yusof (2000) in his study, “The Need of Enhancing Knowledge of How to Run a Business Among the Small Bumiputra Entrepreneurs: Towards the Development of Successful Small Medium Industries Entrepreneurs” found out that many successful entrepreneurs come from business family background. Those who inherited family businesses normally are more well trained and experienced in bussiness and are able to steer their bussinesses more succesfully. Parents who are entrepreneurs admitted that they have little difficulties in guiding their children to become entrepreneurs because they have real life bussiness knowledge, experiences and sufficient capital. Nor Aishah (2002) pointed out that the entrepreneurial attitudes and interest towards entrepreneurship are influenced by the internal values that one has. One cannot become a successful entrepreneur without these internal attributes or qualities of an entrepreneur. These attributes or qualities can either be naturally inherited or developed.

Conclusion, this study is to explore the motivating factors that help to develop entrepreneurship qualities among class F Bumiputra contractors. These contractors are from several districts of Perak. Types of motivational factors that being studied are family background, educational background, government encouragements, and psychological factors such as freedom, satisfaction, innovation, success, recognition and roles.

THE OBJECTIVES OF THE STUDY

The objectives of this study are:

1. To identify the relationship between business family background and entrepreneurial characteristics among class F Bumiputra contractors.
2. To identify the relationship between business family background and the motivating factors that encourage class F Bumiputra class F contractors to become entrepreneurs.
3. To identify the relationship between business family background, level of education and career choice and entrepreneurial characteristics among class F Bumiputra contractors.
4. To identify the relationship between business family background, level of
education and career choice and motivating factors to become entrepre-
neurs among class F Bumiputra contractors.
5. To determine the correlation between entrepreneurial characteristics and
motivating factors to become entrepreneurs among class F Bumiputra
contractors.

THE CONCEPTUAL FRAMEWORK

The conceptual framework for this study is adapted from Entrepreneurship
Education and Development Process Model by Nor Aishah (2003).

Adapted from “Entrepreneurship Education and Development Process Model”
by Nor Aishah Buang (2003).
This model consists of motivational factors that help to develop entrepreneurial characteristics among individuals starting from not knowing what is entrepreneurship until they involved in business. These factors are used as the foundations to find out what are the motivating factors that influence class F Bumiputra contractors to become entrepreneurs. Those factors are family background, education background and government encouragements and psychological factors such as freedom, satisfaction, innovation, success, recognition and roles. This framework uses Stevenson, Roberts dan Grousbeck’s Theory (1989) which looked at the six entrepreneurial behaviors and how they are being developed.

Badrul Hisham (1995) and Zaidatol Akmaliah (1997) pointed out several studies showed that successful entrepreneurs usually had business skills and knowledge of to manage a business. The Malaysian government through her agencies such as the Ministry of Entrepreneurship Development, State Agricultural Departments, State Economic Planning Units and the Ministry of Rural Development have played important roles in developing Bumiputra entrepreneurs.

LITERATURE REVIEW

The terms ‘entrepreneurship’ and ‘entrepreneurs’ were widely used in Malaysia since 1970 when the New Economic Policy (NEP) was first implemented. This is due to the realization that entrepreneurship is the prime catalyst for economic growth of any nation (Wan Liz & Sulzari 2002). Entrepreneurship can be learnt and shaped through family upbringing, living in the business environment and formal education. Entrepreneurship characteristics are influence by several factors such as:

1. Personal status, values and characters that lead to the desire to grab opportunities and to change. According to Radzali (1991), a successful entrepreneur is someone who is willing to face any challenges that would inhibit the achievement of his objectives.
2. Children whose parents have a business will normally have more self-confidence and become entrepreneurs. According to Zaidatol Akmaliah and Habibah (1997) in a study, they found that those whose parents own a business have the tendency to start their own business.
3. Education, whether in schools or at home is a very important equipment to compete in business world. In Malaysia, the Rahman Talib’s Report in 1960 and Education Act 1961 have drawn the government’s attention to entrepreneur’s education.
4. Most entrepreneurs venture into entrepreneurship between the age of 22 to 45 years.
5. The more experience an entrepreneur has the easier for him find business opportunities.
6. Dissatisfaction over the salaries is the prime factor for venturing into entrepreneurship.

According to Hisrich (2000), the choice to become an entrepreneur is usually influenced by the parents’ business background. Family plays an important role in encouraging someone to become entrepreneurs. These parents usually motivate their children to try more challenging profession which allows self-freedom and self-reliance. Nor Aishah (2002) also supported the fact that there is a significant relationship between family background and choice to become entrepreneurs based on many studies that showed that many successful entrepreneurs are from families whose fathers are entrepreneurs.

The objective of the new Ministry of Entrepreneurship and Cooperative Development (MECD) is to create an environment that facilitates and develops competitive entrepreneurs in all economic sectors that have potentials. In addition, to inculcate entrepreneurship culture among Malaysians from all walks of life especially those students at institutions of higher learning. The Ministry hopes that the inculcation of entrepreneurial attitude, values and culture among the undergraduates be successful so that they can compete without government assistance (MECD, 2004). In order to develop more Bumiputra entrepreneurs, MECD conducts several training and guidance programs. These programs encompasses three stages. The First Stage involves the culturalization of entrepreneurship among students in the secondary schools and institutions of higher learning. The Second Stage involves basic bussiness skills training for those who are interested to be entrepreneurs. The Third Stage involves advance bussiness courses to improve the existing bussiness performance.

THE CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS

Many scholars have conducted studies on the characteristics of successful entrepreneurs. Brockhaus (1982) said that success is measured by the extent of the accomplishment of the aims and objectives of an entrepreneur. For example, the success of a business is measured in terms of business income or the number of workers employed (Baekham et al. 1996; Brudell & Preiseudorfer 1998 in Elizabeth 2000). Kuratho, Horrnsby and Naffziger (1997) said that the reward basically is the satisfaction of becoming one’s own boss, exercising self-control, and having unlimited opportunity to achieve success in business. McClelland and Winters (1971) suggested that to will to success is very important and it must be at the highest level for a new entrepreneurs.

An entrepreneur plays many roles in conducting his or her business. For example, they play the roles of strategist in profit making, visionary leader, as a
planner, an information collector, a salesman and an administrator (Nor Aishah 2002). McClelland (1961) was the pioneer in studying the characteristics of an entrepreneur. He posited that most successful entrepreneurs have the desire to achieve excellent, assume calculated risk and high degree self-control. Kirby (1992), Hutt (1994), Zimmerer and Scarborough (1996), Zaidatol Akmaliah and Habibah (1997) and Zafir and Fazilah (2003) posited the characteristics of a successful entrepreneur are: know their role, very capable, motivated, willing to change, work hard, objective oriented, innovative, knowledgeable, committed and willful, willing to be responsible, craving for opportunities, willing to take uncalculated risk, confident, creative and flexible, desire for quick feedback, highly energetic, motivation to achieve excellence, future oriented, willing to learn from mistakes and able to lead, setting the standard for success, concentrate on the future, do not rely on luck, responsible, self-reliance, self-confidence, vision, creative and innovative, open for feedbacks, eager for success, team work, opportunity oriented, can be trusted and honest, satisfactory physical ability, persistent in embracing uncertainties and failures.

METHODOLOGY

This study use a survey method. Questionnaires and interviews were used to get the data. The population of this research is class F contractors in Perak. They are the members of Perak Contractors Association. The statistic dated 31 May 2003 stated that there are 485 registered class F members with the Perak Contractors Association. The samples are selected using strata random sampling. The researchers divided the samples into districts and selected four districts using simple random sampling. Open interviews were conducted with those members who managed the association and questionnaires were distributed to the selected class F contractors.

FINDINGS

SAMPLE BACKGROUND

Samples consist of 71 class F contractors from the 4 districts of Perak. Majority of the respondents are 36 years old and above and 91.5% are married. 76.1% respondents left their salaried jobs whether with the government or private sector and the rest have retired. The majority of the respondents (47.9%) only finished form 5 level with a minimum SPM/MCE certificate. Only 11.3% have undergraduate degrees. This shows that for the contractors, education does not play an important role in motivating them to become entrepreneurs. 66.2% of the respondents were not from the business background families. 73.2% of the respondents became contractors because of their own interest. Almost 95.8% of
the respondents had taken entrepreneurial courses conducted by the government. 31.1% respondents started their contractor related business in 1996 when they were at the age of 45 years old. 80.2% of the respondents started their business on their own and only 8.2% inherited the business from their families. Most of them (32.8%) run their contractor related business in the Kinta district. 69.6% of the respondents prepared written business and financial planning for their business and on the average employed five workers. 68.9% of the respondents say that they will not leave the entrepreneurship field.

**RELATIONSHIP BETWEEN FAMILY BACKGROUND AS MOTIVATING FACTOR AND ENTREPRENEURIAL CHARACTERISTICS**

Table 3, shows the t-test = -0.445, p > 0.05 for entrepreneurial characteristic and t-test = 1.079, p > 0.005 for motivation factor for involving in contractor related business. The t-tests results showed that there were no significant difference for entrepreneurial characteristics and as motivating factor for involving in the contractor related business between those with business family background or without.

**TABLE 3.** T-test for entrepreneurial characteristics and family background as motivating factor among the class F contractors

<table>
<thead>
<tr>
<th>Family Background</th>
<th>Mean</th>
<th>N</th>
<th>t-Test</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Entrepreneurial characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With business</td>
<td>3.78</td>
<td>41</td>
<td>-0.445</td>
<td>0.658</td>
</tr>
<tr>
<td>Without business</td>
<td>3.82</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Motivation factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With business</td>
<td>4.21</td>
<td>41</td>
<td>1.079</td>
<td>0.285</td>
</tr>
<tr>
<td>Without business</td>
<td>4.08</td>
<td>30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**RELATIONSHIP BETWEEN EDUCATION LEVEL AND THE CHOICE TO BECOME ENTREPRENEURS AND ENTREPRENEURIAL CHARACTERISTICS**

The level of education were categorized into three major groups: (1) did not finish Form 5, (2) finished Form 5, and (3) have at least Diploma certificate. The mean for group 1 = 3.72, mean for group 2 = 3.85 and mean for group 3 = 3.78. Table 4, using ANOVA test shows an F value = 1.002, p > 0.05. Therefore, there is no significant difference between entrepreneurial characteristics and levels of education.

Preference to become entrepreneurs are based on four major reasons: (1) continuing family tradition, (2) profitable income, (3) interest and (4) other reasons. Table 4, using ANOVA test, shows an F value 0.660, p > 0.05. Therefore, there is no significant difference between reasons for entrepreneurial career choice and the entrepreneurial characteristics.
RELATIONSHIP BETWEEN EDUCATION LEVEL AND REASONS AS MOTIVATING FACTORS TO BECOME ENTREPRENEURS

Levels of education are categorized into three major groups: (1) did not finish Form 5, (2) passed Form 5, (3) have at least Diploma certificate. The mean for group 1 = 4.07, mean for group 2 = 4.30 and mean for group 3 = 4.08. Table 5, using ANOVA test shows an F value = 2.225, p > 0.05. Therefore, there is no significant difference between different levels of educations as motivating factors to become entrepreneurs.

Preference to become entrepreneurs are based on four major reasons: (1) continuing family tradition, (2) profitable income, (3) interest and (4) other reasons. Mean group 1 = 4.461, mean group 2 = 4.22, mean group 3 = 4.20 and mean group 4 = 3.76. Table 5, using ANOVA test shows an F value 1.479, p > 0.05. Therefore, there is no significant difference between the four reasons to become entrepreneurs as motivating factors to become entrepreneurs.

CORRELATION BETWEEN ENTREPRENEURIAL CHARACTERISTICS AND MOTIVATING FACTORS TO BECOME ENTREPRENEURS

The finding shows that there is a moderate correlation (0.698) between entrepreneurial characteristics and motivating factors involving in entrepreneurship field.
Motivating Factors that Influence Class F Contractors to Become Entrepreneurs

ENTREPRENEURIAL CHARACTERISTICS

The 71 class F contractors used as samples in this study showed a very positive entrepreneurship characteristics (mean=3.80, Std. Dev.=0.31). The entrepreneurship characteristics were classified into 3 different categories. They are: (1) level of commitments, (2) knowledge, and (3) innovative. The results showed that they had a moderate commitment level (mean=3.90); quite knowledgeable about entrepreneurship necessary entrepreneurship attitude (mean=3.88), and quite moderate innovative level (mean=3.34). Zafir and Fazilah (2003) pointed out that entrepreneurial characteristics are not inherited or born in an individual. In other words, most people have entrepreneurial characteristics or potential because those characteristics are universal requirements for any good workers or for someone to be successful in career.

MOTIVATING FACTORS

The involvement of an individual in the entrepreneurship is encouraged by certain motivating factors. In terms of psychological factors such as satisfaction and recognition and education factor were found to be the main motivating factors for those contractors to become entrepreneurs. Education factor scored the highest mean (4.40, std. dev. 0.45). This is followed by psychological factors play important role, recognition, and success (mean=4.28). Sense of freedom was also one of the main motivating factors (mean=3.90).

ENTREPRENEURIAL CHARACTERISTIC AND MOTIVATING FACTORS

Entrepreneurial characteristics was found to have positive relationship with the contractors perceptions of what are the motivating factors that encourage them to become entrepreneurs. This relationship shows that motivation factors play an important role in shaping entrepreneurial characteristics among the contractors.

<table>
<thead>
<tr>
<th>TABLE 6. Correlation between entrepreneurial characteristics and motivation factors for involving in entrepreneurship field</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Entrepreneurial characteristics</td>
</tr>
<tr>
<td>2. Motivating factors</td>
</tr>
</tbody>
</table>

** Correlation are significant at p=0.01
RELATIONSHIP BETWEEN FAMILY BACKGROUND WITH ENTREPRENEURIAL CHARACTERISTICS AND MOTIVATING FACTORS

Many studies had found that family background has a close relationship with the individuals’ involvement in entrepreneurship field (Reitan 1997; Hisrich 2000; Nor Aishah 2002; Wan Li & Sulzari 2002). However, in this study, it was found that family with business background did not contribute as motivating factors for the class F contractors to become entrepreneurs. Thus, families with business background is not necessary in motivating the class F contractors to get involved in entrepreneurial field.

RELATIONSHIP BETWEEN ENTREPRENEURIAL CHARACTERISTICS AND MOTIVATING FACTORS

The majority of the class F contractors who chose to become to take up the business just finished the Form 5 level (SPM/MCE) of education. This shows that high level of education is not necessary for motivating them to become entrepreneurs. Furthermore, there is no significant relationship between education level and the class F contractors’ perception of it as the motivating factor. In other words, for the knowledge of contractor business mostly came from informal education and short courses.

RELATIONSHIP BETWEEN CHOICE TO BECOME ENTREPRENEURS WITH ENTREPRENEURIAL CHARACTERISTICS AND MOTIVATION FACTORS

There is a positive relationship between the choice to become entrepreneur and the entrepreneurial characteristics and motivation factors. However, there is no significant difference between the different reasons to choose to become entrepreneurs and entrepreneurial characteristics and the different motivating factors.

IMPLICATIONS

Based on this study, the following are some of the steps that be taken.

1. Curriculum and Instruction
   a. At School Level: Entrepreneurial characteristics should be developed at an early stage of school. The Ministry of Education should include more relevant characteristics to be learnt such as recognition, play important role, success and sense of freedom. The approach of teaching should be more exploratory and ‘hands on’ for the students to practice those characteristics.
   b. At University Level: Entrepreneurship courses and instruction should cut across all degree programs of the undergraduates.
University students should be exposed to this course in order to apply their major in entrepreneurship. Furthermore, this course might serve as a motivating factor for them to become entrepreneurs.

2. Planning at the National Level
The Ministry of Entrepreneurship and Cooperative Development should provide contractor-related entrepreneurship programs and trainings for those who are interested. The purpose of this program is to expose to the Bumiputra of this type of business which are not available at formal education institutions.

CONCLUSION

Based on the findings of this study, we can conclude this type of contractor-related business is unique in terms of the education level, family background and other psychological factors are not related to the entrepreneurial characteristics. However, these factors do serve as motivating factors for the class F contractors to choose to become entrepreneurs.

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Fakulti Pendidikan
Universiti Kebangsaan Malaysia
43600 UKM Bangi
Selangor D.E.