The impact of Risk Willingness and Opportunity Recognition on Business Owners' Performance in Sabah, Malaysia

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Abstract - **This paper examines the impact of risk willingness and opportunity recognition on business owners' performance in Sabah, Malaysia. The paper adopts non-probability sampling, known as a purposive sampling method, in selecting business owners. A total of 600 surveys using self-conducted questionnaires structured on a 7-point Likert scale is distributed, and subsequently, 525 questionnaires are returned. The EAO dimensions assessed in the paper are risk willingness and opportunity recognition. Data collected are analysed using the SEM-PLS technique through the SmartPLS 3.3.2 software. The study found a positive effect of risk willingness and opportunity recognition on the business owners' performance. Accordingly, this paper's theoretical and practical implication supports some of the previous findings and arguments that EAO plays an essential role in influencing micro-business owners' performance.**

Keywords - *Entrepreneurial Attitude Orientation, Micro-business owners, risk willingness, opportunit
recognition*

I. Introduction

Microenterprises are small businesses that generate income profits (Prijadi et al., 2020) and address socioeconomic issues related to poverty (Aidara et al., 2021; Mohiuddin et al., 2020). Many researchers describe small businesses as drivers of economic growth (Ndubisi et al., 2020), contributing to low-cost employment (Akter, 2020), income distribution (Sumiati, 2020), and wealth creation in a country's economic system

(Sadeh et al.,2021). Thus, the role of a micro business is crucial for individuals, countries, and standard of living (Qaied & Basavaraj, 2020). As micro-businesses use and add value to national resources, they are ideally placed in local and regional markets to meet local needs (Ahmad et al., 2018). Furthermore, investing in a small business contributes to employment development (Kumar, 2021), besides increasing trade from the socioeconomic context for both the micro-business owners and the whole community (Aidara et al., 2021). The majority of small businesses are operating in the informal sector (Struwig et al., 2019). Most informal business owners run small-scale businesses that these micro-businesses rely primarily on the owners' competencies (Mahadea & Khumalo, 2020).

Accordingly, for over 50 years, Malaysia's development has been shaped by the New Economic Policy (NEP), with the development and improvement of SME performance serving as the core issues. Therefore, the Malaysian government has allocated RM13.7 billion to support the entrepreneurial development programme in the country. The Census of Establishments and Enterprises 2019 shows that 76.5% or 693,670 business establishments in Malaysia were microenterprises. The primary purpose of entrepreneurship programme development is to boost business performance (SME Corp Malaysia, 2019). However, SME performance in Malaysia is still underwhelming, and many micro-enterprises often fail (Abdullahi & Zainol, 2016), and some continue to perform unsatisfactorily (Mohamad et al., 2016; Chin & Lim, 2018).

What makes the performance of small and medium industrial companies below a satisfactory level, and what makes many companies often fail at their infancy stage? The answers to the above questions are crucial in determining entrepreneurs' lack of performance in smaller businesses and disseminating the factors deemed critical for entrepreneurs' success in the ventured business (Venkataraman, 2019). The entrepreneurial attitude orientation model is used as the research framework to measure the performance of microbusiness owners in answering the questions above. Therefore, do the dimensions of entrepreneurial attitude orientation (EAO) that consist of risk willingness and opportunity recognition affect micro-business owners' performance? This study seeks to examine the influence of each entrepreneurial attitude orientation dimensions (risk willingness and opportunity recognition) on business owners' performance, especially micro-business owners in Sabah, Malaysia.

II. Literature Review

Entrepreneurship is a person's creative action in making something with no value to becoming something profitable (Packard & Burnham, 2021). In entrepreneurship, one requires commitment and courage to calculate opportunities and take risks (Djatmika & Rahayu, 2021). Thus, both dimensions of risk willingness and opportunity recognition are the best predictor tools for predicting future business performance achievement (Aidara et al., 2021; Mojikon et al., 2017). They are essential to every entrepreneur (Rajagopal, 2021). Potential entrepreneurs who can identify a business opportunity and manage risk significantly influence their business performance (Chang & Chen, 2020; and become a successful entrepreneur (Zin & Ibrahim, 2020).

In the past decades, studies on risk-taking in entrepreneurial attitude orientation reflect calculated and manageable risks. Risk is defined as the likelihood of something happening, and it is usually associated with negative consequences (Yusoff et al.,2021). Risky situations are those in which the possibility of adverse outcomes could impact the activities involved. Moreover, Wambugu et al. (2015) asserted that risk-taking is a dominant attribute of entrepreneurship as the higher the micro-business owners' risk-taking orientation, the higher the business profitability and growth. The other dimension, opportunity recognition, explains potential entrepreneurs, especially micro-business owners. By extension, business companies and organisations come to identify new opportunities that have been unknown to them so far (Nuradhi & Kristanti, 2021). The ability to recognise opportunity is one of the mainstream notions that can influence business performance (Rahman et al.,2020). Attitude can be positive, negative, or neutral towards behaviour, influencing a person to engage with it (Yunus et al., 2018).

2.1 *Resource-Based View (RBV) Theory*

This study looked at the probable relationship between business owners' entrepreneurial competencies and business performance through the lens of the RBV theory (Barney, 1991). According to the resource-based theory, having valuable, rare, inimitable, non-substitutable, and organised (VRIN-O) resources and competencies provides a company with long-term performance (Bhandari et al., 2020), as long as it has them (Roostika, 2019).

Therefore, entrepreneurial skills or competency are critical to gain access to unique resources (Campbell & Kubickova, 2020). Entrepreneurial competencies (Ahmad et al.,2018), particularly in identifying opportunities (Pulka et al., 2021), refer to higher levels of commitment and practical approaches (Bird, 2019), and a successful

business owner must be willing to take risks (Aghaei & Sokhanvar, 2020). Entrepreneurial competencies of informal business owners (Salaudeen & Sauri, 2020) have been identified as highly valued, rare, and unique resources (Sanchez, 2012), echoing the RBV argument that sources of competitive advantage may be precious, rare, and inimitable (Barney, 1991). According to empirical findings, the RBV promotes entrepreneurial competency as distinct and valuable resources for maximising competitive advantage (Degong et al., 2018; Fazal et al., 2019) and improving the performance of micro business owners (Dionysus & Arifin, 2020; Mahmood & Hanafi, 2013).

2.2. *Entrepreneurial Attitude Orientation (EAO)*

The multidimensionality of EAO allows researchers to study the effect of EAO on business performance (Pulka, 2018). Some indicated that EAO positively affects business performance, whilst others indicated otherwise (Soares & Perin, 2020). The entrepreneurial Attitude Orientation (EAO) model was first introduced by Robinson et al. (1991). They generated the EAO scale that explains the attitude prediction through four different subscales (achievement, self-esteem, personal control and innovation) and three types of reactions (affective, cognitive or creative) embedded in the theoretical elements of the focal construct domain. This model has been used in several empirical studies about potential entrepreneurs and successfully generated accurate results that distinguished entrepreneurs from non-entrepreneurs (Ibrahim & Saili, 2017).
However, McCline et al. (2000) highlighted that the study conducted by Robinson et al. (1991) neglect the elements of risk willingness and opportunity recognition in the measurement of the components of Entrepreneurial Attitude Orientation (EAO). These elements are among the vital core components of the process and the definition of entrepreneurship (Cullen & De Angelis, 2021; Filion, 2021; Ratten & Jones, 2021). The findings by McCline et al. (2000) and Nybakk and Hansen (2008) revealed that variables, such as risk willingness and recognition of opportunities, also influenced business performance and were able to differentiate entrepreneurs from non-entrepreneurs. Likewise, other researchers revealed that willingness to take risks (Madichie & Gbadamosi, 2017) and the ability to recognise business opportunities (Chang & Chen, 2020) are critical requirements of a successful entrepreneur, which also influence business performance (Kosenius et al., 2020). Therefore, these discussions lead to the establishment of the following hypotheses:

H1: 'Risk Willingness' of EAO has a positive effect on business owner's performance.
H2: 'Opportunity recognition' of EAO has a positive effect on business owner's performance.

III. Methodology

The sample of the study consists of owners/managers of micro-business in Sabah, Malaysia. Six hundred questionnaires were self-administered on the sample. A purposive sampling technique was adopted in the selection of the micro-entrepreneurs.

3.1 *Data Collection Procedure, Variable Measurement, and Method of Data Analysis Figures and Tables*

A structured self-administered questionnaire was used to collect data from the respondents. The sample of the research is the micro-business owners in Sabah, Malaysia. The questionnaire is based on a 7-point Likert scale ranging from strongly disagree to strongly agree. Meanwhile, the measurement to measure EAO is adapted from an entrepreneurial attitude orientation scale developed by McCline et al. (2000). In this study, EAO is multidimensional, consisting of opportunity recognition (Choe et al., 2013; Jelenc, 2016) and risk willingness. Opportunity recognition was measured using six (6) items and risk willingness three (3) items. Micro-business owners' performance was measured using an instrument adapted and modified from the work of Suliyanto and Rahab (2012), which comprises nine (9) items. Data gathered from the respondents were analysed using SPSS version 26, including descriptive and correlation analyses. First, the questionnaires were distributed to 600 respondents throughout the state of Sabah; following data cleaning, 525 questionnaires were found usable. This study applied several standard statistical tools to analyse the data. Specifically, PLS-SEM was used for this purpose.

IV. **Results and Discussion**

4.1 *Descriptive Results*

Table 1 is the descriptive results of the demographic characteristics of the respondents. A total of 366 (70%) respondents were female, while 159 (30%) were male owners/directors. The age of the respondents ranges from 18 to above 65 years. About 1.0% of the respondents were between the ages of 18 and 20 years. Around 26% of respondents were between 21 and 34, while 41% between 35 and 44. Meanwhile, 23% were between 45 and 54 years, 8% between 55 to 64, and 1% of the respondents was above 65 years. The results indicate that 95.2% of the respondents were micro-entrepreneurs, with 2.5% directors and 2.3% managers.

Table 1: Profile of Micro-Entrepreneurs

Variables	Frequency	Per cent
Gender		
Male	159	30.0
Female	366	70.0
Total	525	100.0
Age		
18–20	5	1.0
21–34	139	26.0
35–44	214	41.0
45–54	123	23.0
55–64	41	8.0
Above 65	3	1.0
Total	525	100.0
Role in Business		
Owner	500	95.2
Director	13	2.5
Others	12	2.3
Total	525	100.0

4.2 *Descriptive Results*

The partial least squares (PLS) modelling using SmartPLS 3.3.2 updated version (Ringle et al., 2020) was used as the statistical tool to examine the measurement model and structural model, as it does not require normality assumption as survey research is usually not normally distributed (Civelek, 2018). First, the researcher tested the common method bias issue following the suggestion of Kock and Lynn (2012) and Kock (2015) by testing full collinearity. In this method, all the variables are regressed against a common variable, and if the VIF is less than 3.3, then there is no bias issue from the single-source data. The analysis yielded VIF less than single-source bias; thus, it is not a severe issue for our data.

4.3 *Measurement Model Assessment*

We tested the measurement model to test the instruments' validity and reliability following guidelines by Hair et al. (2019) and Ramayah et al. (2018). Then, the structural model was performed to test the hypotheses developed. We assessed the loadings, average variance extracted (AVE), and the composite reliability (CR) for the measurement model. The values of loadings should be ≥ 0.5, AVE should be ≥ 0.5, and CR should be ≥ 0.7. As shown in Table 2, the AVEs are all higher than 0.5, and the CRs are all higher than 0.7. Convergent validity is the extent to which a measure correlates positively with an alternative measure of the same construct. In order to evaluate convergent validity, we looked at the indicators' outer loadings and the Average Variance Extracted (AVE). Since business performance indicator item 07 was 0.5 AVE, the item has to be deleted, and the PLS Algorithm was rerun to analyse and recheck the result. Meanwhile, indicators with loadings lower than 0.708 can be retained when the minimum AVE result of 0.5 is achieved (Hair et al., 2019). Fig. 1 shows the graphical measurement model assessment.

Table 2: Measurement Model Assessment

Construct	Item	Loadings	Composite Reliability	Average Extracted Variance (AVE)	CV (Ave > 0.5)
Business Performance (BP)	BUPE1	0.793	0.889	0.507	Yes
	BUPE2	0.858			
	BUPE3	0.828			
	BUPE4	0.540			
	BUPE5	0.593			
	BUPE6	0.785			
	BUPE8	0.691			
	BUPE9	0.522			
Opportunity Recognition (OR)	EOR1	0.795	0.891	0.620	Yes
	EOR2	0.756			
	EOR3	0.780			
	EOR4	0.807			
	EOR5	0.798			
Risk Willingness (RW)	ERW1	0.772	0.818	0.604	Yes
	ERW2	0.883			
	ERW3	0.660			

*BUPE7 item was deleted as loading Composite Reliability < .708 (Hair et al., 2019)
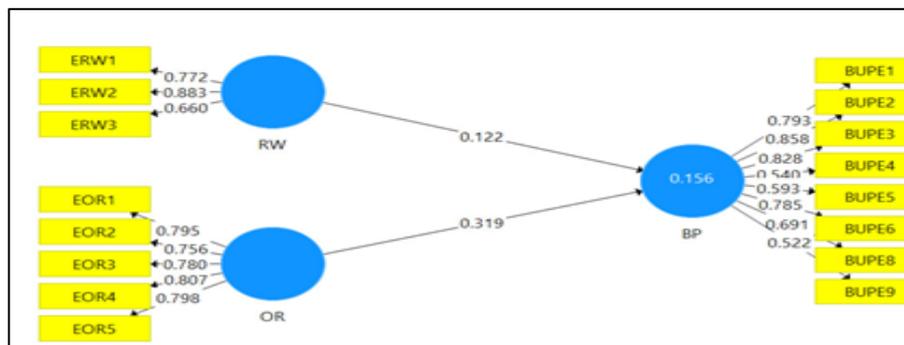

Figure 1: Measurement Model

Next, step 2 assessed the discriminant validity using the HTMT criterion, as suggested by Hair et al. (2019) and presented in Table 6 (Ringle et al., 2020). This study applies Henseler's (2015) Heterotrait-Monotrait ratio of correlations criterion to assess discriminant validity. The findings reveal that the discriminant validity is well-specified at HTMT0.85 (Diamantopoulos & Siguaw, 2006); hence, suggesting that the correlation values correspond to the respective constructs and follow the most conservative criterion (HTMT.85). The result implies that discriminant validity is not an issue. The findings also specified that it is appropriate to proceed with the structural model assessment to examine the study's hypotheses since there is no multicollinearity issue between items loaded on different constructs in the outer model.

Table 3: HTMT Criterion

	BP	OR	RW
BP	**0.712**		
OR	0.433	**0.787**	
RW	0.346	0.636	**0.777**

Criteria: Discriminant validity is established at HTMT0.85 (Diamantopoulos & Siguaw, 2006)

4.4 *Structural Model*

We conducted a 5000-bootstrap resampling of data to examine the hypotheses (Hair et al., 2017). In Table 4, the Beta values for each path coefficient specify that opportunity recognition (EOR) and entrepreneurial risk willingness (ERW) positively influence business performance among micro-business owners in Sabah. As shown in Table 4, both proposed relationships (H1-H2) significantly influence business performance among micro-entrepreneur. Specifically, the study found support for H1 (risk willingness → business performance, $\beta = 0.122$, $p < 0.017$, LLCI = 0.022, ULCI = 0.209) and H2 (opportunity recognition → business performance, $\beta = 0.319$, $p < 0.000$, LLCI = 0.226, ULCI = 0.400). Fig. 2 shows the illustration of the structural model assessment in graphical form.

Table 4: Path Coefficients

Direct Effect	Beta	SE.	t-value	p-value	LLCI	ULCI	Decision
H1: RW -> BP	0.122	0.057	2.129	0.017	0.022	0.209	Supported
H2: OR -> BP	0.319	0.053	6.039	0.000	0.226	0.400	Supported

Path Coefficient 0.01, 0.05 (Hair et al. 2017)
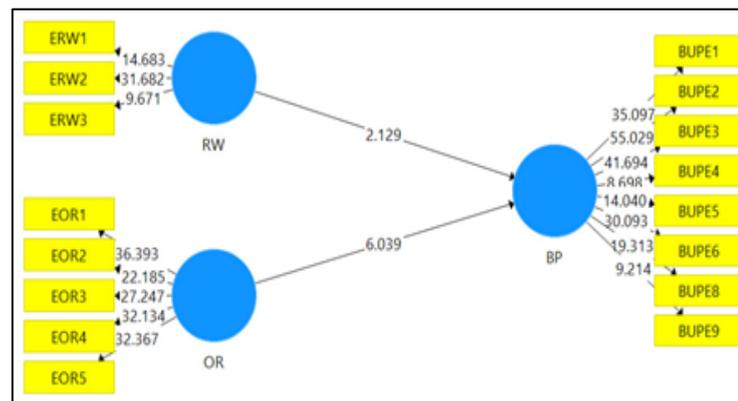*RW (Risk Willingness); OR (Opportunity Recognition); BP (Business Performance)*

Figure 2: Structural Model

As suggested by Hair et al. (2017) and Cain et al. (2017), the assessment of the structural model for collinearity is not an issue if all the inner VIF values of the independent variables (risk willingness and entrepreneurial opportunity recognition) are less than 5 or 3.3 (Hair et al., 2017). Subsequently, we assessed the structural model relationship significance and relevance by looking at the path coefficient after bootstrapping and evaluating the level of R-Square (coefficient) in predicting the model's accuracy and using it as the cumulative influence of exogenous variables on the endogenous variable(s). In short, R^2 reflects the sum of variation in the endogenous system described by all of the associated exogenous constructs. The impact ranges from 0 to 1 with higher values, suggesting higher predictive accuracy rates.

Thus, this study adopts **R²**, proposed by Cohen (1988), which represents significant (0.26), moderate (0.13), and low levels (0.02) of predictive precision, respectively. Table 5 exhibits the assessment of model quality. We assess the coefficient of determination (R^2), the effect size (f^2), and the predictive relevance (Q^2) of exogenous variables on the endogenous variable in this study. The result indicates that risk willingness and opportunity recognition carry a small effect size f^2 on the performance of micro-business owners (Cohen, 1988). On the other hand, the coefficient of determination represented by R^2, which explains whether risk willingness and opportunity recognition could influence business performance, show moderate effects (Chin, 1998).

Specifically, the R^2 value for risk willingness is 0.156, suggesting that risk willingness and opportunity recognition could moderately explain micro-entrepreneur business performance. In addition, multicollinearity between indicators was also assessed. Both indicators satisfy the VIF values, and there are consistently below the potential collinearity problems value of 5.0 (Hair et al., 2014) and 3.3 (Diamantopoulos & Siguaw, 2006). Besides, the predictive relevance values of risk willingness towards micro-entrepreneur business performance are

considered small, indicated by the value of 0.074, as presented by Q^2 using the blindfolding procedure (Hair et al., 2017).

Table 5: Model Quality Assessment

Direct Effect	f^2	R^2	VIF	Q^2
H1: Risk Willingness (RW)-> Business Performance	0.013	0.156	1.350	0.074
H2: Opportunity Recognition (OR) -> Business Performance	0.089		1.350	

f^2 ≥ 0.26 consider Substantial (Cohen, 1988); R^2 ≥ 0.26 consider Substantial (Cohen, 1988)

VIF 3.3 or higher (Diamantopoulos & Siguaw, 2006)

Q^2 > 0.00 consider large (Hair, 2017); 0.02 ≤ Q^2 < 0.15: weak predictive power 0.15 ≤ Q^2 < 0.35: moderate predictive power; Q^2 ≥ 0.35: strong predictive power

V. Discussion

This study revealed that risk willingness and opportunity recognition have a positive effect on the performance of micro-business owners in Sabah. However, the entrepreneurial attitude orientation is still at a moderate level. The study's findings suggest that most microbusiness owners constantly use low mental power to think, focus their thoughts on the business, and try to change what is perceived to be a business element (Herndon, 2021). Individuals who regularly use their thinking power to imagine something new can benefit from their abilities and capabilities. To put it another way, business owners can hone their creative abilities to develop new products or services for the market (Venkataraman, 2019). If the ability to think is lacking, companies' owners could get together and brainstorm. Discussions like this are always fruitful and could generate new ideas. In sum, they need to be more courageous by taking the opportunity to grow their business more uniquely and more effectively. Many studies have discovered that if a business owner wants to succeed, he or she must be willing to take risks (Van Kleef et al., 2021).

It is prudent to be willing to take risks in business. Unfortunately, many entrepreneurs continue to fail in maintaining their businesses because they do not anticipate threatening risks, and they do not understand how to assess and deal with risks. Accordingly, this study's findings further support the idea of previous studies (Nuvriasari et al., 2020; Kalsom & Ab Rahim, 2015; Wambugu et al., 2015; Rauch et al., 2009; Lumpkin & Dess, 1996) that willingness to take risks is an essential element for any entrepreneur to understand their business situation and secure their success (Moudry & Thaichon, 2020). Also, entrepreneurial opportunity recognition positively influences business performance is consistent with several studies (Salaudeen & Sauri, 2020; Zainol et al., 2018; Nasuredin et al., 2016). Nevertheless, more effort needs to be made to improve its effectiveness.

Taken together, micro-business owners need to take more initiatives to seize all the opportunities around them (Reuschke & Houston, 2020; Owoseni et al., 2020; Yusof & Tahir, 2021).) Moreover, they should be more willing and daring to explore new areas of business that have not been ventured into (Hantman & Gimmon, 2014; Jain & Khandelwal, 2020). To that end, micro-business owners should attend entrepreneurship training and workshops more frequently to gain better business skills and networks (Galvao et al., 2020). Findings from this study also support the claim made by McCline et al. (2000) that risk willingness and recognition of opportunities are elements of entrepreneurial attitude orientation that distinguish entrepreneurs and non-entrepreneurs. Furthermore, Tabares et al. (2021) highlighted that individuals' ability to recognise and exploit an opportunity differs from one to another. The difference is in the level of information and the willingness of micro-business owners to take risks (Rasmussen & Nybakk, 2016).

VI. Conclusion

In general, this study successfully explains the application of entrepreneurial risk willingness (ERW) and entrepreneurial opportunity recognition (EOR) in improving business performance among micro-business owners in Sabah. This study's outcomes also suggest that government and related agencies may take a different approach in implementing appropriate programmes to overcome the problems faced by micro-business owners. Additionally, further research needs to be conducted to deepen the understanding of the relationship between ERW and EOR with the performance of SME firms in other states. Second, this study considers micro-businesses in general without separating them into levels of development and sectors.

The study might yield different results if the micro-businesses are separated. Hence, this study recommends that future studies consider splitting micro-businesses into appropriate sectors and according to development stages. Using other performance measurements could also enrich our understanding of the relevance of entrepreneurial attitude orientation to business performance in Sabah. Based on the results, the EAO factors of risk willingness and opportunity recognition among micro business owners still need continuous improvement. Entrepreneurial tendencies are indicating that other EAO factors, for example, inputs such as innovation in business, achievement in business, personal control, and self-esteem of business owners, should be added to the research study. Future studies should also include other factors, for instance, socioeconomic inputs, such as skills, knowledge and gender. Relevant agencies need to be more involved and concerned with the opinions and problems of micro-business owners. This study's insights could help the agencies develop better programmes or new systems that benefit Malaysia's small and medium enterprise industry.

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