

Assessing Operating Risk Impacts on Business Operation from the Micro and Small Entrepreneurs' Perspective

Rina Fadhilah Ismail^{a*}, Noreena Md Yusoff^b, Nur Hayati Ab Samad^c, Emmarelda Maswesi Ahmad^d, ^{a,b,c,d}Faculty of Accountancy Universiti Teknologi MARA Selangor 42300 Bandar Puncak Alam, Selangor, Malaysia, Email: ^{a*}rinafadhilah@uitm.edu.my

By addressing risks at every stage of the business life cycle, both entrepreneurs and authorities may gain many benefits. The micro and small enterprises have become one of the most important sectors and have contributed significantly to the country's economic growth; thus, assessing the probability of risk occurrences in their enterprises should be a regular practice among entrepreneurs. Operational risks occurring in businesses may impede the business survivability, and hence, entrepreneurs are expected to have the ability to identify, manage and mitigate these potential risks. This paper reports on a study conducted to assess the factors determining the entrepreneurs' perception towards the impacts of operational risks on business operations among micro and small enterprises in Kuala Selangor, Selangor, Malaysia. Questionnaires were distributed in order to obtain the entrepreneurs' background information; the motives for a business start-up; and the entrepreneurial orientation to gauge entrepreneurs' perception towards the impacts of operational risks on business operations. The results of the descriptive analysis indicated that the majority of the entrepreneurs were aged between 30 and 49 years old, with a monthly income of less than RM5,000. The necessity motive is a reason why most of the entrepreneurs started up their businesses. Further analysis indicated that proactive entrepreneurs significantly influenced the assessment of the impacts of operational risks on business operations. The results also reflected the self-initiation of the proactive entrepreneurs who took appropriate actions to minimise the risk impacts in ensuring the survival of their businesses. The limitations and recommendations for future research are addressed in the final section of the paper.

Key words: *Operating risk, micro and small enterprises, entrepreneur.*



Introduction

Different types of business risks may have to be faced by an enterprise. The risks can impact all aspects of a business in different ways, namely operational, strategic, marketing, and human resource. Mostly, the risk is used to refer to a negative situation although it can also be viewed from the positive side of its impact. In general, the risk is defined as an unexpected occurrence which causes potential gains or losses, or any situation which is exposed to danger, harm or loss in an organisation (Solomon, Solomon, Norton & Joseph 2000). Thus, risk management is paramount as risks may impede business survival while a business is all about taking risks when making decisions with unexpected outcomes.

In particular, operational risks are related to losses due to inadequate or failed internal processes, people and systems, fraud or other criminal activities or any events that disrupt business processes. Operational risk is regarded as one of the most crucial risks in a company when considering the process and system in the company's activities, globalisation and deregulation. Practically, micro and small enterprises (MSEs) are also facing almost the same issues mentioned above. They are often confronted with many challenges, one of which is to assess specific risks when making decisions at each stage of the business life cycle. Since the decisions are based on the perception about the causes of those decisions, it is appropriate that the occurrences of actual risks that have not yet been acknowledged should be pertinently predicted. In a situation which the perceived risks have low probabilities of occurrence, risks still have to be considered in decision-making stages to ensure the survivability of the business in an intensely competitive environment.

In Malaysia, the issue of managing business risks has attracted a considerable amount of discussions among professionals and regulators. With regards to the ability to detect and identify upcoming significant events related to risks that would affect business decisions, there is a limited number of prior studies that have been carried out to examine risks management with the aim to ensure business survivability among small and medium enterprises.

Therefore, this study intended to assess the impacts of operational risks on business operations among MSEs in Kuala Selangor, Selangor. This study was expected to provide explanations on those factors by identifying the entrepreneurs' background, the entrepreneurs' motive for business start-up, the entrepreneurial orientation and their expectations on the impacts of operational risks which were predicted to impede business survivability. The findings of this study could provide further explanations on the factors influencing the impacts of operational risks from the perspective of MSEs' entrepreneurs in order to improve the understanding of their competencies and provide appropriate assistance for MSEs entrepreneurs.

The remainder of this paper is structured as follows. The next section provides a review of the relevant literature. Section 3 outlines the research framework, and Section 4 describes the research design used in this study. The results are presented in Section 5, and subsequently, summary and conclusion are provided in the last section.

Literature Review and Hypotheses Development

Overview of Micro and Small Enterprises

A number of 907,065 small and medium enterprises (SMEs), comprising of various sectors, had been established in Malaysia during 2016. The largest segment constituted by SMEs is Micro Enterprises (MEs), which is 693,670 businesses or 76.5%^{1,2}. Malaysia GDP growth has reported an increment of 4.2% from 2015 to 2016. In 2016, the Department of Statistics Malaysia reported that the small and medium enterprises (SMEs) GDP growth of 5.7% has constantly contributed to this achievement. This reflects an enormous potential of SMEs in becoming a central pillar of the Malaysian economy. This sector has also been reported as the most potential sector to be ventured in.

Numerous literature refers to SMEs as small to medium-sized companies hiring less than 200 employees, whose businesses range from low to high intensive products and services. In Malaysia, SMEs are governed by SME Corporation of Malaysia (SME Corp), a government agency that controls and manages matters related to SMEs. SME Corp introduced the new definition of SMEs on 1 January 2014, and it has been encouraging more players to be involved in this sector. SME Corp has simplified ways for all companies to be designated as SME companies. Table 1 shows the new requirements based on the information gathered from the SME Corp website:

Table 1: SME Classification in Malaysia

Category ^a	Micro	Small
Manufacturing	Annual sales turnover of less than RM 300,000 or less than 5 full-time employees	Annual sales turnover from RM300,000 to less than RM15 million or full-time employees from 5 to less than 75.
Services and other sectors		Annual sales turnover from RM300,000 to less than RM3 million or full-time employees from 5 to less than 30.

^aSource: www.smeCorp.gov.my

¹<http://www.smeCorp.gov.my/index.php/en/policies/2015-12-21-09-09-49/sme-statistics>

² <https://www.dosm.gov.my/v1/index.php>

SME Corporation serves as an agency which assists rural and local communities and offers opportunities to enhance households' income, especially B40 as being guided by the 11th Malaysia Plan. As such, MSEs' establishment would be the best platform to uplift B40 households towards the middle-class society by creating business opportunities for family members to improve their standard of living.

Even though government initiatives have been identified to provide various assistance to SMEs through various agencies, such as SME Corporation, Amanah Ikhtiar Malaysia (AIM), Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN Nasional) or Perbadanan Usahawan Nasional Berhad (PUNB), they seemed to face difficulties in getting competitive advantages as they are often confronted with issues and challenges with regards to leadership, sales and marketing, business execution and other common issues related to products or services, customers and employees (Razak, Abdullah and Ersoy, 2018).

The Impacts of Operational Risks on Business Operations

It is believed that MSEs may enjoy numerous benefits when they are able to observe the fundamental risks of the business (Islam & Tedford, 2012). Many studies have observed several potential risks affecting MSEs that are related to products, marketing strategies, employees, suppliers, economic and technology. However, although many parties agree on the fact that business decisions are possibly affected by the ability to detect and identify upcoming significant risks-related events, discussions regarding the assessment of risks among MSEs are quite limited in Malaysia.

Solomon, Solomon, Norton & Joseph (2000) define risks as the uncertainty associated with both potential gains and losses, about which the nature of risks information might be seen from both positive and negative aspects. It can be any occurrences that affect operations to become inefficient and ineffective to execute the business model as well as to satisfy customers and achieve the intended level of quality, cost and time performance of the business (Naude & Chiweshe, 2017). As a result, there will be a disturbance on operational events that causes disagreement to expected performance, resulting in undesirable consequences of an occurrence of a loss (Islam & Tedford, 2012). In general, operational risks can be those risks that have interrelated effects on routine operations that may result in reduced productivity, production quality losses, asset losses, and higher risk on human capital issues, such as employees' health, safety, and well-being; financial penalties; compensation claims; and reputation loss (Dewa, Matope, Van der Merwe & Nyanga 2014; Naude & Chiweshe, 2017). In another study, operational risks are also indicated as occurrences in relation to employees, intense competition, lack of customers and lack of business skills in management, sales and marketing (Abdul Jamal *et al.*, 2011; Islam and Tedford, 2012), all of which might impede the whole systems and processes of the business.

Entrepreneurial Motive

In general, entrepreneurs are motivated to start off their businesses due to two reasons. They are driven by either an opportunity or a necessity, two factors which could be used to explain whether an entrepreneur is willing to take risks relative to other entrepreneurs (Block, Sandner & Spiegel, 2015; Nasiri & Hamelin, 2018). The opportunity or the pull factor is related to the exploitation of resources, such as the expertise, business innovation and self-realization by the person who sees the business as a convincing prospective (Cheung, 2014; Riquelme & Lanqawi, 2017). Whereas, the necessity or the push factor is related to personal forces due to unemployment, work flexibility preference or no other choices but to afford the cost of living (Cheung, 2014; Nasiri & Hamelin, 2018).

The entrepreneurs who started out of necessity may hesitate to take risks as he or she has no other alternatives to support life than to start the business. Arguments from social psychology research indicate that people will react differently to the risks that they may have to face (Lerner & Keltner, 2001; Block, Sandner & Spiegel, 2015; Dalton, Nhung & Rüschenpöhler, 2019). For instance, people who are in a difficult situation are usually inclined to be more pessimistic and less optimistic. The opposite characters may suit an opportunist entrepreneur who tends to be more optimistic towards risks.

Based on the above arguments, the following hypothesis is developed:

H1: There is a significant difference between a necessity-motivated and an opportunity-motivated entrepreneur in the assessment of the impacts of operational risks on business operations.

Entrepreneur's Orientation

Resource-based view (RBV) theory proposes two resources of individual competencies, namely tangible and intangible (Wernerfelt, 1984). The tangible resources can be identified from the skills and competencies of an individual (Barney, Wright & Ketchen, 2001), while the intangible resources are viewed from internal traits and capabilities of the individual that can be exploited when facing a new environment or a difficult situation (Lerner & Almor, 2002). As such, internal traits and capabilities are difficult to imitate by others because it has been embedded in the nature of an individual entrepreneur (Tehseen and Ramayah, 2015).

RBV is applicable to studies pertaining to MSEs as the performance of the business highly depends on the entrepreneur competencies and skills. Certain behaviours possessed by the entrepreneurs can lead them towards better business performance (Lerner & Almor, 2002; Hoque, 2018) as those behaviours may be translated into a managerial vision that may lead

towards innovations, which create value for customers and the products or services that are offered to them.

Prior studies have investigated the behaviours from various dimensions that relate to entrepreneurial competencies, such as the risk-taking propensity, innovativeness, autonomy, competitive aggressiveness and innovativeness (Beattie, 2016). Thus, this study was carried out to examine entrepreneur orientations from three dimensions, namely risk-taking propensity, innovativeness and proactiveness to explain its relationship towards business disturbances from the point of views of micro and small entrepreneurs. The other dimensions are not examined as those three dimensions are the most fit in explaining the intentions of micro and small entrepreneurs in starting up their businesses and how they deal with unexpected events that occur during the operation.

Risk-Taking Propensity

Decision making is part of the process for the business success of an entrepreneur as one should consider any chance to avoid risk. Thus, it is important to understand the concept of risks and evaluate the possibility of risks occurrence. In general, a person who ventures into business is described as having the courage to take risks or having a high level of self-confidence to take chances of facing risks. It means that when they begin to start a business, the belief in his or her ability to manage risks is greater than the consequences of risks. Such a person is normally referred to as a risk-taker. A risk-taker not only has the intentions and is willing to take risks but also has thought of strategies and ways to minimise the impact of those risks (Herdjiono, Puspa, Maulany & Aldy, 2018). By analysing those risks, the business is always in good condition, and the person is willing to take a precaution concerning any risk that may result in better growth and business success. As such, risk-taking propensity is indicated as having an impact on the entrepreneur's decision making in Asian countries (Swierczek and Ha, 2003). Thus, it is found as having positive influences on the performance of an organisation and the long-term growth of the business (Herdjiono, Puspa, Maulany & Aldy, 2018; Okangi, 2019). Based on the above arguments, the following hypothesis is developed:

H2a: A risk-taking propensity entrepreneur has a positive and significant influence in term of the assessment of the impacts of operational risks on business operations.

Proactiveness

The second entrepreneur dimension is measured by proactiveness that demonstrates the business capability to distinguish itself in the competitions with rivals to avoid threat in the marketplace (Fairoz, Hirobumi and Tanaka, 2010; Arshad and Rasli, 2018; Oni, Agbobli and

Iwu, 2019). Proactiveness is also discussed in many studies as part of competitive aggressiveness dimension, which indicates the strategies being set by an entrepreneur to become a leader in the industry by introducing new products or services or processes ahead of its rivals (Boso, Story and Cadogan, 2013; Oni, Agbobli and Iwu, 2019). Nevertheless, the competitive aggressiveness dimension is not a culture of people in the South-East Asian countries, especially those in Thailand and Vietnam, which is contrasted to those in the West (Swierczek and Ha, 2003). It is contended based on the above that proactiveness influences business performance positively (Rezaei and Ortt, 2018; Oni, Agbobli and Iwu, 2019) even though Al Mamun, Rajennd, Muniady, Ibrahim & Nawi, (2018) denote the insignificant influence of this dimension on business performance. Thus, a hypothesis is developed as follows:

H2b: A proactive entrepreneur has a positive and significant influence in term of the assessment of the impacts of operational risks on business operations.

Innovativeness

Creativity in offering innovative products or providing innovative services may present chances for the business to move faster than the rivals. As such, innovativeness refers to the ability to look into new opportunities or new techniques that allow the entrepreneur to bring about improvement through experimentation and invention of new products or services (Fairoz, Hirobumi and Tanaka, 2010; Boso, Story and Cadogan, 2013; Oni, Agbobli and Iwu, 2019). In fact, the innovative entrepreneur is usually assessed by the stakeholders as follows: highly valuable (Cho and Lee, 2018); an essential aspect of an employee (Koval'ová, 2016); and a distinguishing factor of a successful entrepreneur (Beattie, 2016). In many prior studies, innovativeness is found as having a positive and significant influence on business performance (Swierczek and Ha, 2003; Al Mamun, Rajennd, Muniady, Ibrahim & Nawi, 2018; Rezaei and Ortt, 2018). As such, the following hypothesis is developed:

H2c: An innovative entrepreneur has a positive and significant influence in term of the assessment of the impacts of operational risks on business operations.

Research Methodology

Sample Selection and Data Collection

This study adopts a quantitative method employing survey questionnaires. Respondents were identified by using a convenience sampling technique due to a large number of people in the population of MSEs in Kuala Selangor. This sampling technique was practical to be used as it allowed essential data and trends concerning MSEs entrepreneurs to be obtained without any difficulties or complications of using the random sampling technique. Respondents were

approached face-to-face and asked whether they agreed to participate in the survey. As a result, a total of 170 questionnaires were answered by samples in three identified areas in Kuala Selangor.

Instrument Design & Measurement Scales

A questionnaire was designed in a simple format to enable the respondents to provide appropriate feedback. The questionnaire items were adapted from prior research (Islam & Tedford, 2012; Islam, Bagum & Rashed, 2012; Mohamad Radzi, Mohd Nor & Mohezar Ali, 2017; Naude & Chiweshe, 2017; Arshad & Rasli, 2018). The questionnaire was developed into four sections: The questions were probed to assess the respondents' perception towards operational risks through three parts: the demographic profile, entrepreneur's orientation and the impact of disturbances towards business performance. Respondents were expected to answer the questions in all sections except the earlier one, which contained simple alternative answers of yes, no, do not know, and neutral. Limited alternative answers were used to obtain a higher probability of responses from the respondents (Bokrantz *et al.*, 2016).

Results and Discussion

Descriptive Analysis

Table 2 shows the descriptive statistics of the respondents who participated in this survey. The results in Panel A in Table 2 show that 51.2% of the respondents were male entrepreneurs, while 48.8% were female entrepreneurs. This indicates that almost equal opportunity was given to both genders for venturing into businesses.

To further explore the demographic of the respondents, the age distribution of the respondents is shown in Panel B of Table 2. Based on the distribution of the age ranges of the survey, there were totally three categories of the age group of the respondents: 38.2% of entrepreneurs were reported as below 30 years of age; 57.1% were between 30 and 49 years old; 4.7% were in their 50s. As the second group indicated the highest result, the experience of prior works may be necessary before starting the business.

Panel C in Table 2 exhibits the education levels of the respondents. 19.4% of them had a bachelor's degree or professional qualification; 40% had a diploma; 40.6% had high school or college certification. This indicates the higher the qualification of the respondents, the lesser their interest in making a venture in micro and small businesses.

Panel D shows that 161 or 94.7% of the respondents were categorised as micro-entrepreneurs; while 9 or 5.3% of the respondents were identified as small entrepreneurs based on the total number of employees being hired. Meanwhile, Panel E shows the monthly

income distribution: 52.9% of the respondents had the income of lesser than RM5,000; 34.1% had the income of lesser than RM9,999; 8.8% had the income of between RM10,000 and RM19,999, and only 4.1% had the income of above RM20,000. The demographic details of the respondents are shown in Table 2 below.

Table 2: Demographic characteristics

Panel A: Gender		<i>n</i>	%
	Male	87	51.2
	Female	83	48.8
Panel B: Age			
	Less than 30 years	65	38.2
	30-49 years	97	57.1
	50 years and above	8	4.7
Panel C: Education Level			
	Degree/Professional	33	19.4
	Diploma	68	40.0
	SPM/Cert	69	40.6
Panel D: Total of Employees			
	0 - 5	161	94.7
	6 - 50	9	5.3
Panel E: Monthly Income			
	Less than RM5,000	90	52.9
	RM5,000 – RM9,999	58	34.1
	RM 10,000 – RM19,999	15	8.8
	RM20,000 and above	7	4.1

Entrepreneurial Motives

Prior studies discussed two motives why any individual initiates or starts to venture into business; the intention is driven either by the necessity or the opportunity factors (Cheung, 2014; Riquelme & Lanqawi, 2017; Nasiri & Hamelin, 2018). Table 3 indicates that necessity-motivated was the main reason, with a total of 73% of the respondents, why the individuals became entrepreneurs. Out of that figure, three necessity motives were given why they decided to become entrepreneurs, and the reason that most of them (51.2%) gave was the need to earn a living. Meanwhile, 14.7% of them chose to be entrepreneurs to improve their lives, and 7.1% of them became entrepreneurs due to no other alternative jobs available for them.

On the other hand, only 27% of the respondents answered that the opportunity motive was the reason for becoming entrepreneurs. Notably, 14.7% of them indicated that their reason for becoming entrepreneurs was because of their interest in and passion about business; 9.4% of them due to encouragement from others, and 2.9% did not state the reason why they started to become entrepreneurs.

Table 3: The Necessity and Opportunity Motives

<i>Necessity Motive</i>	Frequency (%)
To earn a living	51.2
For a better life	14.7
There were no other jobs	7.1
<i>Opportunity Motive</i>	
Interest & Passion	14.7
Encouragement from others	9.4
Others	2.9

Entrepreneurial Orientation

Three dimensions of entrepreneurs' orientation presented in Table 4, namely proactiveness, innovativeness, and risk-taking propensity, were derived from previous studies conducted by Arshad and Rasli (2018) and Cho and Lee (2018). These questions were asked to measure the entrepreneurial dimensions of the respondents towards unexpected business events. Proactiveness was the highest dimension among the entrepreneurs with an average frequency value of 62.2%. Meanwhile, the second was innovativeness with an average frequency value of 59.18%, followed by risk-taking propensity with an average frequency value of 58.83%. The results indicated that MSEs entrepreneurs were mostly proactive in handling business operations by assessing business opportunities, consequences of risks and future prediction on business achievement (Wiklund and Shepherd, 2003).

Table 3: Entrepreneur's Orientation towards the occurrences of operational risks

	Frequency (%)	Mean	Std. Deviation
Proactiveness	62.2	1.6412	.62011
I generally prefer stimulation to security.	68.2	1.58	0.875
When facing a decision with uncertain consequences, my potential losses are my greatest concern.	65.9	1.57	0.841
I believe that opportunity generally knocks only once.	60	1.63	0.834
It is better to ask for permission than to ask for	54.7	1.79	0.918

forgiveness.			
Innovativeness	59.18	1.7306	.63554
Failure is the long road to business success.	64.7	1.64	0.895
I tolerate ambiguity and unpredictability well.	61.8	1.7	0.922
Anything worth doing is worth doing less than perfectly.	60.6	1.76	0.963
If I was forced to choose, I would take safety over achievement.	60.6	1.71	0.919
Success in business is as much a matter of luck as an ability.	48.2	1.84	0.886
Risk-taking propensity	58.83	1.7353	.66933
I can handle big losses and disappointments with little difficulty.	62.4	1.67	0.902
I would rather feel intense disappointment than intense regret.	58.2	1.74	0.919
Taking business risks makes good sense only in the absence of acceptable alternatives.	57.6	1.72	0.897
I would promote someone with unlimited potential but limited experience to a key position over someone with limited potential but more experience.	57.1	1.81	0.956

The Impacts of Operational Risks on Business Operation

Operational disturbances were proposed based on prior studies and preliminary interviews with selected local micro and small entrepreneurs to ensure the questionnaire was designed to suit the locality and the nature of the MSEs. Table 4 exhibits thirteen (13) impacts of operational risks on business operations that might have been faced by MSEs' entrepreneurs when there was a lack of risk assessment. The respondents agreed that the utmost impact of operational risks towards operational disturbances could result in the following: dissatisfied customers (94.7%), financial loss (90%) and poor business performance (90%). All of them agreed that the operational disturbances were due to operational risks, indicated by all items that were scored above 80%, as shown in Table 4.

Table 4: The Impacts of Operational Risks on Business Operations

	Frequency (%)	Mean	Std. Deviation
Dissatisfied customers	94.7	1.08	.368
Financial loss	90.0	1.15	.470
Poor business performance	90.0	1.14	.434
Difficulties to obtain financial assistance	87.1	1.19	.522
Reduced production rate	86.5	1.21	.567
Poor quality products	85.9	1.23	.596
Reputation damage	85.3	1.24	.611
Increased defective products	85.3	1.22	.560
Human loss - employees' health and safety	84.7	1.22	.563
Difficulties to continue work	84.1	1.24	.591
Disruption of normal operations	84.1	1.26	.628
Decreased productivity	83.5	1.25	.594
Unplanned rework	81.2	1.29	.638

Univariate Analysis

Table 5 indicates the results of the chi-square goodness-of-fit test, showing statistically significant results: $\chi^2(2) = 4.612, p < .0005$. Therefore, it can be concluded that there was a statistically significant difference in the character of the entrepreneurs, i.e. opportunity- or necessity-motivated in assessing the impacts of operational risks. The majority of the respondents were necessity-motivated entrepreneurs ($N = 99$) compared to the opportunity-motivated entrepreneurs ($N = 71$). This result implies that the motive of started-up the business may lead to the influence of the entrepreneurs' assessment of the impacts of operational risks on the business (Abdul Jamal *et al.*, 2011). Thus, H1 is accepted.

Table 5: Chi-square goodness-of-fit test for Entrepreneurial Motives

	Observed N	Expected N	Residual
Opportunity	71	85.0	-14.0
Necessity	99	85.0	14.0
Total	170		

Chi-Square: 4.612; df: 1; Asymp. Sig.: .032

Correlation Analysis

The correlation analyses were carried out between variables, as presented in Table 6. The results showed the correlations at 1% and 5% levels between proactiveness and risk-taking propensity and the impacts of operational risks, indicating that they had a high degree of

dependence. Meanwhile, there was no correlation between innovativeness and the impacts of operational risks, resulting in an invalid correlation between these two variables.

Table 6: Correlations between variables

	Proactiveness	Risk Propensity	Innovativeness	Operational Risks Impacts
Proactiveness	1			
Risk-taking Propensity	.459**	1		
Innovativeness	.388**	.492**	1	
Operational Risks Impacts	.186*	.162*	-.010	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Multivariate Analysis

The multiple regression analysis was employed to determine whether the different dimensions of the entrepreneurs might influence their assessment on the impacts of operational risks. The results of the multiple regression analysis are presented in Table 7. An overall model is statistically significant at F change = 2.326, sig = 0.045 and p = <0.05. The adjusted R^2 was 0.038, which indicated that the entrepreneurial orientation only explained about 3.8% of the assessment of the impacts of operational risks among MSEs in Kuala Selangor. Of all the independent variables, Table 7 reveals that only one independent variable was found to be significant, at the significance level p <0.1. This variable was a proactiveness entrepreneur, which was in line with prior studies (Al Mamun and Fazal, 2018; Cho and Lee, 2018), indicating that the performance of the companies was able to be determined by the entrepreneur's behaviours or characteristics. The entrepreneurs had been much obliged in proactively focusing for opportunities, analysing uncertainties, and adapting with rapid changes of the economy to survive in a challenging business environment (Wiklund and Shepherd, 2003; Farooq and Vij, 2018). Thus, hypothesis 2b was accepted.

Table 7: The Results of Multiple Regression for Entrepreneurial Assessment on the Impacts of Operational Risks

R	.257 ^a
R Square	.066
Adjusted R Square	.038
F Change	2.326
Sig. F Change	.045**

Dependent variable: Operational Risks Impacts

Independent variables	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
(Constant)	1.332	8.495	.000
Innovativeness	-.077	-1.586	.115
Risk-taking Propensity	.011	.225	.822
Proactiveness	.096	1.880	.062*
Monthly Income	-.076	-2.079	.039**
Type of Business	-.039	-.298	.766

*. Significant at 10% level (2-tailed).

**.. Significant at 5% level (2-tailed).

Conclusion

This study was conducted to determine the factors influencing the entrepreneurs' assessment towards operational risks impacts on business operations among micro and small enterprises in Kuala Selangor, Selangor, Malaysia. The respondents were selected using convenient sampling method, which was practical to be used to obtain information from MSEs entrepreneurs. The final questionnaires were distributed to 170 respondents, with the age distribution of between the range of below 30 years and 50 years. The majority of the respondents was categorised as micro-entrepreneurs, whose highest monthly income was below RM5,000. Past research had focused on small and medium enterprises, and thus, this study was carried out to reach micro-entrepreneurs to further understand their experience and practices in assessing the impacts of operational risks on their small-scale businesses. The findings indicated that the motive of earlier events induced an entrepreneur's decision by guiding how an entrepreneur considered about and perceived the impacts of operational risks on business operations, either as acceptable, harmful or moderate. This is important particularly to the small-scale businesses as the business survival depends mostly on the decisions of the entrepreneur, who is the sole owner of the business. Further analysis of the entrepreneurial orientation revealed that a proactive entrepreneur could be better than other types of entrepreneurs in terms of the assessment of the impacts of operational risks on the business operations. This type of entrepreneur is willing to take up challenges, focus on business opportunities with limited resources, accept their wrongdoings and recuperate from a weakness to attain the betterment of the business. Most importantly, this type of entrepreneur is able to identify and assess the impacts of operational risks, an ability which allows them to take precautions to minimise business disruption. For future research, more respondents should be employed to get responses that may represent the larger population. A qualitative method might be suitable to obtain extended responses to derive concrete justifications for the position of the MSEs in the Malaysian market.



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