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The Impact of Entrepreneurial Motivation on Small Business Performance in Iraq

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Abstract
The small business has become the backbone of industrialization not only in Iraq but globally, as the sector is regarding as a green field for investment not only to the rich but also the poor. It gives a firsthand job opportunity and provides a stable career lifestyle to the most common citizen in any country. The objective of the study is to examine the impact of entrepreneurial motivation on small business performance in Iraq. The study was conducted using a sample of 300 small business owners in the nine Baghdad Provinces. The data was obtained using a self-administered questionnaire and using probability random sampling technique. The data obtained were analysed using statistical package of SPSS version 23 window for regression and correlation analysis. The result indicates that there is a significant relationship between entrepreneurial motivation and small business performance in Iraq, this shows entrepreneurial motivation influence on business performance and this motivate the entrepreneurs to be innovative and creative in their business activities. Furthermore, the paper suggested that more entrepreneurial factors should be employed in the future studies.

Keywords: Entrepreneurial Motivation, Small Business, Performance, Baghdad and Iraq

Introduction
The small business has been identified as the backbone to a modern world. This might be due to its enormous impact not only on economic development but also to both ordinary and wealthy citizens in the society (Gaskill, Van Auken & Kim, 2015). Hence, for ordinary and common citizens in the society, a small business usually gives them first job opportunities. It is the only sector that provides a stable career lifestyle to the most common citizen in any country (Berger, Cowan & Frame, 2011). Likewise, to the wealthy citizen in the society, the sector is a green field for investment and money making as it makes them to be entrepreneurs by empowering the economic development of any country. The sector is the cradle of new ideas and assemblage of innovative concepts to transform the economic and developmental drives of every country. Nevertheless, there are several small businesses around the world due to their contribution to the economic development and growth of a nation.
The importance of the small business is essential as it’s serves as a green field for investment and provide a first-hand job for individuals that are unemployed, the world statistics indicated that over 95% of small and medium size businesses exist due to its contribution in reducing the rate of unemployment, poverty reduction and contribution to the economy growth and stability of nations (Mahmoud, 2015; Mahmoud & Muharam, 2014; Mahmoud, Muharam & Mas’ud, 2015).

Furthermore, the private sector development is paramount due to its contribution in boosting the economy and contributing to the gross domestic product, the private sector in which the small business categories fall within had catered and created over 60% small and medium small and medium size businesses (World Bank, 2015). According to the World Bank statistics on the survey on small and medium size business, the result indicated that the private sector through the small and medium business had so far contributed to the world gross value with about 50%.

Notwithstanding the contributions of small and medium businesses to every economy (Mahmoud, Ahmad & Poespowidijojo, 2017; 2018), small businesses particularly in Iraq are facing several challenges that hinder their general performance. The critical challenges facing small businesses in Iraq as highlighted by White (2012) includes low capacity or poor entrepreneurial motivation within many small businesses due to the lack of entrepreneurial training in order to obtain the required skills and mindset as entrepreneurs, legal and regulatory framework, small market base, policies and programs, dealing with government, business representation, reaching small businesses and access to the financial services. Barba-sanchez and Atienza-sahuquillo (2012) suggested that, more studies on the performance of small business should be carried out. Likewise, empirical evidence shows that no much study is conducted on entrepreneurial motivation in the Arab countries. Hence, this research aims to investigate the appropriate motivational success factors to turn around the negative effects and simultaneously grow the small businesses in Iraq. The study aims to ascertain whether entrepreneurial motivation can contribute towards small business performance in Iraq.

**Prior Studies and Hypothesis Development**

The investigation into the different factors that contribute towards the success of business or project in any environment has been seen to be of germane importance (Ram & Wu, 2013; Daniel, Cieslewicz & Pourjalali, 2012). This is as a result of the impact that businesses have on virtually almost all aspects of every individual. However, small businesses have been seen to have more impact, especially with respect to the masses and the economy as a whole, thus there is need to investigate the factors necessary to grow the small business sector. This study tends to investigate the impact of entrepreneurial motivation on small business performance in Iraq, due to the challenges faced by the country (Al-Ansari, Ali & Knutsson, 2014), such as economic imbalance (Hanna, Hammoud & Russo-Converso, 2014), and civil unrest (Abbass & Jassam, 2015).

**Entrepreneurial Motivation and Small Business Performance**

Robichaud, McGraw & Alain (2001) conducted a research to establish a relationship between entrepreneurial performance and entrepreneurs’ motivation; the study discovered that, there is a correlation between the entrepreneur motivational factors and the business performance variables. Benzing, Chu & Callanan (2005) found that, entrepreneur’s demographic characteristics, attitudinal, behavioural, managerial and technical competencies are often cited
as the most influential factors related to the performance of small and medium sized enterprises (Ahmad, Ramayah, Wilson & Kummerow, 2010). Studies conducted by Kuratko, Hornsby and Naffziger (1997) and Robichaud, McGraw and Alain (2001) which surveyed entrepreneurs from North America to determine what motivation categories lead to business success, found that; the motivation of entrepreneurs’ falls into four distinct categories which includes, the extrinsic rewards, independence/autonomy, intrinsic rewards and the family security. These four groups of factors determine the motivation level of entrepreneurs which in turn have effects on their business success and performance. The study established a significant relationship between entrepreneurial motivation and small business performance. Storey (1994) conducted a study to determine the critical success factors for small business performance, the findings of the study reveals that motivation, unemployment, education, management experience, number of founders, prior self-employment, family history, social marginality, functional skills, training, age, prior business failure, prior sector experience, prior firm size experience and gender are considered the critical success factors that influence performance, the study further asserted a significant relationship between entrepreneurial motivation and small business performance. In a related study, Walker and Brown (2004) revealed that, information, knowledge, political, economic, legal system, government issues, technology, natural calamity, entrepreneurial motivation, personal efficiency, and capability are part of the critical success for small business growth.

Benzing, Chu and Kara (2009), in Turkey, Świerczek and Ha (2003), in Vietnam and (Benzing, Chu & Szabo 2005) in Romania all established a significant relationship between entrepreneurial motivation and small business performance using small business owners as samples. Chittithaworn, Amirul islam, Keawchana and Yusuf (2011), conducted a study to determine the entrepreneurial characteristics that impact the business performance based on the extant literature and found that, the extant literature conforms that, there are certain entrepreneurial characteristics/competencies which lead to greater success of the business enterprises and the study established that entrepreneurial characteristics are associated to the business success.

Stefanovic, Rankovic and Prokic (2011) investigated the motivational factors in order to determine entrepreneurial behaviours in Serbia, based on literature in the area, motivational factors influenced the entrepreneur’s behaviour towards their business performance and success. Hence, the study reveals that, there was a lack of motives concerned with the sustainable development of enterprises on a long run, and on the other hand, there is a variety of different success factors affecting entrepreneurs which primarily depends on the current situation in the local environment. In order to examine the factors affecting entrepreneurs motivation in Israeli, Lerner, Brush & Hisrich (1997) established a strong and positive association between entrepreneur motivation and performance of 200 Israeli market women. Barba-sanchez and Atienza-sahuquillo (2012) conducted a study to determine the impact of motivational factors on entrepreneurial behaviour among business individuals in Spain and the study found that, making money or being one’s own boss do not appear to be sufficient to create a new venture, but rather the motivational content of entrepreneurs influences their decision to start a business. While most of these studies were conducted in non-Arab countries, the
assertions above proposed a significant relationship between entrepreneurial motivation and small business performance. Thus, this study proposed the following hypothesis:

\( H_1 \): There is a significance relationship between entrepreneurial motivation and small business performance in Iraq.

**Methodology**

**Sampling and Data Collection**

The method of data collected was by means of a self-administered questionnaire survey which was completed by small business owners using simple random sampling selected from the sampling frame of small business owners in the nine districts of Baghdad in Iraq. The sampling frame is a representation of all small businesses in the district of Baghdad. Even though, there are some shortcomings of using questionnaire survey based research, the benefits arising from cost savings, convenience, and reduced interview biased seems to outweigh the limitations. There is also the risk of common method bias as a result of self-report data, and as such the results of this study should be viewed as representing the small business owners’ perceptions which could provide the most accurate assessment of the condition of their small business (Lyon, et.al, 2000). Based on the data of the Employment and Vocational Training Department in the Ministry of Labour and Social Security (2017), there are 11302 small businesses in the district of Baghdad, Krejcie and Morgan (1970) table for sample size determination is employed. A sample of 375 small business owners from the sampling frame was administered with the questionnaire, and 300 usable responses were duly completed and returned, giving a response rate of 80 percent. The response rate was considered adequate, which might be related to the researcher’s ability to convince the respondents for them to participate in the survey actively.

In addition, in dealing with the issues of non-response bias which is pertinent to a survey method of data collection. In which non response bias exists when there are significant differences between the survey responses of those who have responded early and those who do not respond. This study followed the convention of comparing the respondents of the first wave with those of the second wave (Armstrong & Overton 1977). The early wave group consisted of 186 responses whereas the final wave group consisted of 114 responses. The independent sample test (T-tests) conducted on the responses of these two groups yielded no statistically significant differences on demographic characteristics in the survey. Thus, it can be concluded that there is no significant non-response bias in this study (Oppenheim, 1966; Lin & Schaeffer, 1995).

**Measures the Variables**

**Entrepreneurial Motivation**

Entrepreneurial motivation is treated as one dimension with ten items and these items were adopted from the study of Amabile, Hennessey & Tighe (1994) that uses the items in one dimension. However, for the purpose of this study entrepreneurial motivation is also viewed as one construct. These items were measured on a five-point Likert scale where 5 represents ‘strongly agree’ and 1 indicates ‘strongly disagree’. This construct entrepreneurial motivation measures have previously demonstrated acceptable validity and reliability.
Small Business Performance
Small business performance was measured as one dimension with six items, these items were adapted from the work of Feldman (2014); Rody & Steams (2013) and Abdel-Maksoud, Asada & Nakagawa (2008). The respondents were asked to state their small business performance based on the criteria of their likely profitability and profit growth, cash flow growth rate and their total asset for the past three years. This variable response on performance was obtained using the using 5-point Likert scale items.

Analysis and Research findings
Reliability and Validity
The most common test of inter-item consistency reliability used in a research is the Cronbach’s alpha coefficient. The Cronbach’s alpha coefficient is employed in this study to measure the internal consistency of the instrument used. Hence, after running the data using SPSS version 23 windows, it was found that all the measures possess a high reliability standard ranging from 0.702 to 0.808. This is in line with the standard of reliability test that an instrument with a coefficient of 0.60 is regarded to have an average reliability; whereas a coefficient of 0.70 and above shows that the instrument has a high level of reliability (Hair et al., 2006; Nunally, 1967; Sekaran & Bougie, 2010). Table 1 indicates the reliability analysis and the Cronbach alpha coefficient of the variable obtained met the benchmark for reliability.

Table 1: Reliability Test for Variables and coefficient of Cronbach’s alpha

<table>
<thead>
<tr>
<th>Construct</th>
<th>Number of items</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business Performance</td>
<td>6</td>
<td>0.702</td>
</tr>
<tr>
<td>Entrepreneurial Motivation</td>
<td>9</td>
<td>0.808</td>
</tr>
</tbody>
</table>

The variables in this study were validated through factor analysis. Before performing the analysis, the suitability of the data was assessed through two tests; Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) and Bartlett’s Test of Sphericity. The KMO has to be more than 0.50 and Bartlett’s Test of Sphericity has to be significant. The KMO values for EM was 0.741, which can be considered as adequate, due to the fact that it is over and above the minimum requirement and Bartlett’s Tests of Sphericity, which was significant at p<.000. Thus, the data were adequate for factor analysis. For factor analysis, principle component analysis and varimax rotation were performed. It was suggested that items that had factor loadings lower than 0.50 should be eliminated (Hair, et. al. 2006). The varimax rotated principle component factor analysis applied has resulted factor loading, which explained 42.61 percent (See Table 2). Only factors with a loading value of 0.50 and above were considered, and therefore two items were deleted.
Table 2: Factor Analysis of Entrepreneurial Motivation

<table>
<thead>
<tr>
<th>Items</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Em2 New idea</td>
<td>0.785</td>
</tr>
<tr>
<td>Em1 Own self boss</td>
<td>0.720</td>
</tr>
<tr>
<td>Em7 Self-actualization</td>
<td>0.693</td>
</tr>
<tr>
<td>Em4 Business opportunity</td>
<td>0.676</td>
</tr>
<tr>
<td>Em6 Personal needs</td>
<td>0.627</td>
</tr>
<tr>
<td>Em5 Own job</td>
<td>0.578</td>
</tr>
<tr>
<td>Em3 Personal growth</td>
<td>0.572</td>
</tr>
</tbody>
</table>

Eigenvalue: 3.852
Percentage of variance: 42.611
KMO: 0.741
Bartlett’s Test for Sphericity: 1057.154
Significance: 0.000

Demographic Profile of Respondents

The demographic characteristic of the respondents is shown the Table 3, below. Out of 292 owners of small business in Baghdad-Iraq 174 are males representing 59.6 percent, while their females’ counterpart with 118 representing 40.4 percent. For the respondents’ educational level, 96 respondents representing (32.9 percent) constitute of those with secondary education, 74 respondents representing (25.0 percent) undergo a technical training, 66 respondents representing (22.6 percent) obtained junior secondary school education, then 44 small business owners equivalent to (15.0 percent) possesses tertiary education, and 13 respondents representing (4.5 percent) had primary school education out of the total number of the respondents.

Hence, for number of employees, 123 respondents had between 11-30 employees, which is equivalent to (42.1 percent), whereas 80 respondents, representing (27.4 percent) had less than 10 employees, followed by 71 respondents, representing (24.3 percent) had between 31-50 employees. The least response rate in this category are those between the range of 51 and above employees, which had 18 and constituted (6.2 percent) of the total number of employees in the research respectively.
Table 3: Profile of the Respondents

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Categories</th>
<th>Frequency</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>174</td>
<td>59.6</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>118</td>
<td>40.4</td>
</tr>
<tr>
<td>Educational Level</td>
<td>Primary Education</td>
<td>13</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>Secondary Education</td>
<td>96</td>
<td>32.9</td>
</tr>
<tr>
<td></td>
<td>Junior Secondary</td>
<td>66</td>
<td>22.6</td>
</tr>
<tr>
<td></td>
<td>Technical Training</td>
<td>73</td>
<td>25.0</td>
</tr>
<tr>
<td></td>
<td>Tertiary Education</td>
<td>44</td>
<td>15.0</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>Less than 10 Employees</td>
<td>80</td>
<td>27.4</td>
</tr>
<tr>
<td></td>
<td>11-30 Employees</td>
<td>123</td>
<td>42.1</td>
</tr>
<tr>
<td></td>
<td>31-50 Employees</td>
<td>71</td>
<td>24.3</td>
</tr>
<tr>
<td></td>
<td>51 and above Employees</td>
<td>18</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Testing of Hypothesis

Regression analysis was used to test the relationship between entrepreneurial motivation and small business performance (H1). The regression analysis result in Table 4 indicates that entrepreneurial motivation is significantly related to performance ($\beta = .159$, $t = 2.268$, $P < .024$). This finding is in line with the findings of previous studies (Storey, 1994; Walker and Brown, 2004; Benzing, Chu & Callanan, 2005; Ahmad, Ramayah, Wilson & Kummerow, 2010 & Barba-sanchez & Atienza-sahuquillo, 2012).

Table 4: Regression Analysis of Entrepreneurial Motivation

<table>
<thead>
<tr>
<th></th>
<th>Beta</th>
<th>t-value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM</td>
<td>.159</td>
<td>2.268</td>
<td>.024</td>
</tr>
</tbody>
</table>

The adequacy the model was checked for the assumption of the regression to ensure the suitability of the data to conduct a multivariate analysis; the data was confirmed by checking the outlier, normality, multicollinearity and homoscedasticity. A total of nine cases where found to be univariate outliers, while twenty cases of multivariate outliers were recorded. Both skewness and kurtosis were equally achieved. No case of multicollinearity is recorded as both the tolerance and VIF values are obtained based on their benchmarks.

Discussions and Conclusion

This study was conducted to investigate and test the relationship between entrepreneurial motivation and small business performance in Iraq. Findings of this research indicates that entrepreneurial motivation has a positively significant relationship with small business performance among Iraq small businesses. Although there many studies conducted in the area of entrepreneurial behaviour but particularly very few are found in Arab countries. This finding will help small business owners to intensify initiatives to encourage better understanding on the
significance of their entrepreneurial motivation which will boost their business competitive position and better promote their business to a superior performance. This will help small business owners to be more productive and more oriented in order for their small business to survive the intensively competitive business environment. Moreover, Small-business owners must have a passion about their products or services, be willing to be personally involved in it, be willing to stick with the business, be able to define the market clearly and pay attention to details proactively.

The contributions of this study includes the complementation of literature on the relationship between entrepreneurial motivation and small business performance in the Arabian context i.e. Iraq. However, the findings will practically assist the small business owners to enhance their business performance through effective entrepreneurial motivation. Thus, this study suggests that small business owners should focus on entrepreneurial motivation for their firms to thrive. This study also raises more questions that need to be addressed by future research. Firstly, this study was cross sectional, and it does not allow the determination of cause and effect or the impact of changes overtime. Future research should consider collecting data on a longitudinal basis in order to draw causal inferences. Secondly, the study also relies on self-reports of small business owners. Hence, most times data sometimes tend to be more positive and may not always represent the true phenomenon. Future studies should investigate the results obtained from motivated entrepreneurs and furthermore, more entrepreneurial characteristics variables like entrepreneurial orientation, entrepreneurial skills and others should be studied.

References


