

# THE MEDIATING EFFECT OF EMOTIVE FACTOR ON THE CONSTRUCTS THAT INFLUENCE ENTREPRENEURIAL FAILURE

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## ABSTRACT

This paper examines the presence of emotive factor that mediates the variables of voluntaristic, deterministic and opportunistic behaviour that impact entrepreneurial failure. The study is a quantitative study and uses causal analysis as its research approach. It relates the constructs of voluntaristic factor, deterministic factor, and opportunistic behaviour with the mediation of emotive factor to entrepreneurial failure. Sample of the study is 1541 nascent entrepreneurs in West Sumatra Province, Indonesia, who have experienced business failures. Analysis was undertaken by using causal step analysis in which the statistical protocol and rule were operated. The study found and argue that emotive factor of entrepreneurs is identified as individual psychological construct that partially mediates voluntaristic, deterministic and opportunistic behaviour in causing entrepreneurial failure experienced by nascent entrepreneurs. Originality and value of the study lies in the framework used – which considers the construct of opportunistic behaviour of entrepreneurs as an independent variable that can cause entrepreneurial failure. Other is related to the consideration that emotive factor that mediates the voluntaristic, deterministic and opportunistic behaviour in causing entrepreneurial failure.

**Keywords :** *Deterministic-voluntaristic-emotive factors, entrepreneurial failure, opportunistic behavior, causal-step analysis.*

## ABSTRAK

*Penelitian ini membahas tentang keberadaan faktor emosi yang memediasi variabel voluntaristic, deterministic dan perilaku oportunis yang mengakibatkan terjadinya kegagalan berwirausaha. Studi ini merupakan studi kuantitatif dan menggunakan analisa kausal sebagai pendekatan penelitian. Sampel penelitian sebanyak 1541 orang wirausahawan pemula di Provinsi Sumatera Barat, Indonesia yang sebelumnya pernah mengalami kegagalan dalam berwirausaha. Analisa dilakukan dengan menggunakan causal step analysis yang menggunakan prosedur statistik tertentu. Studi ini menemukan dan lebih lanjut berpendapat bahwa faktor emosi wirausahawan diidentifikasi sebagai konstruk psikologis individu yang secara parsial memediasi hubungan faktor voluntaristic, faktor determiniastic dan perilaku oportunis sebagai penyebab terjadinya kegagalan berwirausaha yang dialami oleh wirausahawan pemula. Keaslian dan nilai dari studi ini terletak pada kerangka penelitian yang digunakan, yang menempatkan faktor perilaku oportunis sebagai variabel bebas yang dapat mengakibatkan kegagalan berwirausaha. Hal lainnya terletak pada adanya unsur faktor emosi yang memediasi faktor voluntaristic, faktor determiniastic dan perilaku oportunis sebagai penyebab kegagalan berwirausaha.*

**Kata Kunci :** *Deterministic-voluntaristic-emotive factors, kegagalan kewirausahaan, perilaku oportunistik, causal-step analysis.*

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## 1. Introduction

Failure is a normal and usual circumstance in entrepreneurial journey of

an entrepreneur. It is seldom to find that an entrepreneur can achieve success only in one time business venture. As Wadhwa *et*

*al.*, (2009), entrepreneurs can normally achieve success after they experienced two to three times failure during their entrepreneurial journey. The cycle of entrepreneurial journey that consists of new venture creation – the possible operational failure – learning process from failure – achievements and feedbacks that happened during entrepreneurial journey of an entrepreneur will lead us to the understanding regarding the concept of serial entrepreneurship (Lafontaine & Shaw, 2014). Lafontaine and Shaw (2014) further mentioned that the serial entrepreneurship can be understood as an entrepreneurial process which occurs to entrepreneurs in the journey for achieving success of new ventures after they experienced failures, in which the following element exists: [a] the learning process from the failure, [b] the process of change in entrepreneurial behaviour after the failure, and [c] the experience in managing the business.

Nascent entrepreneurs are parties who are very fragile and usually experience entrepreneurial failure. As they have limited experience, networks, skills and knowledge, access to finance et cetera, failure will always haunt them. No wonder if we found many facts about business failure that hits nascent entrepreneurs. Some people think and view that failure is a negative condition and as a consequence, they have no interest to have businesses anymore. This situation of course, is a challenging one – as people normally undertake necessary steps and efforts to reduce the failure rate. On the other hand, there are people who viewed failure as a positive event, where they can take benefits and advantages from it. For them, failure is the most important entrepreneurial learning that can be absorbed in business so that they can use it as part of the preparations to restart a new business and to achieve entrepreneurial success.

Although there are similar opinions and overviews that nascent entrepreneurs are very fragile when they experienced failure, however, scholars agree that the roles of nascent entrepreneur are important for economic development of a region (see studies of Doran *et al.*, 2018; Nitu-Antonie *et al.*, 2017; Peake and Marshall, 2006). In fact, number of entrepreneurs who failed in their business are massive with various different reasons, either individual, business (internal and external) or the reason of ecosystem failures. This was found in our previous study with nascent entrepreneurs in West Sumatra which revealed number of entrepreneurial failure within nascent entrepreneurs that reached two to four times during their entrepreneurial journey.

Research and studies in entrepreneurial failure, however, still need to be widely elaborated. Even though the concept of failure is a mature concept, but this area still lacks of empirical data getting from big sample (in terms of number and geographical area) that can prove and explain about failure experienced by entrepreneurs, especially nascent entrepreneurs. Other gap in this topic is related to the possibility of analysis to the aspect of human opportunistic behaviour that can also contribute to failure. This study and paper intends and tries to fill that gap, example to prove the existing concept of entrepreneurial failure by using empirical study with big sample in terms of number of sample and the geographical area as well as to try to find the relationship between the construct of human opportunistic behaviour and entrepreneurial failure.

This study was undertaken with 1541 nascent entrepreneurs in 16 regencies and cities in the Province of West Sumatra – Indonesia as the unit of analysis and context of study. It will further reveal the major psycho-economic circumstance experienced by nascent entrepreneurs that

has caused entrepreneurial failure. Therefore, this study is interesting and valuable as it tries to reveal the entrepreneurial failure phenomenon experienced by nascent entrepreneurs which can be used as the reliable source and foundation to state and support government policies regarding the promotion and supports for nascent entrepreneurs.

## **2. Literature Review**

### **2.1 Business Failure**

Business failure is a usual phenomenon in business world. It is being considered as an essential and significant part during the journey of new business ventures (Ucbasaran *et al.*, 2013; Walsh & Cunningham, 2016). Based on the costs bared by the entrepreneurs, it is undeniable that business failure is essentially a learning process where entrepreneurs can take benefits from it and can use it as a valuable resource to tackle the same circumstance in the future (Cope, 2011). Although business failure is hard to define, all definitions relate to the same significant event in the lives of organizations and individuals – the defining moment that unfolded over time where the survival of a company ends, creating losses for investors and creditors alike (Jenkins & McKelvie, 2016). How that moment is determined varies widely among authors who have analyzed the phenomenon (Ucbasaran *et al.*, 2013; Khelil, 2016). There is considerable debates regarding the narrative of the creation and performance of entrepreneurial efforts, but failure has received much less attention (Mantere *et al.*, 2013; Shepherd *et al.*, 2016). The literature has thus far focused on predicting the failure of healthy firms, namely through prediction modelling using financial ratios (Andreeva *et al.*, 2016), the discovery of the main determinants that lead to such an event (Ooghe & De Prijcker, 2008; Ejrnaes &

Hochguertel, 2013; Artinger & Powell, 2016); and the consequences that ensue from the failure (Jenkins *et al.*, 2014; Mueller & Shepherd, 2016). While the first two research areas have received increasingly more attention in the last two decades, focus on the consequences is still lagging behind (Amankwah-Amoah, 2015). Although many consider failure as a pathway to success due to it being a learning experience (Cope, 2011); Mueller and Shepherd, 2016), there is a lack of research dealing explicitly with prior failure as a condition for success or other considerations that reflect long-term orientations for the individual (Ucbasaran *et al.*, 2013; Singh *et al.*, 2015).

### **2.2 Entrepreneurial Failure**

In general, entrepreneurial failure can be comprehended as the termination of entrepreneurial process undertaken by entrepreneurs as a result of failures that occurred during the preparation, implementation and management of the venture. In general, many different terminologies are related to entrepreneurial failure, such as firm closures, entrepreneurial exit, dissolution, discontinuance, insolvency, organizational mortality and bankruptcy (Arasti, 2011). One main possible sign of this failure can be seen in the inability of the entrepreneur to manage the financial substances, which have further resulted the cessation of business operation, and worst – bankruptcy. However, even though the inability to manage the financial matters is closely linked to the bankruptcy, it cannot be viewed as the one and only reason in entrepreneurial failure. Instead of that, entrepreneurial failure is mainly viewed as a result of the combination and interaction between psychological and economic factors of an entrepreneur. The causes of failure vary and may stem both from the external environment as well as from internal factor of the business. Internal

causes of failure may in many cases be capable of being anticipated in advance, while on the other hand some external causes are not so predictable. In most cases, a complex mixture of causes contributes to entrepreneurial failure and it is very rare for one single factor to be involved.

It is viewed that psychological factors of individuals will lead them to decide and further, to undertake error actions – which will further result entrepreneurial failure. As Smida and Khelil (2010), entrepreneurial failure is a psycho-economic phenomenon which will lead entrepreneurs to undertake error actions to allocate resources and will result further consequence, in terms of psychological situation in the form of disappointment. However, entrepreneurial failure can be concluded as the situation in which the psycho-economic phenomenon relates to:

- [a] individual situation and condition (in particular behaviour and personality),
- [b] organisation as a business entity), where an entrepreneur undertakes entrepreneurial process
- [c] social environment which is directly and/or indirectly relates to individual
- [d] entrepreneurial process happened to individuals.

However, such four factors individually cannot influence entrepreneurial failure as it does not have sufficient power that lead to a failure. There should be a combination and an interaction between factors and elements which will impact failure to the business run by entrepreneurs.

Study and research regarding new venture failure are normally emphasised to the analysis in the following topics: [a] what and why a new venture fails? (Artinger & Powell, 2015; van Gelder *et al.*, 2007) and, [b] what is the consequence that needs to be borne by entrepreneurs as the result of their failure? (Singh *et al.*, 2015; Yamakawa & Cardon, 2015; Jenkins

*et al.*, 2014, Ucbasaran *et al.*, 2013). Contextually, studies and research that have been completed mostly analysed the consequence of failure to the business belongs to the entrepreneur – which means that the analysis has mainly been done to the business as an entity. Considering this, research contexts were mostly centered in the question ‘why can be a business fail?’ Wennberg *et al.*, (2010) concluded that a business mainly fails because of the following reasons: [a] low business performance, [b] the problem of resources, and [c] un-achievable positive goals and growth of the business. In a more broaden scale, Wennberg and DeTienne (2012) and Hammer (2014) further identified the existence of three conditions that can lead to a failure in business, which is: [a] business environment, [b] the business itself – mainly inappropriate resources and competence, and [c] the entrepreneur as an individual/personal – mainly less commitment from entrepreneurs in managing the business.

New ventures failure is closely related to the analysis on those who operate the business. This means that the entrepreneur as a person is considered as an individual who is having prominent roles to determine whether a business can be success, or, in reverse, fail. Therefore, the unit analysis of the research cannot always be focused on to the business as an entity. It is why we put emphasis of our focus and analysis merely to the entrepreneur as an individual. According to Smida and Khelil (2010), the concept of business and organizational failure can be viewed from the entrepreneur as an individual, and it is sourced from: [a] deterministic factor, and [b] voluntaristic factor.

### **2.3 Deterministic and Voluntaristic Factors**

Deterministic factor is defined as the failure of new ventures which is sourced

from entrepreneur's environment, which its existence cannot minimally controlled by the entrepreneur. As Cardon *et al.*, (2011) mentioned, the deterministic factor of business failure comes from entrepreneur's environment which cannot be avoided by entrepreneurs in their business operation. In reverse, Mellahi and Wilkinson (2010) mentioned that voluntaristic factors are related to the business failure which is sourced from errors done by entrepreneurs in making decisions and conducting actions. It can be inferred from Mellahi and Wilkinson, (2010) that deterministic factors are not the only one factor that resulted business failure – but it rather is voluntaristic factors.

Cardon *et al.*, (2011) further stated that failure is not a result/consequence of uncontrollable situation and condition by the entrepreneur, such as the environment factor. One possible source of the entrepreneurial failure rather comes from a stigma that is embedded inside of entrepreneurs which makes them try as hard as they can to avoid it – but unfortunately, they ended up with making false decisions and wrong actions and as the result of these, their business got failed. (Singh *et al.*, 2015).

#### **2.4 Emotive Factor**

Khelil (2016) further mentioned that apart from deterministic and voluntaristic factors, as Cardon *et al.*, (2011) - there is also an emotive factor inside of entrepreneurs which is a decisive factor in entrepreneurial failure. Emotive factors as meant by Khelil (2016) is described as a factor that can show interaction and combination between business performances achieved by entrepreneurs (in terms of failure) and the disappointment to that unachieved business performance. In relation to this, the finding of Hammer (2014) also showed us the indication of goal setting bias in

entrepreneurs as a major source of the business failure. Goal setting bias happens because of the un-match situation between expectation and real business performance experienced by entrepreneurs. This emotive factor as Khelil (2016) is an interaction and a combination between deterministic and voluntaristic factors in entrepreneurial failure. Therefore, failure is not only sourced from uncontrollable/difficult-to-control environment but it is also sourced from errors in decision making and wrong-doing actions done by the entrepreneur in managing his/her business.

The emotive approach to failure give important role to the entrepreneur's motivation, commitment and aspiration to explain why some entrepreneurs choose to give up performing firms despite the availability of resources and others choose to persist with underperforming firms despite the lack of resources. As opposed to the previewed theoretical perspectives (e.g., population ecology, resource-based view), the emotive approach emphasizes the psychological factors that may be more important predictors of business failure or survival than environmental or organizational factors (van Gelder *et al.*, 2007). Researchers who apply the emotive approach appear to have pursued individual-level explanations, which include the psychological factors that lead to failure (van Gelder *et al.*, 2007) and the resulting emotional costs (Jenkins *et al.*, 2014; Shepherd *et al.*, 2016; Singh *et al.*, 2015).

Refer to emotive approach, the conception of entrepreneurial failure used in this paper is not only associated with economic aspects related to the new venture performance but also with psychological aspects related to entrepreneurs' disappointment. Given the perceived goal/expectation-achievement/reality gaps, entrepreneurs realize that he or she has failed to achieve

her or his initial ambitions. The entrepreneurial failure phenomenon can be then characterized by the entrepreneur's entry into a psychological state of disappointment in respect to the non-achievement of her or his initial goals and expectations. In the absence of moral and emotional support, he or she may decide to leave the business.

## 2.5 Opportunistic Behaviour

Concept and studies regarding opportunism mostly related to the opportunistic behaviour of individuals and it mentioned that this opportunistic behaviour is a hidden will of an individual which can bring negative impact to the business and it is shown by efforts to achieve that hidden will (Cordes *et al.*, 2010). Andrunik and Svetlakov (2013) and Cordes *et al.*, (2010) have further revealed that the existence of opportunistic behaviour is closely related to the transaction cost concept and will create conflicts and bargain situations in which individuals need to choose one most appropriate choice from many alternative decisions. Those both concepts are clearly related to the topic of this paper and study – and they demonstrate an indication that an entrepreneur will prefer a situation which brings more benefits to him/herself personally. This situation can be in terms of an alternative to secure for a better job compared with career in entrepreneurship, or the desire to start other new businesses but in the condition that the earlier business is still unstable/immature. This situation will put entrepreneurs in a conflict or a bargaining position which require them to make their own decision – securing and entering the job, or to start another new venture or maintaining the earlier venture to reach its maturity. Sometimes the decision is a good and powerful decision but it can also be a wrong decision which will lead them to a failure in the earlier venture. We can see

here that entrepreneurs can be trapped in an individual level (Hammer & Khelil, 2014) psychological situation where they are demanded to secure their future life which is possibility related to possible future career that they need to possess.

## 2.6 Impacts of Failure

In the study of impacts and consequences of entrepreneurial failure, Mantere *et al.*, (2013) mentioned that entrepreneurial failure is a social construction where the process of individual psychology in terms of [a] the existence of emotional processes and [b] cognitive process to justify every action, exists. We can conclude from this opinion that entrepreneurial failure brings psychological impacts to the failed entrepreneurs – and as the results, they are trying to do their best to maintain their self-esteem and to avoid of losing their own business. Psychological impacts can also be seen in efforts to reduce, and moreover, to eliminate stigma that arises from the failure, Singh *et al.*, (2015). An interesting phenomenon regarding the existence of stigma lies to the fact that it can also be a source of the next failure. As Singh *et al.*, (2015) the fear of failure and efforts to stay away from the stigma of failure have contradictively resulted negative situations to an entrepreneur – as he/she will probably make a wrong decision and doing a wrong action in the business. As the result, this will make entrepreneurs sink into failure (again). Therefore, the stigma of failure can be seen as a psychological reason and impact on why an entrepreneur fails in the business.

## 2.7 Hypotheses

Following the study and opinion from Mellahi and Wilkinson (2010), Fatoki, (2014) and Arasti, (2011) regarding entrepreneurial failure, there is a clear indication that deterministic factor can be viewed as one of major reasons that

cause entrepreneurial failure. We use this as our foundation to state the initial hypothesis in this study. Combining it with the opinion from Khelil (2012) and Hammer and Khelil (2014), we further formulate our first hypothesis as follow:

H<sub>1</sub>: Deterministic factor in terms of [a] the existence of support to entrepreneurs, [b] social situation and social environment, [c] competition in the industry, and [d] the high operation cost of the business has brought positive and significant influence to entrepreneurial failure experienced by nascent entrepreneurs in West Sumatra.

Economic situation and its influence to the success and failure factor of a business can also be influenced by individual characteristics of an entrepreneur in a certain economic situation. Based on this study and opinion as well as Khelil (2012) we further stated our second hypothesis in our study.

H<sub>2</sub>: Voluntaristic factor in the form of [a] individual competencies, [b] individual orientation and, [c] entrepreneurial behaviour towards customers will bring positive and significant influence to entrepreneurial failure experienced by nascent entrepreneurs in West Sumatra.

As the context of developing countries (such as Indonesia) which still has a very limited employment opportunities and the existence of negative culture and perception regarding entrepreneurship, this study viewed that there is a tendency of pattern and opportunistic behaviour exist within nascent entrepreneurs in Indonesia.

As Yakovleva *et al.*, (2016) mentioned, opportunistic behaviour can be seen as behaviour manipulations of individuals and the nature of exogenous opportunistic manifestations as a society and economic phenomenon. This

opportunistic behaviour will lead nascent entrepreneurs to leave their business once they get a job offer or an opportunity to get a job (either in public or private institution). In the context of corporate management, Andrunik and Svetlakov (2013) mentioned that the moral hazard has become an acute problem in corporate management as the results of the transformation of social relations, change of the status of company employees and managers, development of stock markets and increasing complexity of products. It is viewed that the opportunistic behaviour is the mode of action of the economic entity, not limited by moral considerations, accompanied by the acts of deception, contradicting to the interests of other agents and characterized by a tendency to implement only proper interests.

Apart from that overview, this study also considers aggressivity inside individuals as a construct of opportunistic behaviour which belongs to nascent entrepreneurs. Aggressivity will lead nascent entrepreneurs to neglect their initial business since they have an uncontrollable passion to create and establish other businesses. In relation to the consideration regarding aggressivity, this study added one concept regarding opportunistic behaviour as an additional construct that contributes to the creation of emotive factors. Therefore, this study then formulates its third hypotheses as in the following statement.

H<sub>3</sub> : Opportunistic behaviour which is related to an opportunity to get a job, get higher income, future security and aggressivity in starting businesses will positively and significantly influence entrepreneurial failure experienced by nascent entrepreneurs in West Sumatra.

In relation to the emotive factor as a part of variables that causes entrepreneurial failure, Khelil (2016) and

previously, Mellahi and Sminia (2009) argued that this factor has a close relationship with motivation, commitment and aspiration of an entrepreneur when they undertake the business. Emotive factors as meant by Khelil (2016) is described as a factor that can show interaction and combination between business performances achieved by entrepreneurs (in terms of failure) and the disappointment to that unachieved business performance. We further put this emotive factor as a psychological construct inside an entrepreneur as an individual which will determine success of failure in his/her business.

From Khelil (2016), we view that this psychological condition will let the creation of pressure inside the nascent entrepreneur and his/her social environment to get a job soon. We consider this situation as a necessity based situation where individuals have limited employment opportunities, failed to get a

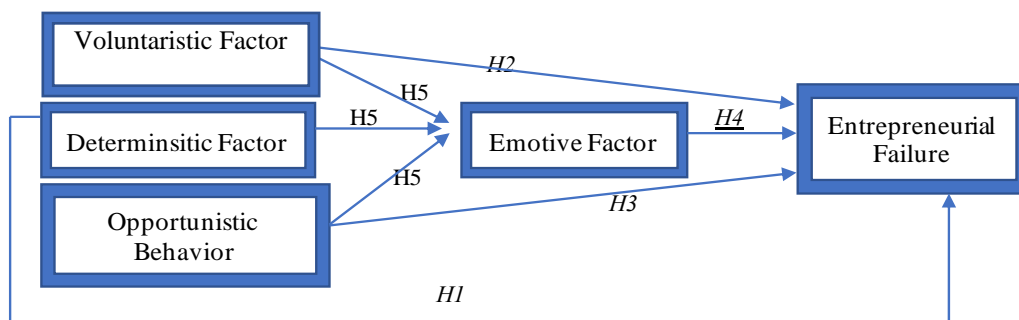
job and failed during the test for a job. As this is the main motivation, there will be a significant impact to the creation of failure in business. We further formulated our fourth and fifth hypothesis as below.

H<sub>4</sub> :Emotive factor in the form of [a] psychological pressure to get income and, [b] indication of necessity based motive in entrepreneurship have brought positive and significant influence to entrepreneurial failure experienced by nascent entrepreneurs in West Sumatra.

H<sub>5</sub> :Emotive factor mediates deterministic factor, voluntaristic factor and opportunistic behavior in influencing entrepreneurial failure experienced by nascent entrepreneurs in West Sumatra

Based on those five hypotheses, this study has further developed its framework and research method. Design of the research framework in this study uses the figure 2 as below.

**Figure 2. The Research Framework**



### 3. Research Method

The study is an explanatory study and operates the quantitative methodology as its research method. Causal analysis is used to investigate the partial and simultaneous relationship and the influence of voluntaristic, deterministic and opportunistic behaviour with the mediating effect of emotive factor that can cause entrepreneurial failure. The study uses causal-step procedure and analysis

(Baron & Kenny, 1986) to investigate and analyse the mediating effect of emotive factor to entrepreneurial failure. Cross-sectional cohort data and information were collected by using questionnaire as the research instrument. The study uses 1541 young entrepreneurs in West Sumatra, Indonesia as sample of the research. Samples are chosen based on certain criteria, which are: [a] age, [b] the minimum level of formal education, and



[c] the experience of failure in business. The study considers its samples as gender neutral which means that gender is not considered as the sampling criteria.

Furthermore, the study does not consider a certain business branch as the background of the samples. Operation of variables in the study uses the following guidelines.

**Table 1. Operation of Variables**

No	Variables	Dimension	Indicators
1	Entrepreneurial failure	<ol style="list-style-type: none"> <li>1. Failure to allocate resources</li> <li>2. Failure in decision making</li> <li>3. Failure in actions</li> </ol>	<ol style="list-style-type: none"> <li>1. Ineffectivity and inefficiency in allocating resources</li> <li>2. Decision making is not based on data, information and facts</li> <li>3. Actions do not fit with what supposed to be done</li> </ol>
2	Deterministic factors	<ol style="list-style-type: none"> <li>1. The availability of supports</li> <li>2. Social environment of entrepreneurs</li> <li>3. Competition</li> <li>4. High operational cost of the business</li> </ol>	<ol style="list-style-type: none"> <li>1. The existence of social support from the nearest social environment</li> <li>2. Response of social environment to the choice of becoming an entrepreneur</li> <li>3. Degree of competition</li> <li>4. Level of operational cost</li> </ol>
3	Voluntaristic factors	<ol style="list-style-type: none"> <li>1. Competencies</li> <li>2. Individual orientation</li> <li>3. Behaviour related to customers</li> <li>4. customers</li> </ol>	<ol style="list-style-type: none"> <li>1. Level of knowledge, skills, motivation and personal characteristics</li> <li>2. Personal orientation of the entrepreneurs</li> <li>3. Response to customers complaints and needs</li> </ol>
4	Emotive factors	<ol style="list-style-type: none"> <li>1. Psychological pressures to get income</li> <li>2. Necessity motives</li> </ol>	<ol style="list-style-type: none"> <li>1. Level of psychological pressure to get income</li> <li>2. Necessity based motives</li> </ol>
5	Opportunistic behaviour	<ol style="list-style-type: none"> <li>1. The possibility to get a better job</li> <li>2. Job security in a longer period</li> <li>3. Desire and much passion to start other businesses</li> </ol>	<ol style="list-style-type: none"> <li>1. Level of income that would be received continuously</li> <li>2. High level of social status</li> <li>3. Opportunity to get a better career</li> <li>4. career</li> <li>5. Level of intention to start other businesses</li> <li>6. other businesses</li> </ol>

Specifically, based on table 1 opportunistic behaviour is measured based on the conceptual foundation that there will be transactional circumstances that appear to individuals regarding the choice of their future life, Yakovleva *et al.*, (2016) and Andrunik and Svetlakov, (2013). In this study, it is reflected with the possibility of a person to: [a] to choose a better job rather than entrepreneurship, [b]

to choose to secure a job in a longer period, and [c] the possibility of a person to follow his/her desire to immediately establish other new ventures although in the condition that the earlier business is still unstable or immature. Both these possibilities are then connected to the emotive factor that can possibly cause failure in the earlier business. For this purpose, findings and results of the study

were analysed by using multiple regression analysis and supported by the use of SPSS as the statistical tool.

#### 4. Results and Discussion

Our first task in this study is to investigate and further, to reveal profiles of our sample, which is divided into two

categories: [a] personal profile, and [b] business profile which belongs to the sample. Our major intention is to prove that descriptively, our samples fit with the sampling criteria previously stated in the methodology part of this paper. The personal profile of our sample is shown in one integrated table as in the table 2.

**Table 2. Sample Profile of the Study (Personal Profile)**

Category	Characteristic	Amount of Sample	Percentage (%)	Valid Percent
Gender	Male	840	54.50	54.51
	Female	701	45.49	100.00
Age (years)	18-20	62	4.23	4.23
	21-25	716	46.46	50.69
	26-30	763	49.51	100.00
Level of Education	Elementary & Junior High School	147	9.60	9.60
	Senior High School	724	47.00	56.60
	Undergraduate	669	43.40	100.00
Age when first starting a business (years)	18-20	491	31.86	31.86
	21-23	726	47.11	78.97
	24-26	252	16.35	95.32
	27-30	72	4.68	100.00

Source: Survey data analysis (2018)

Despite showing gender profile of our sample in table 2, we keep consider our sample as gender neutral. This means that we do not concentrate our study on the gender perspective of our samples as we believe that both (either male or female) may experience the same business failure. We are more interested to discuss our sample profiles from their age, level of education and the age when they are first starting a business because we think those profiles are more related to the exposition and the elaboration on why entrepreneurs fail in managing their business. Besides, we view that it will be more valuable and beneficial for this study – if we analyzed the sample from that point of view.

We can see from table 2 that the majority of our sample is male respondent and is dominated by individuals who are in the age of 26-30 years old, have attended

higher education institution and were mostly in the age of 21-23 years old when they first started the business. The demographic characteristics of our samples are viewed to bring influence to entrepreneurial failure experienced by them and how they respond to that failure. Besides, it is also related to their ability to absorb new knowledge and skills in business as a valuable learning process from failures. As the justification in using the demographic characteristics in our study, we consider the opinion from Talas *et al.*, (2013) who previously argued that gender, age, education and the type of school previously attended by individuals are the demographic factors that can influence entrepreneurial performance.

Meanwhile, the profile of the business belongs to our sample is shown in the table 3 below.

**Table 3. Sample Profile of the Study (Business Profile)**

Category	Characteristic	Amount of Sample	Percentage (%)	Valid Percent
Current business is the..	2nd	990	64.24	64.24
	3rd	426	27.64	91.89
	4th	84	5.45	97.34
	5th	13	0.84	98.18
	>5 <sup>th</sup>	28	1.82	100.00
Number of experiencing failure	1	1101	71.45	71.45
	2	353	22.91	94.35
	3	57	3.70	98.05
	4	16	1.04	99.09
	5	1	0.06	99.16
	>5	13	0.84	100.00

Source: Data Analysis (2018)

Table 3 suggests that our samples had businesses which have previously experienced failures. The most of our samples' current businesses are the second business. This means that the previous one may be failed. Our sample also revealed that they mostly (1101 samples) experienced business failure once. If we look at table 2 and analyze it closely, there is an indication of the process of serial entrepreneurship occurred to our sample. Our samples still have courage in businesses which can be seen by their resilient to re-start a business (either in the same business as the previous one or starting a completely new one with the different business branch). As Lafontaine and Shaw (2014) previously argued the serial entrepreneurship is a journey of an entrepreneur by experiencing failures in order to achieve success, in which the processes of [a] learning from the failure, [b] change in entrepreneurial behavior after the failure, and [c] experience in managing the business, are taking place

during the failure. Processes and experiences during business operation which result failures will further bring impact to the creation of entrepreneurial resilience. Entrepreneurs can take benefits from this process by improving their personal capacity to make realistic business plans, have self-confidence and a positive self-mage, possess communication skills, and have the capacity to manage strong feelings and impulses (American Psychological Association, 2010). Those will be further used as the main sources of entrepreneurial learning.

The fourth table of our sample profiles shows the crosstabulation between the age of our samples and number of experiencing entrepreneurial failures. This table intends to show us various ranges of age of our sample who have had entrepreneurial failure and how many times they have experienced failure during their entrepreneurial journey. Our finding is shown in the table 4.

**Table 4. Crosstabulation between the Age of Sample and Number of Experiencing Failure**

		Number of Experiencing Entrepreneurial Failure						Total
		1	2	3	4	5	6	
		Age range	18-20	48	10	2	2	
	21-25	518	154	29	8	1	6	716
	25-30	535	189	26	6	0	7	763
Total		1101	353	57	16	1	13	1541

Source: Data analysis (2018)

Table 4 above shows the decreasing number of entrepreneurial failure of our samples in all age range. As we can see, the biggest number of entrepreneurial failure that has been experienced by our sample in all age range is once (1101 samples). This number then decreases to twice (353 samples), three times (57 samples), four times (16 samples) and five times (1 sample) but increases again to sixth times (13 samples). Given this finding, our early analysis argues that the process of serial entrepreneurship does occur to our sample. We argue that the decreasing number of entrepreneurial failure appears as our samples have reached the settle/stable business and have picked-up their success during the 2-3 times of their entrepreneurial journey.

Our second task in the study is to test our hypotheses by using the causal step

analysis as Baron and Kenny (1986), in order to measure the mediating effect of emotive factor in influencing entrepreneurial failure. To do this, we undertake the protocol and rule in conducting the causal step analysis – which is described as follow :

**Step 1** Showing that the initial variable is correlated with the outcome. Use the dependent variable (entrepreneurial failure or Y) as the criterion variable in a regression equation and the independent variable (consists of Deterministic factor/Df, Voluntaristic factor/Vf and Opportunistic behaviour/Ob or X<sub>1</sub>, X<sub>2</sub> and X<sub>3</sub>) as the predictor to estimate and to test the path. Fulfilling step 1, the finding of our study shows the following.

**Table 5. The Relationship between Independent (Df, Vf and Ob) and Dependent Variable (Entrepreneurial Failure/EF)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	8.919	1.089		8.188	.000	
	Df-EF	.155	.020	.142	7.936	.000
	Vf-EF	.127	.018	.127	7.172	.000
	Ob-EF	.325	.020	.278	15.995	.000

Dependent Variable: Entrepreneurial Failure/EF

Source : Data Analysis (2018)

As the finding in table 5, we can see that there is a positive significant

relationship between the independent variables (Deterministic factor/Df,

Voluntaristic factor/Vf and Opportunistic behaviour/Ob) and the dependent variable (Entrepreneurial Failure/EF) which can be seen in their t-values that are bigger than the t-table. The Significance for all three independent variables also show the value of 0.000, which means that there is a significant relationship between the independent variables and the dependent variable.

**Step 2** In this step, we should show that the independent variable is correlated

with the mediator. This step essentially involves a treatment of the mediator as if it were an outcome variable/dependent variable. In this case, we treat Deterministic factor/Df, Voluntaristic factor/Vf and Opportunistic behaviour/Ob as the independent variables of the study, while the dependent variable is the Emotive factor/Ef. Following the step 2, our finding shows the following.

**Table 6. The Relationship between Independent (Df, Vf and Ob) and Dependent Variable (Emotive factor/Ef)**

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	5.303	.951			5.578	.000
Df_Ef	.264	.017	.260		15.464	.000
Vf_Ef	-3.6585	.015	.000		-.002	.998
Ob_Ef	.405	.018	.373		22.862	.000

Source : Data Analysis (2018)

Table 6 suggests that the variable of Voluntaristic factor/Vf positively and significantly influences Emotive factor/Ef which can be seen in the t-value (15.464) that is bigger than t-table and the Significant value which is 0.000. The variable of Opportunistic behaviour/Ob has also positive and significant influence to the variable of Emotive factor/Ef, which is shown by the t-value of 22.862 and the Significant value which is 0.000. However, the variable of Voluntaristic factor/Vf is found to have insignificant influence to Emotive factor/Ef – which can be seen in the t-value -0.002 and the Sig. value which is 0.998.

**Step 3.** In this step, we need to show how the mediator (Emotive factor/Ef) affects the dependent variable (Entrepreneurial Failure/EF). To do this, we use the independent variables (Df, Vf and Ob) as the criterion variable and the dependent variable (EF) and the mediating variable (Ef) as the predictors. Since it is not sufficient just to correlate the mediator with the outcome, then the initial variable must be controlled in establishing the effect of the mediator on the outcome. Following the rule and protocol in the step 3, we further found the following.

**Table 7. The Relationship between Independent (Df, Vf and Ob) and Dependent Variable (Entrepreneurial Failure/EF)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	7.393	1.049		7.045	.000
Df_EF	.068	.019	.062	3.470	.000
Vf_EF	.126	.017	.126	7.396	.000
Ef_EF	.323	.020	.300	16.168	.000
Ob_EF	.195	.021	.167	9.236	.000

Source : Data Analysis (2018)

In the third step, we found that the t-value of the mediating variable (Ef) 16.168 is bigger than the t-table while its Significant value is 0.000. The t-value of the mediating variable is also bigger than the t-value of other independent variables (Df = 3.470), (Vf = 7.936) and (Ob = 9.236). From finding in step 1, 2 and 3 and by adjusting them to the criteria as stated by Baron and Kenny (1986), we argue that Emotive factor (Ef) can perfectly mediate Deterministic factor (Df) and Opportunistic behaviour (Ob) to Entrepreneurial Failure (EF) – but it cannot perfectly mediate Voluntaristic factor (Vf) to Entrepreneurial Failure (EF) because the t-value of Vf when it is controlled by Ef as in step 3 (7.396) is bigger than the t-value of Ef in step 1 (7.172). Other reason is also related to the Sig. value of Vf in step 2 (0.998) which showed insignificant relationship to Ef. Based on the findings above, we generally conclude that Emotive factor (Ef) only partially mediates Deterministic factor (Df), Voluntaristic factor (Vf) and Opportunistic behaviour (Ob) to influence Entrepreneurial Failure (EF).

#### 4.1 Discussions

The primary findings in our study showed that Emotive factor (Ef) partially mediates Deterministic factor (Df), Voluntaristic factor (Vf) and Opportunistic behaviour (Ob) in influencing Entrepreneurial Failure (EF). This finding

supports the opinion from Khelil (2016) who described Emotive factor as a factor that can show interaction and combination of factors that cause business and entrepreneurial failure. Although our finding shows a positive and significant influence of Deterministic factor, Voluntaristic factor and Emotive factor to entrepreneurial failure, but our finding also showed an important difference with the opinion from Khelil (2016). Using mediating effect of Emotive factor, we found that constructs that cause entrepreneurial failure only partially influence entrepreneurial failure. In detail, we argue that Voluntaristic factor has insignificant influence to entrepreneurial failure with the mediating effect of Emotive factor.

In contrast to Khelil (2016), we suggested to put Emotive factor as a single factor/independent variable that causes entrepreneurial failure rather than to treat it as the mediating variable of Deterministic factor (Df) and Opportunistic behavior (Ob) that influence entrepreneurial failure. By putting and treating Emotive factor (Ef) as a particular independent variable that causes entrepreneurial failure, it will strengthen our basis and understanding regarding psycho-economic phenomenon of individuals that influence entrepreneurial failure.

Other important finding of the study is related to the construct of Opportunistic behavior (Ob), which is argued as having

influence (either with or without the mediating effect of Emotive factor) to entrepreneurial failure. This means that proxies of [a] choosing a better job rather than entrepreneurship, [b] choosing to secure a job in a longer period, and [c] the possibility of individuals to follow their uncontrollable passion to immediately establish other new ventures but in the condition that the earlier business is still unstable or immature are representing the construct of opportunistic behaviour.

We argue that when an opportunistic behaviour of individuals partially or simultaneously combined with Deterministic factor and Voluntaristic factor, then it will cause and positively contribute to entrepreneurial failure experienced by them. In this essence, the correlation between the opportunistic behaviour of our sample and entrepreneurial failure is explained as the following. Firstly, our sample who has already had a business but then has an opportunity to enter into the formal job market tends to leave his/her business and will concentrate to work as an employee. Our further investigation clarifies facts about the reason of our sample to concentrate on the job more than the business. It is related to the motive and interest of securing the future life. If we consider the culture of Indonesian people in general, one particular cultural dimension and value of Indonesian people is the high uncertainty avoidance, Hofstede (2017) and Mangundjaya (2010). This culture and value have made Indonesian people prefer to choose a stable situation in their life – and in their mindset, this stability can only be achieved when they are having a formal job where they can get regular monthly salary and pension in the future. Although the cultural perspective of Indonesian people shows this, but psychologically we can understand why our sample prefer to have a job rather than to maintain themselves to

stay in the business. The feeling of insecurity regarding the future life as the impact of [a] limited chances and severe competition in the job market and, [b] insecure business environment, which includes severe business competition, inconsistent government rules, regulation and laws about business environments which are related to small and medium scale enterprises) and insecure sustainable business operation have influenced our sample to choose a job once the opportunity appears. This psychological circumstance has made our samples leave the business and as a consequence, their attention to the business vanished and further, the business failed

Secondly, our study also found that some of our samples have an uncontrollable passion in business that led them to be very aggressive in terms of establishing new ventures. They do believe that business is always about catching up opportunities – but they forget that they also need to concentrate on the existing business that has been started earlier. This uncontrollable passion has made some of our samples follow their desire to immediately establish other new ventures in the condition that the previous/earlier business is still unstable or immature. We view this as a psychological circumstance sourced from opportunistic behaviour. This circumstance leads individuals to choose their passion and desire (which could be uncontrollable) to get success soon (i.e. by immediately starting other new ventures) rather than being patience until their initial business reaches maturity stage.

In this essence, we carefully put our attention to the construct of opportunistic behaviour by considering the maturity of initial/earlier business as an event that may or may not raise the opportunistic behaviour. If an entrepreneur follows his/her desire and has (uncontrollable) passion in creating new ventures in the

situation that his/her earlier business has not yet reached the maturity stage, then we view this circumstance as an opportunistic behaviour. In contrast, if an entrepreneur creates a new venture after his/her earlier business has reached the maturity stage, we view this as a consequence to develop and improve the business scale. Entrepreneurs always want to improve their business scale, in which one of the strategies is through the diversification, acquisition or merger. Therefore, in this particular case and circumstance, we would not say that entrepreneurs as having an opportunistic behaviour

#### **4.2 Managerial Implications**

The study implies that the creation of resilient entrepreneurs will have consequences, which one of them is the preparedness and the ability to face failure and learning from mistakes. Thus, government intervention to strengthen entrepreneurial personality and to focus on psychological aspects of nascent entrepreneurs would be a sensible and reasonable policy alternative to be chosen. This can be undertaken by arranging capacity building schemes and programs in order to strengthen psychological aspects that are related to motives, maturity, logical consideration to choose alternatives, decision making processes, dealing with social pressures. Other capacity building scheme can be related to the improvement of practical business knowledge where nascent entrepreneurs can learn to manage their business in more effective and efficient ways.

## **5. Conclusion**

Our study investigates the mediating effect of emotive factor in constructs that cause entrepreneurial failure, which are identified as Deterministic factor, Voluntaristic factor and Opportunistic behavior. We found that Emotive factor can only partially mediate Deterministic factor, Voluntaristic factor and Opportunistic behavior to influence entrepreneurial failure experienced by nascent entrepreneurs in the context of study. We further argue that opportunistic behavior of individuals with or without mediating effect of Emotive factor will influence entrepreneurial failure of nascent entrepreneurs. We put our main attention to those issues and considered them as the originality and value of our study.

### **5.1 Limitation**

However, we also realize that our study has particular limitation and it still needs further exploration to broader contexts. As it only discussed one particular context (one province in Indonesia), it would be worth to expand the topics into a comparative study between cities or regions and to consider causes of entrepreneurial failure in certain business branches. We also think that it is worth to relate content of the study in entrepreneurial failure with the study of entrepreneurial resilience and serial entrepreneurship. We believe that those three particular fields with the mediation effect of learning process are interrelated between one to each other – and this could be one of the research directions related to this topic.



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