Entrepreneur Resilience: How Do Entrepreneurial Self-Efficacy and Basic Psychological Needs Influence It? The Effect of COVID-19 on Malaysia’s Small and Medium Enterprises

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Received Date: 11 May 2021
Accepted Date: 1 July 2021
Published Date: 31 July 2021

ABSTRACT

The latest COVID-19 pandemic has affected industries worldwide, impacting virtually every industry and business field. Small and medium-sized businesses, in particular, have been hard hit due to a lack of funding and skills. The current study attempted to examine the impact of entrepreneurial self-efficacy and basic psychological needs on entrepreneur resilience among SMEs in Malaysia during the critical period of COVID-19. This integrated two-theory analysis article presents the findings of social cognitive theory and self-determination theory as one of the contributions to the body of knowledge in describing the relationship between a construct within the research context. Theoretical and practical implications are also discussed based on the proposed framework.

Keywords: Entrepreneurial Resilience, Entrepreneurial Self-Efficacy, Basic Psychological Needs, Social Cognitive Theory, Self-Determination Theory

INTRODUCTION

The global health crisis, which began in 2020, impacted businesses of all sizes and industries, with the COVID-19 pandemic affecting business processes, supply chains, and economic trade. The pandemic's negative consequences can be found in all aspects of life, with economic, political, social, and psychological ramifications (Bretas & Alon, 2020). As a result, businesses must assess, react, and recover quickly in the face of these and other disruptions. The COVID-19 pandemic has especially hard hit Malaysian SMEs, and they are now facing new threats and challenges. As a result, many small businesses have failed to prepare for and invest in long-term resilience, offering them a competitive edge. Although some industries have shown strength or even established new operating niches, most Malaysian SMEs lack resilience and are disproportionately affected by external shocks (Branicki, Sullivan-Taylor, & Livschitz, 2018). Consequently, recent empirical evidence on SME resilience indicates that further research into how SMEs achieve stability and the role of entrepreneurs in these processes is needed.

Entrepreneurs display many of the traits correlated with resilience, such as their ability to thrive in the face of uncertainty and transition (Ayala & Manzano, 2014). Despite its theoretical and practical importance, however, this subject has received surprisingly little attention in the literature (Bullough et
al., 2014; Powell & Baker, 2011). Furthermore, since most of the research on resilience focuses on large firms and their characteristics, entrepreneurial resilience, especially among SME entrepreneurs, is critical (e.g., Sullivan-Taylor and Wilson, 2009). Worse still, the impact of resilience on addressing business-related issues has also not been adequately studied (Dalton, 2006; Longstaff & Yang, 2008). Despite this, a lack of research explores, evaluates, analyses, and comprehends how entrepreneur resilience, especially in small and medium-sized businesses, is linked to the personal characteristics and qualities of entrepreneurs Del Giudice M. (2020). According to Olawale Fatoki (2018), the entrepreneur's resilience appears to be more feasible for small and medium-sized businesses.

In light of this, it is essential to recognize an entrepreneur's factors when dealing with the effects of various business challenges, especially in small and medium-sized businesses. Entrepreneurs are often more likely to possess exceptional personal qualities, abilities, and attributes that enable them to rebound quickly, be more resilient, and, potentially, achieve productivity and profitability (Kasali, 2010; Umar, Che Cob, Che Omar, and Gani Hamzah, 2018). Resilience is a personal factor and a psychological capacity to react to and face the consequences of adversity (Wagnild and Young, 1993). As a result, the term is thought to be a combination of personal and behavioral traits such as self-efficacy, self-fulfillment, motivation, agility and development, autonomy, and knowledge-seeking (Chen & Yang, 2009). A body of research has been empirically tested in multiple theoretical models to predict entrepreneurial resilience. Many scholars, including Spreitzer (1995), have noted the link between resilience and self-determination. The researcher argues that empowered or self-identified people are more resilient and exhibit self-determination, strength, control, competence, self-efficacy, autonomy, awareness, and growth (Uner & Turan, 2010).

On the other hand, the satisfaction of basic psychological needs, facilitated by supportive social contexts, foster a sense of well-being and leads to the development of inner resources and demonstrated resilience. However, the specific contribution of each psychological need has not been studied (Aldrup, Klusmann, & Ludtke, 2017). Thus, entrepreneur satisfaction with basic psychological needs has been largely ignored in research to date, even though it may have been critical to their well-being and resilience. Furthermore, early conceptions of resilience appear to be conceived as a collection of personal factors that enable people to deal with the effects of adversity. These variables, such as self-esteem, leadership, and cognitive development, have been classified as internal qualities (Anderson et al., 2002).

Therefore, the current article proposes an integrated conceptual framework that considers the impact of personal factors on entrepreneur resilience, such as entrepreneurial self-efficacy and a basic psychological need for satisfaction. The integration of social cognitive theory and self-determination theory underpins this conceptual model. Scholarly, the current article emphasizes the nuanced relationships between entrepreneurial self-efficacy and basic psychological needs on entrepreneur resilience, introducing a critical construct that has yet to be investigated in related literature. This article proposed a conceptual framework to help small and medium-sized businesses, policymakers, and business analysts better understand resilience factors so that they can focus on this topic.

CONCEPTUAL MODEL AND PROPOSITIONS DEVELOPMENT

Because entrepreneur behaviors and personal qualities have been found to have a substantial direct impact on SME structure, strategy, and success, a focus on theoretically and empirically investigating the impact of entrepreneurial self-efficacy on entrepreneur resilience is likely to be fruitful (Miller, 1983; Miller & Toulouse, 1986). Resilience is widely recognized as a personal factor adjustment in situations where individuals' cognitive or functional abilities are likely to be impaired (Newman, 2004). Meanwhile, (Olsson et al., 2003) provide a thorough overview of resilience as an outcome-focused approach that describes resilience as unique patterns of functional activity in the face of uncertainty. However, because of widespread behavioral variation, the outcome-based approach has been criticized for lack of consistency in the definition of resilience (Kaplan 1999; Olsson et al. 2003). As a result,
resilience is defined as a "dynamic process involving the interaction of a variety of risk and protective factors, as well as personal factors affecting the entrepreneur" (Olsson et al., 2003). Protective factors are characteristics or qualities associated with positive adaptability. On the other hand, risks are statistically related to low or adverse outcomes such as self-esteem (Luthar and Cushing 1999). In this article, personal factors are classified as entrepreneurial self-efficacy and basic psychological needs.

As a result of criticism of outcome-based methods, this approach suggests that resilience is context-dependent and can differ significantly. A process-based approach (Condly, 2006; Greenberg 2006; Johnson & Howard, 2007; Olsson et al., 2003) or a mixture of process-based and outcome-based approaches (Lieberberg & Ungar, 2009) tend to be most suitable for the social sciences, with an emphasis on process-based resilience approaches (Kolar, 2011). Entrepreneurial self-efficacy (Cai & Kong, 2017) is usually linked to personal factors for entrepreneurs, as researchers define entrepreneurial self-efficacy as an individual's desire to participate and engage in any entrepreneurial activity (Bakar, Ibrahim, & Ibrahim, 2017). This aspect promotes entrepreneurial mindsets, values, and abilities (Burnette et al., 2019). It has emerged as a critical component of understanding entrepreneurial success, with a large body of evidence supporting its effect on startup and company growth processes (Boyd & Vozikis, 1994; Chen, Green, & Crick, 1998; Baum, Locke & Smith, 2001; Markman, Balkin & Baron, 2002; Krueger, 2003; Segal, Borgia & Schoenfeld, 2005).

The concept of entrepreneurial self-efficacy is based on a social-cognitive approach. It usually looks into the dynamic interaction between the individual and their surroundings. Entrepreneurial self-efficacy describes the cognitive, motivational, and attitudinal processes that contribute to an individual's decision to engage in entrepreneurial activity (Baron, 1998; Shane & Venkataraman, 2000; Baron, 2004), as well as how this is accomplished (Baron, 1998; Shane & Venkataraman, 2000; Baron, 2004). In a study conducted by Portuguez Castro and Gómez Zermeo, researchers discovered that self-efficacy and motivation are two factors that can be used in training sessions for resilient entrepreneurs (2020). According to Gillespie et al. (2007), resilience characteristics include self-efficacy, coping, and hope. As a result, both studies conclude that self-efficacy is a trait of resilience and appears to be a significant factor influencing entrepreneur performance. Bandura (1997) described self-efficacy as a person's belief in their ability to use inspiration, cognitive skills, and exercise control over a specific event. It is, in reality, one of the most significant personal factors influencing self-reliance and power. As a result, the literature on entrepreneurial self-efficacy has grown, as resilient people are more likely to have high levels of self-fulfillment and self-efficacy (Timmerman, 2014).

The definition of basic psychological need satisfaction is necessary for analyzing individual motivation and resilience. That is because it suggests that motivational output progresses along a continuum from low-quality extrinsic motivation (external pressure) to higher-quality inner motivation (i.e., enjoyment or interest) (Ryan & Deci 2000). People's internal motivation and resilience are bolstered by environmental support for three basic psychological needs: autonomy, competence, and relatedness, according to this theory (Ryan & Deci 2000, 2017). People can achieve the best possible psychological well-being when their basic psychological needs (BPNs) such as autonomy, competence, and relatedness are met. According to Ryan and Deci (2000), BPN satisfaction with autonomy, competence, and relatedness improves well-being and strengthens internal resilience capabilities. Resilience is linked to behavior autonomy, self-realization, and self-regulation because resilient individuals demonstrate psychological autonomy in taking responsibility for their decisions (Weston & Parkin, 2010).

As a result, resilient entrepreneurs are typically self-regulating, tracking their progress and demonstrating self-fulfillment of basic psychological needs, demonstrating greater resilience in reacting to unpredictable outcomes (Timmerman, 2014). Despite this, several researchers have discovered a connection between resilience and self-determination. Motivated or self-determined individuals, according to Spreitzer (1995), are more resilient. Resilience, self-determination, strength, ability, competence, self-efficacy, autonomy, expertise, and growth are all characteristics of motivated entrepreneurs (Uner & Turan, 2010). In other words, it seems that satisfying basic psychological needs fosters a sense of well-being and leads to the growth of personal factors that underpin demonstrated
resilience. This article aimed to discuss the impact of personal factors on entrepreneur resilience and the mediating role of basic psychological needs. Accordingly, the propositions are made as follows:

**Proposition 1:** Entrepreneurial self-efficacy has a positive impact on the resilience of entrepreneur

**Proposition 2:** Entrepreneurial self-efficacy has a positive impact on basic psychological needs satisfaction

**Proposition 3:** Basic psychological needs satisfaction mediates the relationship entrepreneur self-efficacy and the resilience of the entrepreneur

Self-efficacy and resiliency are also related (Benight & Bandura, 2004; Linley & Joseph, 2004). Previous research on resilience has discovered that people with higher self-efficacy frequently have higher coping strategies (Leana, Feldman & Tan, 1998). Individuals who are more self-efficient, on the other hand, are more resilient and persistent in their entrepreneurial endeavors (Bullough & Renko, 2013; Bullough, Renko & Myatt, 2014; Hayward et al., 2010). According to the literature (Bullough & Renko, 2013; Korber & McNaughton, 2018), resilience and self-efficacy are significant in deciding how entrepreneurs recover from uncertainty and directly affect the entrepreneur's resilience. Besides that, self-efficacy can improve the satisfaction of basic psychological needs (Bandura, 2011). Similarly, Leroy et al. (2007) discovered that the higher their self-efficacy, the more they supported the need for autonomy, competence, and relatedness, indicating that self-efficacy increases their sense of basic needs.

According to Vansteenkiste and Ryan (2013), in the face of adversity, the satisfaction of basic psychological needs is linked to resilient characteristics such as self-regulation and constructive self-determination. According to studies, resilience, meaning, and purpose, autonomy and control, commitment, competence, and self-acceptance are critical components of the formula for personal functioning (Seligman, 2012; Ryff, 2014). Furthermore, fewer studies on the mediating role of satisfaction of basic needs than several studies on the direct link between the satisfaction of needs and outcome measures (Molix & Nichols, 2013). As a result, it may be possible that satisfaction with basic psychological needs can play a significant role in the relationship between entrepreneurial self-efficacy and entrepreneurial resilience.

**Theoretical Framework**

This integrated two-theory analysis article presents the findings of social cognitive theory and self-determination theory as one of the contributions to the body of knowledge in describing the relationship between a construct within the research context. Self-determination theory (SDT; Deci & Ryan, 1991) is another modern theory of psychological needs that applies to the perception of personal well-being and attempts to account for the motivational processes through which individuals pursue autonomy and self-expression within the context of social relations. The theory, in particular, focuses on factors that enable individuals to respond to their psychological needs through their behavior in a personal context. This sense of psychological satisfaction connects the social environment to positive cognitive, behavioral, and emotional outcomes (Curran & Standage, 2017). This article is also valuable for developing more theoretical clarifications to quantify resilience and develop meaningful models and scales that can be executed and used in the research process to achieve consistent results on entrepreneur resilience. An entrepreneur's resilience can indeed be defined as the ability to deal personally with business challenges. That is because resilient entrepreneurs embrace change rather than resist it, and they continue to strive to achieve their goals and overcome obstacles.

Furthermore, resilient entrepreneurs have a high level of uncertainty tolerance and frequently approach difficult situations with optimism rather than panic, apathy, or despair. As a result, resilient entrepreneurs can manage an unpredictable and changing market environment. Knowing the resilience factor will influence how entrepreneurs feel about their internal and external environments, how they
respond to them in action, and how the situational climate responds. As a result, in practice, personal resilience and resilience capacity are mutually constitutive. Resilient entrepreneurs will also recognize the changes in the direction of their ideas, products, and services by taking a step back, assessing, and adapting their strategies. Indeed, resilient entrepreneurs must realign to new circumstances because they now understand how to be adaptable in the face of adversity and challenge. After all, the entrepreneurs have the experience, skills, and ability to help them face future uncertainties with a positive outlook, confidence, and inspiration and rely on their resources.

In conjunction with this, being resilient can assist an entrepreneur with internal and external shocks. It can be a driver of entrepreneurial performance or success, particularly in small and medium-sized enterprises in Malaysia. In particular, this article identifies the need to improve and broaden the skills of entrepreneurs (in decision-making and problem-solving) and associates them with cognitive factors. Thus, it will enable them to consider a broader range of strategic decision-making and action-taking options. This study, among others, can serve as a foundation for the development of entrepreneur training programs. Those who follow entrepreneurship policies can also use it to identify strategic areas that entrepreneurs can strengthen in times of crisis. From a practical standpoint, the findings of this paper will enable an entrepreneur to devise strategies for maintaining their level of resilience in the face of business obstacles. This article, in particular, enables an entrepreneur to develop and implement approaches to capacity building. Following that, a robust set of quality criteria will play a significant role in business direction and activity, mainly where the circumstances are disruptive to business operations. As a result, an entrepreneur's ability to "bounce back" or react to disruption appears to be a component of business success that is inextricably linked to the entrepreneur's resilience. This article's theoretical framework is outlined below.

![Figure 1: Theoretical Framework](image)

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**Figure 1: Theoretical Framework**
CONCLUSION

Despite its theoretical framework and practical implications, the current study has some significant limitations that need to be considered. The first limitation is that neither the framework nor the emerging proposals are tested in the current conceptual article. The second limitation relates to the development of an entrepreneur's resilience, as the business owner should consider that his ability to cope with such difficulties or setbacks is frequently overlooked in the literature and is loosely defined as a set of thoughts and feelings, training, and so on. It is therefore recommended for future research that other factors are integrated into the framework by further applying the construction of the affective and conative components through other relevant underlying theories. This paper establishes the foundation for future research into the effects of entrepreneurial resilience in the face of adversity, such as the COVID-19 pandemic. It is critical to consider and evaluate unusual business practices, as well as their future implications.

This article provides additional insights into how entrepreneurs deal with adversity, which may be useful in future business crises. Given the specific industry and the extreme complexities for small and medium-sized businesses, the generalizability of this article is also limited to entrepreneurs working in similar organizations. Because the purpose of this quantitative study was to investigate a specific issue in the industry, generalizability was not an expected attribute (Leung, 2015). However, future research could test the proposals for entrepreneurs in other business sectors and countries to make this issue more generalizable, which could be useful in dealing with future business adversity.

Furthermore, future studies should try to rule out as many other variables as possible that may influence the relationship between entrepreneur resilience and self-efficacy, as well as basic psychological needs. This means, for example, that the respondents’ financial aspects and behind-the-scenes motivations should be similar. This ensures that the observed impact can be attributed to the entrepreneur’s level of adversity and resilience. Aside from that, it has been established that testing the theoretical framework can indicate a positive paradigm, an adaptation of existing scales in entrepreneurship and management disciplines, quantitative data collection, and an analysis method. Overall, the current article has provided a framework that has the potential to provide valuable theoretical and practical insights for entrepreneurs and policymakers in this field as well as small and medium-sized sectors.

ACKNOWLEDGEMENTS

We are thankful to the Terengganu International Business and Economics Conference 2020 (TiBEC) VII Editorial Team who provided us with expertise that greatly assisted the article, especially for their comments on earlier versions of the manuscript. We are also grateful to Ms Aida Izana, Assistant Publication Officer, for her assistance with proofreading and Turnitin report who moderated this article that improved the manuscript.

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