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# THE IMPACT OF NEUROTIC ENTREPRENEURSHIP ON BUSINESS PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES

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## Abstract

The development of small and medium scale enterprises (SMEs) is paramount to the survival of many nations. The personalities of the entrepreneur are a major determinant for growth and improve business performance. Among the big five personality traits, understanding of the neurotic nature of entrepreneur's portrait a fundamental negative effect on performance to so many. This paper investigates the impact of neuroticism entrepreneurship on business performance. 245 copies of questionnaire were retrieved from guild of entrepreneurs in their monthly meeting. Statistic package for social science (SPSS), regression and correlation analysis were used to analyze and measure the relationship and strength of the impact of neurotic entrepreneur and business performance. Structural Equation Model (SEM) was used to confirm the model fit. The result shows a plethora and educative revelations about the inherent traits of the entrepreneurs and what implication it holds for the development of the entrepreneurial activities. The study recommended appropriately how the policy of the government should be all inclusive to promote continuous education and skill development to increase on personality traits of practising and would-be entrepreneurs.

Keywords: Personality Traits, Neuroticism, Entrepreneur, SME, Business Performance.

## 1 INTRODUCTION

The importance of entrepreneurs to nation development is of immense benefits. They have been evaluated widely as the people behind the economic activities, and the engine room of the economy emancipation of both developed and developing nations (Baluku, Kikooma and Kibanja, 2016). Therefore, the level of their performance has an overwhelming impact in the economy. Neurotic entrepreneurs have increasingly negative effects on performance as the business gets harder and more complex (Szameitat, Saylik and Parton 2016). On the other hand, emotional stability has increasingly positive effects as pressure increases. (Caroline 2017) revealed that low neuroticism can be twice as important for performance in situations requiring emotional stability. The behavioural pattern of an entrepreneur towards all the stakeholders of the business is a predictor of the performance standard of the enterprise (Abdul 2016). Several reasons have been adduced to low business performance such as lack of capital, bad infrastructural facilities, no access to finance, and lack of good entrepreneurial skills. Few studies have been conducted on the effect of entrepreneurs personality trait and it effect on business performance among small and medium scale enterprises (SMEs). This study therefore embarked on knowing the relationship between neurotic entrepreneur and business performance.

**Objectives of the study.** This research is on review of the neurotic nature of entrepreneur and its impact on his performance undertakes the following specific objectives:

- Examine the effect of entrepreneurs' state of being worry on business performance.
- Evaluate the effect of perpetual tensed entrepreneur on business performance.
- Ascertain the impact of neurotic nature of entrepreneur on business performance

### 1.1 Literature review

Big five personality traits connote the five attributes of personality types which are; agreeableness, conscientiousness, extroversion, neuroticism and openness to experience. There are combination of several traits; for instance, agreeableness have possessed the attributes of cooperative, courteous, forgiving, flexible, good natured, and trusting etc. Conscientiousness includes the attributes like

careful, hardworking, organized, responsible, thorough etc. Most individuals who score high in conscientiousness are by and large meticulous, steadfast and risk averse. Extroversions again possessed attributes like ambitious, assertive, expressive, gregarious, loquacious and sociable. Also, Openness to experience on the other hand involve variety of traits like artistically sensitive, broad minded, cultured, curious, imaginative, intelligent and original (Barrick and Mount 1991; Goldberg 1990).

## 1.2 Neuroticism

The etymology of the word neuroticism means nerves and in the Greek language it refers to weakness of nerves (Eysenck and Eysenck 1978). Neuroticism is the particular type of personality trait that is constantly penchant towards higher levels of anxiety and negative emotions (Eysenck and Eysenck, 1986; Eysenck and Eysenck, 1978). Among the personality traits, neuroticism has the strongest biological source because it has been suggested that neuroticism is a psychological trait of weighty public health significance (LeMonda *et al* 2015). Neuroticism is a predictor of the quality of our lives (Kennis *et al* 2013; Szameitat *et al* 2017). It has high prevalence and impact on our society (Rahmi 2017).

Caroline B (2017) describes neuroticism as the tendency to respond to frustration, loss and threats with negative emotions. Neurotic individuals blow things out of proportion, exhibit paranoia and act compulsively. Clinically, it's even correlated with cardiac disease, asthma and irritable bowel syndrome, since it is associated with mood and anxiety disorders, eating disorders, schizophrenia, and addiction (Szameitat *et al* 2016). Eysenck and Eysenck (1985) referred to neuroticism as a trait of emotionality. That is, specifically the tendency to provoke quickly when stimulated and to inhibit emotions slowly. Costa Jr. and McCrae (1992) defined neuroticism as a measurement of maladjustment or negative emotionality versus adjustment and emotional stability. Although, many others have emphasized the possibilities of etiological components of neuroticism; such as an inability to control urges; inefficient coping with stress; a preference for pre-emptive threat management strategies; a disposition to complain; or the tendency to have unrealistic ideas, appraise situations as stressful, and experience aversive emotional states. The differences among all definitions have been harmonized in the late 1990s with an accord definition that, neuroticism is the propensity to experience negative emotions (Deary and Whiteman, 2003; Robins and Pervin, 2008).

One of the broad traits at the apex of personality taxonomy is neuroticism and it has its root in Freudian theory (Yiend and Calder, 2003). The modern notion of neuroticism was established by Hans Eysenck and others using a collection of methods from personality psychology, such as lexical studies and psychophysiological (Yiend and Calder, 2003). The assumption of the lexical model explained that language represents what is of most importance, interest, or meaning to individuals (Deary and Whiteman, 2003).

Johanet *et al* (2013) made it clear that neuroticism is probably associated with common mental disorders (CMDs), which have fuelled the proposition that neuroticism is an independent etiologically informative risk factor. Their vulnerability model claim that neuroticism sets in motion processes that lead to CMDs. The wide personality trait of neuroticism is powerfully correlated with Axis I psychopathology, which is a particular common mental disorders (CMDs), including anxiety, mood, and substance use disorders (Dima *et al* 2015). Neuroticism plays a vital role in some phenomena that link strongly with psychological distress, such as physical health problems and persistent low subjective well-being (Kotov *et al.*, 2010).

It was assumed the earlier studies that highly extrovert individuals were low neurotics because of the strong negative correlation between neuroticism and extraversion (Kennis *et al* 2013). On the contrary, recent studies with larger samples have revealed that a considerable portion of individuals show high extraversion and high neuroticism, which indicates that high extraversion, is not identical to low level neuroticism (Bianchi & Laurent, 2016). Consequently, to investigate high and low neuroticism, it is advised to select samples from top and bottom quartiles in the neuroticism scale (Bianchi & Laurent, 2016).

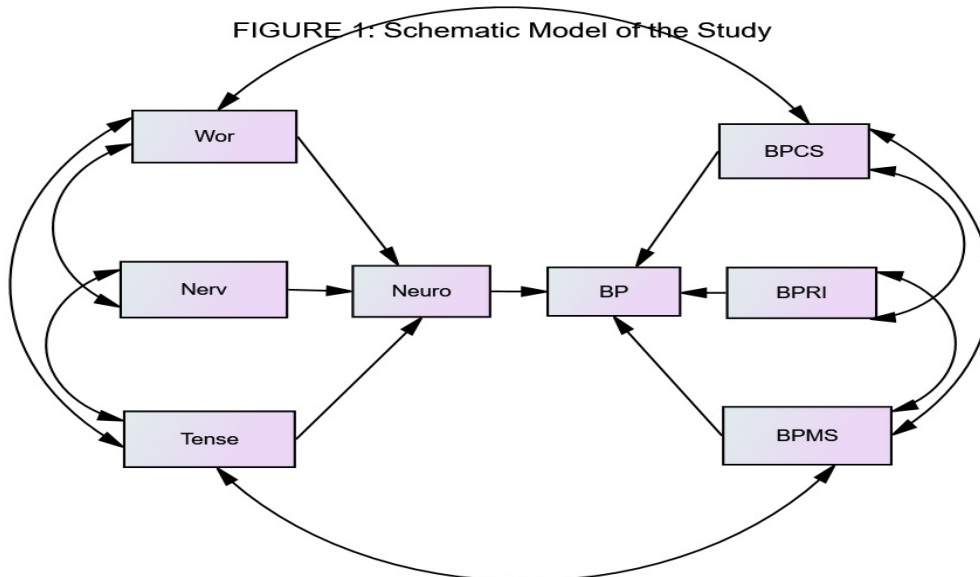
## 1.3 Neuroticism and performance

Forbes *et al* (2014) studied of the relationship between personality and performance, and revealed that, individuals with high level of neuroticism have less accuracy in their performance majorly in the situation involve analytical thinking or highly pressured job such as sales job. The tendency of been

dissatisfied, ineffective, absenteeism, or even turnover from their job is very high (Shipstead *et al* 2015).

Individual with extremely high level of neuroticism may likely exhibit poor performance on the job such as sales, in which they have to deal with customers with different beliefs, cultural values, social orientation, different needs and high level of difference in their level of temperament (Marsh *et al* 2013), whereas those with low neurotic personality traits may exhibit high performance (Servaas *et al* 2015). Arndt and Karande, (2012) revealed that highly neurotic employee may not have good customer orientation because customer oriented individuals are always ready to show interest in the problems of customers regardless of their behaviour, whether favourable or unfavourable.

FIGURE 1: Schematic Model of the Study



**Notes:** Neuro = Neurotic, Wor = Worries, Nerv = Nervous, Tense = Tensed  
 BP = Business Performance, BPCS = Customer's Satisfaction, BPRI = Revenue Improvement  
 BPMS = Market Share

## 2 METHODOLOGY

The current study is investigative in nature. The primary data is collected by the use of questionnaire administered to guild of entrepreneurs in their end of month stakeholders meeting. Out of 275 copies of questionnaire administered, 245 copies were retrieved and certified worthy of analysis through SPSS 20 and Amos 22 to find out the relationship and the impact of the relationship between a neurotic entrepreneur and business performance. The researcher, sought the permission of the necessary officers of the guild of entrepreneurs to administer the questionnaire, and opportunity was given to address the entrepreneurs about the important of the research and their confidentiality was also guaranteed.

## 3 RESULTS

Table 1 shows the correlation estimate for all the variables. The correlated estimates between Neurotic and Tensed (.768), Nervous (.679), Worries (.790) show high link between the predictor's variables and the construct neurotic. In the same manner, the study also revealed strong relationship between Business Performance construct and the variables that served as the indicators. With the correlation estimate of (.038) the result indicates and confirmed no positive significant relationship existed between business performance and neurotic entrepreneurship. As in the study of Mortan (2014), it is also revealed with correlation estimate of (.040) that business performance is also negatively affected by tensed nature of the entrepreneur. With correlation estimate of (.038), the result shows that there is negative contribution about an entrepreneur who display act of worries and business performance.

**Table 1.** Implied (for all variables) Correlations (Group number 1 - Default model).

	BPRI	Tense	Nerv	Wor	BPMS	BPCS	Neuro	BP
BPRI	1.000							
Tense	.000	1.000						
Nerv	.000	.273	1.000					
Wor	.000	.489	.247	1.000				
BPMS	.159	.085	.000	.000	1.000			
BPCS	.395	.000	.000	.074	.003	1.000		
Neuro	.000	.768	.679	.790	.035	.036	1.000	
BP	.765	.040	.000	.038	.552	.710	.035	1.000

In Table 2, the impact of the relationship between the predictors of independent variable (neurotic) and the predictors of the dependent variables (Business Performance) was highlighted. When Wor goes up by 1, Neuro goes up by 0.336. When Nerv goes up by 1, Neuro goes up by 0.335. When Tense goes up by 1, Neuro goes up by 0.332. When Neuro goes up by 1, BP goes up by 0. The level of the impact revealed low standard error (S.E.) which indicates high level of the relationship between the variables. The result revealed that all the predictors' variables for neurotic actually impacted and this invariably affect the performance of the entrepreneurs as indicated in the correlation analysis in Table 1.

**Table 2.** Regression Weights: (Group number 1 - Default model).

		Estimate	S.E.	C.R.	P	Label
Neuro<---	Wor	.336	.002	190.923	***	par_4
Neuro<---	Nerv	.335	.002	197.629	***	par_5
Neuro<---	Tense	.332	.002	163.183	***	par_6
BP <---	Neuro	.000	.000	1.233	.218	par_1
BP <---	BPCS	.333	.000	23019.603	***	par_2
BP <---	BPMS	.333	.000	22664.149	***	par_3
BP <---	BPRI	.334	.000	21359.151	***	par_7

Notes: Neuro = Neurotic, Wor = Worries, Nerv = Nervous, Tense = Tensed  
 BP = Business Performance, BPCS = Customer's Satisfaction, BPRI = Revenue Improvement  
 BPMS = Market Share.

**Table 3.** Standardized Direct Effects (Group number 1 - Default model).

	BPRI	Tense	Nerv	Wor	BPMS	BPCS	Neuro
Neuro	.000	.412	.449	.478	<u>.000</u>	.000	.000
BP	.486	.000	.000	.000	.474	.517	.000

As indicated in Table 3 column I row 1, the indirect (mediated) effect of BPRI on Neuro is .000. That is, due to the indirect (mediated) effect of BPRI on Neuro, when BPRI goes up by 1, Neuro goes up by 0. This is in addition to any direct (unmediated) effect that BPRI may have on Neuro. So also as indicated in column 2, row 1, The standardized direct (unmediated) effect of Tense on Neuro is .412. That is, due to the direct (unmediated) effect of Tense on Neuro, when Tense goes up by 1 standard deviation, Neuro goes up by 0.412 standard deviations. This is in addition to any indirect (mediated) effect that Tense may have on Neuro. All the three variables that measure business performance (BP) as shown in Table 3 revealed significant effect, BPRI (.486), BPMS (.474), BPCS (.517).

The study revealed that there is significant effect of neurotic entrepreneurship on business performance. It validates the study of Arndt and Karande, (2012) that high neurotic entrepreneur will always be having friction between all the stakeholders of the business.

## 4 CONCLUSIONS

Emphasis on personality traits for improve entrepreneurial development is becoming a major antidote for business failure. This should be given the due attention as several small and medium enterprises (SMEs) failed to reach the first five years of their existence. Getting to know which traits reside in individual will go a long way to recommend which skills will be required to improve on entrepreneurial skill. The knowledge of individual trait will be the determinant of how well a-would be entrepreneur will be able to prepare well to face the series of challenges that pervade the business environment.

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