

Noor Zahirah Mohd Sidek
Siti Meriam Ali
Mahazir Ismail *Editors*

Proceedings of the ASEAN Entrepreneurship Conference 2014

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Noor Zahirah Mohd Sidek • Siti Meriam Ali
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Introductory Note

The second ASEAN Entrepreneurship Conference (AEC2014) aims to indulge, exchange ideas and keep abreast of recent developments in the field of entrepreneurship from the perspective of education and innovation in ASEAN context. Twenty-six papers were selected from this conference. The first section probes into general business and entrepreneurship focusing on small and medium industries (SME). This section provides recent insights on factors affecting the performance of small and family businesses, entrepreneurs' innovativeness and networking effects based on ethnicity.

Entrepreneurship education section offers three papers assessing the importance and implications of education on entrepreneurship. These three papers offer new findings on how entrepreneurship education affects business creation. The seventh paper particularly studies on how educational background affects complaint behaviour which offers valuable information for entrepreneurs especially in the automobile business. The third section discusses on how entrepreneurship could be a tool to improve graduate employment. Interestingly, the tenth paper discusses on how disabled youth could be empowered via entrepreneurship training. The next section presents simple analysis on governance and corporate social responsibility in SMEs followed by a section on internationalizing SMEs.

Halal is often associated with Islamic dietary law, Islamic banking and finance. The first paper in this section offers the expectation of *halal* certification by both Muslims and non-Muslims. The second paper of this section extends the concept of *halal* into the cosmetic markets. These two papers should provide a ground-breaking work for the *halal* industries given the growing market for the *halal* products especially in the cosmetic industry.

The accounting section offers continuous study on corporate crime, accounting practices and evolution of management accounting. The economic section provides new evidences on mergers and acquisition, money supply and the effect of growth on the environment. The final section offers studies that are marginally related

to entrepreneurship. The first paper offers some work on integrity and organizational environment. The second paper looks at the Malay cooking method which is useful for entrepreneurs who are interested in the blooming traditional Malay food business. Finally, the third paper offers a good technical knowledge from the IT perspective given the growing number and volume of online businesses.

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ASEAN Entrepreneurship Conference (AEC 2014)

Part I
Business and Entrepreneurship

Chapter 1

Factors Affecting the Performance of Small Business Start-Ups Under Tunas Mekar Programme

Najihah Marha Yaacob, Rosman Mahmood, Sakinah Mat Zin,
and Mazidah Puteh

Abstract This study scrutinises the factors that influence the performance of small business undertaken by graduates in the early stages of operation. Based on multiple regression analysis, the study shows that entrepreneurial characteristics, management practices and training and guidance have significant influence on the performance of small business start-ups. The experience of the business and the amount of initial capital are not significant to the performance of small enterprises at that stage. The findings have implications not only on the theory of the firm and human capital theory but also on small entrepreneurs, policymakers and implementers and researchers.

Keywords Small business • Entrepreneur • Early-stage performance • Tunas Mekar

1.1 Introduction

Small business performance is closely related to the performance of a country's economic growth [10]. This elucidates the importance of the sector as an instrument that can generate not only economic growth in developing nations but also developed countries [5]. However, the role and contribution of small enterprises in

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economic development in some countries are more significant than those of big industry [30]. In addition, the sector has been identified as having the ability to create employment opportunities [4, 45], encourage the spread of technology and innovation [5, 30] and generate wealth and income [30] besides being the backbone of the rural economy [19, 29].

In Malaysia, not only are small enterprises catalysts for economic growth, they are also vital mechanisms for achieving socio-economic development [2]. Based on such interest, the government has developed a variety of programmes and policies to ensure more significant involvement of the Bumiputera in the modern sector. Starting with the New Economic Policy (NEP) (1971–1990) in which the government exerted tremendous effort to emphasise the involvement of the Bumiputera, the government has continuously acknowledged them in each of the country's economic development plans. Many programmes have been conducted in order to attain this goal, such as the development of entrepreneurial skills and positive attitudes of the Bumiputera towards business, the setting of business infrastructure and premises and technical training. The government has also established various funds to assist the Bumiputera through financial institutions, development financial institutions (DFIs), Bank Negara Malaysia, SMEs fund and microcredit schemes.

As for the entrepreneurial development of the Bumiputera, the government has also stressed the importance of human capital in order to produce more resilient, competitive, creative and innovative entrepreneurs among the Bumiputera. These traits are important to enable them to meet the challenges of an increasingly competitive business environment. In conformity with the requirements of a higher level of education among Bumiputera entrepreneurs, a project was launched on 19 May 2005 known as the Tunas Mekar programme, which was instigated under the Implementation Coordination Unit (ICU) of the Prime Minister's Office (PMO). The main objective of the programme was to produce more competitive and self-sustainable Bumiputera entrepreneurs.

Although various programmes and policies have been implemented to ensure the more comprehensive involvement of the Bumiputera in small businesses, their performance is still not at par with the provision and assistance provided by the government. In fact, the Tunas Mekar project continues to require massive financial support from the government. Hence, a comprehensive study should be conducted to evaluate the effectiveness of the programme in improving the performance of small enterprises among the Bumiputera. The assessment should be made to identify the cause of the weaknesses in the programme, to look for a more appropriate approach to correct the deficiencies and to make recommendations to the relevant stakeholders so that the goals of the programme are achieved. In general, the objectives of this study are to examine the relationship among various factors that can influence the performance of small enterprises under the Tunas Mekar project in the early stages of operation and propose appropriate measures to improve their performance.

1.2 Literature Review

Many studies clarify that the performance of the small enterprise sector is closely related to the internal and external environment of the firm [1, 7, 16]. Among the internal factors that have been identified to influence the performance of small enterprises are the characteristics of the owner/manager, management practices, level of education, family member involvement, business experience, moral value practices and characteristics of the business, while the extrinsic environmental factors include training and mentoring, industrial surroundings and government policy. Even though there are various factors that influence the performance of small enterprises, not all of these determinants are market related; more important is the role of the entrepreneurs who operate the business [28].

1.2.1 *Entrepreneurial Characteristics*

The characteristics of entrepreneurship refer to entrepreneurial values that belong to the owners/operators. Many studies [6, 16, 26] explain that the entrepreneurial traits of an owner/manager are very important factors that affect the performance of small enterprises. [20] describe the characteristics of entrepreneurship as energetic, responsible, self-confident, risk-taking, visionary, committed to work, creative and innovative and having an internal locus of control. [27] puts initiative as one of the characteristics of a successful entrepreneur because entrepreneurs having high initiative will improve on their management style and business operational skills and actively engage in learning and personal development. The regression analysis study conducted by [15] clearly shows that there is a significant positive relationship between entrepreneurial characteristics and the overall performance of the firm. Therefore, it can be concluded that possessing very high entrepreneurial traits enables entrepreneurs to contribute to the development of the economy, as described by the theory of economic development. To clarify the relationship technically, this study identifies the following hypothesis:

H1: The characteristics of the owner/manager have a significant positive influence on the performance of small enterprises in the early stages of operation.

1.2.2 *Management Practice*

Management practice is defined as the approach used by entrepreneurs in business management, particularly in terms of funding, marketing, operations and human resources. Weaknesses in the management practice would result in the negative impact on business performance [18]. A study carried out by [38] shows that the financial management practices by Bumiputera farming entrepreneurs are still at an

unsatisfactory level. This has contributed to the poor performance of small businesses. Many studies have identified a positive relationship between management practice and business performance [1, 16, 45]. However, [37] determine that there is no relationship between the growth and financial aspects of the business, such as bookkeeping, financial control, planning, budgeting and cash flow management. This finding contradicts most previous studies [35, 45]. Nevertheless, based on empirical evidence from previous studies, it clearly shows that management is an important element in the relationship with the performance of a small enterprise. To evaluate the relationship and associate it with the firm theory, the research has identified the following hypothesis:

H2: Management practice has a significant positive influence on the performance of small enterprises in the early stages of operation.

1.2.3 Training and Guidance Programme

Training and guidance are learning activities aimed at improving individual performance through enhanced knowledge, skills or attitudes [23]. Many researchers [3, 17, 42] highlight the importance of training and guidance concerning the performance of a business. [41] find that Sabah SME Bumiputera require entrepreneurship courses, such as operations management, business management and marketing management to further develop their business. The findings by [14] empirically show that entrepreneurs who had participated in the Small Firms Training Loans scheme established by *Barclays Bank* managed to achieve business growth faster than those who had not. According to [2], a survey conducted by the Human Resource Development Fund (HRDF) for the period 2000–2002 finds that the majority of owners/managers of small enterprises confirm that the programmes they undertook have a positive impact on job performance, product quality, employee productivity and employee satisfaction. To examine the relationship between the two variables, the study puts forward the following hypothesis:

H3: The training and guidance programmes undertaken by the owner/manager have a significant and positive relationship with the performance of small enterprises in the early stages of operation.

1.2.4 Business Experience

Business experience refers to the exposure associated with the business acquired by operators/owners before they start their own businesses [40]. Experience may be obtained from the parent business, helping businesses of close relatives or becoming employees to others. [11] states that experience gained by the owner/manager will have an impact on the performance of a business. Business or entrepreneurship

experience has a positive relationship with performance [20, 21, 34]. The studies conducted by [13, 23] prove that the longer the experience acquired, the higher the growth rate and profitability as well as employment opportunities that can be provided by a business venture. Based on empirical evidence from previous studies, this study attempts to make a theoretical analysis of the relationship between the business experience of an entrepreneur and the performance achieved. To assess the relationship, the following hypothesis is derived:

H4: The business experience of owners/managers before starting their own business has a significant positive influence on the performance of small enterprises in the early stages of operation.

1.2.5 Initial Capital

The initial capital is the financial capital used to start small enterprise activities. Capital is very important to run a business. Sufficient capital is required for a variety of business needs. Success has always been associated with the amount of start-up capital. Organisations that have large amounts of capital will be more successful [31, 39]. Lack of funding is a major cause of small business failure. Without sufficient funding, a small entrepreneur cannot afford to buy and maintain the facility, recruit, produce and market products [33]. [35] find that the initial capital constraints in the early stages of a business have a negative impact on performance, which is measured by the income and the ability to expand. The lack of initial capital prevents entrepreneurs from investing optimally and restricts their business opportunities [44]. An entrepreneur must have the ability to take advantage of good investment in order to increase the performance of the firm. Based on the empirical evidence from the studies that have been conducted, this study attempts to show that the initial capital is related to the performance of a small enterprise. To assess the relationship, the following hypothesis is developed:

H5: The amount of business start-up capital has a significant and positive relationship with the performance of small enterprises in the early stages of operation.

1.3 Research Methodology

1.3.1 Measures

The dependent variable in the framework of this research is the performance of the business. Most of the items used in the instrument refer to those used by [16, 30]. The items include the sales, profit, business stability, business growth, an increase in the number of employees, customer satisfaction, increase in the value

of the assets and business networking. Performance measurement according to the subjective approach is based on a five-point *Likert* scale with frequency 1 = “very dissatisfied” to 5 = “very satisfied”. This study presents five independent variables, namely, the entrepreneurial characteristics of the owner/manager, management practices, training and guidance, business experience and the amount of initial capital.

1.3.2 Sample

The population of the research is small enterprises under the Tunas Mekar programme that operate in the states of Terengganu and Kelantan. According to the statistics from MASMED, Shah Alam, the number of Tunas Mekar apprentices in the states of Terengganu and Kelantan for the three (3) series is 158: Terengganu (67) and Kelantan (91). After the distribution of the questionnaires and phone calls, the results of the initial survey and feedback of the target group show that 48 of the apprentices are not involved in business after getting jobs. In addition, there are apprentices who remain undetected. Data collection in Terengganu was mostly done via face-to-face interviews and *e-mail*. For respondents in the state of Kelantan, they were first contacted by telephone and given information about the study. Then, the questionnaires were sent to them via *e-mail*. Having completed all the relevant information in the instrument, they were required to send back the survey form to the researcher through *e-mail*. Of the total population, only 62 respondents (39.2 %) responded to the survey: Terengganu (29) and Kelantan (33). After all of the data were obtained, they were keyed into the SPSS programme and subsequently cleaned.

1.4 Research Findings

Table 1.1 shows the descriptive statistics to describe the mean, standard deviation (SD) and the relationship among the variables. The variables comprise two control variables (size of business and sales volume), the independent variables (entrepreneurial characteristics, management practices, training and guidance, business experience and initial capital) and the dependent variable (business performance).

Analyses explaining hypothesis 1 to hypothesis 5 are based on the findings of the study as shown in Table 1.2. The multiple analyses clearly show an R^2 of more than 80 %. The *F test* is significant at the level of 0.01. This indicates that all the independent variables in the study are able to explain significantly the variations of small business performance in the initial stages of operation.

In Model 1, controlling is performed by the variables of business size (number of full-time employees) and monthly sales. However, these two variables do not show any relationship with the performance of small enterprises. To examine the

Table 1.1 Descriptive statistics and correlation

Variables	Min	SD	1	2	3
1. Size of business	1.47	1.339	1.000		
2. Sales	10,729.03	31,517.9	0.115	1.000	
3. Entrepreneurial characteristics	3.5065	0.64500	0.017	0.120	1.000
4. Management practices	3.4908	0.52560	-0.069	0.213*	0.636***
5. Training and guidance	3.48	2.148	0.068	0.199	0.090
6. Business experience	2.47	1.744	0.382**	0.104	0.212*
7. Initial capital	7759.68	6,808.44	0.156	0.239*	0.093
8. Business performance	3.3972	0.851	-0.094	0.149	0.717***
Variables	4	5	6	7	
1. Size of business					
2. Sales					
3. Entrepreneurial characteristics					
4. Management practices	1.000				
5. Training and guidance	0.295**	1.000			
6. Business experience	0.122	0.162	1.000		
7. Initial capital	0.449***	0.373**	0.123	1.000	
8. Business performance	0.868***	0.328**	0.131	0.345**	

***, ** and * denote significance at 1%, 5% and 10%

Table 1.2 Multiple regression analysis

	Collinearity statistics		Model 1	Model 2
	Tolerance	VIF		
Controlling factors				
Business size	0.799	1.252	-0.112	-0.056
Sales	0.909	1.100	0.162	-0.042
Influencing factors				
Entrepreneurial characteristics	0.519	1.926		0.304***
Management practices	0.409	2.447		0.644***
Training and guidance	0.815	1.227		0.123*
Business experience	0.797	1.254		-0.006
Initial capital	0.645	1.550		0.001
R^2 change			0.035	0.781
R^2			0.035	0.816
Adjusted R^2			0.002	0.792
F			1.063	34.109***

Note: Dependent variable – small business performance, * $\rho < 0.10$, ** $\rho < 0.05$, *** $\rho < 0.01$

relationships between the various factors affecting the performance of small enterprises in the early stages of operation, the study analysed both the control variables and five independent variables of entrepreneurial characteristics; management practices; training, mentoring and guidance; business experience; and initial capital simultaneously. The results are shown in Model 2. There are significant changes in

R^2 ($\Delta R^2 = 0.781$, $p < 0.01$). The findings show that the variable of entrepreneurial traits possessed by operators has a significant positive impact on the performance of a small business ($\beta = 0.304$, $\rho < 0.01$). This finding confirms H1, which explains that entrepreneurial characteristics have a significant positive influence on the performance of small enterprises. The analysis also shows that the variable of management practices has a positive impact on the performance of a small business ($\beta = 0.644$, $\rho < 0.01$). The findings of the study confirm that H2 explains that the factor of management practices plays a very important role in determining the performance of small enterprises in the early stages of operation. Indeed, the influence of management practices on the performance of small enterprises in the early stages of the operation is more significant than the factor of entrepreneurial characteristics possessed by operators/owners. The variable of training and guidance also shows a significant positive correlation with the performance of a small business ($\beta = 0.123$, $\rho < 0.1$), thus supporting H3. However, the influence of this factor does not show a strong influence on the performance of a small business compared to the factors of entrepreneurial characteristics and management practices. The study also shows that business experience ($\beta = -0.006$, ns) and initial capital ($\beta = 0.001$, ns) have no significant relationship with the performance of small enterprises. Therefore, the study cannot confirm H4 and H5.

1.5 Discussion and Conclusion

The performance of small business start-ups is influenced by factors involving the internal and external environment, which are identified from previous studies. Based on the multiple regression analysis, the findings showed that the influence of the variables on the performance of small enterprises varied. Of the five variables analysed, three variables indicated significant relationships, while the other two were not related with the small business in the early stages of operation.

The findings showed that entrepreneurial characteristics of the owners/operators are important factors that can determine the performance of small business start-ups. The influence of those factors on the performance of a small business in the early stages of operation is positive and significant. Thus, the higher the entrepreneurial characteristics possessed by the owners/operators, the better their performance in running small enterprises. The results are consistent with the findings of studies conducted by [9, 14, 24, 26, 30]. These researchers clearly demonstrate that entrepreneurial characteristics possessed by operators are vital in determining the survival of small enterprises. Entrepreneurial characteristics that should be possessed by operators are leadership, willingness to take risks, endurance and high competitiveness, self-confidence, always seeing and seizing opportunities, perseverance, commitment, aggressive and emphasising high achievement. The positive relationship between entrepreneurial characteristics and small business performance indirectly supports the theory of economic development by [41],

which emphasises the role of the entrepreneur as the prime mover in economic development.

Empirical evidence from the results of the multiple regression analysis clearly showed that management practices are very important factors in determining the performance of a small company in the early stages of operation. The results showed a positive significant relationship between management practices and performance. It is clear that the performance of small business start-ups depends on the form of management practices carried out by the owners/operators, especially in the three major aspects of financial management and accounting, marketing and operations. These findings are consistent with previous research [1, 25, 36, 45]. Through effective management practices, various difficulties in business will be dealt with more easily. The importance of good management in the performance of small enterprises, particularly in the early stages, can be associated with the theory of the firm. In handling the cost of production, management practices are seen as one of the important aspects that can influence the internal economy of scale and profits. To ensure a small gain economy of scale, operators must have competency in management, particularly in finance, marketing and operations. Good management practice is essential for reducing operating costs and wastage of resources and, thus, will have a positive impact on the performance of small enterprises.

The results also showed that training and guidance have significant positive correlations with the performance of small business start-ups. However, the influence of these factors is not that strong compared to the factors of entrepreneurial characteristics and management practices. The positive relationship between these factors with business performance indicated that the more training and guidance undertaken by operators, the better the performance. These findings are consistent with the results of studies conducted by [3, 23, 42]. Furthermore, the findings support the theory of human capital that stressed the importance of training and guidance in determining the performance of small enterprises, as described by [12, 17, 22].

Empirically, the findings showed that there is no relationship between the business experiences of owners/operators and small business performance in the early stages of operations. These findings are compatible with studies conducted by [1, 32, 37, 43]. Conversely, the result is inconsistent with the theory of human capital, which claims that business experience is one of the human capital elements that can affect business performance. The reason for this is that the owners/operators involved in this study are inexperienced since the majority of them do not have any family members engaged in business. In fact, they have never worked with anyone else before. Experience acquired in a university does not interrelate with the business situation and, hence, cannot provide the necessary skills to improve the performance of their small enterprises [28].

Although capital is a very important factor in starting a business, the results empirically demonstrated that the amount of initial capital is not significantly correlated with the small business performance during start-up. This finding contradicts the explanations given by [8, 33, 35, 44]. The study was conducted on

microenterprises, which, usually, do not involve large amounts of capital. The majority of them start their own business using savings or loans from immediate family members. As a result, the capital factor cannot explain the relationship that exists with the performance of small enterprises in the early stages of operation. For micro-sized enterprises and new start-ups, the issues of entrepreneurial characteristics, management practices, and training and guidance are more significant in influencing the success of a business.

1.6 Limitations and Future Research

While this research makes valuable theoretical and practical contributions, it still has some drawbacks. Since this programme has just reached Series 4 and samples involved are new to the business (less than 3 years), the impact of performance obtained is an “intermediate impact”. At the same time, the sample of only 62 small enterprises run by graduates of Tunas Mekar in the states of Terengganu and Kelantan limits the “generalisation” of the findings. The study also makes simple tests on the hypotheses concerning the influence of several factors on the performance of small enterprises in the early stages of operation. There is room for a more inclusive study on the performance of small enterprises by taking into account the various factors highlighted in previous studies. These factors include the financial resources available, economic factors, government support and networking. Thus, it is possible to obtain more comprehensive information concerning the various factors that affect the performance of small businesses during start-up.

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Chapter 2

A Study on the Relationship Between Fun at Work and Work Engagement

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Abstract This study was designed to address two questions. First, what are the scores for fun at work that affect work engagement? Second, what is the relationship between fun at work and work engagement? In order to address these questions, analyses were conducted from a sample of 66 respondents. The result of these analyses found that socializing with coworkers had the highest mean score compared to other fun at work scale. Overall, there are various results from the relationship between fun at work scale (socializing with coworkers, celebrating at work, personal freedoms, and global fun at work) and work engagement. Specifically, there was a positive significant relationship between fun at work and work engagement. Thus, as fun at work increases, the work engagement will also increase.

Keywords Fun at work • Work engagement

2.1 Introduction

According to Fluegge [7], fun at work can be described as the involvement of any social, interpersonal, or task activities at work of a playful or humorous nature which provide an individual with amusement, enjoyment, or pleasure. In addition, Bryant [4] stated that fun and humor can help employees feel good and relieve stress and improve health condition. Ford et al. [8] describe that it is critical for employees to have fun at work which managers of hospitality and service organization long believed. It is because the managers are aware of the important relationship between employees having fun and customers having a pleasant experience. Fun, creativity, and humor can have a positive effect which can reduce

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absenteeism, retain high-quality people, and reduce employee turnover [20]. Thus, when there is lack of fun in the workplace, the level of work engagement will be low and this scenario affected the organization goals. This is agreed by McFadzean and McFadzean [15] who explained that employees with high level of morale can facilitate to achieve organization's goals, increased productivity and sales. Therefore, this study will determine whether fun at the workplace is one of the factors which can boost work engagement.

Many studies stated that promoting fun at work gives great benefit to both the individual and the organization. In the scope of organization management, many managers nowadays see that having fun in the workplace creates a positive environment to energize their employees (Ford et al. [8]). On the other hand, in Malaysia, there is still lack of effort to examine or study how fun can relate to work engagement. Therefore, this study will be conducted to examine the relationship between fun at work and work engagement.

There are few important terms that had been used in this study:

Fun at work

McDowell [14] stated that fun at work is defined as “engaging in activities not specifically related to the job that are enjoyable, amusing, or playful.”

Work Engagement

According to [21], engagement is a “positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption.” It also “refers to a more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior.”

2.2 Research Objectives and Research Questions

2.2.1 Research Objectives

The purpose of the study was to examine the relationship between conflicts at the workplace and employee's job outcomes. Specifically, this research has achieved the following objectives:

1. To identify fun at work that occurs at the workplace
2. To examine the relationship between fun at work and work engagement

2.2.2 Research Questions

The research questions for this study are the following:

1. What are the scores for fun at work that affect work engagement?
2. What is the relationship between fun at work and work engagement?

2.3 Literature

There are lots of previous researches that have been done and being discussed on the topic. Fluegge [7] study found that fun at work is positively related to work engagement. Based on another survey conducted by Ford et al. [8] to 572 respondents of human resource managers, they strongly favor promoting a fun work environment. It is because they believe those environments offer great benefits both to the individual and the organization.

2.3.1 *Fun at Work*

There are three different types of fun at work, namely, the managed variety, natural or organic fun, and task related [3]. Humor and fun are said to offer a temporary escape from the tension of work. Ford et al. [9] stated that an organization will improve its ability to attract new employees and have better customer's satisfaction, stronger employee's commitment, and lowered employee's turnover and absenteeism by creating and maintaining a fun work environment.

A research study by McDowell [14] came out with the scales of fun at work which included socializing with coworkers, celebrating at work, personal freedoms, and global fun at work. It also supports claims that fun and humor in the workplace reduce stress and may lead to a healthier workplace.

2.3.2 *Socializing at Work*

According to Taormina [24], organizational socialization “refers to the way employees interact with and adjust to an organization's culture.” It is logical to expect that the critical roles somewhere between the ends of the employee needs-organizational culture dichotomy are referring to socialization in the organization.

In other study conducted by Cooper-Thomas and Anderson [5], the opportunities for informal socializing such as after-work subsidized drinks will further the social cohesion can be furthered through in organizations. Moreover, the benefits of friendship and resource networks will expand by providing newcomers with opportunities to work and socialize with colleagues in the organization.

2.3.3 *Celebrating at Work*

Ford et al. [9] describes that most commonly reported fun activities are celebration of notable personal events which include recognition of birthdays, the adoption or

birth of a child, and anniversaries of employment. Based on Meyer [16], individual departments encourage activities by serving employees cookies, candies, and refreshments outside of work where it gets them together. In different organization, managers introduce reward and recognition schemes such as presenting staff with certificates along with simple gifts like flowers or chocolate [25].

2.3.4 Personal Freedoms

Alstott [2] stated that extra freedom can produce positive social effects of its own by promoting job mobility. According to Maravelias [13], freedom refers to the potential, wherein the subject becomes entangled with the environment and therefore intimate interaction with the environment is celebrated. It also explains that freedom has been the individuals' capacity to build up a profound self-understanding on the basis of which self-awareness and reflection become possible.

2.3.5 Global Fun at Work

Nakkula and Harris [17] come out with fun focus subscale which it is most purely relational, such as hanging out and goofing around. The finding from analyses suggests that having fun or simply hanging out together is critically important to build strong mentoring relationship. Based on McDowell [14] fun at work scale, global fun at work consists of the statements whether the supervisor encourages or has to value fun at work and organizational climate or people in the organization are having fun at work.

2.3.6 Work Engagement

Work engagement is positively related to job characteristics that might be labeled as resources, motivators, or energizers, for instance, social support from coworkers and one's superior, performance, task variety, feedback, job autonomy, coaching, and training facilities [21]. Work engagement concerns the degree to which individuals make full use of their cognitive, emotional, and physical resources to perform role-related work [10].

Moreover, Pater and Lewis [19] explained that many leaders focus on promoting worker engagement to help engender a workforce that is stimulated, involved, inspired, and receptive to change and goes well beyond just being present. Research in the UK reported that in the UK workforce, one in five employees is "engaged," three in five are "not engaged," and one is "actively disengaged," which indicated that this group consciously undermined their organization performance [6].

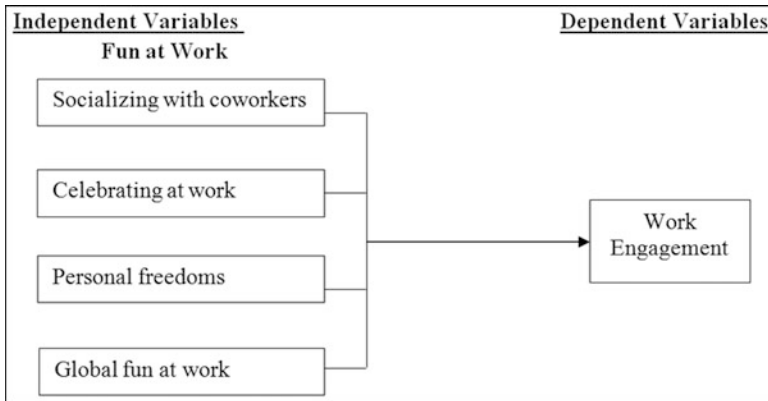


Fig. 2.1 The relationship between fun at work and work engagement

A study conducted by Airila et al. [1] found that work engagement was significantly associated with work ability even after adjusting for various factors, indicating its importance in promoting work ability. Thus, employees who are engaged in their work have an energetic, enjoyable, and effective connection with their work [12].

2.3.7 Conceptual Framework

The conceptual framework is based on Fig. 2.1.

H01: There is no relationship between fun at work and work engagement.

HA1: There is a positive and significant relationship between fun at work and work engagement.

2.4 Methodology

2.4.1 Survey Instrument

This research used a survey questionnaire for data collection. The instrument used in this study is a questionnaire. The questionnaire that was developed by the researchers was divided into three sections. All sections in the questionnaires were prepared in closed-ended questions.

Section A focused on fun at work scale which consists of socializing with coworkers, celebrating at work, personal freedoms, and global fun at work. This section used the five-point Likert scale with the values 1–5.

In Section B, the respondents were asked about their work engagement. In this section, the researchers used the same five-point Likert scale with the values 1–5.

Lastly, Section C covered the demographic information such as gender, age, highest education level, grading scheme, and length of service in the organization.

2.4.2 Sampling Frame, Sampling Technique, and Population

The sampling frame for this study was obtained from the chairman of Staff Club, Recreation and Welfare, Center of Applied Management Studies, Universiti Teknologi MARA, Puncak Alam Campus. The sampling technique applied in this study is convenient sampling. This technique requires selecting a population of members from Staff Club, Recreation and Welfare, Center of Applied Management Studies, Universiti Teknologi MARA, Puncak Alam Campus. In this study, the total estimated populations were 120. Krejcie and Morgan [11] greatly simplified size decision by providing a table that ensures a good decision model in sample size. The table provides generalized scientific guidelines for sample size decisions. Based on Krejcie and Morgan [17] table, the recommended sample size for a population of 120 is 92.

2.4.3 Data Collection and Analysis

The data from this study was collected by using questionnaire which was distributed to the members of Staff Club, Recreation and Welfare, Center of Applied Management Studies, Universiti Teknologi MARA, Puncak Alam Campus. A cover letter was attached to each questionnaire in order to explain the objective of the study. Respondents were asked to answer the entire questionnaire and given 2 weeks to respond. After 1 week, the questionnaires were collected from the respondents.

The data were keyed in into the statistical software Statistical Package for the Social Sciences (SPSS) version 20. They were analyzed using descriptive statistics that include mean, standard deviation, frequency, and percentages. Other than that, they were also analyzed using Pearson product-moment correlation coefficient.

2.5 Finding, Analysis, and Discussions

2.5.1 Factor Analysis and Reliability

The researchers used factor analysis to analyze the instrument, and 24 items were divided into four subtests of independent variables (socializing with coworkers,

celebrating at work, personal freedoms, and global fun at work) that were tested in factor analysis. In factor analysis, principal axis factoring with varimax rotation was performed. Next, the 24 items were tested on coefficient with value <0.35 that was absolutely suppressed.

Steps were taken to reduce the number of item loading. First, we use Kaiser-Meyer-Olkin measure to test the adequacy of the items tested. In the second step, the outputs from anti-image covariance were analyzed, and the values between 0.54 and 0.91 were collected, which shows high value of covariance. Third step was analyzing the extraction from communality value and item loading below 0.50 was eliminated. After cleaning the items, they were tested on rotated component matrix where the number of factors of 4 was extracted. Therefore, the researchers deleted eight items from instrument that has multiple high loading.

According to Tabachnick and Fidell [23], the reliability of a measure indicates the extent to which it is without bias – error-free – and it is to ensure consistent measurement across time and across the various items in the instrument. All items from independent variables (socializing with coworkers, celebrating at work, personal freedoms, and global fun at work) and dependent variables (work engagement) were tested on Cronbach's alpha coefficient for inter-item reliability.

Nunnally [18] suggests that the instrument used in basic research has a value of 0.70 or higher. According to Sekaran [22], an instrument is reliable when Cronbach's alpha is above 0.70 and closer to 1.0. It means the higher the value, the higher the internal consistency reliability. Thus, the respective alpha coefficient being used for the study was between $\alpha = 0.773$ and $\alpha = 0.922$ which showed the high degree of reliability (Table 2.1).

2.5.2 Demographic Analysis

The following is the summary of respondent's demographic analysis.

Table 2.2 shows the summary of demographic information of respondents that includes gender, age, level of education, grading scheme, and years of service. Out of 66 of the total respondents participating in the study, 54 are female (81.8 %) and the rest of respondents are male (18.2 %). In addition, most of respondents (37.9 %) are 31–40 years old and only 1.5 % of respondents are below 20 years.

The respondents' highest education levels were as follows: master's degree (74.2 % of the respondents), followed by Doctor of Philosophy degree (10.1 %) and bachelor's degree (6.1 %). The management and professional group with 83.3 % were those who are from grade 41, and the majority of the respondents were those who are from grade 54, followed by respondents that were in 17–40 grading scheme (15.2 %). Lastly, about 40.9 % respondents have 4–7 years of service while the senior staff with more than 16 years of service contributed to 16.7 % of the total respondents.

Table 2.1 Reliability statistic

Variables	N of items	Cronbach's alpha
Socializing with coworkers	3	0.773
Celebrating at work	5	0.873
Personal freedoms	2	0.827
Global fun at work	6	0.916
Work engagement	17	0.922

Table 2.2 Demographic analysis

	Frequency	Percent
<i>Gender</i>		
Male	12	18.2
Female	54	81.8
<i>Age</i>		
<20 years old	1	1.5
21–30 years old	20	30.3
31–40 years old	25	37.9
41–50 years old	12	18.2
>51 years old	8	12.1
<i>Highest education level</i>		
SPM	3	4.5
STPM/diploma	3	4.5
Bachelor's degree	4	6.1
Master's degree	49	74.2
Doctor of Philosophy	7	10.1
<i>Grading scheme</i>		
1–16	1	1.5
17–40	10	15.2
41–54	55	83.3
<i>Year(s) of service</i>		
<3 years	16	24.2
4–7 years	27	40.9
8–11 years	6	9.1
12–15 years	6	9.1
>16 years	11	16.7

Based on the summary of fun at work in Table 2.3, it was found that the highest fun at work scale was socializing with coworkers ($M = 3.89$, $SD = 0.66$). It was supported by Fluegge [7] with the mean score of 3.73 ($SD = 0.70$). The least fun at work was personal freedoms ($M = 3.30$, $SD = 0.79$); it was slightly different from Fluegge [7] study whereby celebrating at work was the least fun at work ($M = 2.99$, $SD = 0.99$).

From this study, it was found that the employees agree that fun at work is somewhat often being implemented in their organization ($M = 3.89$). The same

Table 2.3 Summary of fun at work

	Socializing with coworkers	Celebrating at work	Personal freedoms	Global fun at work	<i>N</i>
^a	$M = 3.89, SD = 0.66$	$M = 3.53, SD = 0.76$	$M = 3.30, SD = 0.79$	$M = 3.48, SD = 0.65$	66
^b	$M = 3.73, SD = 0.70$	$M = 2.99, SD = 0.99$	$M = 3.18, SD = 0.77$	$M = 3.67, SD = 0.85$	245

^aThe relationship between fun at work and work engagement

^bWho put the fun in functional? Fun at work and its effects on job performance (Fluegge [7])

goes with celebrating at work where the mean score was 3.53. However, personal freedoms have sometimes been offered in their organization ($M = 3.30$). Further, the employees are somewhat neutral but agree that global fun at work was happening in their organization ($M = 3.48$).

Ford et al. [9] reported that having fun at work will increase the levels of enthusiasm, satisfaction, creativity, and communication with employees and enhance the feeling of group cohesiveness. In addition, a fun workplace will contribute to the strength of an organizations' corporate culture whereby the company's norms, values, and beliefs are strongly shared and widely held by employees. Hence, it indicates that the employer or manager should be taking into account certain criteria that obtained lower ratings based on the mean score from this study.

Based on Table 2.4, there is a positive relationship between fun at work scale (socializing with coworkers, celebrating at work, personal freedoms, and global fun at work) and work engagement. There is a significant and medium relationship between two independent variables, celebrating at work ($r = 0.331, p < 0.01$) and global fun at work ($r = 0.457, p < 0.01$), with work engagement. Besides, personal freedoms have small relationship and significant influence to employee's motivation ($r = 0.256, p < 0.05$). On the other hand, socializing with coworkers has no significant influence and has low correlation with work engagement compared to the other independent variables ($r = 0.154, p > 0.05$).

The researchers tested the relationship between fun at work and work engagement to answer the following hypotheses:

H01: There is no relationship between fun at work and work engagement.

HA1: There is a positive and significant relationship between fun at work and work engagement.

Table 2.5 explains the relationship between fun at work and work engagement. It was found that there was a positive relationship between the independent variables and dependent variable. There was a significant and medium relationship between fun at work and work engagement ($r = 0.466, p < 0.001$). Thus, the H01 was rejected and HA1 was accepted.

The result from this study was supported by Fluegge [7] whereby fun at work is positively related to work engagement. It shows that higher fun at work occurs; it will increase the work engagement among employees. It also supports claims that

Table 2.4 Pearson’s correlation coefficients of fun at work and work engagement

		Work engagement
Socializing with coworkers	Pearson correlation	0.154
	Sig. (2-tailed)	0.216
Celebrating at work	Pearson correlation	0.331**
	Sig. (2-tailed)	0.007
Personal freedoms	Pearson correlation	0.256*
	Sig. (2-tailed)	0.038
Global fun at work	Pearson correlation	0.457**
	Sig. (2-tailed)	0.000

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

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

Table 2.5 Pearson’s correlation coefficients of fun at work and work engagement

		Work engagement
Fun at work	Pearson correlation	0.466**
	Sig. (2-tailed)	0.000

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

fun and humor in the workplace reduce stress and may lead to a healthier workplace [14].

2.6 Conclusion and Future Work

2.6.1 Demographic Information of Respondents

Based on the study, it can be concluded that most of the respondents were female (81.8 %) and most of the respondents were from the age group between 31 and 40 years old (37.9 %) followed by 21–30-year-old respondents (30.3 %). Other than that, it can be concluded that most of the respondents have master’s degree (74.2 %). The study also showed that most of the respondents were graded between 41 and 54 (83.3 %). Lastly, most of the respondents have 4–7 years of experience (40.9 % of total respondents).

2.6.2 Research Question 1: What Are the Scores for Fun at Work That Affect Work Engagement?

The results of this study indicated that the highest fun at work scale was socializing with coworkers and different score for others items. Based on this study, the highest fun at work scale was socializing with coworkers ($M = 3.89$, $SD = 0.66$) and least

fun at work was personal freedoms ($M = 3.30$, $SD = 0.79$). Therefore, it concluded that socializing with coworkers occurred most frequently than personal freedoms in organization.

2.6.3 Research Question 2: What Is the Relationship Between Fun at Work and Work Engagement?

The result of this study appears to be consistent with the literature result that there is a positive relationship between fun at work and work engagement. From this study, there is a significant and medium relationship between fun at work and work engagement ($r = 0.466$, $p < 0.001$). Hence, the higher fun at work occurs, it will increase the work engagement among employees.

2.6.4 Recommendations

This study was to identify the relationship between fun at work and work engagement. The result has proven that fun at work has significant relationship on work engagement. Based on the findings of this study, several recommendations and suggestions were made as follows.

The highest mean score for fun at work was socializing with coworkers and the least is personal freedoms. It is recommended that the organization especially public service organization needs to promote more personal freedoms in the organization. It is to ensure that the employees can have the elements of fun at work that will benefit the organization.

After analyzing the relationship between fun at work and work engagement, it was found that fun at work has significant positive relationship with work engagement. Statistical output and result from this study will benefit the top management where the finding of this study can be used as guideline in promoting fun at work in their organization.

2.6.5 Suggestions for Future Research

For future research, the researchers would like to suggest a few approaches for other researchers who want to do similar topic. The following recommendations are made to increase the value of future research.

Future research should not be limited to one organization only. Besides, it can be conducted from several organizations and be conducted by replicating on national sample. It would provide more respondents from various background and type of

businesses. When more respondents are taken to this kind of study, the generalization may not be limited since it represents bigger population.

Besides, the future research could use private sector or profit-oriented company to conduct similar study. The conflict at private sector might have different situation compared to the public sector. Tension to gain more profit and compete with competitor would give different approach of private sector implementing fun at work. Hence, profit-oriented company might give significant result on the future research.

Future studies should consider the use of other estimation techniques and instruments for more robust results.

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Chapter 3

The Mediating Effect of Family Support in Influencing Business Competitiveness of SME

Zainuddin Zakaria and Muhammad Abi Sofian Abdul Halim

Abstract The issue of competitiveness among small and medium size enterprises (SMEs) operated by local indigenous citizens (*Bumiputera*) has received great attention from the government of Malaysia. In fact, the Malaysian government through its “New Economy Policy” has taken several initiatives to enhance the competitiveness of the SMEs. Among the initiatives taken by the Malaysian government are creating more employment, generating higher income, improving the local economies, and building modern business physical facilities. The challenge, however, remains whether micro-entrepreneurs are really committed to the government’s initiative and efforts in improving their business competitiveness that will help them penetrate new and bigger markets. In light of these issues, the authors postulate three entrepreneurial factors and one mediating variable that may influence the competitiveness of the micro-entrepreneurs. A total of 520 micro-entrepreneurs were selected from seven districts in Terengganu, Malaysia. The three-step regression analysis revealed that family support partially mediates two entrepreneurial success factors, effective management and internal motivation, and fully mediates the entrepreneurs’ ability to exploit business opportunities. These findings revealed that the combination of family support with other entrepreneurial success factors would be more potent in creating sustainable competitive advantage among the entrepreneurs. The authorities responsible for the development of the entrepreneurs would therefore be wise to design entrepreneurial programs that not only cater to the entrepreneurs themselves but also focus on the participation of the whole family.

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Keywords Micro-entrepreneurs • Family support • Internal motivation • Business efficiency • Business competitiveness

3.1 Introduction

Past scholars have suggested that the development of a country is significantly contributed by the stability of its politic and economic environment which is affected by the entrepreneurial activities and business competitiveness. In fact, many developing countries such as Nigeria [1], Ghana [2], and Pakistan [3] have introduced policies and procedures that encourage micro-entrepreneurs to compete better in the marketplace. In Malaysia, the government through its “New Economy Policy” has taken initiatives to create higher employment rate, better income, improvement of local economies, and general social transformation in order to reduce its national poverty level. The authors argue that the main issues concerning the micro-entrepreneurs in Terengganu are their ability to stay competitive in challenging markets. The micro-entrepreneur’s acceptance to the government’s initiative and implementation of poverty eradication programs is expected to create and generate more employment, improvements of local economies, and general social transformation of entrepreneurs’ quality of life. The main focus of this paper is to measure the mediating effect of entrepreneurial success factors and the business competitiveness of the micro-entrepreneurs who operate in Terengganu, Malaysia. In addition, the authors hope to determine whether the support from family members mediates the critical success factors in creating business competitiveness. The three factors are the entrepreneurs’ ability to manage their business efficiently, their ability to exploit business opportunities, and personal development.

3.2 Literature Review

According to [4], the core definition of entrepreneurship comprises human creativity and the ability to discover profitable ideas that enable market actors to take advantage of new and socially beneficial gains from trade. Small and medium enterprises (SMEs) play a vital role in a country’s economic development. The current trend of economic growth and the rapid industrial development have made Malaysia as one of the economic giants among developing nations. Since the Ninth Malaysian Plan (2006–2010), the government has been devoting and designing SME development plans to assist the SMEs to meet the new business challenges in a competitive global business environment. Successful and competitive entrepreneurs play a prominent role in reducing poverty by injecting substantial amounts of money into the economy and sharing wealth with the poor and providing jobs for them.

These approaches have positively improved the social and economic development in Ghana in the context of attracting investments, creating employment opportunities, and decreasing poverty. Moreover, Nawi et al. [5] has suggested that the long-term competitive advantage of small and micro scale enterprises is one of the means of eradicating poverty. It has to be part of a comprehensive plan for raising the standard of living of the population.

According to Chandler [6], the concept of sustainable micro-entrepreneurship is a development process combining three aspects, namely, microfinance, entrepreneurship, and sustainability. Moreover, Zakaria and Abdul Halim[7] postulate that to create business competitiveness, the ability to utilize market opportunities mediates other predictors such as management structure, product development, and continuous source of supply. This concept is also supported by the work of Abdul Halim et al. [8] who studied the effort of the Terengganu tourism authorities in sustaining the tourism business in Terengganu. In terms of developing the potential among entrepreneurs, Ahmad et al. [9] emphasized that there are several factors that contributed to the development of successful entrepreneurs, which includes sense of independence, risk taking, achievement oriented, self-confidence, optimism, hard work, and being innovative.

Reference [10] argues that entrepreneurs' personal characteristics significantly impact participants' perceptions of their abilities to develop and expand their business. In addition to external factors such as government policies and managerial and economic factors, Rogoff et al. [11] proposed that the success factors of small business include personal characteristics such as hard work, ethics, commitment, perseverance, autonomy, locus of control, and risk taking toward their business.

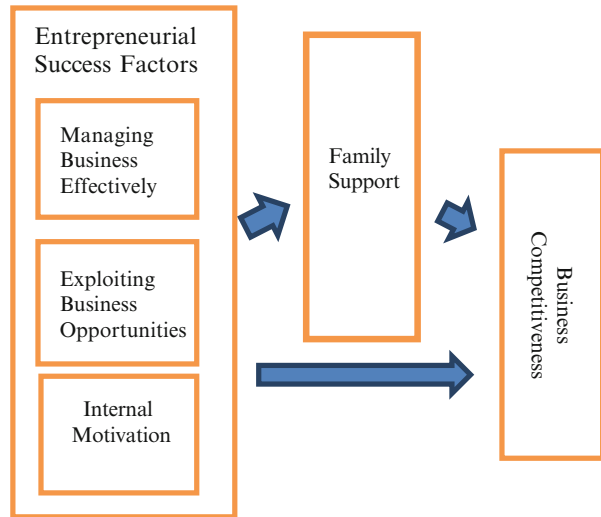
3.3 Conceptual Framework

In this paper, based on the review of literature, three independent variables or predictors were identified which include managing business effectively, exploiting business opportunities, and internal motivation. The dependent variable, on the other hand, is identified as business competitiveness of the micro-entrepreneurs. Furthermore, family support is considered as the mediating variable. All these variables are depicted in the conceptual framework below (Fig. 3.1).

3.4 Methodology

A survey using self-administered questionnaires was chosen as the main data collection method. Respondents were chosen from micro-entrepreneurs in the state of Terengganu who are registered with "Yayasan Pembangunan Keluarga Terengganu (YPKT)." Questionnaires were distributed through face-to-face interviews and by mail. Items used in the questionnaire were adopted from several

Fig. 3.1 Conceptual framework of the mediating effects of family support



theoretical concepts identified in the literature and also common themes expressed by the respondents during the preliminary interviews. In this study, a sample of 580 micro-entrepreneurs was selected from a population of 3,148 micro-entrepreneurs in the state of Terengganu. They were selected from seven (7) districts in Terengganu. The respondents are micro-entrepreneurs who are registered with *Yayasan Pembangunan Keluarga Terengganu* (YPKT). These entrepreneurs operate in seven districts, namely, Besut, Setiu, Kuala Terengganu, Hulu Terengganu, Marang, Dungun, and Kemaman.

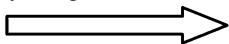
A simple random sampling method was adopted in selecting the respondents to ensure the micro-entrepreneurs have equal chances of being selected as respondents. In analyzing the data, the authors applied the multiple regression analysis to determine the influence of three predictors, exploiting business opportunities, effective business management, and internal motivation on the dependent variable, business competitiveness. Secondly, the mediating effect of family support on the relationship between the predictors and the dependent variables was also calculated using a three-step multiple regression analysis as suggested by [12].

3.5 Analysis and Finding

The authors conducted a multiple regression analysis in three (3) steps in order to determine the mediating effect of family support on the relationship between the predictors and the dependent variable. All results are shown below.

3.5.1 Step 1

The dependent variable is regressed on the independent variable. In other words, the authors are trying to determine whether the independent variables are significant predictors of the dependent variable. An “enter” method was used in all multiple regression analysis, and any insignificant variables are excluded from the equation:

Independent Variables  Dependent Variable

$$y = 0.154 + \beta X_1 + \beta X_2 + \beta X_3 + 0.117$$

$$y = 0.154 + 0.147X_1 + 0.452X_2 + 0.320X_3 + 0.117$$

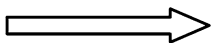
y = Business Competitiveness

X_1 = Exploiting Business Opportunities, X_2 = Effective Management, X_3 = Internal Motivation

All β values for all predictors *are* significant ($F = 386.647$, $p < 0.05$) with R Square (r^2) value of **0.700**.

3.5.2 Step 2

In the second step, the mediator (Family Support) is regressed on the independent variables. In other words, the authors are trying to confirm whether the independent variables are significant predictors of the mediator. If the mediator is not associated with the independent variables, then it couldn't possibly mediate anything. All results are shown below:

Independent Variables  Mediator

$$y = 0.149 + \beta X_1 + \beta X_2 + \beta X_3 + 0.110$$

$$Me_1 = 0.149 + 0.497X_1 + 0.236X_2 + 0.193X_3 + 0.110$$

Me_1 = Family Support, X_1 = Exploiting Business Opportunities, X_2 = Effective Management, X_3 = Internal Motivation

All β values for all predictors *are* significant ($F = 417.805$, $p < 0.05$) with R Square (r^2) value of **0.716**.

3.5.3 Step 3

In the third step, the mediator and the independent variable are used simultaneously to predict the dependent variable; the previously significant path between the independent and dependent variable (Step no. 1) is now greatly reduced, if not totally insignificant. In other words, if the mediator were to be removed from the

relationship, the relationship between the independent and dependent variables would be noticeably reduced. The equation is therefore shown below:

$$y = 0.128 + \beta X_2 + \beta X_3 + 0.167 Me_1 + 0.116$$

$$y = 0.128 + 0.412X_2 + 0.288X_3 + 0.167Me_1 + 0.116$$

Me_1 = Family Support, X_2 = Effective Management, X_3 = Internal Motivation
All β values for all predictors are significant ($F = 300.547$, $p < 0.05$) with R Square (r^2) value of **0.708**.

The authors also discovered that the mediating variable; Family Support is significant as shown by the significant value of less than 0.05. Furthermore, the beta values (β) of the predictor variables, Effective Management and Internal Motivation, are lower compared to their beta values (β) in Step number 1. The beta value for Effective Management decreases from 0.452 to 0.412 and the beta value for Internal Motivation decreases from 0.320 to 0.288, confirming the partial mediation of family support on the independent variables, Effective Management and Internal Motivation. In addition, the R Square (r^2) value in the third equation is higher (0.708) than the R Square value (0.700) in step number 1, highlighting the mediating effect of Family Support in the relationship between the two predictors (Effective Management and Internal Motivation) and the independent variable, Business Competitiveness.

The researchers also discovered that the independent variable, Exploiting Business Opportunity, is insignificant (Sig. value greater than 0.05) in influencing Business Competitiveness when the mediating variable, Family Support, is included in the regression model indicating its total mediating effect on the relationship "Exploiting Business Opportunity" and Business Competitiveness.

The finding indicates that the element family support is a critical contributor to the business competitiveness of the small and micro-entrepreneurs (SME) in the state of Terengganu. In fact, results of the findings suggested that family support partially mediates the association between the predictor variables, Managing Business Effectively and Internal Motivation, on the business competitiveness of the SMEs. Furthermore, in the presence of strong family support and assistance, the predictor "Exploiting Business Opportunities" was found to have no significant impact on the SME's business competitiveness. This result is manifested by the total mediation of variable family support on the predictor "Exploiting Business Opportunities."

3.6 Conclusion and Recommendation

The findings of this paper provide a clear picture to the Terengganu state government in determining the factors and dimensions perceived as critical by the micro-entrepreneurs in creating business competitive advantage. Furthermore, the

findings in this paper will help the relevant government agencies in restructuring its eradication poverty program and redesigning their key performance index (KPI) in evaluating the performance of micro-entrepreneurs. More importantly, we postulate that for the micro-entrepreneurs in Terengganu, the support of family members is a crucial factor in creating competitiveness of the micro entrepreneurs which will eventually create better market penetration, better products and services innovation, and higher income for the entrepreneurs.

In addition to other success factors which include internal motivation and ability to effective business management, the support of family members is paramount due to the fact that these entrepreneurs are operating on limited resources. Furthermore, the business may be inherited from their fathers or grandfathers. The limited financial resources do not allow them to hire many employees to run the business. This argument is supported by the work of Coy et al. [13] who studied the influence of family among small entrepreneurs in Pakistan.

Moreover, the researchers also discovered that family support totally mediates the influence of exploiting other markets on the entrepreneur's ability to create competitiveness. This may be due to the lack of knowledge, limited assets and cash flow, lack of mobility to venture into other markets, and the fear that the support from close family members will diminish. Nevertheless, unlike other research, this paper focuses on nonfinancial support of family members such as operational, ownership, human resource, emotional, and motivational support. The finding is supported by past studies that highlighted the importance of acquiring nonfinancial support from family members [14–16].

The researchers propose that suitable and optimum training should be given to the entrepreneurs who plan to penetrate the present market or venture into new markets. Training is deemed important as proposed by past scholars. Reference [17] added that the purposes of entrepreneurship training are to develop human capital, stimulate local entrepreneurial talent, create opportunities in the market, and enhance the entrepreneurs' marketing skills. Moreover, Lyons and Mattare [18] suggested that training which focuses on internal success factors may empower the entrepreneurs to look at the success and failure of a business more on their actions and not on external forces. This awareness will motivate them to take greater responsibility in determining their business success. In addition, past scholars and researchers have suggested that designing good training modules plays a major role in the development of micro-entrepreneurs in the context of motivating the entrepreneurs to develop their personal success, improving their family income and their ability to manage the business, and assisting the entrepreneurs to identify good business opportunities [19, 20]. Finally, the findings of this study are also important for entrepreneurial agencies in creating effective entrepreneurial programs and workshops, taking into consideration the influence of family support. They can also utilize this finding to plan and create better policies, procedures, and programs for the micro-entrepreneurs.

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Chapter 4

The Network Characteristic of Chinese SMEs in Malaysia and Their Performance

Law Kuan Kheng and Mohd Sobri Minai

Abstract The small and medium enterprises (SMEs) play a salient role to prosper the economic and market development in Malaysia. Among the significant contributions of SMEs are to create a lot of job opportunities, increase tax income and export duties, and improve economic stability. However, the path of SMEs' development and growth is not a smooth sailing journey. In fact, SMEs always face a lot of problems and obstacles that are possible to influence their development, survival, and growth in the economic market. Among the major constraints encountered by SMEs are financial difficulty and lack of information. These problems that arise could be due to the entrepreneurs of SMEs not being able to establish a good relationship with their network contacts. Even though there are many past researches who had discussed about network characteristic among owner-managers, however, a study on Chinese owner-manager in Malaysia is still limited. Therefore, this paper investigates the network characteristics among Chinese owner-managers and their relationship with SMEs' performance. The findings showed that total network size is 44 persons and network diversity is 0.16 (race), 0.37 (relationship), 0.38 (occupation), and 0.16 (gender), while the network density obtained by Chinese is 0.69. The network size of Chinese owner-managers (family members, relatives, friends, suppliers, customers, bankers, trade organization, social organization, government officials, and total network size) indicates a significant result on the overall performance.

Keywords Network • SMEs • Performance • Owner-manager

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4.1 Introduction

It is an indisputable fact that small and medium enterprises (SMEs) play an important role in economic development [1, 2]. Worldwide, SMEs account for 90–95 % of the businesses and generate between 60 % and 90 % of job opportunities in most countries [3]. For example, in the United States, the SMEs which are referred to as small firms account up to 99.7 % of total business establishment [4] and contribute at least 50 % share to the gross domestic product (GDP). [5] found that SMEs account for 51 % of business establishment in the United Kingdom, whereas [6] reported 60 % in China.

The Company Commission of Malaysia reported that 99.2 % of firms are SMEs which include up to 313,230 registered small companies in the country [7]. In terms of the contribution to GDP, the contribution was relatively unchanged at 29 % for the period from 2000 to 2004 and rose from 29.4 % in 2005 to 31.4 % in 2008. Although this percentage is lower compared to the developed countries such as the United States of America (USA) and the United Kingdom (UK), this is considered as quite high among the developing countries [8].

In general, majority of SMEs in Malaysia are perceived controlled and managed by Chinese community [9–11]. The success of Chinese enterprise can be determined by a number of factors, and network (*guanxi*) has been proved as a key business determinant on enterprise performance [12–18]. In addition, there are a lot of book and article writing about the importance of network (*guanxi*) in Chinese business, for example, *Chinese Business Network* edited by Chan [19], *Chinese Business in Malaysia* by Edmund Terence Gomez [20], and *Chinese Entrepreneurship and Asian Business Networks* edited by [21].

Chinese networks are considered as factors crucial to business performance and success in Chinese society [12, 16]; there have been no major studies of the content and development of Chinese entrepreneurial network. Furthermore, a small number of scholars have begun to question and challenge as there is lack of empirical data to support the popular notions [20, 22]. Therefore, a study on Chinese small and medium enterprises (SMEs) is needed as the research on this area has been limited [22]. Seeing the limited research on Chinese SME enterprises in Malaysia, this study plays an important role to provide empirical facts to address the real picture of ethnic Chinese business networks in order to fill the gap between the theoretical and empirical in the literature [21].

4.2 Research Questions

The research questions that this study endeavors to investigate are as follows:

1. What are the unique elements in the Chinese SME network that make them regarded as successful businessmen in Malaysia?
2. How do the Chinese SME networks affect their business performance?

4.3 Theoretical Framework

The theoretical framework of this research is developed based on the following theories:

1. Social network theory (SNT)
2. Contingency theory (CT)

SNT theory explains how the social structure of relationships around a person, a group, or an organization affects people behaviors [23]. It concentrates on the relationship between people, rather than on people's characteristics and attributes. The strength of relationship between the owner-manager and other people and parties such as suppliers, friends, customers, government agencies, trade organizations, and social organizations determines the resources that they are able to access, whereas the institutional theory highlighted by [24] stressed on the importance of owner-managers in managing the institutional network which involves parties of the government agencies, trade organizations, and social organizations in their business environment. The institutional relationship allows the owner-managers to access the resources in order to resolve the problems that are faced by the enterprises.

The next underpinning theory is contingency theory (CT). This theory is a behavioral theory that claims there is no single best way to organize and manage a company to be successful in a market. The early perspective on contingency theory is related to the technology introduced by Joan Woodward in 1958. Then, Fred Fiedler recommended a contingency model toward leadership styles and organizational situation [25]. Since there is no universal best strategy or situation that contributes to the maximal result, therefore, it is important to identify the optimal condition or course of action that is related to entrepreneurial networks which can assist the owner-manager to access various types of resources. Eventually, the optimum utilization of resources through entrepreneurial networks by the owner-managers based on different market situations would contribute to the excellent performance of the small firms.

4.4 Research Methodology

The sampling method proposed in this study is stratified random sampling. This method implies a process of segregation, followed by selecting of subjects from each identified stratum. Stratification is an efficient method for sampling because it gives more information about sample size and ensures homogeneity with each stratum. Based on the report of the Census of Establishments and Enterprises 2005, three major categories of SMEs in Malaysia are services, agriculture, and manufacturing. SMEs from the service sector have been chosen as the targeted group in this research because service sector in SMEs formed the largest category,

with 86.5 % of total SMEs as compared to manufacturing (7.3 %) and agriculture (6.2 %) sectors. The bulk of the SMEs are microenterprises (80.4 %), followed by small (17.6 %) and medium (2.1 %) enterprises. Most of the SMEs are retail, restaurant, wholesale, transportation, communication, and professional services. Furthermore, this sector also plays a significant contribution to the 71.4 % of employment opportunities and 66.8 % of total value added which is the highest as compared to other sectors. Eighty-eight subjects were sampled for this research. Eighty male and eight female Chinese owner-managers were studied nationwide in Malaysia. The data had been analyzed by using statistical software which is Statistical Package for Social Science Program (SPSS) version 21.

4.5 Results

4.5.1 Network Size

The size of network represents how many actors (different people) an entrepreneur is talking and discussing about business matters while performing business activities [26]. A high number of network persons will increase the chances to access more resources needed by entrepreneurs to set up and run their business activities [27]. When the problem of lacking resources can be solved, it will help the enterprise to survive and grow in the market. Therefore, the size of network may be one of the important variables in determining the performance of a business enterprise.

The study of [28] showed that the average number of people who Bumiputra (Malay) entrepreneurs have discussed business matters with during the last 6 months is about 7.3. This result is close to the study conducted by [29] in Northern Ireland with 7.4 persons. On the other hand, a study by [30] indicated that firm start-ups less than 3 years old have a positive relation between the size of network and company's profitability. However, there was a study which showed that the size of network does not significantly affect business survival and performance [31].

This study used network size as an independent variable and test with performance of SMEs among Chinese owner-managers. The size of network is measured by having entrepreneurs estimate the number of people they talk to about business matters for the past 6 months [28, 32].

The result of the study showed that network size among Chinese owner-managers is 13 persons (family members, relatives, and friends) which is higher as compared to the earlier studies related to the size of network conducted by [29] who found that only 7.4 persons are entrepreneurs in Northern Ireland. The result was also similar to the study by [28] in Malaysia in which the average number of people who Bumiputra (Malay) entrepreneurs have discussed business matters with during the last 6 months was about 7.3.

4.5.2 *Network Diversity*

Network diversity is another measure focusing on heterogeneity of network. Research on networks has found that different backgrounds of contacts are able to provide various resources (financial, information, and emotional support) to the entrepreneur during establishment, start-ups, or even growth process of the new venture [26, 33–37]. A perfect homogenous network can occur where every contact member has the same background. Most of the researchers only ask respondents about information related to network structure limited to five close contacts only [26, 35, 38, 39]. This study will gauge the network diversity of the entrepreneur's limit to five close contacts only. The measurement of diversity or heterogeneity of network will focus on the nature of relationship, occupational background, and ethnic group.

Network diversity can also be defined as the entrepreneurs' networks which consist of various types of ties with contact persons [28]. A research on networks has found that different backgrounds of contacts are able to provide various resources (financial, information, and emotional support) to the entrepreneur during establishment, start-ups, or even growth process of the new venture [26, 33–37]. A perfect homogenous network occurs when every contact member has the same background. The Chinese owner-managers scored 0.1639 for ethnic background, 0.3749 for nature relationship, 0.1554 for gender, and 0.3826 for occupational background.

4.5.3 *Network Density*

Network density can be defined as the number of persons or actors that have high connectedness and know each other in an ego network [34]. When the value of density is equal to 1, it means that all persons or actors in the network know each other [39]. However, density also can refer to the percentage of network members who do not know each other [28]. A network that has lower density probably will produce high quality of information with low rate of redundancy [39]. The model of strong and weak ties was popularized by [40]. This model suggested that strong ties are always created among those contacts very close to the entrepreneurs and normally involved emotional and psychological support [41]. The close contacts might be family members, relations, and friends who also provide financial support to the entrepreneurs based on long-term relationship. Network density can be measured by requiring the respondents to justify the connectedness and closeness among five network members as to what extent they know each other.

A simple explanation of density is the extent of connections among connections [42]. Density indicates the number of persons or actors that have high connectedness and know each other in an ego network [34]. On the other hand, density also can be referred to the number of actual relationships among alters in a

Table 4.1 Multiple regression analysis

IV	Standardized coefficients (beta)	<i>t</i>	Sig.
Constant		7.418	0.00
NS	-0.044	-0.30	0.76
NDR	-0.201	-1.55	0.13
NDNR	0.305	2.32	0.02*
NDOC	-0.062	-0.47	0.64
NDG	0.027	0.21	0.83
ND	-0.082	-0.67	0.51

NS network size, NDR network diversity of race, NDNR network diversity of nature of relationship, NDOC network diversity of occupational background, NDG network diversity of gender, ND network density

*Sig level – 5 %

network [42]. When the value of density is equal to 1, it means that all persons or alters in the network know each other; it can be called as closed network [24, 39, 42]. The score for network density among Chinese owner-managers is 0.6917.

4.6 The Impact of Network Characteristics on Business Performance

A multiple regression will be run across the five independent variables to predict the dependent variable, sales growth (SG) performance. In Table 4.1, it was found that NDNR (network diversity of nature of relationship) was able to influence sales growth (SG) performance of the firm significantly at $p < 0.05$. However, the five independent variables, NS (network size), NDR (network diversity of race), NDOC (network diversity of occupational background), NDG (network diversity of gender), and ND (network density), were not functioning as a predictor of SG.

4.7 Discussion

The result of this study showed that network diversity of nature of relationship is identified as a factor that is able to influence the firm performance (sales growth) among Chinese owner-managers in Malaysia. It can be interpreted that if the Chinese owner-managers are able to increase the diversity of nature of relationship among network contacts, it is possible for them to show better performance in business. The average number of people that Chinese owner-managers have discussed business matters with during the last 6 months is about 13 persons. The network size in this study is higher than the [28, 29] studies that recorded eight persons only. The bigger size of network provides additional advantage for Chinese owner-managers to access various resources such as financial, information, and

Table 4.2 Network composition

Categories of network	Percentage (%)
Family members	6.2
Relatives	3.8
Friends	22.8
Suppliers	19.9
Customers	38.0
Government officials	5.4
Bank officials	3.9
Total	100 %

morale from other persons which are important for business growth and advancement [43, 44].

Further analysis of the network size will reveal the network composition among Chinese owner-managers as shown in Table 4.2. It was found that Chinese owner-managers preferred to discuss about business matter with their customers (38.0 %). This might be because Chinese owner-managers believe customer feedback is important for their business progress, development, and improvement. On the other hand, the findings showed Chinese owner-managers seldom discuss business matter with bank officials (3.9 %). It may hinder them to access information which is important for loan facilities. The details of results are shown in Table 4.2.

4.8 Suggestions and Conclusion

The limitations encountered in this study such as small sample (88 respondents) hinder the opportunity to generalize the data to all Chinese SME owner-managers in Malaysia. Therefore, it is suggested that future research should increase the number of respondents. In summary, the network diversity of nature of relationship among network contacts plays a significant role to influence the firm performance among Chinese SME owner-managers in Malaysia. Therefore, it is recommended that the Chinese owner-managers should take some initiatives to diversify their network contacts especially in the aspects of nature of relationship.

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Chapter 5

Entrepreneurs' Innovativeness Based on Emotional Intelligence (EI) Competencies Towards Entrepreneurial Success

Rohana Ngah, Zarina Salleh, and Wan Ismail Wan Mamat

Abstract Entrepreneurial environment is very challenging and competitive; thus, failing rate of business venture is high around the world. How do entrepreneurs manage and control their emotions and still be able to be innovative in the competitive entrepreneurial environment? Emotional intelligence relates to the ability to identify and express emotion and emotional adjustments and use emotions as self-motivation and a means to motivate others (Goleman 1995). Entrepreneurs' ability to be successful is dependent on their resilience and ability to be innovative. The role of emotional intelligence in activating entrepreneurs' innovativeness is yet to be explored in the entrepreneurial research. This conceptual paper would be highlighting the entrepreneurs' innovativeness from the perspectives of emotional intelligence in achieving entrepreneurial success.

Keywords Entrepreneurs' innovativeness • Emotional intelligence • Entrepreneurial success

5.1 Introduction

The entrepreneurship experience is said to be an extreme experience full of uncertainty, ambiguity, and stress [1], where only those with strong entrepreneurial characteristics can survive and sustain. Emotional intelligence has increasingly been argued to be a highly useful concept in career success [2], organizational effectiveness [3], job satisfaction [4, 5], strategic decision [6], leadership [7, 8], and organizational performance [8]. Recent times have seen researchers focusing on personal qualities of the entrepreneur that develops outstanding businesses. This was encouraged by inspirational business icons like Air Asia's Tony Fernandez and Virgin's Richard Branson; the quest for the secret behind these successful entre-

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preneurs has become one with a psychological perspective of capitalizing emotional intelligence. Entrepreneurs are those that shine and excel in the workplace beyond the norm. Sexton and Bowman [9] had characterized entrepreneurs who tend to be (1) tolerant of ambiguous situations, (2) prefer autonomy (autonomy may be described as self-reliance, dominance, and independence), (3) resist conformity, (4) be interpersonally aloof yet socially adroit, (5) enjoy risk-taking, (6) adapt readily to change, and (7) have a low need for support. These factors cannot be easily delegated and communicated to the down lines which lead to intense stress or loneliness for the entrepreneur. Being stable emotionally is very crucial for the entrepreneur with stress and loneliness. During the past few decades, there have been tremendous efforts on measuring the impact of emotional intelligence on the performance of entrepreneurs [2, 8, 10, 11]. Innovation is a key aspect of entrepreneurship [12]. Entrepreneurs must be innovative besides being risk-taker and proactive where entrepreneurial orientation represents the policies and practices that provide a basis for entrepreneurial decisions and actions. Innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes [13]. Emotional intelligence facilitates innovativeness and change in the organization [14]. Entrepreneurs' innovativeness is important for the company to excel, thus bringing success in entrepreneurship ventures especially in global uncertainty. Ho [15] in her study of emotional intelligence of Chinese entrepreneurs in Malaysia proposed that entrepreneurs must not only have a single intelligence that was crucial for life's success but rather a wide spectrum of intelligence to be successful. As Malaysia is heavily invested on entrepreneurship efforts, EI should be addressed accordingly together with innovation towards entrepreneurial success in equipping our entrepreneurs to be more resilient and innovative. The stressful and demanding environment requires a strong mental strength for entrepreneurs to withstand the competition and remain sustainable for a long time. Entrepreneurship is one of the ambiguous area in the literature, and the relationship of emotional intelligence and entrepreneurial success has not extensively been explored [16, 17]. However, very few studies of EI have been carried out in entrepreneurship as entrepreneurship studies tend to focus on finances, management, marketing, etc. This study seeks to assess the relevance of two constructs, emotional intelligence and entrepreneurs' innovativeness, in entrepreneurial success by posing two research questions:

- How does emotional intelligence affect entrepreneurial success among Malaysian entrepreneurs?
- Does emotional intelligence affect entrepreneurial innovativeness towards entrepreneurial success?

We hope this study would shed some light on the power of emotion in creating and developing innovativeness among entrepreneurs, thus helping them to capitalize their emotion towards their success in entrepreneurship venture.

5.2 Emotional Intelligence

Previous studies suggested emotional intelligence can improve one's life through appropriate training and education [18]. Emotional intelligence (EI) relates to the ability to identify and express emotions and emotional adjustment and use emotions as self-motivation and a means to motivate others [18, 19]. Emotional intelligence abilities are particularly salient to entrepreneurs because of their need to manage social interactions with other individuals. Social interactions include activities such as presenting to investors, gaining and maintaining customers, negotiating, as well as attracting, selecting, and handling employees, suppliers, and partners. EI is divided into five main areas: self-awareness, self-regulation, motivation, empathy, and social skills [18]. It involves managing emotions so as to avoid task interference, delaying gratification to pursue goals, recovering from emotional distress, and being conscientious [20]. In Cross and Tavaglione's [16] study in Australia of high-profile entrepreneurs, they found that entrepreneurs showed extremely high level in appraisal and expression of emotion and regulations and utilization of emotion. With a greater ability to identify, understand, and manage the emotional responses of themselves, and others, entrepreneurs will obtain a competitive advantage that sets their business performance apart from their competitors. As emotional intelligence is slowly being recognized, Wong and Law [21] have taken further action to develop new four dimensions of the emotional intelligence scale using the Mayer and Salovey [19] model which is composed of:

- (A) *Self-Emotional Appraisal (SEA)*:
Ability of individuals to understand and assess their deep emotions and be able to express these emotions naturally
- (B) *Others' Emotional Appraisal (OEA)*:
Ability of individuals to perceive and understand the emotions of others around them
- (C) *Regulation of Emotion (ROE)*: Ability of people to regulate their emotions, which will enable a more rapid recovery from psychological distress
- (D) *Use of Emotion (UOE)*: Ability of individuals to make use of their emotions by directing them towards constructive activities and personal performance

5.3 Emotional Intelligence and Entrepreneurial Success

Ahmedtouglu et al. [11] argue that entrepreneurship is not solely about the creation of business but rather a set of activities or behaviors of entrepreneurs themselves. According to Bahadori [14], people with high emotional intelligence can better solve problems more efficiently and control their emotions. He further emphasized that EI is a conflict between what the person feels and thinks. Brandstätter [11] performed an investigation on random samples from two groups of people; first group comprised of 255 owners of small- and medium-sized businesses, while the

second group was associated with 104 people interested in setting up a private business. He discovered that owners who were founders were also emotionally more stable and independent than owners who had taken over their business from parents, relatives, or by marriage. Business owners who are emotionally stable and independent were more successful [20]. However, Yitshaki and Rothsein [8] found in their preliminary findings that entrepreneurs' EI does not have a direct influence on organizational performance but managerial style does have direct influence.

5.4 Emotional Intelligence and Entrepreneurs' Innovativeness

Emotional intelligence competencies distinguished outstanding performers where the role of self-management and relationship management of EI competencies showed a higher innovative performance [22]. Gogal and Akilesh [23] found that interplay of three different and interrelated abilities termed as cognitive intelligence, emotional intelligence, and social capital increased the innovativeness of individual and group. Meanwhile, Suliman and Al-Shaikh [24] in their study in the Middle East found that emotional intelligence plays a strong role in promoting creativity and innovativeness in the organization. In addition, Kamalian et al. [25], in their study on emotional intelligence and corporate entrepreneurship, found motivation and self-awareness are most effective factors on innovation, while self-regulation has the most on risk-taking and then empathy has the most effect on pro-activeness.

5.5 Emotional Intelligence, Entrepreneurs' Innovativeness, and Entrepreneurial Success

Successful entrepreneurs require a blend of analytical, creative, and practical intelligence, which in combination constitute successful intelligence [20]. Reference has very often been made in the research literature to the role entrepreneurs play in stimulating innovation [26] which relate to the human personality but not to emotion. Ahmetoglu et al. [2] further found that an individual who has high EI tends to have higher effectiveness, informing creative dispositions and thus facilitating innovation. How the entrepreneur makes decisions and judgments in the experiential mode (emotional) rather than a rational mode implies the importance of emotional intelligence in entrepreneurial success [1]. They further emphasized that peak performance can be achieved when the entrepreneur is experiencing peak experience relating to emotional and spiritual pressure. Positive moods have been shown to increase memory of positive information, self-assurance, enthusiasm, flexibility, creativity, and inductive reasoning [16]. The feeling of joy can serve

as a motivational tool that encourages entrepreneurs to push their performance to higher levels and achieve subsequent contentment and success [27]. Emotional intelligence is said to be a factor in superior performance [18] where emotion is one of the important elements in helping successful entrepreneurs in making a rational decision-making process as well as innovation process [1]. Moreover, Baron [28] agrees that positive emotions may enhance entrepreneurial creativity including opportunity recognition. It is also suggested that emotionally intelligence leaders behave in ways that promote the creativity of their employees.

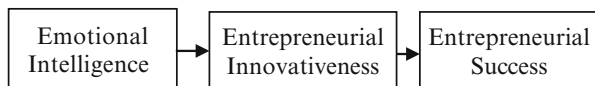
5.6 Proposed Conceptual Framework

Based on the literature review, we proposed a conceptual framework as shown in Fig. 5.1. Entrepreneurial innovativeness is a mediating variable in the relationship between emotional intelligence and entrepreneurial success. In addition, the impact of emotional intelligence's four factors (self-emotional appraisal, other's emotional appraisal, regulation of emotion, and use of emotion) on innovativeness and entrepreneurial success would be interesting to be observed in Malaysian scenario.

5.7 Discussion

Psychology is seldom been highlighted in entrepreneurship study especially related to the capability of an individual to analyze his emotions and values [17]. The entrepreneurship process is a very challenging process; therefore, it requires a strong mental and stable emotion for an entrepreneur to be able to face the competition. In their study on emotional intelligence of entrepreneurs, Rhee and White [29] found that entrepreneurs demonstrated high level of self-confidence, trustworthiness, achievement orientation, service orientation, change catalyst, teamwork, and collaboration. It raises a question on how emotional intelligence could trigger entrepreneurs' innovativeness in the entrepreneurs themselves. As innovation is a key success factor in entrepreneurship, it is important to know on how emotional intelligence could help entrepreneurs to be innovative by utilizing their emotion. The challenging world of entrepreneurship demands a strong emotion for entrepreneurs to embrace the challenges they are facing every day from the stakeholders be it their employees, customers, suppliers, government, agencies, and the list goes on. Studies have shown that entrepreneurs with higher EI tend to perform better. Entrepreneurs should leverage their emotion power to increase

Fig. 5.1 Conceptual framework



creativity and innovation in the organization by exploiting the emotional intelligence for their benefits. The power of emotion would help entrepreneurs to be good leaders and thus able to inspire and motivate their employees to be innovative and creative in the organization.

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Part II
Entrepreneurship Education

Chapter 6

Assessing Entrepreneur Education, Perceived Desirability of Self-employment and Entrepreneur Intention Among Trainee Teachers in a Higher Learning Institution

Norshidah Nordin, Rohaya Abdul Wahab, and Melissa Malik

Abstract Current studies revealed that university students' career aspiration towards entrepreneur intention is on the rise. The impact of entrepreneurship education could be one of the driving factors that motivates university students to understand and foster an entrepreneurial attitude. However, the overriding question is: To what extent this phenomenon is relevant to graduate students who were trained to become teachers? In addition, job opportunities in a teaching area whether in public or even private schools are inevitably limited. Were these trainee teachers ready to be self-employed and venture into new entrepreneurship? Therefore, this study was intended to investigate the level of entrepreneur intentions among trainee teachers of UiTM, Shah Alam. Besides, this study was also intended to examine whether entrepreneur education and desirability of self-employment could influence entrepreneur intentions. This study utilised a survey method using a cross-sectional research design. About 159 undergraduate students from the faculty of education participated in this study. The finding showed that there was a positive and moderate relationship between entrepreneur education and desirability of self-employment on entrepreneur intentions. The discussion addresses implications and future research direction.

Keywords Component • Formatting • Style • Styling • Insert (keywords)

6.1 Introduction

Changes in the economy and workforce needs have led many university students to consider engaging themselves in business and entrepreneur environment [6]. Besides, [24] noted that entrepreneurial education at tertiary level has become an essential component of many curriculums in private and public higher learning institutions. Universities have played important roles in promoting graduates into

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the world of entrepreneurship [24–26]. Hence, due to economy changes in the global context, graduate students have the tendency to take up business education in order to equip themselves with knowledge and skills in order to succeed in their current businesses or venture into existing entrepreneurial opportunities. Besides, the idea of having salaried employment or working in a government sector as one form of secured employment is no longer a guarantee [14, 27]. Another interesting study reported that self-employment has become desirable among graduates [2]. For example, a study done by Hart and Harrison [9] in the University of North Ireland found that 47 % of the students expressed the intention to run their own business. Another study done by [14] revealed that 46 % of college students consider owning a business as a career. However, the overriding question is: To what extent this phenomenon is relevant to graduate students who were trained to become teachers? Moreover, these trainee teachers did not take up any specialised education programmes in entrepreneurship. In addition, job opportunities in a teaching area whether in public or even private schools are inevitably limited. Were these trainee teachers ready to be self-employed? Therefore, this study was intended to examine trainee teachers' perceptions towards entrepreneur education and perceived desirability of self-employment entrepreneur intention. The following section highlighted previous studies on those constructs.

6.1.1 Understanding the Constructs of Entrepreneur Intention and Its Relationship with Entrepreneur Education and Perceived Desirability of Self-employment

Generally, the concept of entrepreneur intention was defined differently by authors depending on the context. [8] stated that intention indicates the cognitive representation of persons' readiness to perform a given behaviour and is considered antecedent to behaviour. On the other hand, [3] defined intention as a conscious state of mind that directs attention towards a specific goal or pathway to achieve it (means). According to [6], entrepreneurial intention is termed as individuals' willingness to perform entrepreneurial behaviour, to engage in entrepreneurial action, to be self-employed or to establish a new business. However, [24] claimed that individuals may have potential to be an entrepreneur but not make any transition into entrepreneurship unless they have such intentions. In this study, entrepreneurial intent refers to the intent to perform entrepreneurial behaviour.

This study utilised the lens of [4] social psychology theory of planned behaviour and [30] model to understand entrepreneurial intention. Ajzen's theory posited that three variables, namely, (1) attitude towards a given behaviour, (2) subjective norms and (3) perception of control over the behaviour, precede the

formation of intention. [9] claimed that subjective norms refer to the perceived social pressure to perform behaviour. The presumption is that the more favourable the social norm, the greater will be the inclination to perform the behaviour. On the other hand, Shapero and Sokol posited that the intention to go into entrepreneurship is predicated on perceived desirability and feasibility of entrepreneurship as a career resident in an individual and his or her propensity to act. Nonetheless, [22] reviewed [30] entrepreneurial event formation model. This model assumes that critical life changes (displacement) precipitate a change in entrepreneurial intention and subsequent behaviour. Displacement can occur in a negative form or a positive form. Hence, the intention to become self-employed and form a new venture (an entrepreneurial event) therefore depends on the individual's perceptions of desirability and feasibility in relation to that activity.

[23] refer perceived desirability of self-employment as an affective judgement (an emotive response), and entrepreneurs use such judgement to make decisions on whether or not to act. In this sense, [29] noted that an individual's acceptance of self-employment as a desirable career option will be likely related to an intention to engage in self-employment at some time in the future. Hence, [15] asserted that high perceived desirability of self-employment actually indicates that the respondent is more in favour of self-employment than organisational employment. Nevertheless, [30] pointed out that there was a link between perceptions and feasibility and desirability. In other words, if an individual sees the formation of a new business as unfeasible, he or she may conclude it as undesirable and vice versa. It is therefore possible that students' attitude towards self-employment may be positively impacted by participation in entrepreneurship education; however, in the absence of perceptions of feasibility (belief in one's ability to self-employed and/or the ability to acquire necessary resources), self-employment intentions may not eventuate. Conversely, students' perceptions of feasibility may be positively impacted by desirability to be self-employed; again, self-employment intentions may not be formed.

Apart from perceived desirability of self-employment, entrepreneurship education is said to have influence on individual's intention to engage in entrepreneurship. Entrepreneurship education refers to training programmes that provide students with entrepreneurial competencies, skills and knowledge in pursuing entrepreneurial career [26]. However, [7] as in [13] suggested that entrepreneurship education can be viewed from three different perspectives: (1) Education focused on entrepreneurship as a matter of culture/state of mind encompasses those aspects that focus on values, beliefs and attitudes associated with entrepreneurship. (2) Entrepreneurship education focused on behaviour deals mostly with specific skills in relation to entrepreneurial behaviour, like seizing opportunities, making decisions and developing social skills. (3) Entrepreneurship education focused on creating specific situations concerns the creation of new firms and entrepreneurial situations. However, [11] believed that the real challenges for entrepreneurship education lie within the development of the first two dimensions, i.e. learning for entrepreneurship rather than learning about entrepreneurship. Nonetheless,

Hytti and O’Gorman [12] noted that entrepreneurship education is depending on the objectives of such education. For example, entrepreneurship education refers to developing entrepreneurial skills; hence, the programme providers need to provide education and training that enable individuals to involve directly in the entrepreneurial process, such as industrial training. In this study, entrepreneur education refers to training programmes such as seminars, forums and entrepreneurship carnivals provided by providers in enhancing the interest, knowledge and skills of the students towards entrepreneurship behaviour.

Previous studies indicated that intention-based models are very useful in understanding the role of personal orientation, social norms and perceived feasibility in entrepreneurial intention [20, 34]. For example, [20] found that entrepreneurial intention of international students was predicted significantly by personal orientation entrepreneurship and perceived feasibility. [10] conducted a survey on entrepreneurial aspirations and sources of motivation for entrepreneurship on a sample of first and final year graduate students at the Faculty of Economics, University of Split. The findings revealed a positive (2.68 %) or a very positive (1.88 %) attitude towards entrepreneurship and entrepreneurial experience. The results also revealed that 29.8 % of the observed population had entrepreneurial intentions. Besides, [4] asserted that entrepreneurship education has been recognised as one of the vital determinants that could influence students’ career decisions. [32] examine possible benefits of entrepreneurship education and found a significant association between inspiration and entrepreneurial intention. They contemplate that inspiration might be triggered by an entrepreneurship education programme. To sum, due to that influence, there is a need to examine how entrepreneurship education and perceived desirability of self-employment could influence trainee teachers to engage in entrepreneur intention. Despite the growing research interest in the area of entrepreneurship intention, there were very few studies that have specifically investigated the relationship between entrepreneurship education, perceived desirability of self-employment and entrepreneurial intention particularly on Malaysian trainee teachers.

6.1.2 Objectives of the Study

- I. To examine the level of entrepreneur intention among trainee teachers of UiTM, Shah Alam
- II. To examine the perception towards entrepreneur education among trainee teachers of UiTM, Shah Alam
- III. To examine perceived desirability of self-employment among trainee teachers of UiTM, Shah Alam

- IV. To examine the relationship between entrepreneur education and desirability of self-employment on entrepreneur intention among trainee teachers of UiTM, Shah Alam

6.2 Methodology

In this study, a survey method using cross-sectional research design was employed. The instrument measuring entrepreneurial intention was adapted from [4, 17]. Entrepreneurial intention is defined as the intention to be self-employed. It consists of five items with a seven-point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree). As undergraduates were at an early career choice stage, this scale provides a range of statements from interest in self-employment or business ownership to long-term entrepreneurial intent. The first statement 'I am very interested in setting up my own business' suggests a strong interest towards self-employment/business ownership. The perceived desirability scale was adapted by [16]. It reflects the respondent's attitude towards working for themselves (self-employment) and how attractive the idea of owning their own business is for them. The perceived desirability consists of four items with a seven-point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree). Sample statements such as 'The idea of owning my own business is very appealing to me' and 'I cannot imagine working for someone else' assess how desirable self-employment is for the respondent. There were 159 undergraduate students from four programmes (namely, art education, TESL, science education and physical and health education) who participated in this study. Pearson product moment correlation coefficient (r) was used to measure the strength and direction of the relationship between independent and dependent variables.

6.3 Findings and Discussions

1. Analysis on the level of entrepreneur intention among trainee teachers of UiTM, Shah Alam

Table 6.1 displays the levels of entrepreneur intention among students of the Faculty of Education, UiTM, Shah Alam. The findings revealed that majority of them, that is, 61.1 % (97), demonstrated moderate level of entrepreneur intentions and 27.7 % (44) showed high entrepreneur intentions. On the other hand, only 11.3 % (18) of the respondents showed low level of entrepreneur intentions. The result of this study is in line with the study done by [26]. This finding suggests that these trainee teachers perceive a moderate intention to be self-employed or moderate feeling about venturing into entrepreneur opportunities. As noted by [10], individual entrepreneurial intention is a moderating variable to predict future entrepreneurial behaviour. Nevertheless, many studies showed

Table 6.1 The levels of entrepreneur intention of trainee teachers of UiTM, Shah Alam

Level	Frequency	Percentage
Low	18	11.3
Moderate	97	61.0
High	44	27.7
Total	159	100

that entrepreneurial intentions were formed as a result of individuals' perception of and attitude towards entrepreneurship [17, 33]. In this sense, [22] stated that key attitudes and intentions towards behaviour are driven by perception and as such can be influenced and that an individual's situational perceptions based on experiences both past and current can influence their entrepreneurial intention [18].

2. Analysis on the perception towards entrepreneur education among trainee teachers of UiTM, Shah Alam

Table 6.2 showed the distribution of mean scores for the perception towards entrepreneur education among the trainee teachers of the Faculty of Education, UiTM, Shah Alam. The result showed that the overall mean score was average ($m = 4.93$, std dev = 1.37). The item with the highest mean score in this dimension was item no 1 (Entrepreneurship education can broaden my career prospects and choices, $m = 5.27$, std dev = 1.186). This is followed by item no 2 (I would like to learn about entrepreneurship in my programme, $m = 4.98$, std dev = 1.270) and item no 4 (I would like to know if I have what it takes to be an entrepreneur, $m = 4.98$, std dev = 1.270). This study is supported by the research done by [25].

3. Analysis on perceived desirability of self-employment among trainee teachers of UiTM, Shah Alam

Table 6.3 showed the distribution of mean scores for desirability of self-employment among students of the Faculty of Education, UiTM, Shah Alam. The finding revealed that trainee teachers' perception towards desirability of self-employment was moderate, where the overall mean showed an average score ($m = 4.54$, std dev = 1.45). The item with the highest mean score in this dimension was item no 3 (Working in my own business would be very personally satisfying, $m = 4.95$, std dev = 1.431). This is followed by item no 2 (The idea of owning my own business is very appealing to me, where $m = 4.86$, std dev = 1.385). Nevertheless, item no 3 (I cannot imagine working for someone else) shows the least mean score ($m = 3.80$, std dev = 1.538). This study indicated that the respondents have the moderate tendency towards self-employment. In fact, the low mean score for item 3, i.e. 'They cannot imagine working for someone else', suggested that these trainee teachers might favour for school employment.

4. Analysis on the relationship between entrepreneur education and desirability of self-employment on entrepreneur intention among students of the Faculty of Education, UiTM, Shah Alam

Table 6.2 Perception towards entrepreneur education among trainee teachers of UiTM, Shah Alam

Entrepreneur education	Mean	Std deviation
Entrepreneurship education can broaden my career prospects and choices	5.27	1.186
I would like to learn about entrepreneurship in my programme	4.98	1.270
I am interested in taking entrepreneurship classes	4.85	1.383
I have a general interest in the subject of entrepreneurship	4.77	1.359
I would like to know if I have what it takes to be an entrepreneur	4.98	1.290
I want to become an entrepreneur	4.90	1.424
I have an idea for a business, product or technology	4.79	1.447
Average mean score	4.93	1.337

Mean indicators: low (1–3.00); moderate (3.01–5.00)

High (5.01–7.00)

Table 6.3 The perceived desirability of self-employment of trainee teachers of UiTM, Shah Alam

Perceived desirability of self-employment	Mean	Std deviation
I desperately want to work for myself	4.55	1.448
The idea of owning my own business is very appealing to me	4.86	1.385
I cannot imagine working for someone else	3.80	1.538
Working in my own business would be very personally satisfying	4.95	1.431
Average mean score	4.54	1.4505

Mean indicators: low (1–3.00); moderate (3.01–5.00)

High (5.01–7.00)

Table 6.4 Correlation matrix analysis of entrepreneur education and desirability of self-employment of entrepreneur intention

Variables	SE-I	ENT edu	DSE
SE-I	1		
ENT edu	0.617**	1	
DSE	0.802**	0.593**	1

SE-I entrepreneur intention, *ENT edu* entrepreneur education, *DSE* perceived desirability of self-employment

**Correlation is significant at the 0.01 level (1-tailed); Cronbach alpha, $p < 0.005$

The relationship between entrepreneur education and desirability of self-employment on entrepreneur intention was examined using the Pearson product moment correlation as presented in Table 6.4. The result depicted that there was a positive and moderate relationship between entrepreneur education and entrepreneur intention, where $r = 0.617$, $p = 0.000$. On the other hand, Pearson product moment correlation analysis showed there was high and linear relationship between desirability of self-employment and entrepreneur intention, where $r = 0.802$, $p = 0.000$. This finding supports the study done by Ivana Bilić et al. [13].

6.4 Discussions and Conclusion

This study was aimed at examining the perception of trainee teachers towards entrepreneur intention, entrepreneur education and perceived desirability of self-employment. The findings revealed that these trainee teachers' perceptions towards entrepreneur intention were moderate, thus indicating that they might still favour for school employment rather than self-employment. In this sense, [22] stated that the intention to be self-employed may be formed by a 'trigger event' [30] that changes an individual's situation or future plans (e.g. choice of future employment impacted by participation in an entrepreneurship subject). It is possible that participation in an entrepreneurship subject be considered a 'trigger event', particularly if other situational conditions exist (e.g. role model, financial support, opportunity). As a result, individual's self-employment intentions may surface. The finding also showed that respondents' perceived desirability of self-employment was moderate. On that note, [15] asserted that high perceived desirability of self-employment actually indicates that the respondent is more in favour of self-employment than organisational employment.

In this context, it seems that these trainee teachers still favour for school employment rather than self-employment. Besides, the result also showed that the respondents perceived that entrepreneur education was moderate too. Hence, this implied that there are more rooms for improvement with regard to entrepreneur education in UiTM, maybe in terms of its curriculum or content. In fact, UiTM should position itself to be the hub of entrepreneurship by making significant contributions in promoting an entrepreneurial environment that combines factors that contribute to the advancement of entrepreneurship. This is due to the fact that the respondents felt that entrepreneurship education can broaden their career prospects and choices. In this sense, [19] advised schools and universities should play crucial role in promoting entrepreneurship since educational institutions are ideally considered the place in shaping entrepreneurial cultures and aspirations among students. Besides, [28] also suggested that universities as providers should create an entrepreneurially supportive environment that could encourage entrepreneurial activity that in turn would help to develop an enterprise culture among university students.

Nonetheless, the finding also depicts that entrepreneurial education has a positive and moderate influence on entrepreneur intention. Hence, the finding suggests that the relationship may be attributable to the demand from the students to seek entrepreneurial competencies and knowledge in preparing them for future careers. In this sense, [5] argued that education for entrepreneurship aims at stimulating the entrepreneurial process in both present and future entrepreneurs and providing them with the tools to starting a business. This implied that there is a crucial need for policy makers and the dean of the faculty of education to design a quality entrepreneurship curriculum and infrastructure so that they could develop students'

opportunity identification capabilities. In fact, studies evidence that entrepreneur education can increase entrepreneurial knowledge of students [21] and identification of entrepreneurial opportunities [31]. Therefore, there is a strong urge that universities including UiTM play essential roles in developing entrepreneurial qualities. On that note, [1] advised that it is insufficient for a university to just introduce courses on theory emphasising entrepreneurship, but it needs to develop suitable educational programmes to prepare students for future entrepreneurship. This is in line with the Malaysian government aspiration in promoting growth and high-tech start-ups by highly educated professionals. According to [1], there is a need for many entrepreneurs to be involved actively in economic development in order to meet the market demands and to sustain competency in the fast pace of technology change. Thus, the assessment of entrepreneurial intention among the university students is a necessity in order to identify their level of entrepreneurial orientation. Besides, [35] stated that the strength of founding intention provides an indication of students' level of interest in entrepreneurship. Those who have at least repeatedly given serious thought to becoming entrepreneurs are categorised as 'intentional founders'. Interestingly, the finding showed that there was a positive and high relationship between perceived desirability of self-employment and entrepreneur intention. In other words, if a person feels personally capable of starting a business, therefore, this might influence that person to engage in entrepreneur intention. In this sense, [30] noted that factors, such as culture, family, peers, colleagues, mentors and previous work experience, might influence personal values and the perception of desirability. To another end, having entrepreneurial trigger events may represent the tipping point for those students with an already high entrepreneurial intention to turn ideas into reality and become self-employed.

In sum, the results of this study have important implications for strategic thinking on future policy and educational initiatives. Hence, developing quality entrepreneur education and encouraging perceived desirability of self-employment should be given great emphasis in enhancing entrepreneurial intentions particularly among graduate students. In this sense, universities obviously have to play their roles in developing the environment of entrepreneurship. However, to transform these graduate students' intention into action is an important issue that needs to be pondered and addressed, and it is not very easy to predict the probability of realisation. Hence, as suggested by [30], trigger events that evoke these inspirational moments may be tipping the scales for graduate students to consider self-employment. Although the results are encouraging, the present study also has some limitations. This study has focused only on trainee teachers from the Faculty of Education, UiTM, Shah Alam. Thus, a larger sample of respondents would have allowed for more accurate results and increase confidence and generalisability.

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Chapter 7

Determining the Educational Background Differences in Complaint Behavior Among Automobile Repairs and Service Consumers in Shah Alam, Malaysia

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Abstract Understanding consumers' complaint behavior is very important as it enables the company in enhancing customer satisfaction. This study aims to determine the educational background differences in complaint behavior among automobile repairs and service consumer in Shah Alam. Data for the study was collected using self-administered questionnaire among 400 respondents who sent their cars for servicing at eight selected service centers representing four top car brands sold in the country for the year 2011. Those who had experienced a service failure within the past 12 months with the respective service center were selected as respondents. They consisted of 60.8 % females with an average age of 28.5 years, and majority of the respondents had tertiary education level. The result indicates that, demographically, complainers are more likely to be female and better educated.

Keywords Complaint behavior • Dissatisfaction • Educational background words

7.1 Introduction

Understanding consumer complaint behavior is important in the present competitive business environment as it serves as a quality improvement tool in enhancing customer satisfaction especially with regard to supply of services. Unlike the supply of goods in which the quality of the products can be assessed before a particular sale, a supply of services involves human activities that cannot be subject to such

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control. In addition, consumers experience a greater distasteful with services compared to the products. The area of car servicing and repairing is a good example of consumer services since consumers' mobility depends upon the conditions of their motor vehicle [1].

Complaint should not be viewed as a problem. The era during which consumers took everything that was offered by the marketers is now gone. However, studies on consumer complaint behavior that have been conducted in Malaysia are relatively few especially the concern on complaint behavior in motor vehicle repairs and service industry. Among the examples are a study conducted by [2] on consumer complaint behavior among bank consumers, which attempts to discriminate complainers and non-complainers [3], and a study on dissatisfaction attribution and complaining behavior of public library users in Federal Territory of Labuan [4], just to name a few.

Today's customers are better educated, more sophisticated, and more demanding and are willing to pay for services that meet or exceed their expectations. They are unwilling to compromise quality [5] and use various means to voice the opinions that may make or break businesses. The previous study indicated that there was no consistency in findings about the relationship between consumer complaint behavior and educational background characteristics. It becomes critically important for industry players to understand the relationship between consumer complaint behavior (CCB) and demographic characteristics in order to serve their customers better. Therefore, this study aims to determine the educational background differences in consumer complaint behavior.

7.2 Literature Review

Consumer behavior has long been an important study within the marketing field. Consumer complaint behavior began to generate intention from researchers in marketing research fields during the 1970s in the form of conceptual framework that described consumers' response to dissatisfying consumption experience or post-purchase behavior. Consumer dissatisfaction and consumer complaint behavior study has grown over the last few decades. However, this is especially true for industrialized Western countries where consumerism activity is accepted [6]. Consumer complaint behavior literature expanded greatly in the 1980s, and many researchers have made an effort to refine and extend CCB concepts through empirical testing [7].

The origin of consumer complaint behavior is dissatisfaction. Michael [8] defined dissatisfaction among the servicing industries as the disconfirmation of service expectation caused by the service failure [8]. In other words, consumer dissatisfaction is the result of discrepancy between expected and realized performance [9]. From this dissatisfaction episode, consumer will lodge a complaint to express their feelings. A complaint is a consumer's negative emotional response toward a quality of services offered by service providers [10], and it makes up the

starting complaint behaviors. Jacoby and Jaccard [11] defined consumer complaint behavior (CCB) as an action taken by an individual who involves communicating something negative regarding the product or service either to the firm manufacturing, to the marketing, or to some third party organization [11]. This definition shows a clear fact that consumers are not just complaining to a seller or manufacturer, but they also may lodge their complaint to a consumer council. These actions are known as public actions. There are several theories used by the past researchers in explaining consumer complaint behavior such as equity theory, personality traits theory, disconfirmation and attribution theory, and exit, voice, and loyalty theory. In this study, the researcher adapted the disconfirmation and attribution theory and exit, voice, and loyalty theory, since they are among the most prominent theories used by the previous researchers. Two influencing conceptual frameworks that are often discussed as theoretical foundations are Hirschman's [12] exit, voice, and loyalty theory [12] and Day and Landon's [13] complaining behavior taxonomy [13].

Over the years, many studies have been conducted to identify the determinant factors of CCB. Previous research found that CCB is a complex phenomenon influenced by multiplicity of factors in the choice of a particular complaining action [14]. These include consumers' demographics [15–17], attitudes toward complaining [18], personality [19, 20], and knowledge [21, 22]. By understanding the factors that affect consumer complaint behavior, it will make easier for marketers to boost customer satisfaction and hence their loyalty toward the organization. However, this research study aims to determine the educational background differences and consumer complaint behavior among consumers in the motor vehicle repairs and service industry.

Educational background variable has been found to influence the different types of complaint behavior. Young consumer is well educated and has higher income level [23]. It is expected that individuals with higher education would have greater resources, which enable them to express their dissatisfaction more readily [24]. In addition, education also affects consumer's response to dissatisfaction. Consumer with higher education is expected to complain more frequent compared to consumer with low education because better-educated people know where and how to complain [25].

7.3 Methodology

This study is a cross-sectional study, using a survey method. The population of the study comprised of the consumers from Honda, Perodua, Proton, and Toyota who sent their cars for repair and service at the service centers in Shah Alam. These four companies were chosen, because these companies were ranked as top four highest in sales of the vehicle as reported in Vehicles Summary Report 2010 by Malaysian Automotive Association (MAA). Shah Alam was chosen as the research location because previous research indicates that people who live in urban areas appear to

affect positively on their complaint behavior [26] and most of the main car manufacturers are located in Shah Alam. This research made a target of 400 respondents (100 respondents from each company). According to Krejcie and Morgan [27], in a situation where the population size is unknown, the sample size of 384 should be adequate [27]. Therefore, the sample size of 400 could be considered sufficient. Consumers were given a screening question, and they were asked to recall one of their own recent dissatisfying episodes within 12 months with a particular service center. Only those who have experienced unfavorable service and willing to participate were involved in this study. Purposive sampling method was employed in this study. A purposive sampling, also commonly called judgmental sample, is one that is selected based on the knowledge of a population and the purpose of the study [28].

7.4 Results and Discussions

In this study, there were 60.8 % (248) females and 39.3 % (158) were males. In terms of age, 39.3 % of respondents were below 26 years old and the mean age was 28.45. With respect to the level of education, most of the respondents (55.0 %) had a bachelor's degree. A possible reason for the finding is that better-educated consumers may be more knowledgeable about their rights as a consumer and the method of redressing their complaint when they are dissatisfied with the service offered by the service providers. In addition, most of the respondents (38.8 %) had monthly income of RM2001 to RM3000, followed by those who have monthly income of RM4001 to RM5000. It shows that respondents were among middle income earners and the majority (53.3 %) of the respondents were from private sector. In addition, most of the respondents were Malays due to high Malay population living in Shah Alam (Table 7.1).

In order to determine whether dependent or independent significant difference existed in terms of consumer complaint behavior among different educational backgrounds, one-way ANOVA was employed to test if the significant difference exists.

Educational background had been divided into three groups according to their level of education (1, secondary; 2, undergraduates; and 3, postgraduates). There was a statistically significant difference at the $p < 0.05$ for the three education groups: $F(2,397) = 5.653$ and $p = 0.04$. Despite reaching statistical difference, the actual difference in mean scores between the groups was quite small. The effect size, calculated using eta squared, was 0.02. In addition, post hoc comparisons using the Tukey HSD test indicated that the mean score for undergraduates ($M = 33.14$ and $SD = 3.17$) was significantly different from postgraduates ($M = 31.82$ and $SD = 3.79$). Secondary group ($M = 32.26$ and $SD = 4.53$) did not differ significantly from either group, undergraduates or postgraduates. Therefore, it could be inferred that as the level of education increased, the complaint behavior differed.

Table 7.1 Respondent's demographic profile

Variables	(n = 400)	Percent (%)
<i>Gender</i>		
Male	157	39.3
Female	243	60.8
<i>Age (years)</i>		
<26	157	39.3
26–29	155	38.8
>30	88	22.0
<i>Min = 22, Max = 57, Std Dev = 4.88</i>		
Education	Mean = 28.45	
LCE/SRP/PMR	1	0.3
MCE/SPM/SPMV	18	4.5
Matriculation	4	1.0
STPM	3	0.8
Diploma	58	14.5
Bachelor's degree	220	55.0
Master's degree	94	23.5
PhD	2	0.5
<i>Personal income</i>		
<RM1000	28	84.3
RM1001–RM2000	48	12.3
RM2001–RM3000	155	3.3
RM3001–RM4000	95	0.3
RM4001–RM5000	61	
RM5001–RM6000	8	
RM6001–RM7000	1	
>RM7000	4	

The results exhibited in Table 7.2 are paralleled with the prior research conducted by Ngai et al. [25] who found that consumers who possessed higher education level are expected to complain more frequently compared to those who have low education level [25]. This is due to more educated people who know where and how to complain. In addition, Phau and Sari [18] also demonstrated the similar results, whereby complainers in Indonesia have higher level of education compared to non-complainers [18]. The study also reports that these people also possessed high income level and hold a better position due to their education level. Thus, researchers believe that education is an important variable that is strongly related to occupation.

These results provide the evidence to support the hypotheses tested in this study. Table 7.2 presents the summary of the hypotheses (Table 7.3).

Table 7.2 Post hoc tests on Tukey HSD (CCB and education)

Dependent variable	(I) Education	(J) Education	Mean difference (I-J)	Std. error	Sig.	Mean (\bar{x})	Standard deviation (σ)
Consumer complaint behavior	Secondary	Undergraduates	-0.88070	0.80572	0.519	32.2632	4.53189
		Postgraduates	0.44024	0.85386	0.864		
	Undergraduates	Secondary	0.88070	0.80572	0.519	33.1439	3.17289
		Postgraduates	1.32094*	0.40128	0.003		
	Postgraduates	Secondary	-0.44024	0.85386	0.864	31.8229	3.78639
		Undergraduates	-1.32094*	0.40128	0.003		

*The mean difference is significant at the 0.05 level

Table 7.3 Summary of hypotheses testing

Hypotheses	Results
H1: There is a significant difference in CCB in terms of educational background	
H1a: There is a significant difference in CCB between secondary and undergraduates	R
H1b: There is a significant difference in CCB between secondary and postgraduates	R
H1c: There is a significant difference in CCB between undergraduates and postgraduates	A

A Accepted, R Rejected

7.5 Conclusion and Implications

This study demonstrated that consumer complaint behavior was not different from their counterparts in the United States, other Western countries, as well as other Asian countries and Southeast Asian countries in respect with the educational background. This research finding was significant with the previous studies. Prior research was indicated that some of the educational background was found to be related to complaint behavior [23, 29]. In addition, consumers with a higher education were likely to complain. In addition, from the findings, it can be concluded that most of the respondents were lodging their complaint directly to the company when they experienced unfavorable service failure. Thus, companies or marketers should pay special attention to the needs of consumers who are better educated as they are expected to possess high income and hold a better job.

7.6 Limitations

There are two major limitations worth noting in this study, which are relating to the sample size and the industry involved. Since this study is confined to consumers who sent their cars for service in Shah Alam area, generalizability of the findings may be rather limited. Therefore, future research may need to focus on consumers in other states and regions in order to gain more comprehensive perspective and stronger representativeness of the study in the local context. Future research also may extend the dissatisfaction and consumer complaint behavior study in other service industries such as hospitality, retail, or public transportation industry as no such research has been conducted in those industries in Malaysia.

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Chapter 8

The Relationship of Entrepreneurship Courses, Entrepreneurship Activities, Academic Grades, and Business Creation Among Graduates

Zanariah Zainal Abidin, Azizan Abdullah, and Hardy Loh Rahim

Abstract Malaysia is a nation that emphasizes on entrepreneurship and business creation. In line with the nation's direction, academic institutions have been inculcating entrepreneurship in both curriculum and extracurricular activities in order to create more graduate entrepreneurs. This paper, therefore, seeks to study the influence of entrepreneurship courses and entrepreneurship activities on business creation among graduates of Malaysia higher learning institutions. The research also investigated the moderating effect of academic grades between entrepreneurship courses and business creation. A sample of 244 business owners who graduated from higher learning institutions in Malaysia was surveyed using standardized questionnaire of 5-point Likert scale. The findings indicated that both entrepreneurship courses and entrepreneurship activities influenced business creation among graduates with the latter as the most influencing factor. The academic grade has negative moderating effect on business creation, suggesting that the lower the academic grades of a graduate, the higher the probability of business creation.

Keywords Graduate entrepreneurs • Entrepreneurship courses • Entrepreneurship activities • Academic grades • Business creation

8.1 Introduction

Entrepreneurship is hailed as one of the major contributors to a nation's economic growth, innovation, and competitiveness. It has become an important discipline in higher learning institutions. It is important to understand what drives students and

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graduates to explore self-employment and business creation. Previous researches linked entrepreneurship education and activity influences on student's intention to start a business. This and many other studies supported that entrepreneurship exposures at higher learning institutions play a role in increasing entrepreneurship knowledge and awareness among students of higher learning institutions [1–3].

However, research on how academic grades plays a role in a graduate's business creation is very scarce. Therefore, this study explores the influence of entrepreneurship courses and entrepreneurship activities at Malaysia higher learning institutions on business creation, as well as how academic grades moderate between entrepreneurship courses and business creation.

The remainder of the research paper will progress as follows. The second section will focus on the problem statement, followed by the literature review in the third section. The fourth section will discuss on research design, followed by the findings in the fifth section. The last section will conclude the study and acknowledge the limitation of the study.

8.2 Problem Statement

Malaysia is a nation that emphasizes on entrepreneurship and business creation. In line with the nation's direction, academic institutions have been inculcating entrepreneurship in both curriculum and extracurricular activities in order to create more graduate entrepreneurs. However, little research has been done in terms of examining which factor is the major influence toward business creation among graduates. In addition, research linking academic grades with business creation is very little to none. Hence, there is a need to examine the influence of entrepreneurship courses and entrepreneurship activities as well as the moderating effect of academic grades toward business creation among graduates of Malaysia higher learning institutions.

8.3 Literature Review

8.3.1 Entrepreneur and Entrepreneurship

The terms entrepreneurs and entrepreneurship have a wide range of meanings. Reference [4] defines entrepreneur as an individual who creates a new organization or finds a new venture. This definition has expanded to someone who perceives an opportunity and creates an organization to pursue it [5]. One of the most common and practical explanations of the term entrepreneurship is business or venture creation [6]. Entrepreneurship is recognized as a contributor to the growth of the small business sector and economic development and provides for job creation. Thus, there is a need to encourage entrepreneurship through entrepreneurship education and activities [7].

8.3.2 *Entrepreneurship Courses*

Academic courses are structured curriculum that has learning objectives and time frame attached to it. It can be a specific course on entrepreneurship or an optional module within business programs [8] and most likely will relate to the teachings of entrepreneurship. Course content includes various aspects of entrepreneurship such as creativity, innovation, business opportunity analysis, business formation, and business plan preparation. Entrepreneurship courses offered at the university have been by far the most common within this category. Often it forms part of the curriculum.

Entrepreneurship education is defined as education and training activities within the educational system or outside of it that tries to develop the intention of the participants to perform entrepreneurial behaviors. This includes exposure to elements that affect the entrepreneurial intention, such as entrepreneurial knowledge, desirability of the entrepreneurial activity, or its feasibility [9, 10]. It can be in the form of a delivery of knowledge and entrepreneurial skills through formal and non-formal education. Various studies have shown a relationship between education and entrepreneurship [11–13].

8.3.3 *Entrepreneurship Activities*

Entrepreneurship activities are non-formal learning activities outside regular education [14] and organized with the purpose of improving skills, knowledge, or competence. Studies [15] support the use of non-formal teaching in entrepreneurship. Non-formal activities can take place in the forms of trainings, workshops, seminars, and experiential learning activities through doing. Non-formal entrepreneurial activities are seen as a good mechanism to provide students with a learning experience in a real business background [16–18]. The objective of entrepreneurial activities is to expose students to the perspectives of practical industry and its nature of work practices [19]. It was suggested that entrepreneurial activities become an important integral part of today's educational curriculum in preparing university students toward an entrepreneurial career [20].

8.4 Research Design

This research employs a survey using standard questionnaire as a primary data collection technique. The questionnaire was presented in both languages, Bahasa Malaysia and English. 5-point Likert scales ranging from strongly disagree to strongly agree were used. The measures were adopted from a previous study [21]. The samples in this study were 244 business owners who graduated from

higher learning institutions in Malaysia between year 2001 and 2011. Frequency, reliability, correlation, and regression analysis were tested in this study.

The research questions are as follows:

1. Do entrepreneurship courses at higher learning institutions influence business creation among graduates?
2. Do entrepreneurship activities at higher learning institutions influence business creation among graduates?
3. Which factor, entrepreneurship courses or entrepreneurship activities at higher learning institutions, has more influence on business creation?
4. Do academic grades have moderating effect between entrepreneurship courses and business creation?

8.5 Findings

8.5.1 Frequency Analysis

The frequency analysis of the respondents is shown in Table 8.1. The respondents are business owners who graduated from higher learning institution in Malaysia, which consists of male ($n = 131, 53.7\%$) and female ($n = 113, 46.3\%$). Most of the respondents are aged between 26 and 30 years old (39.4%), followed by between 20 and 25 years old (31.6%). Majority of the respondents have a bachelor's degree (57.8%), followed by diploma ($n = 70, 28.7\%$), certificate ($n = 21, 8.6\%$), master's degree ($n = 11, 4.5\%$), and lastly PhD ($n = 1, 0.4\%$). For academic grades, most of the respondents achieved 3.01–3.49 ($n = 132, 54.1\%$), followed by 3.00 and below ($n = 92, 37.7\%$), and 3.50–4.00 ($n = 20, 8.2\%$). The highest graduation year was in year 2006 ($n = 66, 27.0\%$), while the lowest was in year 2001 and 2002 with 1 graduate each year.

8.5.2 Reliability Analysis

Table 8.2 shows the reliability analysis result of the construct. The Cronbach's alpha value ranges between 0.789 and 0.810, which is within the recommended value [22]. The result shows that the questionnaire used in this research is reliable.

8.5.3 Pearson Correlation Coefficient Analysis

Pearson correlation coefficient analysis has been conducted to determine the strength and direction of relationships of each construct. Table 8.3 indicates that

Table 8.1 Demographic frequency analysis

Variable	Description	<i>N</i>	%
Gender	Male	131	53.7
	Female	113	46.3
	Total	244	100
Age	20 years and below	5	2.0
	21–25 years	77	31.6
	26–30 years	96	39.4
	Above 30 years	66	27.0
	Total	244	100
Education	Certificate	21	8.6
	Diploma	70	28.7
	Bachelor	141	57.8
	Master's	11	4.5
	PhD	1	0.4
	Total	244	100
Academic grades (CGPA)	3.00 and below	92	37.7
	3.01–3.49	132	54.1
	3.5–4.00	20	8.2
	Total	244	100
Graduation	2000	11	4.5
	2001	1	0.4
	2002	1	0.4
	2003	2	0.8
	2004	7	2.9
	2005	8	3.3
	2006	66	27.0
	2007	27	11.1
	2008	23	9.4
	2009	45	18.4
	2010	29	11.9
	2011	24	9.8
	Total	244	100

Table 8.2 Reliability analysis

No.	Variable	No. of items	Cronbach's alpha value
1	Entrepreneurship courses	10	0.810
2	Entrepreneurship activities	4	0.789
3	Business creation	3	0.791

Table 8.3 Pearson correlation coefficient analysis

No	Construct	Entrepreneurship education	Entrepreneurship activities
1	Business creation	0.522**	0.723**

** denotes significance at 5 %

Table 8.4 Model summary

	Construct	Adjusted R-square	Durbin-Watson
Model	Entrepreneurship courses	0.589	1.996
	Entrepreneurship activities		

Table 8.5 Multiple regression analysis between variables

	Unstandardized coefficient		Standardized coefficient	t	Sig.
	B	Standard error	Beta		
Entrepreneurship activities	0.670	0.049	0.613	13.747	0.000
Entrepreneurship courses	0.366	0.057	0.285	6.403	0.000

the student entrepreneurship activities (0.723) and entrepreneurship courses (0.522) have significant and moderate positive relationship on business creation.

8.5.4 Multiple Regression Analysis

Further analysis was performed using multiple regression. Based on the adjusted R-square (0.589) in Table 8.4, it shows that the model explains 59 % of variance in graduates’ business creation. The Durbin-Watson value (1.996) indicates independence of residual and there is no problem of serial correlation.

Table 8.5 indicates that both variables significantly influence the business creation of the graduates with student entrepreneurship activities being the most significant ($\beta = 0.613, p < 0.001$), followed by entrepreneurship education ($\beta = 0.285, p < 0.001$).

Based on the result of Table 8.6, it shows that the academic grades (CGPA) are not significant ($\beta = -0.077, p > 0.05$) when they are used as a predictive (independent variable). However, they have significant negative relationship ($\beta = -1.102, p < 0.05$) when the academic grades are used as moderating variable between entrepreneurship education and business creation. The results demonstrate that the lower the academic grades of a graduate, the higher probability of business creation.

Table 8.6 Academic grades moderating effect between entrepreneurship courses and business creation

No		Unstandardized coefficient		Standardized coefficient	t	Sig.
		B	Standard error	Beta		
1	Entrepreneurship courses	0.668	0.070	0.522	9.514	0.000
2	Entrepreneurship courses	0.660	0.070	0.515	9.379	0.000
	Academic grades	-0.135	0.096	-0.077	-1.400	0.163
3	Entrepreneurship courses	1.585	0.299	1.237	5.306	0.000
	Academic grades	-1.460	0.427	-0.833	-3.420	0.01
	Entrepreneurship courses	-0.390	0.123	-1.102	-3.183	0.02
	Academic grades					

8.6 Conclusion

Based on the findings, both entrepreneurship courses and entrepreneurship activities influence business creation among graduates. However, entrepreneurship activities influence business creation among graduates more than entrepreneurship courses which form part of the academic curriculum. The result indicates that though entrepreneurship courses taught in the classroom do influence business creation among graduates, practical entrepreneurship activities are deemed more valuable to the respondents. Therefore, in order to increase business creation among graduates, academic institutions need to develop and enhance entrepreneurship activities instead of focusing mainly on entrepreneurship education.

Next, the result demonstrated that the lower the academic grade of the graduate, the higher is the probability for business creation. This may be due to the fact that the higher the grade of a student, the higher will be the chance of securing a good job. There is also the notion that business creation is the career choice for graduates who are not able to acquire a job of their choice. As this finding is new, it contributes to the literature in filling the gap. In practicality, it may be used in terms of short-listing participants for business creation programs. The findings may also be useful to relevant parties to look into the normal practice of prioritizing students or graduates with higher academic grades for entrepreneurship creation programs.

The limitation of the study is that it does not take into consideration certain factors that may influence business creation decisions among graduates. These factors include the number of exposure to entrepreneurship courses and entrepreneurship activities, the academic discipline, and other environmental factors.

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Part III
Entrepreneurship and Employability

Chapter 9

Enhancing Graduate Employability Through Social Entrepreneurship

Hardy Loh Rahim and Noor Faizah Mohd Lajin

Abstract Employability is a major issue for Malaysians. It is even more so for the graduates. Currently the nation has unemployment rate of 3.0 % amounting to 425,000 unemployed people. Numerous efforts are being done to solve the issue, and one of them was by promoting entrepreneurship development with the intention of intensifying the creation of entrepreneurs among graduates by creating job opportunities on their own as well as for others. In relation to the entrepreneurship agenda by the government to cope with the unemployment issue, this study will investigate the emerging concept of entrepreneurship called social entrepreneurship. The main objective of this research paper is to study on how social entrepreneurship could improve the graduate's employability. A program conducted to promote social entrepreneurship was observed to address a number of unemployment causes that were highlighted in previous studies. Twenty-five students from all over Malaysia participated in the program and were researched using phenomenology method. The findings show that by involving students with social entrepreneurship programs, they are unconsciously being embedded with skills needed for employment such as confidence, English proficiency, creativity and innovation, selflessness, leadership, teamwork, time management, knowledge acquisition, networking, and communication skills.

Keywords Unemployment • Graduate • Employment skills • Social entrepreneurship

9.1 Introduction

Employability is a major issue for Malaysians. It is even more so for the graduates. Currently the nation has unemployment rate of 3.0 % amounting to 425,000 unemployed people [1]. Numerous efforts are being done to solve the issue, and one of them was by promoting entrepreneurship development [2] with the intention

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of intensifying the creation of entrepreneurs among graduates by creating job opportunities on their own as well as for others [3–5]. In relation to the entrepreneurship agenda by the government to cope with the unemployment issue, this study will investigate the emerging concept of entrepreneurship called social entrepreneurship and how it may be used to enhance the graduate's employability.

The remainder of the research paper will progress as follows. The second section will focus on the literature review of unemployment, employment skills, and social entrepreneurship. The third section will explain on the social entrepreneurship program observed for the research. The fourth section will discuss on research design, followed by the findings in the fifth section. The last section will conclude the study and acknowledge the limitation of the study.

9.2 Literature Review

9.2.1 Unemployment Issues in Malaysia

According to the definition of the Malaysian Labor Force Survey, the unemployed include persons who were available for work but did not work during a reference period. They could either be actively looking for work or not during the said period. But this excludes the people who chose to further their studies [6].

The reference [7] reported that there are 1,134,134 higher education students in the country, studying in staggering amount of 594 higher learning institutions. They were divided nearly equally in public and private institutions, 592,505 and 541,629, respectively. As the literacy level of Malaysia is considered high, the amount of students enrolling into higher learning institutions will increase and consequently contribute to the unemployment problem.

In 2010, it was reported that among 174,439 students graduated, 25 % (42,955) of them were unable to secure a job [8]; due to such an alarming number, the Ministry of Higher Education [9] listed the problems faced by the employers in hiring fresh graduates (Fig. 9.1). The figure shows that the main problems for fresh graduates to secure a job are their poor command of English and poor character, personality, and attitude.

9.2.2 Skills for Employment

Over the years, the government, corporate, parents, and students have changed their view toward the role of higher learning education and universities. Once higher learning education is deemed to educate students in order to create knowledgeable people, but now it is substituted with the expectation of producing employable graduates for the industry [10–12]. Therefore, skill development and employment is considered as the main role of higher learning institutions [13, 14].

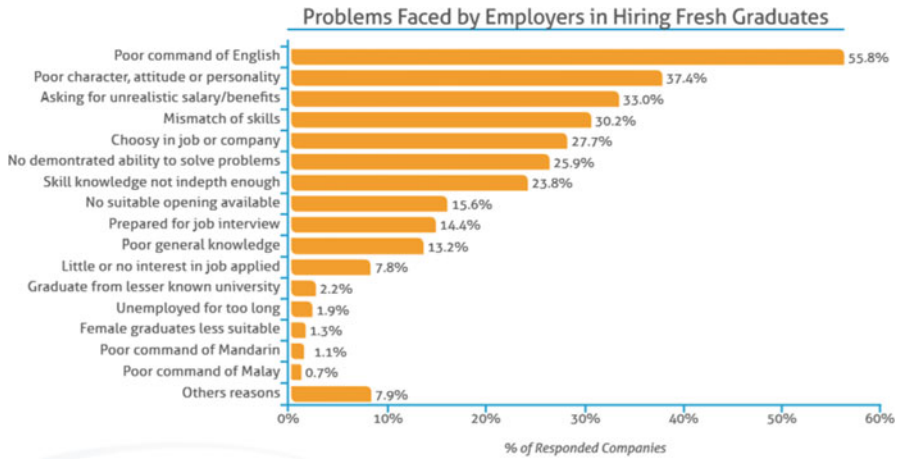


Fig. 9.1 Problems faced by employers in hiring fresh graduates

Hence, higher education institutions are facing intense pressure to arm students with more than academic knowledge. The industry has urged the higher education institutions to provide students with relevant interpersonal skills in order to prepare them for the working arena.

Fresh graduates leaving the university without communication and other survival skills find it difficult to get a job that suits their qualification. This results in high unemployment rates amongst fresh graduates. The problem is not caused by the job availability but more toward the lack of capabilities of the graduates. Thus it is appropriate to expect educational institutions to equip students with the necessary skills and knowledge [15].

The previous study [15] has highlighted 11 skills required for the graduates to secure job placement in the industry. The skills are as follows:

- Communication skills
- English language proficiency
- Information, communication, and technology skills
- Interpersonal skills
- Teamwork
- Leadership skills
- Problem-solving skills
- Adaptability skills
- Risk-taking skills
- Creativity skills
- Time management skills

9.2.3 *Social Entrepreneurship*

Entrepreneurship is becoming more significant each day globally, and Malaysia is opening her hands in embracing the particular trend. But while entrepreneurship is a much matured field, its subcategory of social entrepreneurship is very much the opposite. Social entrepreneurship is getting much attention in the practical world, but in the academic world, it is considered as in infancy stage [16, 17].

The term social entrepreneurship was introduced by William Drayton, a MacArthur Fellow [18, 19]. In the year 1980, a global organization named Ashoka was founded by Drayton that identifies and invests in “the world’s leading social entrepreneurs—men and women with system changing solutions for the world’s most urgent social problems” [20].

Social entrepreneurship is emerging in the world “given the new strategic environment where the social half of society’s operations is becoming as entrepreneurial, competitive, productive and powerful as business” [21].

Social entrepreneurship is a combination of three main elements, namely, innovation, proactiveness, and risk-taking, in seeking fresh opportunities in order to craft positive social impact [22]. Social entrepreneurship is leadership as well as a management method that seeks to meet the trials faced by social benefit organizations to produce a positive social impact [23].

“Social Entrepreneurs are the harbingers of change, devising new ways to provide support and development for those excluded from the opportunities of the new society” [24]. It was also suggested that there is a pressing need to create a huge number of social entrepreneurs in the market [25].

As being discussed in the literature, one may conclude that there is much similarity on the attributes of a social entrepreneur with the attributes needed to be employed. Hence, this study will pursue on the idea of instilling the social entrepreneurial concept toward the graduates in order to enhance their chances of being employed by the industry.

9.3 **Social Entrepreneurship Program**

9.3.1 *Enactus*

Enactus, formerly known as SIFE (Students In Free Enterprise), is an international nonprofit organization that has membership of 66,500 university students from 1,600 universities in 36 countries [26]. It mobilizes university students to contribute significantly to their communities through social entrepreneurship programs. At the same time these students would polish their business skills through mentoring by business leaders and university academics. Outreach programs that incorporate business concepts designed to improve the quality of life and standard of living

for the economically disadvantaged people are developed by teams formed at the university.

Each year, a competition is held, and the teams from each participating universities present their outreach projects in front of a panel of judges which consist of top management executives from the industry. The best team with the most impactful projects is crowned as the national champion and will represent the country to compete internationally in Enactus World Cup.

No matter in which country the competition was held, the rules, format, and judging criteria remain the same which is “Considering the relevant economic, social and environmental factors, which Enactus team most effectively empowered people in need by applying business and economic concepts and an entrepreneurial approach to improve their quality of life and standard of living” [27].

9.3.2 Enactus UiTM

Enactus Universiti Teknologi MARA (UiTM) is the largest Enactus team in Malaysia, with over 200 active members nationwide from almost all states of Malaysia. As the first Enactus team in Malaysia with 13 years of establishment, Enactus UiTM has run more than 40 entrepreneurial community projects and impacted over thousands of people over the years.

Currently, Enactus UiTM comprises undergraduates from 16 different majors such as accountancy, mechanical engineering, architecture, and education. Being the largest local university with campuses in every state, UiTM provides spatial advantage in executing projects and collaborating with our partners. With the supervision of faculty advisors, the projects are designed to meet the unique needs of the communities.

Since 2001, Enactus UiTM is committed to change the lives of others and its members. The concern has always been at the forefront of local economic development and entrepreneurship across Malaysia. It is of Enactus UiTM's great priority to implement innovative and sustainable projects so that we are able to give back to the communities while at the same time refining our actions to be socially responsible business leaders.

9.3.3 Enactus UiTM Boot Camp

Initiated in the year 2011, Enactus Boot Camp is an annual event for UiTM which gathers Enactus members as well as social entrepreneurship enthusiasts. It is a platform for them to present their social projects and explain how they impact communities nationwide.

The latest Enactus Boot Camp 2014 was held in UiTM Shah Alam, Selangor, and gathered 95 students, 10 lecturers, and 15 visiting alumni that are very enthusiastic of social entrepreneurship.

The three-day event started with the sharing of experience from the alumni on the previous social projects that have been done and briefing on what social entrepreneurship and social community empowerment projects are all about. The next day was filled with the presentation of projects from each campus team, focusing on how they impact the community in terms of economy, society, and environment. The goals of these projects are to empower the community to improve their lives and be able to sustain their business ventures.

On the last day, casting call was held to choose the best presenters to represent UiTM in the Enactus National Competition 2014. A total of 50 members participated for the casting call.

Though the main purpose of the event is to choose the best projects and presenters to represent UiTM for the national competition, it creates awareness and interest of social entrepreneurship nationwide. Previously, Enactus members only comprised UiTM Shah Alam students, and now they have more than 200 strong active members nationwide due to this annual event. One also has to note that this event was fully organized by the students.

9.4 Research Design

Phenomenology is an inductive, descriptive research method with the purpose of discovering the meaning of human experiences. The qualitative research method's main goal is to describe a phenomenon as it is deliberately experienced without any theories about causes and as free as possible from unexamined preconceptions and presuppositions [28]. Therefore, the process of bracketing is applied wherein any preconceptions about the phenomenon under study are awakened, and then those preconceptions and presuppositions are being held separately in the process of analyzing [29].

The research questions are as follows:

1. What are the characteristics and skills gained from participating in social entrepreneurship programs?
2. How does social entrepreneurship enhance the skills of graduates needed for their employment?

9.4.1 Sample

The sample was the Enactus (a worldwide social entrepreneurship organization) members from UiTM attending the Enactus UiTM Boot Camp. Upon the

95 students who joined the program, 25 participants were chosen to participate in this study. UiTM was chosen for this study for three main reasons:

1. UiTM was the winner of Most Entrepreneurial University of the Year 2012 and 2013.
2. UiTM has campuses all over the country; thus the study will be able to have nationwide respondents.
3. Enactus UiTM is the largest Enactus team in Malaysia and was the most successful Malaysian Enactus team as they were eight times national champion and represented the country for Enactus World Cup.

9.4.2 Procedure

The study adopts survey technique using standardized questionnaire with an open-ended question:

Please tell us how social entrepreneurship has assisted you in improving your personal competencies and how it benefits you? Write all your thoughts, feelings, and perceptions that you can remember about the experience.

9.4.3 Data Analysis

The written descriptions of the Enactus members' social entrepreneurship experience were analyzed using Colaizzi's phenomenological method [30]. This procedure entails the following steps:

1. Read all the participants' descriptions of the phenomenon under study in order to obtain a feel for them.
2. Extract from each transcript significant statements that directly pertain to the phenomenon being studied.
3. Formulate meanings for each of these significant statements.
4. Integrate the results of the data analysis so far into an exhaustive description of the phenomenon under study.
5. Return to the participants with the exhaustive description to achieve final validation.

9.4.4 Credibility of the Findings

Credibility is the confidence one can have about the research findings. It can be established by various methods. In this phenomenological study, credibility was enhanced by the following measures: Before data collection and analysis, the researcher bracketed his assumptions and preconceptions regarding the phenomenon under study. The researcher identified the significant statements and themes by himself and then used member checks to validate these themes. Member checks

Table 9.1 Meaning formulation based on selected transcripts

Meanings/themes	Description
1. Confidence	<i>“By involving with social entrepreneurship (Enactus), I forced myself to present our team’s social project though I was frightened. I’m glad that I’m able to fight my fright”</i>
2. English proficiency	<i>“This is my first time attending Enactus Boot Camp and it really gives me goose bumps watching at the presenters with perfect English and emitting such high level of confidence. This boot camp makes me want to be like them”</i>
3. Creativity and innovation	<i>“Social entrepreneurship opened my eyes about innovative projects that helped community to uplift their standard of living. Apart from that I can see that it is a platform to train us to acquire knowledge. The projects had helped me to understand that social entrepreneurship is not about giving money to help, but it’s about helping the community to have a sustainable business”</i>
	<i>“The social entrepreneurship program helps me to be exposed to various projects conducted by other campuses. It also creates awareness on the living conditions of the people in need. It highlights on innovative solutions that I have never heard of. All these helped me to develop my interest on social entrepreneurship”</i>
4. Networking	<i>“The social entrepreneurship program has become a good platform for the students, alumni and lecturers to network”</i>
5. Leadership	<i>“It inculcate leadership skills, teamwork and networking”</i>
6. Teamwork	<i>“It teaches me on the aspects of leadership, time management and knowledge”</i>
7. Time management	<i>“It is fun to be here because of the networking, getting new friends”</i>
8. Knowledge acquisition	
9. Communication skill	<i>“Doing community projects makes me understand others better. From a self-centered person, I’ve become a person who is aware of the others and it teaches me on communication skills as we need to deal with people of different level, from top executives to the poor people in rural areas”</i>
10. Selflessness	

involved reviewing the results of the data analysis with the Enactus members who had participated in the study to ensure that the themes accurately portrayed their experiences about social entrepreneurship. The participants agreed that the themes that had emerged captured the essence of their experiences. Numerous quotes from the participants’ written descriptions of their social entrepreneurship experience were included in the results of this study to also enhance its credibility.

9.5 Findings

9.5.1 Meaning Formulation

The participants’ answers were analyzed and shortlisted based on their relevance in this study. The process of meaning formulation was able to derive ten variables of skills attained by the participants by joining social entrepreneurship program. The skills are listed below (Tables 9.1 and 9.2).

Table 9.2 The matching between skills obtained through social entrepreneurship and employability skills

Skills obtained from social entrepreneurship	Employability skills	
	Study by Singh [15]	Study by Ministry of Higher Education [9]
Confidence	–	Poor character, attitude, and personality
English proficiency	English language proficiency	Poor command of English
Creativity and innovation	Creativity	–
Selflessness	–	Poor character, attitude, and personality
Leadership	Leadership	–
Teamwork	Teamwork	–
Time management	Time management	–
Knowledge acquisition	–	Poor general knowledge. Skill knowledge not in-depth enough
Communication skill	Communication skill	–
Networking	–	–

9.5.2 Understanding the Phenomenon

An extracurricular program such as the social entrepreneurship program that is being studied offers skills that are not attainable in classroom sessions. The ten skills identified in this study show connections toward the skills needed in securing the job as shown on the table below.

9.6 Conclusion

Based on the findings, it proves that social entrepreneurship activities enhance the graduate’s employability by instilling them the skills needed. Many of the skills identified in the literature were found instilled to the students as they were participating in social entrepreneurship programs such as confidence, English proficiency, creativity and innovation, selflessness, leadership, teamwork, time management, knowledge acquisition, and communication skills. In addition, by working with the community, the student’s attitudes were also molded to be down to earth and being more understanding. Not to forget the students were given an invaluable networking opportunity to build up their connections. This is one of the important criteria in the working life.

This study contributes toward the literature by acquiring new findings in terms of the skills obtained by participating in social entrepreneurship programs. These skills are matched with employability skills needed for graduates as studied by [9, 15]. The findings were supported by a previous study done on how social

entrepreneurship could enhance graduate employability [31]. Thus it can be concluded that social entrepreneurship may enhance the employability of the graduates.

In terms of practicality contribution, the findings show that academic institutions need to encourage social entrepreneurship programs, in order to equip the graduates with sufficient and vital employability skills. By doing so, the graduates will be groomed to be received by the job place in the industry.

The limitation of this study is that the open-ended question was asked only in English language; thus there's possibility that the participants of this study who are not proficient in the language will have difficulty in expressing their thoughts.

Due to the fact that this is an exploratory research, future research could be done to confirm the findings using quantitative method for generalization purposes.

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Chapter 10

Empowering Disabled Youth with Entrepreneurial Values

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Abstract There are 445,006 disabled people registered in Malaysia and around 7919 were able to get job placements. Due to the critical problem, this paper studies the impact of the Special Youth Social Entrepreneurship Program (SYSEP) on empowering the disabled youth with entrepreneurial values in hoping that they are better equipped for employment or even start their own business. The purpose of this study is to investigate the impact of this programme towards the entrepreneurial competencies of the disabled students and to investigate whether there is any difference in entrepreneurial competencies across the demographic, specialisation and types of disabilities. A survey method using a standardised Likert-scale questionnaire was used among 87 disabled youths who participated in the programme. Pre- and posttests were conducted. The findings show that the programme was able to increase 10 out of 13 identified entrepreneurial competencies and there is no statistical difference in entrepreneurial competencies among the gender, specialisation and types of disability.

Keywords Social entrepreneurship • Disabled • Entrepreneurial competencies • Entrepreneurship

Sponsor: Ministry of Education, Malaysia

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10.1 Introduction

It is estimated that about 10 % or 650 million people of the total world's population live with a disability [1]. Out of this population [2], there are between 180 and 220 million youths (between ages 15 and 24 as per the United Nations) with disabilities, and about 80 % are living in developing countries.

In Malaysia, there are about 445,006 disabled people who registered in 2013 [3]. The figure marked an increase by 71.87 % from 283,204 in the year 2009 [4]. However, these figures are not reflecting real numbers as, in Malaysia, registration is not compulsory. Many of the disabilities are 'hidden' at home or are placed in particular organisations due to social disgrace, prejudice and environmental obstacles that disallow them from participating effectively in the society.

The Malaysian Disability Act (2008) [5] defines persons with disabilities, such as physical, mental, intellectual or sensory impairments, who are in interaction with environmental barriers that obstruct them from productive participation in the society. Nevertheless, they too have the right to be treated equally and be able to enjoy all the existing facilities in the country which includes employment in the labour market. People with disabilities should not be looked at as 'unproductive' because they too can contribute to the economic growth if given the employment opportunity as productive human capital. It would be impossible for them to achieve in their lives if they are excluded from any mainstream development. One of the challenges that are critically faced by the disabled is unemployment.

For the many young, normal people in many countries, they are encouraged by the policy makers to start and grow enterprises in order to solve the unemployment problem. A considerable amount of the national budget has been spent to increase awareness of the entrepreneurial activities for young people on the basis of reducing unemployment. The entrepreneurial activities supported should include the disabled youth in ensuring the government efforts achieve inclusiveness and a barrier-free society.

This paper takes on an empirical study at Sekolah Menengah Pendidikan Khas Vokasional (SMPKV) in Shah Alam which accommodates students with hearing impairment and learning disabilities of ages between 15 and 17 years old. The public vocational school was established in 1996 and has been supporting these students by developing their specialisation skills through various courses. There are 12 different courses offered to the students.

A basic three-day entrepreneurship workshop module was developed and embedded in a programme called the Special Youth Social Entrepreneurship Program. The module was conducted to give entrepreneurship values to the disabled youth so that they could exit from unemployment after completing school. The objectives of this research are to find out the students' level of entrepreneurial competencies before and after participation of the programme and to assess if there is any difference in entrepreneurial competencies across gender, course specialisation and types of disability.

10.2 Problem Statement

In 2013, there are about 445,006 disabled people who registered in the Community Charity Department [3]. According to [6], with such an amount of number, it is suggested that the Malaysian government be more proactive in assisting the disabled people and create an avenue for them to contribute to the national economy.

From the years 1990 to 2009, an accumulative figure of 11,158 jobseekers registered in Jabatan Tenaga Kerja (JTK) and about 7919 secured job placements [4]. In 2009, an accumulative statistics of people with disabilities employed in public sectors was 981. The challenges that most of the disabled people have to face in getting a suitable job are the attitudes of the employers who are not confident and ready to hire them [6].

10.3 Literature Review

10.3.1 *Disabled Youth*

There are several categories of disabilities. They include visual impairment, hearing impairment, speech impairment, physical disability, mental disability, learning disability and multiple disabilities [4]. For the purpose of this study, the researchers are focusing on the students from SMPKV with hearing impairment and learning disabilities.

10.3.2 *Hearing Impairment*

Hearing impairment is the most common sensory deficiency in the human population, affecting more than 250 million people all over the world [7]. The consequential effects of hearing impairment are inability to interpret speech sound, reduced ability to communicate, delay in language acquisition, economic and educational disadvantage, social isolation and disgrace.

A hearing impairment may mean a person doesn't hear at all, has partial loss of hearing at a particular range of frequencies or has noise in the ears. It may be inherited or acquired and may have an effect on speech and language development if it occurs early [8].

10.3.3 Learning Disabilities

According to [9], “learning disabilities refer to a number of disorders which may affect the organisation, acquisition, retention, understanding or use of verbal or nonverbal information. These disorders affect learning in individuals who otherwise display at least average abilities essential for thinking and/or reasoning. As such, learning disabilities are distinct from global intellectual deficiency”.

Furthermore [9] added that “learning disabilities result from impairments in one or more processes related to perceiving, thinking, remembering or learning. These include, but are not limited to: language processing; phonological processing; visual spatial processing; processing speed; memory and attention; and executive functions (e.g., planning and decision-making)”.

10.3.4 Entrepreneurial Competencies

Competency is defined as the sum of experiences, knowledge, skills and attitude which we gain during our lifetime for productive performance in a task or job. It is also known as the concept of knowledge, skills and attitude of a person [10]. There are 15 types of entrepreneurial competencies identified by the Entrepreneurship Development Institute of India (EDI); however, for the purpose of this study, we selected only 13 which includes initiative, systematic planning, sees and acts on opportunities, self-confidence, concern for high quality of work, commitment to work contract, efficiency orientation, persistence, problem solving, information seeking, assertiveness, persuasion and use of influence strategies [11].

10.4 The Special Youth Social Entrepreneurship Program

The Special Youth Social Entrepreneurship Program (SYSEP) was designed specifically for the hearing-impaired and learning-disabled students of SMPKV, Shah Alam. It was a collaborative programme involving the Ministry of Education (MOE), the Malaysian Academy of SME & Entrepreneurship Development (MASMED) and the school (community). SYSEP was featured with the elements of entrepreneurship knowledge transfer and social entrepreneurship that should benefit all parties involved.

The objectives of this programme are:

1. To give entrepreneurial exposures to the disabled secondary students of SMPKV
2. To let the university provide a social responsibility experience to the university students and academicians
3. To fulfil the national aspiration of inclusiveness through entrepreneurship education

It was a structured programme that was designed to have several phases and it is expected that the knowledge transferred to the people involved remain sustainable. Some of the expected outcomes include:

1. Students are aware and exposed to entrepreneurship as their next career choice.
2. Entrepreneurship remains as a culture to the school.
3. Financial sustainability of the school.

Programme schedule:

Phase 1: Delivery of the Basic Entrepreneurship Workshop to the school teachers

Phase 2: Delivery of the Basic Entrepreneurship Workshop to the disabled students

Phase 3: Creation of products and development of prototypes by the students

Phase 4: Mass production of commercial products

Phase 5: Commercialisation of products

Phase 6: Report and documentation

Phase 7: Monitoring of business transactions

10.5 Research Design

The sample was the disabled students from Sekolah Menengah Pendidikan Khas Vokasional (SMPKV), a high school focusing on vocational education and training for students with disabilities. Eighty-seven students were chosen using the random sampling technique from 195 students. The study used a survey technique using a standardised questionnaire. Face-to-face interview with the assistance from the teachers was conducted; thus a 100 % response rate was achieved. A set of questionnaires in dual languages of English and Malay was taken from the Malaysian Academy of SME & Entrepreneurship Development (MASMED). The measure of entrepreneurship competencies is divided into 13 subsections. All items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). A pre- and posttest using the same questionnaire was studied to investigate the outcome of the programme from the same group of students.

The research questions are as follows:

1. What is the students' level of entrepreneurial competencies before participating in the programme?
2. Does the programme improve the entrepreneurial competencies of the students?
3. Is there any difference in entrepreneurial competencies across gender, specialisation and types of disabilities?

Table 10.1 Demographic frequency analysis

Variable	Description	N	%
Gender	Male	49	56.3
	Female	38	43.7
	Total	87	100
Age	17	8	9.1
	18	31	35.6
	19	45	51.7
	20	1	1.14
	25	2	2.29
	Total	87	100
Specialisation	Batik painting	9	10.3
	Computer technology	14	16.1
	Hairstyling	5	5.8
	Furniture making	10	11.5
	Tailoring	13	14.9
	Electrical and welding	15	17.2
	Air conditioning	3	3.4
	Chambermaid	6	6.9
	Construction	3	3.4
	Metal arc	2	2.3
	Vehicle assembly	2	2.3
	Food and beverage	5	5.8
Total	87	100	
Types of disabilities	Learning disability	53	60.9
	Hearing impairment	34	39.1
	Total	87	100

10.6 Findings

10.6.1 Frequency Analysis

The descriptive statistics of the respondents are shown in Table 10.1. The respondents are SMPKV students, which consist of male ($n = 49$, 56.3 %) and female ($n = 38$, 43.7 %). Majority are at the age of 19 years old ($n = 45$, 51.7 %) and 18 years old ($n = 31$, 35.6 %). There are 12 specialisations offered in the school; the most popular specialisation was electrical and welding ($n = 15$, 17.2 %), followed by computer technology ($n = 14$, 16.1 %) and tailoring ($n = 13$, 14.9 %). The learning disabilities faced by the students are learning disability ($n = 53$, 60.9 %) and hearing impairment ($n = 34$, 39.1 %).

Based on the result shown in Table 10.2, students in SMPKV have shown improvement in almost all of the entrepreneurial competencies. The highest improvement was on the information seeking, with an increase of 13.02 %. Concern for high quality of work and self-confidence increased by 11.31 % and 9.46 %, respectively, followed by persistence (8.51 %), commitment to work contract

Table 10.2 Entrepreneurial competency comparison

Number	Entrepreneurial competencies	Pretest (mean value)	Posttest (mean value)	Difference (%)
1	Initiative	3.49	3.68	5.16
2	Sees and acts on opportunities	3.65	3.84	4.95
3	Persistence	3.44	3.76	8.51
4	Information seeking	3.54	4.07	13.02
5	Concern for high quality of work	3.45	3.89	11.31
6	Commitment to work contract	3.69	3.96	6.82
7	Efficiency orientation	3.64	3.57	-1.96
8	Systematic planning	3.54	3.73	5.09
9	Problem solving	3.44	3.65	5.75
10	Self-confidence	3.54	3.91	9.46
11	Assertiveness	3.67	3.62	-1.38
12	Persuasion	3.44	3.56	3.37
13	Use of influence strategies	3.68	3.64	-1.10

(6.82 %), problem solving (5.75 %), initiative (5.16 %), systematic planning (5.09 %), sees and acts on opportunities (4.95 %) and persuasion (3.37 %). Surprisingly, there were three competencies that showed declined values. The highest decrease was in efficiency orientation (-1.96 %), followed by assertiveness (-1.38) and use of influence strategies (-1.10).

Table 10.3 illustrates the entrepreneurial competencies based on specialisation. Though it shows that batik-painting students scored the highest in the entrepreneurial competencies while metal-arc students scored the lowest, further analysis done proved that there is no statistical difference in entrepreneurial competencies between specialisations of study as the Sig. value is more than 0.05 ($p = 0.791$) (Table 10.4).

Table 10.5 illustrates the entrepreneurial competencies based on gender. Females have higher entrepreneurial competencies (3.85) compared to males (3.69). However, based on the t -test analysis (Table 10.6), the Sig. (two-tailed) value is higher than 0.05 ($p = 0.248$) thus demonstrating that there is no statistical difference in entrepreneurial competencies for males and females.

Table 10.5 illustrates the entrepreneurial competencies based on disability. Students with learning disability have higher entrepreneurial competencies (3.80) compared to students with hearing disability (3.70). However, based on the t -test analysis (Tables 10.7 and 10.8), the Sig. (two-tailed) value is higher than 0.05 ($p = 0.495$), thus demonstrating that there is no statistical difference in entrepreneurial competencies between the disabilities.

Table 10.3 Entrepreneurial competencies based on specialisation

Number	Specialisation	Entrepreneurial competencies (mean value)
1	Batik painting	4.03
2	Tailoring	3.98
3	Food and beverage	3.92
4	Hairstyling	3.85
5	Electrical and welding	3.75
6	Computer technology	3.66
7	Furniture making	3.64
8	Vehicle assembly	3.64
9	Chambermaid	3.61
10	Construction	3.60
11	Air conditioning	3.40
12	Metal arc	3.32

Table 10.4 Oneway ANOVA on entrepreneurial competencies and specialisation

	Sum of squares	df	Mean square	<i>F</i>	Sig.
Between groups	2.774	11	0.252	0.638	0.791
Within groups	29.647	75	0.395		
Total	32.421	86			

Table 10.5 Entrepreneurial competencies based on gender

Number	Gender	Entrepreneurial competencies (mean value)
1	Male	3.69
2	Female	3.85

Table 10.6 T-test on entrepreneurial competencies and gender

	<i>F</i>	Sig.	<i>t</i>	df	Sig. (two-tailed)
Equal variances assumed	0.000	0.983	-1.164	85	0.248
Equal variances unassumed			-1.176	82.403	0.243

Table 10.7 Entrepreneurial competencies based on disability

Number	Gender	Entrepreneurial competencies (mean value)
1	Learning disability	3.80
2	Hearing disability	3.70

Table 10.8 T-test on entrepreneurial competencies and disability

	<i>F</i>	Sig.	<i>t</i>	df	Sig. (two-tailed)
Equal variances assumed	3.077	0.083	0.685	85	0.495
Equal variances unassumed			0.653	59.251	0.516

10.7 Conclusion

Based on the findings, it shows that SYSEP was able to increase 10 out of the 13 identified entrepreneurial competencies. As there is no statistical difference in entrepreneurial competencies across factors of gender, specialisation and types of disability, it demonstrates that SYSEP was able to improve the entrepreneurial competencies of the disabled people consistently irrespective of the gender, specialisation and types of disability of the participants. Hence, this programme was considered successful and can be recommended to other schools for the disabled in order to improve their entrepreneurial skills.

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Part IV
Governance

Chapter 11

SMEs' Performance: Financial Incentives and Governance

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and Siti Nor Adawiah Hussin

Abstract Small and medium enterprises (SMEs) have become the backbone for the Malaysian economy and the engine for the country's growth and innovation. SMEs represent 99.2 % of the total business establishments and have contributed 59 % of total employment as well as 32 % of GDP for Malaysia. The government transformation program (GTP) initiated by the Malaysian government has focused on SMEs to ensure the relevancy, sustainability, and competitive edge of this industry, especially in the global market. Hence, the current study investigates the effectiveness of the financial incentives provided by the government, as well as the governance aspect, which can be associated with SMEs' performance. The current study used tax incentives and leverage as proxy for financial incentives, while the board size is used to proxy the governance issue. The sample comprised of 1,377 SMEs' firm-years collected from the period of 2000–2010. The findings of this study suggest that tax incentives have a positive impact on SMEs' performance. However, leverage and board size have a negative relationship with SMEs' performance. Thus, the findings suggest that tax incentives provided by the government, the less leverage enterprises, and smaller board size enhance the performance of SMEs. This study provides important feedback to the policymakers in evaluating the financial incentive scheme and enforcing corporate governance on SMEs toward sustaining this industry.

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Keywords SMEs • Financial performance • Tax incentives • Leverage • Governance

11.1 Introduction

This study investigates the impact of tax incentives, leverage, and board size on the performance of small and medium enterprises (SMEs) in Malaysia. Previously, many studies have investigated the importance of tax incentives on the performance of large companies. However, very few studies have been done on SMEs on this issue. SMEs have become the backbone of economic growth in driving industrial development in many countries [1]. SMEs represent 99.2 % of the total business establishments in Malaysia and contribute 59 % of total employment and 32 % of GDP. Thus, SMEs constitute an important component of the Malaysian economy and have the potential to be a powerful engine for growth and innovations [2].

In many countries, the government has provided tax incentives in order to promote a specific economic sector, to boost up certain industries, to reduce rate of unemployment, to attract Foreign Direct Investment, and to transfers of technology and know-how to induce growth of economically lagging region [3]. Currently, there are a limited number of studies that focused on the relationship between tax incentives and corporate performance especially on SMEs. The question that arose is whether tax incentives provided by the government are able to promote this industry. Hence, the current study examines the relationship between tax incentives and performance of SMEs in Malaysia.

In order to strengthen the SMEs in Malaysia, many types of debt financing are granted by private and public sectors. It was reported that about 80 % of loans for SMEs have been approved by financial institutions in Malaysia for the period of 2006 until 2011 [2]. This shows that Malaysian SMEs do not have difficulties in getting financial aids. The question raised here is whether SMEs are able to meet debt obligations by consistently paying interest and principal to the lender. Thus, this study examines the relationship between leverage (i.e., level of debts) and the performance of SMEs in Malaysia.

Similar to large companies, the successfulness of SMEs depends not only on the external factors such as loan, grant, or tax incentives but also other internal factors such as good governance. Corporate governance mechanism is important in controlling the internal affairs of a company. There are many elements of internal governance mechanisms, for example, board size, board independence, and director professional. The board of directors play an important role in monitoring the management team in order to ensure their actions are in line with the interest of stakeholders [4]. Thus, this study examines how the board size influences the performance of SMEs.

11.2 Literature Review

11.2.1 SMEs in Malaysia

SME Corp. has defined and categorized SMEs based on the annual sales turnover or number of full-time employees. It was reported that 79.4 % of the total business establishment in Malaysia comprised of micro-sized companies, while 18.4 % and 2.2 % represent the small-sized companies and medium-sized companies, respectively [5]. In addition, Malaysian SMEs accounted for 552,849 (99.2 %) of Malaysia's total business establishments in the manufacturing, services, and agriculture sectors, while only 4,583 (8 %) were occupied by large companies. Services sectors become the most predominate SMEs and accounted for 86.6 % of the SMEs' total establishments compared to manufacturing (7.2 %) and agriculture sectors (6.2 %) [5].

11.2.2 Tax Incentives

Tax incentives can be defined based on two different terms, statutory term and effective term which served for different interests [3]. Under statutory term, tax incentives are a special tax provision which has been granted on qualified projects that statutorily differed from those not qualified. It is intended to serve the interest of policymakers. In contrast, tax incentives under effective term can be defined as a special tax provision which has been granted on qualified projects with the purpose to reduce tax payable and, ultimately, serve the interest of investors. Most developed and developing countries have granted three main types of tax incentives which include tax holiday, investment tax allowance, and credit as well as reduction of tax rate [6]. As for Malaysia, companies are able to enjoy various tax incentives which include pioneer status, investment tax allowance, reinvestment allowance, and double deduction [7]. The reduction of corporate tax rate at 20 % is an additional incentive which also benefitted SMEs in Malaysia.

Previous studies have discussed the effectiveness of tax incentives in attracting investment, either domestic or foreign direct investments. However, there are few studies that address the issue of the impact of tax incentives on SMEs' performance. It was reported that an increase in corporate tax rate will negatively affect net income and output of Tunisian companies in the engineering industry [8]. In Malaysia, it was found that the reduction of the corporate tax rate from 28 % to 20 % in year 2003 has enhanced the performance of the SMEs. These were evidenced by SMEs' ability in settling short-term debts and accessing debt financing as well as more assistance from the government to acquire machinery and equipment [9].

Using sample of SMEs that have been granted tax incentives, [10] found that small-sized SMEs in Malaysia are able to increase their amount of cash flows,

having better liquidity position and asset turnover as well as being financed with retained earnings. Nevertheless, it was found that the tax payable by SMEs have negatively affected their performance. The study also found similar results for medium-sized SMEs in relation with cash flow, retained earnings ratio, asset turnover, and tax burden. In addition, they found a negative relationship between company performances with total debt to total asset ratio.

11.2.3 Leverage

The SMEs' debt market is growing rapidly, supported by a large number of providers who are supplying very innovative financing options. SMEs need to rely on long-term funding provided by banks and financial institutions in order to finance their business operations, develop new products and human capital development and infrastructure [11].

Leverage, loans, debt financing, and capital structure are interchangeable terms used in this study. Principally, level of capital structure in a company is based on the two theories, namely, trade-off theory and pecking order theory. The trade-off theory of [12] as cited in [13] highlighted that optimal capital structure could be achieved by balancing tax shield benefits with bankruptcy costs. Hence, based on this theory, more profitable companies are preferred to use debt financing than other types of financing due to the benefits of tax shields. Meanwhile, pecking order theory which has been developed by [14] argued that managers preferred to use internal sources of financing with retained earnings first, then with debt, and finally with equity. This theory claimed that issuing new shares in order to get financial sources may hamper the existing shareholders. Thus, high profitable companies preferred to use internally generated funds rather than debt financing.

Even though past studies show the relationship between leverage and company performance has been considerably cited as a common research theme for large companies, there are a few numbers of studies that empirically examined such relationship with SMEs' performance. It was found that debt financing of small manufacturing companies in Zimbabwe has a negative relationship with company profitability. The study claimed that the cost of funding in Zimbabwe is higher compared to the cost incurred by companies within developed countries [15]. In addition, [16] reported that by using less debt financing in capital structure, SMEs in Portugal were able to increase their financial performance. The study claimed that this relationship is inconsistent with the pecking order theory which stated that high profitable companies are likely to use internal sources of financing, particularly, retained earnings. Furthermore, [17] found that the increase in leverage has negatively affected the SMEs' performance. SMEs have a commitment to pay interests on debts periodically, thus it is possible for reduction in opportunity to invest in profitable projects. They also claimed that using debt financing may create an agency problem between managers of SMEs and its creditors.

11.2.4 Board Size

In recent years, the board size and board composition have been widely explored and debated in research topic in the corporate governance literatures [18]. The directors have a vital responsibility toward the company. The directors must be mindful of their duties and direct their effort and resources toward the best interest of stakeholders. The directors must ensure that the company is in compliance with laws and ethical values and maintain effective corporate governance. Considering the significant duties of directors, it makes the board size important because it will give impact on the efficiency of the directors in carrying out their responsibilities toward the company and the stakeholders.

Board size can be divided into two which are small board and large board. Prior literature reported in their study that small board is comprised of three members [19, 20], while [21] found that large board has seven members. Prior literatures have found mixed results on the relationship between board size and performance of company. According to [19], they reported that board size is negatively correlated with return on asset. In other words, a high-performance company is associated with small board size. Prior literatures also have documented drawbacks of having large board [22]. Board with more than seven to eight members are unlikely to be effective due to increased problems of communication, less effective coordination, and decision making [23]. Board size could correlate with performance because change in board size reflects the changing nature of company. Increasing board size may bring different performance to represent the additional directors. Therefore, it is important for every company to have the right combination of the board members.

11.3 The Methodology and Model

This study is conducted by analyzing SMEs' financial statements which were collected from the database of Companies Commission of Malaysia (CCM). The income statement, balance sheets, cash flow statement, directors' profiles, Form 49, and Form 9 have been extracted from the database. The period of study covered from year 2000 until 2010. The period of 11 years is necessary to take into consideration the impact of changes in the tax rates as well as tax incentives. The total sample used in this study is 1,377 firm-years.

The research model in this study was developed to investigate the relationship of tax incentives, leverage, and board size on performance of SMEs. This model was adopted from the model developed by [22] but with an additional variable of tax incentives and board size. The empirical model was developed as follows:

$$\text{ROA} = \beta_0 + \beta_1\text{TAXINC} + \beta_2\text{LEV} + \beta_3\text{BOARD} + \beta_4\text{CAPINT} \\ + \beta_5\text{INVSALLES} + \beta_6\text{SALESTA} + \epsilon$$

The dependent variable used in this study is return on assets (ROA) which is measured by profit after tax divided by total assets. β_0 is intercept. Three independent variables that have been used in this study are tax incentives (β_1 TAXINC), leverage (β_2 LEV), and board size (β_3 BOARD). β_1 TAXINC is a tax incentive that is measured by a natural logarithm of the total amount of tax incentives and exempt income account. As a proxy for loans, β_2 LEV is a leverage which is measured by total debt divided by total assets. β_3 BOARD represents board size which is measured with the actual number of directors in the board. Meanwhile, the control variables consist of capital intensity (β_4 CAPINT), inventory margin (β_5 INVSALLES), and asset turnover (β_6 SALESTA). β_4 CAPINT represents the capital intensity that is measured by dividing property, plant, and equipment with total assets. β_5 INVSALLES is an inventory margin which is measured by dividing inventory with sales. β_6 SALESTA represents asset turnover and is being measured as sales divided by total assets. ϵ is an error term.

11.4 The Findings

11.4.1 Descriptive Analysis

Table 11.1 provides the descriptive statistics of this study. The mean value for ROA is 0.11. This result indicates that on average, ROA of SMEs is 11 % of profit after tax. The mean value for TAXINC is 3.47. In addition, the mean value of LEV is 0.58 which indicates that on average 58% of SMEs used debt to finance its capital structure while the mean value for BOARD is 3.57, which indicates that SMEs in Malaysia on average have three or four directors in the board.

11.4.2 Regression Analysis

Table 11.2 presents the regression coefficients of the relationship between ROA and tax incentives, leverage, corporate governance, and other control variables.

Table 11.1 Descriptive statistics for the year 2000–2010

Variables	Mean	Minimum	Maximum	Standard deviation
ROA	0.11	0.00	18.05	0.50
TAXINC	3.47	0.00	197.00	6.82
LEV	0.58	0.00	8.67	0.46
BOARD	3.57	2.00	12.00	1.69
CAPINT	0.35	0.00	1.00	0.24
INVSALLES	0.15	0.00	0.94	0.15
SALESTA	1.26	0.00	12.22	1.10

Table 11.2 Regression model results for the year 2000–2010

	Coefficients	T-statistics	P-value
Constant	0.011	0.517	0.605
TAXINC	0.326	12.997	0.000***
LEV	-0.267	-12.003	0.000***
BOARD	-0.078	-3.319	0.001**
CAPINT	-0.084	-3.863	0.000***
INVSALLES	0.011	-0.514	0.607
SALESTA	0.267	12.077	0.000***
R2	0.346		
Adjusted R2	0.343		
F-Statistic	120.872		
P-value	0.000***		
Firm-years	1,377		

***Significant at the 1 % level, **significant at the 5 % level, *significant at the 10 % level

The main objective in the study is to identify the impact of tax incentives, leverage, and board size on the performance of SMEs. The results reveal the adjusted R-squared is 34.3 %, F-value is 120.872, and *p*-value is 0.000 and highly significant at 1 % level. The adjusted R-squared indicates that 34.3 % of the variation in ROA can be explained by the overall explanatory variables.

The result shows that tax incentives (TAXINC) have a significant positive relationship with ROA at 1 % level. This indicates that tax incentives granted on SMEs are able to enhance the performance of SMEs. Tax incentives used by SMEs are able to reduce the amount of tax payable; thus, it will increase the company's profit. The statistical result also shows that leverage (LEV) has a significant negative relationship with ROA at 1 % level. This suggests that SMEs with higher LEV have low performance. This is consistent with the study done by [17]. By employing excessive debts, the company is exposed to higher bankruptcy costs which will affect future return on investments.

Table 11.2 also shows that the board size (BOARD) is negatively and significantly related with the ROA at 5 % level. This reveals that small board size will increase the performance of company. Thus, the results are in line with the studies which support that small boards are more effective in enhancing the performance of a company [24, 25]. However, there are arguments that a larger board size could lead to following issues: (1) high agency problems, (2) disagreement among board members, and (3) domination of CEO [25]. Overall, the current study found that tax incentives and leverage are highly significant with the performance of SMEs.

11.5 Summary and Conclusions

This study has examined the impact of tax incentives, leverage, and board size on the performance of SMEs in Malaysia during the 11-year period 2000–2010. The statistical results indicate that tax incentives have positive impact on the performance of SMEs. On the other hand, leverage is reported to have a negative impact on SMEs' performance. Meanwhile, small board size is more efficient for enhancing SMEs' performance.

The current study provides evidence that financial incentives and governance give significant impact on the performance of SMEs. Thus, the study provides feedback to the policymakers to review the current policy on tax incentive, financial assistant program, and governance mechanism to ensure the relevancy, sustainability, and competitive edge of this industry.

The limitation of the current study is due to inadequate and incomplete information provided in SMEs' financial statements. In Malaysia, SMEs are not required to publish their financial statements due to confidentiality factors which deter them from disclosing the proprietary information. Future research should investigate the governance mechanism such as the effective number of the board size which can enhance the performance of SMEs.

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Chapter 12

Factors Affecting Corporate Social Responsibility (CSR) Intention Among Owners/Managers of Small and Medium Enterprises (SMEs) in Malaysia: A Proposed Model

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Abstract Corporate social responsibility (CSR) has triggered many businesses to develop the right strategy for its implementation. In this article, the authors argued that small and medium enterprises (SMEs) can also play a prominent role as large firms or multinational corporations (MNCs) when it comes to implementing CSR. Advantages of SMEs include flexible operations, fewer employees, less formal organizational structure and easiness of managers to adopt new ideas and able to adapt new business culture quickly. However, the implementation of CSR in SMEs for large firm and small firm is different in which the concept of CSR cannot be transferred directly to SMEs. The aim of this study is to investigate the CSR behaviors of the Malaysian SMEs which are being affected by the managers and owners intention toward the CSR activities. In this article, the authors proposed a CSR for SMEs model be build by using theory of planned behavior as the underpinning theory. Propositions related to the proposed model are also explored and discussed.

Keywords Corporate social responsibility • Small and medium enterprises • Theory of planned behavior

12.1 Introduction

Small and medium enterprises (SMEs) are recognized as contributors to countries' economic competitiveness and are referred as the backbone of the country's economy in terms of the generation of employment opportunities and income for

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regional communities. In Malaysia, as reported by Malaysia Statistic Department, SMEs contributed an increment for 32.7 % in 2012 for gross domestic product (GDP) as compared to the 32.5 % in 2011. A few sectors underpinned the prime move for Malaysia SMEs including business services, manufacturing, and construction sectors supported by other sectors such as agriculture, retail, and transportation.

According to Mankelaw and Quazi [1], SMEs are also active in fulfilling their obligations as responsible business practices. Responsible business practices can be conceptualized into ethical behaviors of the firm and the corporate social responsibility (CSR) practices that are adopted by the firm. Corporate social responsibility (CSR) is a broad and poorly defined concept, which has made its use in industry and exploration by academia difficult [2]. Nevertheless, there has been a drive toward CSR since it was first addressed by scholars in 1953 [3]. Since that, the concepts of CSR have undergone evolutionary development. Carroll [4–6] was a contributor to “modern” CSR theory by introducing “pyramid of CSR” with later contributors including authors such as [7–9] Jenkins [10–12]. In a recent study, Dahlsrud [13] evaluated 37 definitions of CSR based on frequency of occurrence in literature and on Google, identifying five dimensions of it: (1) environmental, (2) social, (3) economic, (4) stakeholder, and (5) voluntariness. In this paper, term CSR borrows the definition from Petkus and Woodruff’s (1992) as cited by [14] interpretation of CSR. They defined CSR as follows:

CSR is a company’s commitment to minimizing or eliminating any harmful effects and maximizing its long-run beneficial impact on society.

This definition takes notice of an active CSR of a firm as avoiding harm and doing righteous. This emphasizes that CSR activities are not necessarily financial, but can also enclose obeying the law and ethical norms, treating employees fairly, and contributing to charities. Next to that, the definition seems to be applying in the context of small and medium enterprises (SMEs). This is because CSR activities in SMEs can be developed in a strategic manner, creating benefit both for company and for society, while at the same time addressing resources for the future growth. Finally, this definition not only looks at the short-term efforts and their effects but also emphasizes its long-run beneficial impact on society. This is of importance because of the fact that a socially responsible company must have concerns beyond short-term profitability [14].

CSR participation among SMEs is reflected by the willingness and financial capability of SMEs. Even though these SMEs may not be a significant influence like the large firm, their cumulative social and environmental impacts could be significant. According to Tilley (2000) as cited by Morsing and Perrini [15], SMEs cannot be simply regarded as “small little big firms.” This means that the implementation of CSR in large firm could differ hugely from an implementation in small firm and the concept of CSR cannot be transferred from larger enterprises to SMEs. This increases the need for SME-specific research.

Past studies on CSR show that CSR implementation are focused on large and multinational firms [10, 16] but studies on CSR in SMEs is still scarce [17–19].

Previous studies that have addressed CSR by SMEs suggest SMEs react to CSR differently than large companies in several ways. Fassin [20] observes, in large companies, that CSR has become a formalized practice involving reports and third-party audits, but in SMEs, he argues that it should be less formal and more in line with SME management. The relatively flat management structure of most SMEs results in fewer people being involved in decisions and the personal values of owner-managers more important as drivers of CSR [10]. CSR in SMEs appears driven more by concerns of employees and their families than by other external stakeholders [21]. SMEs typically have fewer available resources especially financial but also fewer trained personnel and time to devote to CSR than large companies [22, 23]. Spence [24] found significant gaps for additional research to explore what drives CSR in SMEs and how it is understood and adapted. Much of the study on CSR by SMEs has focused more on environmental management programs [25, 26].

There are a number of studies focusing on CSR in Malaysia among academia. Previously, researcher used the term such as corporate social involvement, social reporting, and social [27, 28]. In year 2000 onward, studies on CSR attributes of Malaysian companies have been conducted with corporate disclosure issues such as by ACCA [29–38] and consumer perception on CSR [39, 40]. A limited number of studies looked at the SMEs' CSR in Malaysian context; only the study by Nejati and Amran [41] focuses on the motivation among SMEs to perform CSR. This study highlighted that most of the SMEs perform CSR because of personal and religious beliefs. SMEs' actions in the areas of environmental responsibility were mostly externally pressured, which is to avoid negative publicity for noncompliance, and pressure from supply chain for them to be externally certified in environmental compliances. Nejati and Amran [41] highlighted that more efforts are needed to study and document CSR practice among SMEs as until recently, all focus by the public and government was solely on the big companies. This argument had been proposed by Amran et al. [33] that philanthropy is significantly and positively correlated with size, profitability, and dispersed ownership between companies. The findings by Amran et al. [33] give a similar conclusion to the findings on the factors that affect CSR disclosure as highlighted by [37]. With these findings, we can say that the performance of Malaysian companies will continue to be at varying degrees depending on where they are in the size, ownership, and profitability spectrum. Again the government needs to play more active roles in ensuring that smaller companies can play their CSR role more effectively. However, there is a relative lack of information in the literature with regard to the pattern of SME CSR in Malaysia. Taking the result from the European Commission surveyed as cited by Siwar et al. [30] and in that survey the perceived barriers that hinder in the way for the implementation of CSR in Malaysia SMEs were (1) shortage of time, (2) lack of motivation, (3) inadequate capabilities and resources, and (4) companies not seeing the opportunity to implement CSR. So, the aim of this study is to investigate the CSR behaviors of the Malaysian SMEs toward CSR activities. The intention of CSR can be measured through the perception of owners and managers of SMEs.

Role of owner-manager is relevant for CSR adoption because SMEs owners usually have more direct impact on the operations and activities of the firm rather than those of large firm. Owners-managers of SMEs play a critical decision-making role in determining CSR activities. Compared to large companies, which are exclusively controlled by managers, most SMEs do have an “owner-manager,” meaning that the entrepreneur is also the shareholder of the company [42]. SMEs’ owner-manager often might be responsible for all company policy and business strategies. Therefore, their decision making is mostly based on the owner/managers’ personal interest. Contrary to certain studies arguing that organizational characteristics are the only factors explaining the commitment of SMEs to sustainable development, [24] showed that the personal values of company directors, their entrepreneurial orientation, and their perception of the environment determine the decision making relative to corporate social responsibility. However, only a few empirical studies [24, 26, 43, 44] have explored the role of owner-manager values and beliefs in CSR adoption. As consequences, there is a need for more research in this area. This paper attempts to draw up on the existing body of knowledge, both from the academic and the literature in Malaysia, to identify the CSR practices and develop a study for CSR in the SME sector in Malaysia by focusing on individual-level (owners-managers) decision making.

12.2 Literature Review

12.2.1 *Small and Medium Enterprises in Malaysia*

The Malaysian Government has encouraged and supported the SMEs through its various policies and initiatives. The commitment and the concern for the development of SMEs have been clearly evident since the early 1970s. The “New Economic Policy” was introduced in 1971, which aimed to improve people’s welfare and restructure ethnic economic imbalances. The government’s commitment to the development of SMEs can also be seen in the Second Industrial Master Plan (IMP2), which ended in 2005, which is followed by the Third Industrial Mater Plan (IMP3) (2006–2020), to coincide with the country’s vision for 2020 [45, 46]. The IMPs were formulated to enhance the growth of the manufacturing sector across the entire value chain and cluster-based industrial developments. Hence, this plan provides an integrated approach to the development of industrial areas and opportunities for growth of SMEs. Moreover, the SME Malaysia plan (2011–2020) under ETP also stimulates the SMEs’ goal envision of global competitiveness.

The definition of small- and medium-sized enterprises varies across countries. In Europe SME is defined as a firm with fewer than 250 employees, in the USA it is defined as a firm with fewer than 500 employees, while in New Zealand it is defined as a firm with less than 900 employees. Additionally, this study also claimed that

Table 12.1 SME definitions based on the number of full-time employees

Category	Manufacturing	Services and other sector
Small	5–75	5–30
Medium	75–200	30–75

Table 12.2 SME definitions based on annual sales turnover

Category	Manufacturing	Services and other sectors
Small	RM300,000-RM15mil	RM300,000-RM3mil
Medium	RM15mil-RM50mil	RM3mil-RM20mil

Source: SME Corp. Report 2013

the SME could be defined as those that do not have strong core competences in terms of technologies, marketing networks, or brand name firms that have limited accessibility to resources, financial and managerial. To define SMEs has always been problematic. At this point in time, there seems to be no consensus regarding SMEs’ definition internationally in which variations exist between sectors, countries, and industries [47, 48]. For example, SMEs can be based upon annual sales (turnover) and/or number of employees in defining SMEs [49]. However, number of employees is normally used as an indicator or cutoff level for defining SMEs [49, 50]. In America, for instance, SMEs mean that an organization will employ fewer than 500 people and compared to employment of fewer than 250 people in Europe [47]. Malaysia, like many other developing countries in the world, is also having a difficulty in defining SMEs [51].

On the other hand, in Malaysia according to SME Corp (2013) based on recent meeting at 14th National SME Development Council (NSDC) meeting in July 2013, the term SME is defined as follows:

An enterprise can be considered as SMEs in each of the respective sector based on the number of full-time employees or annual sales turnover as summarized below in Tables 12.1 and 12.2.

12.2.2 Corporate Social Responsibility (CSR)

The idea of the benevolent for-profit organization that addresses social as well as economic concerns is not new. As early as the 1930s, organizations were revered for upholding their “responsibility” to extra-profit motives by improving labor standards and employee. Then in the 1950s, scholarly work to introduce and develop the concept of CSR gained momentum. Specifically, Howard Bowen wrote Social Responsibilities of the Businessman [3], leading to further academic discourse on the topic in the 1960s. According to Bowen, social responsibilities of business referred to “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.” More recent attempts to define

succinctly the concept of corporate social responsibility have been less successful because scholars disagree on the extent to which companies should be socially responsible. If an organization focuses on ethical responsibility, the boundary of where the organization begins and ends fades. The organization becomes responsible to all of its diverse stakeholders in providing ethical leadership, practices, and products. Finally, if the organization is philanthropically responsible, the organization becomes responsible to itself, shareholders, all stakeholders, and the broader social good. The organization may incorporate practices of corporate giving, volunteerism, or community partnerships.

12.2.3 Importance of CSR for Organizations and Society

While social and economic goals are seemingly unconnected, organizations may reference the connections that CSR has to economic motives in their justifications of CSR practice [52]. First, organizations may incorporate CSR to improve their public image in response to the visibility on a firm's negative social and environmental impact. Second, organizations may justify CSR based on a belief that the practices will attract particular clients or consumers. Third, participation in socially responsible behaviors might be justified under the belief that it boosts employee morale. What is interesting, however, is that organizations often incorporate corporate social responsibility without any direct evidence of these connections [35]. In contemporary society, businesses have seen an increasing emphasis on the importance of CSR activities due to mounting pressure from employees, consumers, and other stakeholders.

A 2007 McKinsey study using a sample of CEOs participating in the United Nations Global Compact program for building global business sustainability found that 90 % of participating CEOs believe that society has greater expectations of business to assume public responsibilities today than it did 5 years ago [53]. Additionally, 50 % of CEOs surveyed believe these expectations will increase even more in the next 5 years. Despite this perceived trend, CSR research has yet to conclusively establish the costs and benefits of organizational participation in socially responsible activities, specifically among organizations that are considered best workplaces and/or socially responsible organizations.

Mankelov and Quazi [1] presented three perspectives on the CSR – financial performance relationship. The first perspective is that CSR has a negative impact on financial performance. This perspective emerges from Murillo Lozano's (2006) economic minimalist view of CSR which argues that CSR places additional costs to organizations through activities that do not enhance shareholder value. A study by Habisch and Moon [54] supports this perspective and found that organizations who participated in positive CSR (i.e., areas of strength) saw no impact on financial performance, while organizations that participated in negative CSR (i.e., areas of concern and/or controversial business issues) saw a negative impact on their financial performance. The second perspective is that CSR has a neutral impact

on financial performance based on the assumption that many variables relate to both CSR and financial performance so much so that it is unreasonable to expect a direct relationship between CSR and financial performance.

The final perspective is that CSR has a positive impact on financial performance. A meta-analysis conducted by Farmer and Hogue [55] included 52 studies that quantitatively examined the relationship between social performance and financial performance. In order to qualify for participation in the meta-analysis, studies had to include at least one measurement of organizational financial performance as well as employ Wood's [56] model for defining social performance, which is based on Carroll's (1979) CSR pyramid. The study found that CSR participation pays off in relation to organizational performance, particularly in nonfinancial areas such as company reputation and in situations where there is a high strategy – CSR fit.

12.2.4 CSR Types and Benefits

A review of the CSR concept and Carroll's (1979) definition subsequently emphasized the need to distinguish among different types of CSR at the two top levels of Carroll's CSR pyramid: ethical and discretionary (philanthropic) responsibilities [55]. While Carroll's CSR pyramid provided the theoretical model for this dissertation study, Lantos' typology provided the framework through which the KLD list CSR activities were categorized. Using Carroll's (1979) CSR pyramid as a basis, Lantos (2001) classified and aligned CSR activities under three categories: ethical, altruistic, and strategic. Lantos (2001) emphasized the importance of examining these three types of CSR in order to gain insight as to which type yields the highest payback for businesses while meaningfully addressing societal issues [52]. Despite potential overlap of the three CSR types, they are inherently different based on principles and purpose.

12.2.4.1 Ethical CSR

First, ethical CSR involves avoiding societal harm, even if business does not economically benefit from doing so and even if avoiding societal harm is not required by law. CSR activities addressing problems the organization helped to create are examples of Lantos' ethical type. Ethical CSR is the most basic type of CSR and mainly benefits primary stakeholders (i.e., investors, employees, suppliers, and customers) [57]. Examples of ethical CSR include activities associated with addressing problems organizations experience with diversity, corporate governance, employee relations, human rights, and product safety.

Fig. 12.1 Corporate social responsibility framework: theory, typology, and categories

Carroll's CSR Pyramid (1979)	Lantos' CSR Typology (2001)	KLD Categories
Ethical responsibilities	Ethical CSR Type	Diversity, corporate governance, employee relations, human rights, and product
Discretionary (Philanthropic) responsibilities	Altruistic CSR Type Strategic CSR Type	Community and environment Varies, depending on organizational CSR activities and organizational mission & vision

12.2.4.2 Altruistic CSR

A second major CSR type is that which includes organizational activities based on altruism, such as addressing problems facing a community. Such activities are considered optional and primarily benefit community stakeholders, although they may also benefit the organization. Altruistic responsibilities involve addressing needs of various stakeholders and promote societal benefits, as implied by the social contract, regardless of an organization's financial situation. In addressing various stakeholders, one of the most important external organizational stakeholders is the community in which an organization exists and serves. Although community includes multiple levels of constituents ranging from local to global members, CSR research has grouped such constituents together. Using confirmatory factor analyses, researchers examining cultural and leadership predictors of top management's CSR values in the GLOBE study found that concern for community/state welfare was a valid and distinct CSR construct. CSR activities involving community and environment are included in this category.

12.2.4.3 Strategic CSR

Lastly, CSR types based on strategy, such as activities within existing organizational areas of expertise, are also optional and primarily benefit organizational shareholders, yet may also benefit other stakeholders [55]. This type of CSR focuses on addressing social issues within an organization's area of expertise; therefore, CSR activities that fall under this type of CSR vary for each organization. This type of CSR is distinguished by the primary motive to increase firm profit through creating a win-win situation between the firm and society [58]. Addressing problems within the organization's area of expertise is an example of Lantos' strategic CSR type (Fig. 12.1).

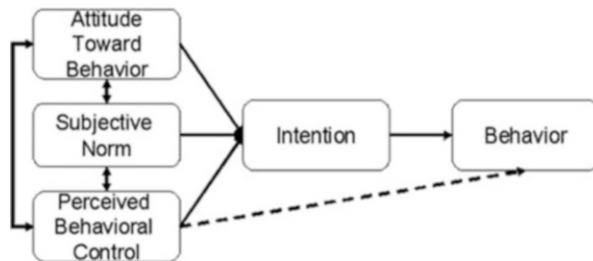
12.3 Theoretical Basis of CSR for SMEs

Research regarding SMEs in the field of company social responsibility emerged at the beginning of the year 2000s by investigating the perceptions of top management toward CSR and the their actions toward socially responsible issues [28, 59] The attitude-behavior theory claims that the attitudes and intentions of top management would be likely affected by the characteristics of their firms [56]. An assessment of a manager's attitudes toward to CSR may provide an indication of the manager's tendency to respond in a particular way to CSR [60]. However, previous research is mainly concerned with the study of CSR behavior ignoring the different phases in the cognitive process of CSR decision making. Fishbein and Ajzen (1980) showed the importance of analyzing the cognitive dimensions in order to understand behavior. The adoption of CSR behavior can be considered as a cognitive process directed toward action. During this process, intention is an essential phase to explain the action [61]. In the theory of planned behavior, Ajzen [61] stipulates that "intentions are supposed to include the motivational factors which influence behavior; they are indicators of the intensity of the will to try, of the effort that individuals plan to make in order to achieve such behavior." "In general, the stronger the intention to adopt a particular behavior, the more likely it will be that it is adopted."

12.3.1 *Theory of Planned Behavior*

This theory is based on the model of theory of reasoned action (TRA) created by Ajzen and Fishbein (1980). In this, an individual's intention plays a central role during the development of behavior. It stipulates that the intention of adopting certain behavior is a direct determinant in the action. Ajzen [61] added perceived behavioral control to extend the theory of reason action (TRA) to include those behaviors that characterized by a low degree of volition or control. The aim of the theory of planned behavior is to forecast the behavior of individuals by identifying the individual and contextual factors which determine them. It has been successfully used in entrepreneurship, marketing, and human resources management. According to Ajzen [61], intention forecasts behavior by means of three factors: attitude with regard to behavior, subjective norms, and perceived behavioral control. The attitude concerning the desired behavior designates how favorably or unfavorably the individual evaluates this. It depends on the probable results of this behavior and manifests itself through actions to give it concrete expression. The subjective norms are concerned with the weight of the groups of reference (family, friends, colleagues, etc.) and on the perceptions and the behavior of individuals. They are the result of the perceptions of the social pressure and the desire (or the constraint) involved in conforming to it. Finally, the perceived behavioral control is the degree of knowledge and mastery that an individual has of his/her aptitudes as

Fig. 12.2 Theory of planned behavior



well as the resources necessary to give concrete expression to the desired behavior. This third variable shows the effect of personal perceptions in respect of the necessary resources and conditions for adopting a given behavior. According to Ajzen [61], “the more favorable the attitude and subjective norm with respect to a behavior, and the greater the perceived behavioral control (self-efficacy), the stronger should be an individual’s intention to perform the behavior under consideration.” TPB and TRA have been used in several previous studies to explain particular CSR-associated behaviors including pro-environmental commitment [26, 62, 63] and charitable giving and philanthropy [57, 64] and managers’ perspectives on sustainability (Ferdous 2010) (Fig. 12.2).

12.3.2 Determinants of Behavioral Intentions

Both TPB and TRA theories hold that attitudes toward an activity and the subjective norms related to that activity predict a person’s intention to participate in an activity. Attitudes refer to the degree to which a person has a favorable or unfavorable evaluation of the behavior in question. If a person perceives that there are positive outcomes resulting from an activity, then his or her attitude toward performing that behavior is likely to be positive. Beside attitudes, there is considerable research showing that people are influenced by the behavior or attitude of others, a phenomenon identified as the subjective norm [51]. Such influence can create pressure to conform to the behavior of a member of a group, for individuals [63, 65].

In context of this study, the behaviors of interest are actual engagement in various CSR practices by owners/managers of Malaysian SMEs. An attitude refers to SMEs owners’/managers’ positive or negative evaluation of CSR or, more specifically, how owners/managers are evaluating the role of CSR in meeting social, economic, and environmental objectives. A subjective norm refers to the social pressure that either encourages or discourages SMEs owners’/managers’ engagement in CSR practices. The theory of planned behavior (TPB) seeks to address one of the shortcomings of the theory of reasoned action (TRA) by considering behaviors over which people do not have complete control [61]. Perceived behavioral control (PBC) [61] states that perceived behavioral control refers to the perception of how easy or difficult performance of a behavior is

thought to be. It refers to the extent to which a decision maker believes his or her knowledge, ability, and resources to make a specific decision concerning a proposed activity [61]. Perceived behavioral control influences construct in TPB model in two ways. First, a high level of perceived control should strengthen a person's intention to perform the behavior and increase effort and determination. Next to that, perceived behavioral control, together with behavioral intention, can be used directly to predict behavioral achievement. Ajzen [61] provides two reasons for this link. First, holding intention constant, the effort spent to bring a course of behavior to a successful conclusion is likely to increase with perceived behavioral control. Second, perceived behavioral control can often be used as a substitute for a measure of actual control. Perceived behavioral control (PBC) in this study refers to whether owners/managers have the abilities and control required to engage in CSR practices. Four *hypotheses based on the TPB were used to confirm* the effectiveness of this study. The variables will be tested in these hypotheses:

- Proposition 1: Owners'/managers' intention to practice corporate social responsibility has a positive effect on actual corporate social responsibility behavior of small and medium enterprises.
- Proposition 2: SME owners'/managers' attitudes toward CSR are positively related to their intention to practice CSR.
- Proposition 3: Subjective norms have a positive effect on the intention of owners/managers to practice CSR.
- Proposition 4: Perceived behavioral control has a positive effect on the intention of owners/managers to practice CSR.
- Proposition 5: Perceived behavioral control of owners/managers has a positive effect on the actual CSR behavior.

Taylor and Todd [66] argued that in order to better understand the relationships between the belief structures and antecedents of intention, it is required that decomposing attitudinal beliefs be conducted. Taylor and Todd [66] showed, by adding diffusion of innovation theory [67] to TPB, the attitudinal belief has three main characteristics embedded in an innovation, namely, relative advantage, complexity, and compatibility, which are likely to influence adoption. In other words, Taylor and Todd [66] indicated that if TPB is decomposed, it would have better explanatory power than the pure TPB and TRA models. With respect to the structure of decomposed of TPB, Ajzen [61] argued that the TPB is not the exclusive model to predict intention or behavior so Ajzen suggested that the TPB remain flexible enough to include additional predictors that can capture a significant proportion in intention. Using the opinion in decomposing of TPB, this research model suggests other variables to be tested for inclusion in TPB, moral obligation [68] and self-identity [69]. Two hypotheses based on decomposed theory of TPB are as follows:

- Proposition 6: Self-identity has a positive effect on the intention of owners/managers to practice CSR.
- Proposition 7: Moral obligation has a positive effect on the intention of owners/managers to practice CSR.

12.4 Conclusion

In summary, using the opinion in decomposing of TPB, this paper suggests a new research model with other variables to be tested for inclusion in TPB, moral obligation and self-identity.

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Part V
Internationalization

Chapter 13

International Business Competence Framework: Internationalized Small and Medium Enterprises (SMEs)

Zalina Ibrahim, Firdaus Abdullah, and Azman Ismail

Abstract Small and medium enterprises' (SMEs) survival in the international world has received many research interests as SMEs' success contributes to the country's economy. Empirical evidence has demonstrated the importance of SMEs to possess business competence in order to gain superior performance in the international market. However, studies on business competence of internationalized SMEs are still limited. The author set out to design a testable hypothesized international business competence framework for internationalized SMEs with a consideration of a multidimensional concept which includes international orientation, international marketing skills, international innovativeness, and international market orientation (customer orientation, competitor orientation, interfunctional orientation) against qualitative and quantitative international SME performance.

Keywords International orientation • International marketing skills • International innovativeness • International market orientation

13.1 Introduction

Small and medium enterprises (SMEs) have been known to contribute immensely to most countries' economic growth and create job opportunities [1–3]. As a result, SMEs are regarded as an important asset to most countries especially for the developing countries. With the new globalization era, the challenges for SMEs to face the international market are tougher and more competitive. SMEs seek new

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growth, opportunities, and performance by doing internationalization [4]. For SMEs in developing and emerging economies, internationalization has to be considered as an important strategy to generate success [5, 6].

Possessing competitive advantage is important for SMEs to compete with customers, competitors, and other interfunctional forces [7]. Intangible resource such as international orientation is discovered to be significant to a firm [8–10]. Reference [7] added international marketing skills as another critical intangible resource for a firm to succeed at the international level. International innovativeness [11–14] has also been found important as part of intangible resources. Another intangible resource that a firm needs to enhance international performance is international market orientation [8, 15–18, 35].

Research found by Knight and Kim [7] discovered that the role of business competence with the evolving internationalized SMEs has just come into view. Even though many looked at international business competence [19–22] at a single dimension, there is a gap of multidimensional concept that adopts a collection of international business competence [7]. This study considers the resource-based view (RBV) as the underpinning theory for international business competence as RBV identifies specific knowledge and competence as valuable, unique, and hard-to-copy resources which contribute to international business competence at the international level [7, 23–25]. Therefore, this study discovers new dimensions of international business competence that will lead to superior performance of internationalized SMEs.

13.2 International Business Competence and Firm Performance

13.2.1 Internationalized SMEs

Studies on internationalization of SMEs are relatively new if to compare with multinational companies or trade between nations [26]. Many SMEs in Asia, Europe, and North America have increased their involvement at the international level and face more challenges compared to larger enterprises [27]. Many are due to fewer resources but studies on internationalization of SMEs are increasing [7].

According to the Organization for Economic Cooperation and Development [28], SMEs contributed to one quarter of exports in 18 industrialized countries. SMEs that are internationally active are found to be growing at a rapid pace, larger in size, and more dynamic [27–29]. It is no surprise that SMEs are eager to abroad as going internationally opens doors to international opportunities and access knowledge of foreign countries [30].

13.2.2 International Business Competence

For a firm to function, it requires a certain competency, and to be successful and sustain competitive advantage, a firm needs to develop core competency in order to function above others. Business competence is defined as “well-defined routines that are combined with firm-specific assets to enable distinctive functions to be carried out” [31, 32]. Reference [19] argued that core company competence should be regarded as a firm’s effective interaction with markets. Their argument was supported by [21] on the importance of core company competence. Many researches conducted previously looked at single-dimensional concept of competence such as alliance competence [33], network competence [22], cross-cultural competence [20], interfirm partnership competence [21], and intercultural communication competence [2].

Intangible resources have been highlighted in many researches as an important aspect of a firm-specific asset such as international orientation [9, 10], international marketing skills [21, 34], and international market orientation [35–37]. However, these studies neglected the multidimensional concepts which reflect the adoption of a collection of international business competence. The coverage of multidimensional concept is still limited, and reference [7], in their study on international business competence in US firms, confirmed the importance of multidimensional concept as multidimensional concept contributes positively to international performance. Greater impact on performance was found in the Turkish SMEs by combining market orientation, learning orientation, and innovation [38]. Reference [39] conducted a multidimensional concept for the Austrian manufacturing firms in process-oriented organizational design, whereas reference [25] studied the Swedish SMEs on strategic orientation. Applying a multidimensional concept of international business competence to the performance of firms, especially to SMEs, reflects the importance and value to SMEs especially SMEs which are directly involved in international activities.

13.2.3 International Orientation

International orientation relates to characteristics such as managerial visions and proactive organizational culture which is developed to meet a firm’s international goal [8, 9]. According to reference [10], strong international orientation can be achieved when a firm possesses distinctive competence and outlook. Reference [7], in their case study on the other hand, suggest international orientation as active exploration of establishing new business opportunities abroad. However, firms at international level face greater challenges as international markets are new, foreign, and complex, filled with risks and uncertainties. Reference [10] states that strong international stance is needed to assist these firms. This highlights the importance of international orientation in affecting organizational process, practice, and

decision-making activities when venturing overseas which in turn may contribute to positive business performance [9].

H1: There is a positive relationship between international orientation of international business competence and international SME performance.

13.2.4 International Marketing Skills

International marketing skills refers to a firm's ability to create value for its foreign customers [7]. Value creation can be done by integrating the firm's international marketing activities such as planning, controlling, evaluating marketing tools, and effective segmentation and targeting [9, 34]. This shows that the firm possesses international marketing skills. According to reference [7], a firm is able to create value for its international foreign customers. They added that even though a firm owns superior products and technology and is able to meet the need of customers, without strong marketing skills, a firm will not be able to level up with foreign customers' preference. This is supported by several researches which confirmed the importance of international marketing skills as a basis for firms to communicate in international markets [8, 34] as the relationship was found between marketing skills and organizational performance [40].

H2: There is a positive relationship between international marketing skills of international business competence and international SME performance.

13.2.5 International Innovativeness

International innovativeness is defined as "the capacity to develop and introduce new processes, products, services, or ideas to international market" [7]. This is supported in other researches [32, 41, 42]. International innovativeness is an important dimension as it positively influences the performance of internationalized SMEs [9, 43]. According to reference [11, 13], international innovativeness when paired with superior international orientation is able to fit better the targeted international market. One of the stages in innovation process includes initiation [44] and "openness to the innovation" [35, 45], whereby organizational members willingly adopt or resist an innovation. This is crucial as introduction of innovation to the foreign market requires market intelligence and research and development [14, 46].

H3: There is a positive relationship between international innovativeness of international business competence and international SME performance.

13.2.6 International Market Orientation

International market orientation is regarded as one of the crucial aspects of international business competence. Market orientation is a set of behaviors and processes which cover the use of intelligence generation, intelligence dissemination, and responsiveness [15, 47]. However, reference introduced three behavioral components of market orientation, namely, customer orientation, competitor orientation, and interfunctional coordination. Therefore, it can be concluded that international market orientation is gearing international business activities toward customers and competitors and coordinating the business activities across functional areas within the organization [15, 42, 47]. International market orientation affects firm’s performance not only domestically [47, 48] but also at international level [35, 36] as the value of customers and competitors are different across borders.

H4: There is a positive relationship between international market orientation of international business competence and international SME performance.

13.3 The Proposed Framework

Figure 13.1 shows the hypothesized link from international business competence with international SME performance.

The conceptual framework is adapted from conceptual framework designed by reference [7]. In their research, they identified four dimensions that affect the international SME performance from doing case study exploration. This research will be done on an exploratory interview and there are possible other important dimensions that might surface. Their study performance indicator only looks at the quantification measure, whereas this research will encompassed both quantitative international performance and qualitative international performance. Their study population only covers the manufacturing sectors, whereas this research will look at all sectors available in Malaysia and thus enable a holistic view on the subject matter. Their study was done based on American small and medium enterprises, and the findings may not be suitable to the Malaysian small and medium enterprises perspectives. Therefore, this study will emphasize on finding the international

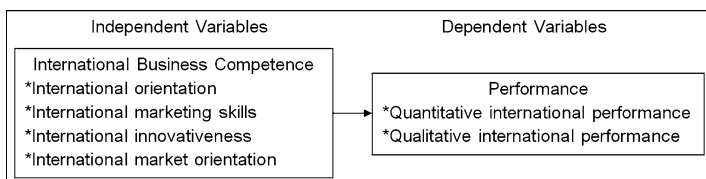


Fig. 13.1 Proposed international business competence framework for internationalized SMEs

business competence for internationalized Malaysian SMEs by identifying and classifying the significant international business competence in terms of international orientation, international marketing skills, international innovativeness, and international market orientation and how these factors affect the performance of SMEs in international market.

The main goal is to develop an empirical testable framework that links international business competence to performance. This is with a view of understanding further the international business competence multidimensional concept exerts influence to international performance. From a previous research, there is strong empirical evidence in support of linkages between multidimensional concept and international performance [7, 25, 38, 39]. International performance has been used by many managers and researchers by including both objective and subjective measures [11, 25, 49, 50]. The inclusion of both quantitative and qualitative international performance may result in more reliable findings [36] and increasing the response rate [25]. This is supported by other researches [16, 51, 52] as measuring both quantitative and qualitative performance and how subjective performance measure gives the strongest effect to international business competence.

13.4 Implication for Research and Practice

In this paper, the author has outlined a pathway for international business competence to a positive outcome in international business competence specifically international orientation, international marketing skills, international innovativeness, and international market orientation. By integrating several literatures, it has been shown that multidimensional concept of international business competence provides greater impacts on international performance.

The strongest implication that can be viewed is that international business competence dimensions may differ from countries to countries as different needs and requirement of firms in facing foreign markets. This can be seen from findings of reference [7, 25]. Even though the proposed framework indicates positive relationship between international business competence and international performance, the ultimatum will be based on differential of a firm's condition. Future research should consider exploring other dimensions that may affect the performance of internationalized SMEs. At the same time, it is suggested to look further into internationalized SMEs for all sectors in order to provide wider perspective on the international business competence and international performance. Therefore, the proposed international business competence framework needs to be empirically tested in different context with appropriate samples and adequate methods.

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Chapter 14

Internationalization of Small and Medium Enterprises

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Abstract Small and medium enterprises (SMEs) including microenterprises help in fostering growth, employment and income in the country. In recent years, SMEs have performed well and they are critical about the economic transformation as they form the domestic source of growth and bedrock of private sector activities. SMEs are also important in stimulating innovation and act as stabilizers of growth during an economic slowdown. Since they are important to the economic growth, they should be brought up towards internationalization. However, in order to accomplish this, the SMEs need institutional supporters such as Majlis Amanah Rakyat (MARA), Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN), Perbadanan Usahawan Nasional Berhad (PUNB), etc. This paper is aimed towards drawing attention to SMEs that intend to embark on internationalizing their businesses. This paper also intends to encourage SMEs to assist the government to attain its envisioned objectives towards SMEs plan (2011–2020) by upgrading and promoting SME businesses to embark on a new business environment.

Keywords Internationalization • Small medium enterprises, innovation, economic transformation

14.1 Introduction

The small and medium enterprises (SMEs) play an important role in contributing to the growth of Malaysia's economy. As reported by Malaysia's Statistics Department, SMEs contributed an increment of 32.7 % in 2012 for gross domestic product (GDP) as compared to the 32.5 % in 2011 [1]. A few sectors underpinned the prime move for Malaysia's SMEs including business services, manufacturing and

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construction sectors supported by other sectors such as agriculture, retail and transportation. However, the percentage is still relatively low as the government has taken many actions to boost the development of local small firms in Malaysia's economic agendas for the past 10 years. Some drawbacks that hinder the SMEs from expanding their businesses have been identified. Among the issues are difficulties to access the financial assistance, lack of capital, limited number of skilled workers and expertise, etc. [2, 3]. Therefore, these challenges could slow down the process of internationalization of Malaysia's SMEs.

Wawasan 2020 was introduced by former Prime Minister, Tun Dr. Mahathir. It outlined the Malaysia's development plan towards becoming a high-income country in 2020; thus, the internationalization process needs a special attention in SMEs' development. According to [4] the internationalization process is crucial to ensure the business survival and growth in facing global competitive challenges. A study by [3] suggests that the scale and scope of business entity may affect their readiness to internationalization. As SMEs refer to independent firms with 500 or lower workers and having up to RM500,000 capital, the capability of SMEs in terms of the scale and scope is assumed to be an important decision point before going global. This paper briefly describes the SME scenarios in Malaysia, related framework and the process to embark on the international market as well as the challenges that they are facing. In relation to that, this paper was based on the concept of internationalization of SMEs done by previous researchers.

14.2 Small and Medium Enterprises

In spite of advanced and sophisticated multinational and transnational business in Malaysia, the micro business such as small and medium-sized enterprises (SMEs) still play an important role in the economic growth and job creation. They started with the small capital; hence, Malaysia needs to give priority by enhancing their market opportunities and moving towards internationalization. In addition, political stability combined with top-notch physical infrastructure provides a conducive ecosystem for growth. These help the country decrease the unemployment rate as it creates jobs for the community and thus increases the economic growth [5]. Meanwhile, the Economic Transformation Programme (ETP), which was proposed by the Prime Minister of Malaysia, Dato Sri Najib Abdul Razak, was a crossroad where the nation progressed from low-income agricultural and commodity-based to middle income economy and improved the quality of life for Malaysians. Moreover, the SME Malaysia plan (2011–2020) under ETP also stimulates the SMEs' goal of global competitiveness [6].

The definition of small- and medium-sized enterprises varies across countries. In Europe SME is defined as a firm with fewer than 250 employees, in the USA it is defined as a firm with fewer than 500 employees, and in New Zealand it is defined as a firm with less than 900 employees. Additionally, this study also claimed that the SME could be defined as those that do not have strong core competences in

Table 14.1 Definition of SME Corp. based on full-time employees

Category	Manufacturing	Services and other sectors
Small	5–75	5–30
Medium	75–200	30–75

Table 14.2 Definition of SMEs based on annual sales turnover

Category	Manufacturing	Services and other sectors
Small	RM300,000–RM15mil	RM300,000–RM3mil
Medium	RM15mil–RM50mil	RM3mil–RM20mil

Source: SME Corp report [8]

terms of technologies, marketing networks or brand name firms that have limited accessibility to resources, financial and managerial [7].

Based on the 14th National SME Development Council (NSDC) meeting in July 2013, SMEs in Malaysia is defined according to Tables 14.1 and 14.2.

The positive growth of SMEs makes many firms choose to expand their business globally. However, the transition towards internationalization is an important decision to be made due to the lack of international exposure by top managers in terms of the global vision, foreign education, resources and experiences [3, 9]. On the other hand, barriers with regard to finances, technologies, marketing and global networking also make people doubt the ability of SMEs towards internationalization [10]. Besides those barriers, there are some factors which make these firms tend to go internationally as they are able to foresee the pros and cons. According to [3], the SMEs might lose their competitiveness when their home market is small. This in turn leads to the uncertainty of income stream and affects the business performance. He added that internationalization enables to educate them in identifying and deploying their resources in a way that allows them to create values. They were able to develop knowledge, explore the foreign market opportunities and tend to enhance the market share and scale and enter into a new network [11].

Therefore, SMEs were unable to act alone but there were supporting bodies to make sure that they can survive either locally or globally. It was administrated under the National SME Development Council (NSDC) which was established in 2004 and was assisted by the Ministry of International Trade and Industry (MITI) and the Ministry of Entrepreneur and Cooperative Development (MECD). The SMEs were also assisted by regulated agencies such as Small and Medium Industries Development Corporation (SMIDEC), Majlis Amanah Rakyat (MARA), Malaysia External Trade Development Corporation (MATRADE) and Malaysia Technology Development Corporation (MTDC) which are responsible for providing support, training and programme for internationalization. They also encourage SMEs to be engaged with subcontracting, exporting, joint venture, licensing and franchising [12].

14.3 Internationalization

Internationalization has gained serious attention among researchers as they are interested to explore its factors and also the impact of internationalization towards the nation. Internationalization is conceptualized and operationalized in many ways. A study by [13] summarized the internationalization into three major patterns based on previous researches. Firstly, the internationalization process occurs gradually as suggested by Uppsala model. Secondly, the internationalization could happen radically as the firm is born global. Thirdly, the internationalization could happen when the firm is born global as referred to radical but late internationalization. According to [14], internationalization could be defined as a firm-level activity that crosses national borders. Meanwhile, internationalization happens when the firm tries to adapt its business operation such as managing resources and strategy in preparation for international environments [15]. At that point the local companies start to expand their operation to other countries to venture into new market and maintain its sustainability and seek for better opportunities.

Generally, the internationalization factors can be categorized into three levels: managerial level (e.g., company experience, entrepreneurial orientation, mind-set), firm level (e.g., knowledge, strategic orientation, capabilities, liabilities) and environmental level (e.g., country of origin, industry factors, technology, distance) [13, 16]. These antecedents have been studied by researchers across countries in order to identify the factors that drive the SMEs to embrace the international market. Recently, [17] studied the role of the Internet as an alternative to internationalization as many SMEs are involved in online business.

Through the internationalization process, the SMEs are able to gain various benefits. Previous researchers have studied several consequences after having internationalization such as increasing financial performance (e.g., IPO performance), learning, competitiveness (e.g., skilled labour, cost), market capability and technology transfer [16, 17]. A study by [18] has explored a new perspective of internationalization called 'speed'. Since then, more SMEs are able to penetrate the international market but which firm may go faster is still questionable. They believed that the speed is a major factor of SMEs' international strategy, and therefore, they need to balance the opportunities and resources. The easiest way to embark on internationalization is through foreign direct investment (FDI) and joint venture (JV) which are seen as the fastest and easiest way to internationalization [3]. Both FDI and JV offer great opportunities and require less capital.

14.4 Internationalization Theories

14.4.1 Uppsala Model

Reference [19] introduced Uppsala model as the earlier theory for internationalization. The main idea of this model is to promote the notion that any business entities or SMEs embrace the internationalization process gradually. The internationalization process took an uncertain stage and involved various activities which depend on SMEs' capabilities. Throughout this gradual internationalization process, SMEs improve their knowledge and skills about foreign markets until they are finally committed for those markets [13].

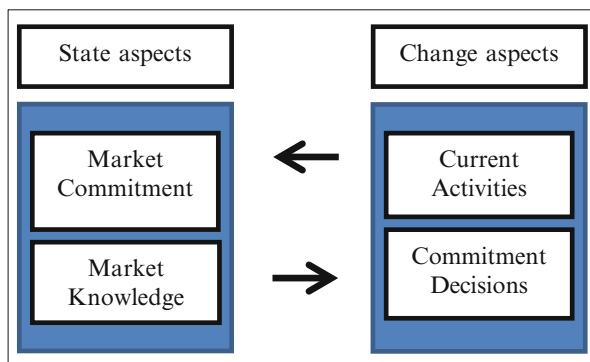
The Uppsala Internationalization model put a high pressure on 'Experiential learning – Commitment'. According to [20], experiential learning refers to the process of accumulating experiential foreign market knowledge. He also stated that the four stages mean successively larger resource commitments and they also lead to quite different market experiences and information for the firm as follows:

- *The first stage means that the firm has made no commitment of resources to the market and that it lacks any regular information channel to and from the market.*
- *The second stage means that the firm has a channel to the market through which it gets fairly regular information about sales influencing factors. It also means a certain commitment to the market.*
- *The third stage means a controlled information channel to the market, giving the firm ability to direct the type and amount of information flowing from the market to the firm. During this stage, the firm also gets direct experience of resource influencing factors.*
- *The fourth stage means a still larger resource commitment (Fig. 14.1).*

14.4.2 Born-Global Theory

The theory of born global is introduced to challenge the assumption of gradual internationalization of the Uppsala model [13]. This theory explains how penetration into the international market can be increased when current business environment is taken into account and rapid actions are undertaken. However, gradual internationalization process is seen weak to support these firm internationalized activities. Born-global theory is defined as 'a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of the outputs in multiple countries' ([21], p. 49). This model proposed that internationalization could start immediately after a firm is stable and ready. According to [9], the readiness of those firms to enter the international market is based on their capabilities of having more/enough capital, product variety, product quantity, advanced technology and high quality.

Fig. 14.1 Uppsala model: the basic of internationalization state and change aspects (Source: Johanson and Vahlne [20])



The born-global firm has to create and recreate their competitive advantages to beat the bigger competitor especially in the international market. The advanced technology could be manipulated as it greatly helps the firm to speed up. The Internet is identified to be the biggest factor. The growing number of small firms doing business online allows them to enter the international market more easily with the help of the Internet at the minimum cost [15].

14.5 Concluding Remarks

The internationalization process of local SMEs gives positive signs to Malaysia's economy. Not so many SMEs dare to embark on internationalization as mentioned by Mohamad et al. [2] and George et al. [3]; SMEs faced many barriers such as difficulty to access the financial assistance, lack of capital, limited number of skilled workers and expertise, etc. As they started with small capital, the investors might have some doubts of the survival of the SMEs since they also have limited knowledge, experience, marketing network, scale and foreign market opportunity. As a result, the internationalization process becomes bearish. For our future research, we will be concerned about the roles of supporting agencies based on how and when and through what channels and programmes are provided to SMEs, with which end results firms have developed their international activities, and what role the initially proposed change processes have played upon internationalization.

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Part VI
Halal Issues

Chapter 15

The Expectations of Muslim and Non-Muslim Restaurant Entrepreneurs Towards *Halal* Certification in Malaysia

Sharifah Zannierah Syed Marzuki and Jamalunlaili Abdullah

Abstract Halal certification is very prominent to the restaurant industry in Malaysia, but the actual implementation of its standards is crucial for the comprehension of those who are unfamiliar with Islamic dietary rules. The purpose of this study is to determine the expectations of Muslim and non-Muslim restaurant entrepreneurs towards halal certification in Malaysia as the demand for halal food is growing at fast pace. A nationwide mail survey has been conducted involving 13 states and the Federal Territory of Kuala Lumpur that covered halal-certified, halal-claimant and non-halal restaurants. Three techniques that include factor and cluster analysis and independent t-test were conducted to show a clear difference between the Muslim and non-Muslim restaurant entrepreneurs. Factor analysis has listed that there were seven dimensions of halal certification, whereas the cluster analysis showed that the respondents were separated into three distinct groups that include ‘Certification Advocates’, ‘Certification Ambivalents’ and ‘Compliance Cost Focussed’. It is gathered that there were significant differences between Muslim and non-Muslim respondents on factors like market signals, Islamic attributes, marketing benefits, cost of compliance and local awareness. However, cost of certification and non-Islamic attributes showed that the differences were not significant. This study is the first to investigate the expectations of restaurateurs with different religious backgrounds towards halal certification with the implication for restaurant operators and hospitality industry practitioners to recognize the importance of halal certification for both Muslim and non-Muslim restaurant patrons.

Keywords Halal certification • Restaurant • Entrepreneur • Muslim

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15.1 Introduction

The growing demand of *halal* food has opened a new market phenomenon not only to food manufacturers but also to food service providers [14, 17]. Within this context, *halal* has always been relevant in the mainstream market with a significant growth of the Muslim population. Not only that, *halal* certification is making its mark among non-Muslims as well [9]. According to Wan Omar et al. [20], *halal* food is a huge market for food industry players. Whatever it takes, compliance to Islamic dietary laws must be given the utmost priority in fulfilling the growth of the demanding *halal* market.

Economic significance aside, the realm of *halal* affects human life and includes protecting the environment, humane treatment for animals, ethical investment and decent service and providing wholesome food [15, 16]. Therefore, *halal* certification has now become a religious compliance in fulfilling the high demand of Muslim consumers in food products. By having the status, they are certain that the food follows the ritual process of their religion. Importantly, the increasing awareness about the *halal* concept is a clear indicator for further progress of the *halal* food industry. Here, *halal* is not only seen from the religious viewpoint but it extends as an important aspect in the business world with the emerging global *halal* market [14].

Academic study of *halal* certification from the perspectives of restaurant entrepreneurs has never been done in Malaysia. Two academic studies were on Muslim customers with respect to the *halal* eating environment where [2] did their research specifically on *halal* restaurants in Malaysia, while [8] conducted a qualitative survey in Singapore. Wan Hassan [18] and Wan Hassan and Hall [19] wrote on the *halal* certification issues in New Zealand. Apart from that, some of the studies focused on Muslim consumers' attitudes towards *halal* food products [20], *halal* meat [3, 4] and the *halal* concept [5]. To the author's knowledge, this study is the first to examine the *halal* certification attributes in three different eating options – *halal*-certified, *halal*-claimant and non-*halal* restaurants.

15.2 Research Design

This study was undertaken in Malaysia, a multicultural country and adopted mail survey in administering the questionnaires. A systematic random sampling method was performed where every fourth restaurant was selected from a list of 8320 provided by the Suruhanjaya Syarikat Malaysia/Companies Commission of Malaysia. Restaurants that ranged from *halal* certified, *halal* claimant and non-*halal* from all 13 states within Malaysia and the Federal Territory of Kuala Lumpur were included. A total of 643 restaurant managers completed the mail survey, thus giving an effective response rate of 30.9 %. Postal surveys are becoming an increasingly popular method of conducting research in Malaysia although the response rates

from these surveys were not well studied [22]. Harzing [6] indicated that the response rate for food and beverages industry was 18.4 %, whereas [21] in his mail survey conducted in Malaysia obtained 10 % of response rate.

In order to ensure a better understanding among respondents and to avoid misinterpretation of terms and meanings if translated in Bahasa Melayu (Malay language), survey questions were in English language. All items used five-point Likert scales that were anchored from strongly disagree to strongly agree. Respondents were informed that if they did not wish to proceed, they could stop at any time they wanted. They were also informed that all data provided would be treated strictly confidentially and that anonymity would be preserved. The survey instrument took approximately 10–15 min to be completed. Respondents were required to return the completed questionnaire to the author in the self-addressed envelope provided with a paid postage.

There were three techniques employed to further analyse the data. The first technique was by using factor analysis where it grouped variables according to shared variance. Therefore, several unique factors were listed that signify *halal* certification. The second technique was cluster analysis, which was performed to group cases. It is interesting to find out the expectations of the restaurant entrepreneurs that denote the most significant variable of *halal* certification to each cluster. An independent t-test was performed for the last technique.

15.3 Data Analyses and Result

Factor analysis has been performed and it is shown that the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.92, exceeding the recommended value of 0.50 by Kaiser [7] where this explains that the result falls under great value. In addition, the Bartlett's test of sphericity reached statistical significance of 0.00 which indicates the $\chi^2 = 14,610.29$. The measure of sampling adequacy for individual variables from the anti-image correlation matrix ranges from 0.63 to 0.95. The responses to the survey form were subject to a principal component analysis with a varimax rotation.

Using Kaiser's criterion of retaining factors with eigenvalues >1 , seven interpretable factors were obtained from the analysis. This was then compared to the scree plot, a graph of each eigenvalue (y-axis) against the factor related with (x-axis). By looking at the point of inflexion of the scree plot, it can be gathered that the data has seven underlying factors. The total variance explained was 77 % with all eigenvalues being over one. The title given to each factor is named and described below:

1. Factor 1 consisted of 'market signals' that indicates *halal* certification attributes such as healthy food, taste genuity, food quality, authenticity, safety and hygiene.

2. Factor 2 showed the 'Islamic attributes'. This dimension had four components that integrate the Muslims with *halal* food such as *halal* certification increases confidence among Muslim customers, signifies conformance to *halal* standards, increases demand from Muslim customers and signifies all food sources are *halal* certified.
3. Factor 3 highlighted on 'marketing benefits', and in this grouping, *halal* certification acts as a marketing strategy tool, attracts the tourism market and a trademark establishment and gives a competitive advantage over noncertified restaurants.
4. Factor 4 is 'cost of certification' that is related to tangible and intangible costs such as applicants will have to pay a great amount of money, the involvement of lengthy time and existence of bureaucracy in getting the approval.
5. Factor 5 is on 'cost of compliance' where two components related to issues on *halal* certification such as the *halal* standard are difficult to follow as well as to maintain.
6. Factor 6 indicated 'non-Islamic attributes' that highlighted on *halal* certification which increases demand and confidence from non-Muslim customers.
7. Factor 7 is related to 'local awareness' where the dimension consisted of familiarity of the local people towards *halal* certification and gaining acceptance from them.

The second technique being conducted was cluster analysis, and this technique almost constantly produces groupings that are significantly different from each other [11]. Seven dimensions from factor analysis have been used to perform the clustering technique using Statistical Package for the Social Sciences (SPSS) version 20.0 to provide a better definition of the clusters. Given the sample size of 643, a nonhierarchical clustering approach (K-means) in which the respondents are moved between clusters in order to minimize the variability within clusters and maximize the variability between clusters was adopted. Identification of clusters in this study is based on the guidelines by Aldenderfer and Blashfield [1] for further investigation.

'Certification Advocates' had the highest market signal, Islamic attribute, marketing benefits, non-Islamic attribute and local awareness ratings. The number of respondents in this group was 190 (29.5 % of the sample) who perceived that *halal* certification contained a number of benefits. In contrast, the second group 'Certification Ambivalents' had the lowest market signal, Islamic attribute, marketing benefit, non-Islamic attribute and local awareness ratings. This group represented 251 respondents (39.0 % of the sample). Next, the third group 'Compliance Cost Focussed' perceived *halal* certification as being meaningful to the restaurants but also perceived the certification process as being costly in terms of financials and time. There were 202 respondents in this group (31.4 % of the sample).

The final technique, an independent t-test, was performed to test the statistical differences between the means for selection factors between Muslim and non-Muslim restaurant entrepreneurs and significant difference occurred for some factors. Table 15.1 reports the results from this analysis highlighting the items taken

Table 15.1 Final cluster centres: mean factor scores for each cluster

Factor	Group		
	Certification Advocates	Certification Ambivalents	Compliance Cost Focussed
Market signals	4.80	4.34	4.63
Islamic attributes	4.76	3.97	4.52
Marketing benefits	4.46	3.22	4.20
Cost of certification	3.00	3.09	3.88
Cost of compliance	1.73	2.65	3.72
Non-Islamic attributes	4.06	2.86	4.04
Local awareness	4.54	3.52	4.31

Source: [13]

from factor analysis that include market signals, Islamic attributes, marketing benefits, cost of certification, cost of compliance, non-Islamic attributes and local awareness for which statistically significant differences were identified.

Inspection of the table reveals that from the seven factors, only five showed statistically significant differences between Muslim and non-Muslim respondents as to what level they expect from *halal* certification. Table 15.2 shows that Muslim respondents more strongly believed (4.26, $p < 0.001$) than the non-Muslim respondents (3.79) that *halal* certification promotes market signal. The market signals highlight that *halal* certification signifies healthy food, taste genuity, food quality, authenticity, safety and hygiene.

The restaurant entrepreneurs have high agreement on the item of Islamic attributes for both Muslim restaurant entrepreneurs (4.48, $p < 0.01$) and non-Muslim restaurant entrepreneurs (4.22, $p < 0.01$). This result indicates that *halal* certification has unique Islamic attributes that include increase confidence among Muslim customers, signifies conformance to *halal* standards, increase demand from Muslim customers and signifies all food sources are *halal* certified.

Marketing benefits are becoming relevant as far as *halal* certification is concerned with Muslim respondents having a high mean (4.00, $p < 0.001$ compared to 3.72). The commercial aspects are seen to be very essential in relation to *halal* certification as it is not only a trademark establishment but it serves as a marketing strategy tool, attracting the tourism market and thus can give a competitive advantage over noncertified restaurants.

In another aspect, the respondents felt that the cost in applying for the *halal* certification is acceptable for them (3.27, $p = 0.180$ compared to 3.37) as the result shows statistically insignificant level. It is also shown from the table that the Muslim and non-Muslim respondents showed disagreement in complying with the *halal* standard (2.61, $p < 0.001$ compared to 2.88). Another item on non-Islamic attributes (3.63, $p = 0.128$, compared to 3.51) is also not significant. The Muslim respondents, on the other hand, more strongly believed that *halal* certification is familiar to the local people (4.17, $p < 0.001$) compared to the non-Muslim respondents (3.91).

Table 15.2 Mean scores of factors by comparing Muslim and non-Muslim group with *t*-test result and level of significance

Factors	<i>N</i>	Group	<i>M</i>	<i>SD</i>	<i>t</i>	<i>p</i> -value
Market signals	396	Muslim	4.26	0.68	6.86	***
	247	Non-Muslim	3.79	0.92		
Islamic attributes	396	Muslim	4.48	0.56	4.51	***
	247	Non-Muslim	4.22	0.79		
Marketing benefits	396	Muslim	4.00	0.84	4.23	***
	247	Non-Muslim	3.72	0.81		
Cost of certification	396	Muslim	3.27	0.93	-1.34	0.180
	247	Non-Muslim	3.37	0.85		
Cost of compliance	396	Muslim	2.61	1.08	-3.23	***
	247	Non-Muslim	2.88	0.96		
Non-Islamic attributes	396	Muslim	3.63	0.93	1.52	0.128
	247	Non-Muslim	3.51	1.00		
Local awareness	396	Muslim	4.17	0.75	4.24	***
	247	Non-Muslim	3.91	0.79		

Scale 1 = Strongly disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly agree

Source: [13]

*** $p < 0.001$

It is shown that both Muslim and non-Muslim respondents have significant differences with respect to their expectations towards those factors in Table 15.1. Again these factors are market signals, Islamic attributes, marketing benefits, cost of compliance and local awareness. However, cost of compliance and non-Islamic attributes appeared to be not significant during the test.

15.4 Discussion

The findings showed that respondents had high expectations towards *halal* certification where seven important factors emerged from factor analysis. The highest variance explained was market signals that highlighted *halal* certification connotations. For example, it signifies healthy food, taste, food quality, authenticity, safety and hygiene. By looking at the wholesomeness concept of *halal* food, it entails every aspect according to the *Shariah* principle. As such, maintaining the standards is required to obtain good food in terms of hygiene, sanitation and safety.

The findings from the cluster analysis highlighted the different expectations of Muslim and non-Muslim restaurant entrepreneurs. In essence, there was a clear difference between the Muslim and non-Muslim respondents towards *halal* certification in the survey. The result of the cluster analysis proved that the members were divided into three distinct groups. Cluster 1 is named 'Certification Advocates' who were the Malays and Muslim restaurant entrepreneurs. The members of cluster

1 had the highest market signal, Islamic attributes, marketing benefits, non-Islamic attributes and local awareness ratings. The members felt that halal certification had a lot of benefits where it is essential to follow the halal standard procedure and were confined with their daily routines in delivering halal values to the customers. This group appeared to be more likely working in halal-certified restaurants. They expected that halal certification in restaurants was more towards gaining a positive impact on customer satisfaction. They believed that maintaining the halal standards was the most important factor in running their business.

In comparison, cluster 2 is known as ‘Certification Ambivalents’ comprising of Chinese respondents who were Buddhists and had the lowest market signal, Islamic attributes, marketing benefits, non-Islamic attributes and local awareness ratings. In fact, they were the opposite in perceiving halal certification benefits compared to ‘Certification Advocates’. These groups of respondents were more likely to be working in non-halal restaurants. This is to preserve the Muslim customers’ dietary restriction in particular and gain mutual understanding from the society in general. The entrepreneurs had viewed halal certification in a broader, yet practical, perspective, and with the combination of the religious aspects, they noted that halal status encompassed several important factors for the benefits of their restaurants.

The non-Muslim respondents of *halal*-certified and *halal*-claimant restaurants also respected the dietary restrictions of Muslims and worked closely to fulfil and maintain the *halal* standards. An interesting aspect is that there are some non-Muslim restaurant entrepreneurs who have much interest and are well versed in Islamic dietary laws. Their sensitivity towards the *halal* food and eating environment may be one of the results of living with multiple races for centuries. The last group in the cluster was ‘Compliance Cost Focussed’, who perceived that *halal* certification brings benefits but at the same time felt that the certification process demands financial and nonfinancial costs.

The t-test results showed that almost all of the respondents strongly agreed that *halal* certification can increase the confidence level among Muslim consumers, signifies conformance to *halal* standards, increases demand from Muslim customers, and signifies all food sources are *halal* certified. In fact, this is the dominant aspect that has been raised. They agreed that Muslim customers are very particular in seeking *halal* food. The element of trust is also heavily discussed in relation to peace of mind [12].

The independent t-test has highlighted a range of interesting and significant findings, and one of them is the item on marketing benefits. The quantitative results showed that the expectations of the respondents towards *halal* certification are more towards the commercial drivers, and this is supported from the t-test that indicated significant result. Due to the fact that *halal* is the new market force in most Islamic countries [10], Muslim and non-Muslim restaurant entrepreneurs are striving to ensure that they represent the hospitality industry in attracting the tourism market, becoming competitive over noncertified restaurants and using *halal* certification as a marketing strategy tool.

15.5 Conclusion

This study suggested unique findings that *halal* certification offered seven dimensions: market signals, Islamic attributes, marketing benefits, cost of certification, cost of compliance, non-Islamic attributes and local awareness. Respondents were also categorized into three major groups who belong to ‘Certification Advocates’, ‘Certification Ambivalents’ and ‘Compliance Cost Focussed’. The three groups expected that *halal* certification indicated several attributes in terms of healthy food, taste, food quality, authenticity, safety and being hygienic under factor analysis. Again, descriptive results supported this where safety, hygiene and food quality are among the significant attributes which have high mean scores.

To date, there is no research study that focuses on restaurant managers with respect to *halal* certification that covers three different settings that include *halal*-certified, *halal*-claimant and non-*halal* restaurant. As this study focuses on the three different types of restaurant offerings, the findings suggested that the respondents from a different culture had different understandings towards *halal* certification although the fundamental aspect was typically similar. Almost all the respondents who were Malay restaurant entrepreneurs who represented the *halal*-certified and *halal*-claimant restaurants agreed that *halal* certification is an important aspect in the restaurant industry, and they follow the *halal* standards accordingly. Apparently, the non-Muslim restaurant entrepreneurs, particularly the Chinese, have lower expectations towards the benefits of *halal* certificates, but they have been respecting the Muslim religious food for generations as well as the processes that are from ‘farm to table’. The respondents who were neutral thought that obtaining a *halal* certificate would incur a lot of costs with respect to the monetary aspects, process and compliance to meet the *halal* standards.

Collectively, the findings suggest that restaurant entrepreneurs operating in a multicultural and multiethnicities like Malaysia have to consider that apart from being utilitarian, Islamic religious aspects need to be adhered at all times as far as Islamic dietary laws are concerned. Above all, *halal* certification is important to the restaurant sector as it recognizes some attributes that include hygiene, safety, healthy food quality and authenticity although different expectations may exist between the Muslim and non-Muslim restaurant entrepreneurs.

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Chapter 16

Factors Contributing to the Entrepreneurs' Awareness Towards Halal Cosmetics

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Abstract Halal cosmetic products have become a topic of interest in Malaysia recently. Muslim consumers have begun to question the halal status of the ingredients used in these products. One of the reasons behind this issue could be due to the consumers' own growing interest on the concept of halal products as well as technology advancement that has enabled them to gain necessary information from the Internet. Thus cosmetic products' entrepreneurs too need to have the awareness and knowledge of halal concept to enable them to recommend suitable products to Muslim consumers. The objective of this study is to determine the factors contributing to entrepreneurs' awareness towards halal cosmetics. Self-administered questionnaires were distributed to 74 Muslims entrepreneur of cosmetic products from four small townships in Pahang. The result indicated that there are five factors that influenced the awareness on halal cosmetics, namely, entrepreneurs' knowledge, influence from environment, product safety, education level and age. The significant factors that contributed to the awareness among entrepreneur with education of SPM or below are product safety and influence from environment, while knowledge is the significant factor for the higher educated group. Furthermore, young entrepreneurs are more concerned with product safety compared to their more experienced counterpart. The latter are more knowledgeable on the product and more influenced by the environment factor. The intention of this paper is to provide insightful information to supporting bodies such as Jabatan Kemajuan Islam Malaysia (JAKIM) and Halal Development Centre (HDC) to assist them in constructing suitable programmes and activities to educate the entrepreneurs especially in Islamic business.

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Keywords Awareness • Halal • Entrepreneurs • Cosmetics

16.1 Introduction

In recent years, Muslim consumers are starting to wonder whether the cosmetic products they use are *halal* certified and safe to use. Since the issue on the ambiguous slaughtering and manufacturing process of meat-based products went public, the consumers also begin to have doubts regarding the manufacturing process of cosmetics. Consumers are now seeking the integrity of *halal* status on all products including cosmetics. Cosmetic is a “chain of product consisting of makeup, toner, shampoos and conditioners, bath and showers gels, talc and baby powder, perfumes and colognes, personal cares and oral cares products” [1]. It is regulated under Drug Control Authority (DCA) and is established under the Control of Drugs and Cosmetics Regulations 1984. *Halal* is an Arabic word to mean “permissible” which refers to permissible under Islamic law as stated by Lada et al. [2]. According to reference [3], Muslim consumers are only allowed to use products that are *halal*, that is, the product must be free of alcohol, animal cruelty, pork meat, residue and fat. This also includes *halal*-certified raw material, packaging, handling and process, packaging, transportation and warehousing [4]. Furthermore, in Islamic business perspectives, all activities must be free from all elements such as exploitation and tricked actions especially to the customers which are related to cheating that result in dubious transactions as mentioned by Saeed et al. [5]. According to research conducted by Bahrom and Abu Amrin [6], Muslim entrepreneurs should comply with syariah standard as they determined the effort in marketing whether it is under the blessing of Allah or vice versa.

16.2 Factor Contributing Towards Halal Awareness

Muslim entrepreneurs are responsible to provide and sell products that conform to their Muslim customers’ religious beliefs. Therefore, it is imperative for the entrepreneurs and manufacturers to be aware and have knowledge on what is *halal* and what is not. Reference [7] stated that the lack of knowledge on *halal* concepts among customers’ purchase intention leads to ignorance of *halal* awareness and *halal* certification by marketers. Previous research [8] also suggested that Muslim pharmacist and hospital’s top management interfere during the procurement of pharmaceutical products in government hospital due to the products’ *halal* status which generally falls under these categories: 11.4 % *halal*, 6.1 % non-*halal*, 10.6 % mashbooh (between *halal* and non-*halal*) and 72.7 % unknown. As most of the patients seeking for treatment at government hospitals are Muslims, thus, someone needs to solve this matter. Another research outcome from [9] found that the level of awareness and knowledge differs between the different townships where the level of awareness among sellers is higher in a larger township when

compared to a smaller township. To ensure customers' rights in terms of quality and safety, [10] stated that there is *halal* regulation act such as the Trade Description (use of *halal* expression) Order 1975 to prevent misleading information, quality, standard and genuineness of the product used. This is agreed by [11] who stated that the consumers will seek for quality and safety before they stick to the particular brand. In addition, a study done by [12] revealed that celebrities are a big influence on young adult purchasing intention because they admire and tend to emulate their idols' behaviour. A good example is Malaysia's singing sensation Datuk Siti Nurhaliza who launched her own halal-certified cosmetics "Simplysiti" which successfully obtained positive response from her loyal fans. Indirectly she has provided more choices in the line of cosmetic products for Muslim entrepreneurs to promote to the Muslim consumers.

16.3 Research Methodology

The research objective of this study is to determine the factors contributing to entrepreneurs' awareness towards halal cosmetics. This study involved 74 Muslim entrepreneurs from four different districts in Pahang and is based on random sampling. A self-developed questionnaire that contains 18 items of positive statement was used to collect the data. Responses are made on a 4-point Likert scale that ranges from 1 (strongly disagree) to 4 (strongly agree). The information obtained from the questionnaires was analysed using SPSS Version 21.0. The 18 items make up the instruments to four components: entrepreneurs' awareness (five items), entrepreneurs' knowledge (four items), influence of environment (five items) and product safety (four items) that used factor analysis method. The results of Kaiser-Meyer-Olkin, KMO and Bartlett's test confirm that the dataset is suitable for factor analysis. Finally, multivariate regression analysis was used to test the relationship between entrepreneurs' awareness and the other three components after satisfying the three assumptions: normality, homogeneity of variances and linearity.

16.4 Findings and Discussion

In total 16 (21.60 %) entrepreneurs are male and the other 58 (78.40 %) are female. It shows that women dominated halal cosmetic industry in Malaysia. By looking at their expertise in this industry, 28 (37.84 %) of the entrepreneurs have more than 10 years of experience with women dominating the field (64.29 %). As for their education level, 16 of them have SPM-level education, while the other 12 entrepreneurs have higher than SPM-level education. This study also found that majority of the entrepreneurs (67.57 %) are more than 30 years old, but only 24 of them have experienced as cosmetic entrepreneurs for more than 10 years.

Table 16.1 Entrepreneurs perception on *halal* cosmetic product

Factor	Statistical value		
	Mean	Standard deviation	Skewness
Entrepreneurs' awareness	3.3243	0.4274	-0.449
Entrepreneurs' knowledge	3.3581	0.3772	0.404
Influence of environment	3.2622	0.4213	-0.198
Product safety	3.5034	0.4148	-0.022

The values of KMO for all construct closer to 1.0 and p-value of Bartlett's test that was less than 0.05 indicate that the correlation matrix is not an identity matrix so that the factor analysis is appropriate for these data. The reliability statistics for all components extracted from factor analysis have exceeded the minimum value of 0.6, which shows the internal consistency of the components in the scale. Table 16.1 below shows the descriptive statistics of the entrepreneurs' perception towards four important factors in *halal* cosmetic product.

On the average the entrepreneurs strongly agreed that product safety is the most important factor in *halal* cosmetic industry and agreed to the other three factors supported by [10]. The results prove that safety is the first factor that will be considered when involved in *halal* cosmetic products. The skewness values for each factors show that the data collected was approximately normal [13]. Hence, the result of regression analysis indicated that there exists statistical evidence with p-value less than 0.05 ($p\text{-value} = 0.001$) in determining the significance of the model. In addition, the total variation of entrepreneurs' awareness towards *halal* cosmetics product explained by these factors is 54.20 %, and the relationship between these factors is fairly positive (correlation, $r = 0.736$). Since the model was significant, the research objective will be achievable.

The analysis revealed that the entrepreneurs' awareness on *halal* cosmetics products is determined by five factors: entrepreneurs' knowledge, influence of environment, product safety, education level and their age, as shown in Table 16.2. As stated by Abdul Aziz and Vui [7], they agreed that knowledge of *halal* status for products is related to *halal* awareness. Furthermore, a study done by Siyah Gumri and Mohd Noor [12] indicated that celebrity plays an important role in influencing their fans' purchasing behaviour, similar to the finding in this study that influence from environment has a significant effect on entrepreneurs' awareness on the *halal* concept.

Related to these findings, the entrepreneurs' education level and age are categorised to two different groups: SPM or below and higher than SPM and between the young and the experienced entrepreneur. A regression analysis for the two groups of entrepreneurs' education level shows that the model is significant ($p\text{-value} = 0.000$ and 0.001) and there exists a strong positive relationship ($r = 0.732$ and 0.754) between the variables for both groups. The significant factors that contributed to the entrepreneurs' awareness for education of SPM or below are influence from environment and product safety, as proven by Khraim [11] but only entrepreneurs' knowledge as stated by Abd Aziz et al. [7] for the other group.

Table 16.2 Regression analysis on awareness towards *halal* cosmetic product

Factor	Statistical value	
	<i>t</i> -value	<i>p</i> -value
Entrepreneurs' knowledge	3.465	0.001*
Influence of environment	2.385	0.020*
Product safety	2.811	0.006*
Entrepreneurs' education level	-2.124	0.037*
Entrepreneurs' age	2.164	0.011*
Entrepreneurs' gender	-1.122	0.266
Experienced as entrepreneur	0.451	0.654

* Significant at 10 %

In addition, this study also established that young entrepreneurs (at most 30 years old) and experienced entrepreneurs (more than 30 years old) have a significant model of awareness with *p*-values of 0.002 and 0.000, respectively. The correlation value shows that there exists a strong positive relationship between awareness and all the factors for the young entrepreneurs' group ($r = 0.812$) but only a fairly positive relationship for the experienced entrepreneurs' group ($r = 0.632$). In comparison, young entrepreneurs are very concerned with the product safety supported by Khraim [11], but experienced entrepreneurs are more knowledgeable about the product and more influenced by the environment factors, consistent to study conducted by [7, 12].

16.5 Conclusion and Recommendation

Muslim consumers around the world are now more concern than ever before with the *halal* status of cosmetic products they consume. Awareness and knowledge of Muslim entrepreneurs on the subject of *halal* are imperative in ensuring that customers are provided with products that comply with the syariah law. Based on the above discussion, there are factors contributing to entrepreneurs' awareness towards halal cosmetics. This study indicated that there is a strong relationship between awareness and the entrepreneurs' knowledge, influence of environment, product safety, education level and age. The results indicated that product safety seems to be the most significant factor especially among young entrepreneurs. Product safety in this context refers to the ingredients and quality of the cosmetic products. In the context of *halal* cosmetics, the ingredients and process of manufacturing should be in compliance with the Islamic law. As such it is very important for Muslim entrepreneurs to assess the products for their *halal* authenticity before promoting to customers. This can be done via agencies such as JAKIM and HDC. Furthermore, product safety should be stressed to cosmetic producers via training and awareness programmes.

The findings also indicated that experienced entrepreneurs are more knowledgeable about the products than the young entrepreneurs. Therefore, the young cosmetic entrepreneurs should take initiative to increase their knowledge by enrolling

in HDC halal training programmes. Influence from the environment is also another factor that promotes awareness on halal cosmetic products. As discussed earlier in the paper, consumers purchasing intention on cosmetic products are most often influenced by the celebrities they admire. Consumers tend to be interested in products that the celebrities use and this will prompt the entrepreneurs to seek these products to sell. As such, celebrities could also play a role in promoting halal cosmetic products alongside the entrepreneurs.

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Part VII

Accounting

Chapter 17

Entrepreneurial Orientation, Strategic Management Accounting Practices, Innovation, and Firm Performance: Craft Industry Perspective

Nor Azlina Ab. Rahman and Aliza Ramli

Abstract Globalization in new era changes business environment in various dimensions. Organizational integration factor, business strategy, and innovation in technology were slowly becoming the major strategic issues which have significant impacts on organizations. The purpose of this paper is to scrutinize the issues coming in the way of small and medium enterprises (SMEs) and firm performances within the craft industry development drawn on to the influence factors that enhance its performance and to further provide a framework to examine SME performances. Craft industry is a heritage industry which is considered as one of the major contributors in the manufacturing sector and also to the development of SMEs in most countries. However, its potential is always underestimated. Relevant literature on entrepreneurial orientation, strategic management accounting practices, innovation, and firm performance in SMEs within the craft industry is reviewed. In this paper, a framework of firm performance and factors affecting it is proposed that relies on resource-based view theory. A framework is developed to explore the premise for the research. Based on the suggested framework, entrepreneurial orientation, strategic management accounting, and innovation are identified as factors affecting firm performance, while the firm performance considers both financial and nonfinancial perspectives. The proposed framework allows the identification of the triggers driving SME performances and the capture of a holistic firm performance within the craft industry.

Keywords Firm performance • Entrepreneurial orientation • Strategic management accounting • Innovation

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17.1 Introduction

Small and medium enterprises (SMEs) have played an important role and made a significant economic contribution of more than a quarter of all manufacturing output to the Malaysian national economy [1]. According to Hashim [2] and Weerakkody [3], the contribution to the Malaysian national economy shows that the SMEs are key industry players in the country's overall economic growth. According to Hashim [2] and Mokhtar and Wan Ismail [4], SMEs provide huge employment opportunities, stimulate competition, give support to large companies, and act as seedbed from which large companies grow. As a backbone of the country's economy, SMEs need to be more aggressive to improve their productivity and competitiveness [5]. Therefore, in order to face challenges successfully, SMEs require support networks to help them improve its management capacity, productivity, and quality [5]. According to Mokhtar and Wan Ismail [4], SMEs can generate employment, enhance quality of human resources, nurture a culture of entrepreneurship, support large-scale industries, and open new business opportunities.

As suggested by Aris [6], the potential of Malaysian SMEs to contribute significantly to economic growth is demonstrated by their contribution to output, their numbers (half a million), and substantial employment generation (labor intensive). As pointed out by Hashim [2], small firms make a significant contribution to the gross domestic product (GDP). Further, Sidik [7] stated that SMEs are a key source of and outlet for entrepreneurial creativity and ideas. Consequently, the performance of the SME sector is closely associated with the performance of the nation [8]. Contribution to economic growth for the country will achieve its target of becoming a high-income nation via more dynamic entrepreneurs [9]. As suggested by Abdullah [9], SME performance needs a creative and innovative entrepreneurs; without them Malaysia will never attain developed and high-income nation status.

Definitions of SMEs [10] in each of the respective sectors are based on the annual sales turnover or number of full-time employees. According to Hashim [2], this will facilitate the country's transformation to a high-income nation through the initiatives under the SME Master Plan. The proposal is to raise the qualifying threshold for sales turnover and employment of SMEs for all economic sectors [11] as shown in the Table 17.1.

In Malaysia, the craft industry can be relied upon as one of the contributors to the country's economic development [4]. Malaysian craft is a combination of old and new elements, culture and economy, traditional and contemporary, and form and functionality. Malaysia's multiracial population brings diversity to the multicultural facet of the country, and the craft industry is one of the oldest industries in Malaysia which was established more than 80 decades [12]. The industry is known to produce variety of craft-based products such as textiles, handicrafts, paintings, garments, batik, curtains, and bedsheet. Even though the industry is rather small in size and scattered all over the country, their products especially textile and crafts

Table 17.1 Definition of SME in Malaysia effective on January 1, 2014

Category	Micro	Small	Medium
Manufacturing	Sales turnover of less than RM300,000 or full-time employees less than 5	Sales turnover from RM300,000 to less than RM15 million or employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million or employees from 75 to not exceeding 200
Services and other sectors	Sales turnover of less than RM300,000 or employees less than 5	Sales turnover from RM300,000 to less than RM3 million or employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million or employees from 30 to not exceeding 75

Source: National SME Development Council, 2013

are able to help the performance of tourism industry [13] and able to provide job and business opportunities [12]. The need for creativity and flexibility of small firms is also acknowledged in the context of sustainability [14]. The creative industry tends to be unique because it relies on people's creativity, skills, and talents. This is why creative industries are not easy to be developed through replication strategy [15].

SME is considered as one of the outstanding industries since this kind of industry cannot only absorb the larger sales force compared with the larger industry, but it can also provide the most significant contribution to GDP [16]. Craft is one of the work of art and becomes the former heritage of Malaysia and it is adored by many countries. Manufacturing including craft industry is the major sector in Malaysia besides service, mining, and agriculture [4]. Regionally, this industry has lost its competitive advantage to neighboring countries, especially Thailand, Indonesia, China, and Vietnam who also exert a great challenge to Malaysian crafters [17]. The growth of craft industry and technology aspects which belong to former cultural heritage predated from the palace community then expanded into the outside of palace environment, and now it becomes the national culture-based main industry [18]. Possibly due to its primitive nature such as a society characterized by a low level of economic complexity [19], studies on economic and entrepreneurial dimensions of the industry are not much seen in the last few decades [12].

17.1.1 Problem Statement

Manufacturing sector including SMEs in the craft industry still reports stagnated and/or reduced profits, low sales growth, low market share, low return on investment, and low value for money which has made them less competitive on both local and international markets [20]. There was little evidence on different performance measurements used and performance reporting systems among entrepreneurs.

However, quite a few of them are still facing a variety of challenges and obstacles that deter further expansion of their businesses. In many countries the SMEs are facing severe and numerous challenges in a globalized environment, including lack of financing, low productivity, lack of managerial capabilities, access to management and technology, and a heavy regulatory burden [21, 22]. In the Malaysian context, SMEs face many similar challenges, which have been highlighted by the National SME Development Council for SME Master Plan, 2012–2020 [23, 24], and others included lack of access to loans, limited knowledge of innovation, limited adoption of technology, lack of human resources, and competition from MNCs and globalization. At the operational level, SMEs have to contend with hindrances in the form of rising raw materials and input costs, increasing overhead costs, as well as cash flow restraints [2]. Lack of research was reported on problems encountered by SMEs such as inability or difficulty in finding access to financing and working capital [25] and low returns in research and development (R&D) due to lack of entrepreneurial skills because of the hefty amount of investments required to realize it [26]. Lack of knowledge among entrepreneurs in the utilization of technology which is still relatively low poses and becomes another problem or serves as a constraint for entrepreneurs to move forward [27, 28]. Lack of research in accounting knowledge has affected the solid accounting team to enhance their business growth and sustainability [29, 30]. In the craft industry, there is also limited research on firm's performance in building the capacity and capability of an entrepreneur to achieve success, growth, and competitiveness of its performance measurement [31]. The problem with these firms is that of management best practices and entrepreneur characteristic that are performed by the SMEs in the craft industry.

17.1.2 Purpose

The purpose of this paper is to present factors that enhance SME performances in the craft industry. Through identifying the factors that consist of entrepreneurial orientation, strategic management practices, and innovation, it will enable a better understanding of what it takes to enhance the skills needed of current business practices and improve business performance to be at par and better than other firms. The resource-based view (RBV) theory is integrated with Hofstede's theory (culture dimension: entrepreneurship and management practices) to provide the premise for this paper. The resources of firm performance are explained in terms of entrepreneurial orientation, strategic management accounting practices, and innovation in the craft industry [32] as these factors are discovered to enhance the firm's performance.

17.1.3 Significant Contribution of the Study

There are several significant contributions from this paper. First, this paper will provide a better understanding of specific factors which include the importance of adopting strategic management accounting practices that can enhance entrepreneur and SME performances specifically within the craft industry. Second, the paper also discusses what is expected of future entrepreneurs, thus will contribute to their understanding of the requisite skills for success in terms of entrepreneurial orientation and innovation. Knowledge in this area would provide those in the craft industry a way to achieve higher performance. In essence, SME entrepreneurs would be able to improve their knowledge in managing business and would be able to enhance their skills and capabilities in the technical and managerial levels which will contribute to superior performance of the firms and industry.

17.2 Literature Review

17.2.1 Entrepreneurial Orientation

Entrepreneurial orientation (EO) has recently been recognized as one of the most important factors for firm growth and profitability [33]. Entrepreneurship, according to Eroglu [34], is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities. Further to that, Eroglu [34] and Ndubisi [35] define entrepreneurs as individuals who exploit market opportunity through technical and/or organizational innovation as well as risk-takers. According to Li et al. [36], an entrepreneur is a person who already habitually creates and innovates in order to build up something in order to create a recognized value based on perceived opportunities. Zimmerer et al. [37] and Makhbul and Hasun [38] stated that an entrepreneur is someone who is able to take opportunities, take risk, and develop a new business to gain profit. Yang [39] and Eroglu and Picak [33] found that innovative, proactive, and risk-taking in EO and firm performance have a strong relationship, indicating positive implications in entrepreneurial processes on firm growth and performance. EO needs to be considered by firms which want to move into a more competitive business environment. However, a study by Soininen et al. [40] discovered that the positive implications on EO with firm performance exists in specific context and vary independently of each other in a given organizational context.

17.2.2 Innovations

Innovation at the organizational level is defined as new product, service, ideas, technology, process, and structure and includes their generation, acceptance, adoption, or implementation [41, 42]. Most researchers use the terms innovation and innovativeness interchangeably based on whether the study is investigating the end result of the innovation process or the process of innovation itself [43, 44]. Innovativeness can be defined as the generation, acceptance, and implementation of innovations [44]. According to Sojininen et al. [40], innovativeness shows the extent to which the firm is geared to supporting new ideas, novelty, and creative processes resulting in new and innovative products, technology, or processes. The importance of innovation is established as a necessary ingredient for firms simply wanting to remain competitive [45] or pursue long-term advantages. Innovation is concerned with the development of a new product or process or the improvement of an existing product or process. The results obtained from past studies have shown that innovation plays a major role in sustaining competitive advantage for industries [46].

17.2.3 Strategic Management Accounting Practices

Strategic management accounting (SMA) is defined as a form of management accounting in which emphasis is placed on information which relates to factors external to the entity, as well as nonfinancial information and internally generated information [47]. SMA is the provision of information to support strategic decisions in the long term and performance by providing internal and external information for strategic purposes such as defining the strategic position, formulating strategy, and controlling the performance [48, 49].

Strategic management accounting has various strategic analytical tools which include benchmarking, balanced scorecards, value chain analysis, and Porter's value chain model [50]. As reported in the study by Jack and Kholeif [51], an increasing number of organizations are beginning to use practices of SMA without necessarily recognizing that term. As a primary producer, their advisors are increasingly using external as well as internal data, financial and nonfinancial, in making strategic decisions that are customer focused, more competitive, and concerned with establishing a strategic position in globalized markets [50].

The evident transition is through the growing incidence of accounting tools such as benchmarking, value chain analysis, and balanced scorecards in strategic planning and decision making besides target costs and wealth management [52]. Therefore, the trend toward the adoption of strategic approach in management accounting is seen as a tool to face the current business developments [50]. Further to that, [50] stated that strategic management accounting and strategic cost management can be used to achieve an efficient and effective control of costs and supply management as well as to assist in the performance of its functions in the long run [50].

Abdulhussien and Sadik [53] investigates how hotels in transiting economy could improve performance and gain competitive advantage by adopting SMA techniques. [54] in his paper discusses the most widely adopted performance management frameworks and the balanced scorecard. These methods are used to explain how strategic control and performance measurement can aid in the implementation of strategy and the improvement of organizational performance. [52] and [53] developed the cost analysis model and the use of the information provided by the management and cost accounting in the implementation of strategies to increase the performance of the enterprises. Their findings revealed that managements of companies realized the importance of the application of strategic management accounting techniques in order to achieve the strategic goals of their companies as well as their success, survival, and growth in the markets [53, 54].

17.2.4 Firm Performance

Firm performance (FP) is usually measured using financial and nonfinancial performance measures. FP comprises financial efficiency measures such as return on investment and return on equity and profit measures such as return on sales and net profit margin [36]. Nonfinancial measures include customer satisfaction, sales growth, employee's growth, and market share. FP refers to the firm's success in the market, which may have different outcomes [55]. Performance can be characterized as the firm's ability to create acceptable outcomes and actions [21]. Reijonen and Komppula [31] defines performance as the ability of an object to produce results in a dimension determined a priori, in relation to a target. This performance has traditionally been measured in financial terms [31]. The most commonly used measures of performance are efficiency (e.g., ROI), growth (e.g., increase in sales), and profit [31]. In an accounting term, performance is the relationship of the income and expenses of an enterprise, as reported in the income statement [4]. Performance measurement systems play a key role in the development of the company strategy and in the evaluation of the achievement of the organizational objectives [56]. Traditionally, accounting data have played a major role in measuring an organization's success. However, the use of financial data may have limitations as a measure of company's performance. It is found that the accounting-based financial measurement systems are no longer adequate to measure the performance of a company [57, 58]. Therefore, many companies have adopted several new approaches that combine both financial and nonfinancial measures in order to assess their performance. By using nonfinancial measures, managers attempt to track progress on the actionable steps that lead to a company's success in the market. This information is then used together with the values and the preferences of the enterprise and its management to produce decisions about the required actions. As a result, the outputs of the enterprise in products, services, operational performance, and financial performance have changed. In business studies, the concept of success is often used to refer to a firm's financial performance [59].

As such, management accounting researchers [60] have criticized companies that put emphasis on financial performance measures. As a result, companies started to include key nonfinancial measures within their performance measurement systems to provide managers with the appropriate information about their overall company's situation [61, 62]. As such, it has been argued that financial measures alone are not sufficient for making decisions in modern firms, and therefore performance measures should include both financial and nonfinancial matters [31]. These nonfinancial measures usually deal with time, flexibility, quality of manufacturing, and entrepreneurial satisfaction [56, 63]. Traditionally the concept of success is defined in terms of financial performance, such as growth, profit, turnover or return of investment, or number of employees [31, 55]. Nonfinancial measures of success include autonomy, job satisfaction, and the ability to balance work and family [55, 64].

17.2.5 Resource-Based View (RBV) Theory

According to Bowman and Toms [65] and Hutaibat et al. [66], resource-based view (RBV) developed by Penrose (1959) suggested that a company should be considered as a collection of physical and human resources bound together in an organizational structure. The application of RBV theory can help one in explaining why some firms consistently outperform other firms [67]. According to Barney [67] and Ma [68], RBV looks at firms that differ from each other since they have their own resources. Varying performance between firms is a result of heterogeneity of assets [4, 64] and focused on factors that cause these differences to prevail [42]. Further, [4] states that RBV is the way to answer different levels of firm performance in same industries. RBV explains firm's ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier [69]; virtue of unique resources such as valuable, inimitable, non-tradable, and non-substitutable; as well as firm specific [70].

17.2.6 Theoretical Framework

The RBV theory provided the premise for the development of the framework to enable the study of factors that influence SME performance within the craft industry (see Fig. 17.1). There are three independent variables and one dependent variable. The firm performance is taken as the dependent variable, and it can be examined in relation to financial and nonfinancial perspectives, while the independent variables comprised of entrepreneurial orientation, strategic management accounting practices, and innovation.

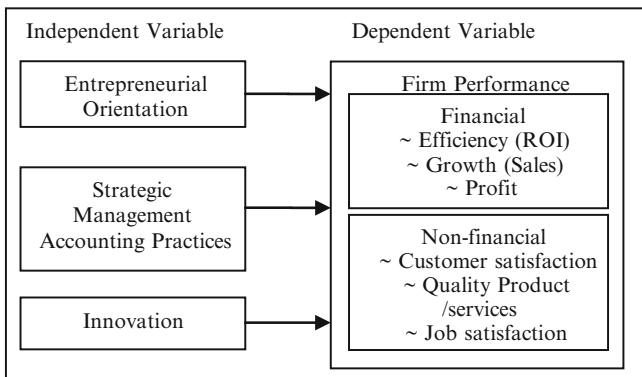


Fig. 17.1 Theoretical framework of the study

With an appropriate firm performance measurement system in place coupled with entrepreneurial orientation, strategic management accounting practices, and innovation, SMEs will be able to enhance their performance in the dynamic business environment. Such practice in place will enable the effective development and implementation of company’s strategies, which can lead to the achievement of company’s objectives. SMEs can continue to become one of the key players that can contribute to the economic growth of the country.

17.3 Conclusion

The SME sector is perceived as an important contributor to the economy growth of the nation. As such, it is pertinent that entrepreneurs and management of SMEs understand financial and nonfinancial behavior and management practices within the SMEs. Thus, this paper would enable a better understanding of the factors comprising of entrepreneurial orientation, strategic management accounting practices, and innovation that can influence SME performances within the craft industry. In addition, this paper has also highlighted the importance of incorporating nonfinancial measures besides financial measures in evaluating SME performances. Further to that, using case study or survey methods, the framework developed in this study can provide researchers to examine whether these factors indeed influence firm performance specifically among SMEs in various sectors.

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Chapter 18

From Information Provider to Value Creator: The Evolution of Management Accounting Profession in a Malaysian Case Study Organization

Zairul Nurshazana Zainuddin and Suzana Sulaiman

Abstract Transformation of management accounting profession from bean counter to hybrid accountant and from information provider to value creator is seen to be a great transformation for more than two decades. The objective of this study is to examine past and future management accountants' roles and tasks in a Malaysian organization. A case study method was employed in this study. A face-to-face interview was conducted with key personnel from management accounting division in the selected organization. The case study findings revealed that the vital past role of management accountants was information provider. However, in the future, they are expected to be forward looking. They are also expected to be a hybrid accountant and successor to the value creation within the organization. Overall, the finding provides evidence that management accountant contributes significant role in pursuing business survival and success.

Keywords Management accounting profession • Management accountants' roles • Management accountants' tasks • Management accounting change

18.1 Introduction

As business evolves, products have shorter life cycles and customer tastes keep changing [1]. This new competitive environment requires companies to create value for their customers and to differentiate themselves from their competitors through the formulation of a clear business strategy [2]. Companies in Malaysia were also experiencing changes in their business operation and have to cope with the current changes [3]. As important contributors to the country's economy, companies in Malaysia must optimally plan and strategically used their expertise to enhance competitiveness [4]. They need to be proactive and remain competitive,

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or else the companies will lose their customers to competitors [5]. The accounting profession is believed to be the most important and challenging profession in the economic world today, particularly the role of management accountants in allocating the resources and measuring the business performance [6]. Management accountants have significant influence in directing an organization's goal and assisting the manager to make a right decision for the continuity of business operation [7]. The changes of organizations' activities due to globalization [8], intense competition [6], information technology [9], and changes in regulations [10] definitely change the roles and tasks of management accountants in an organization.

Therefore, this study is carried out to determine how the changes of management accounting profession took place in a Malaysian organization. This is necessary to determine whether management accountants who are working in the organization are likely to experience changes, by examining their past and future roles and tasks. The remainder of the paper is organized as follows: Sect. 18.2 addresses previous studies on management accounting profession and evolution of management accountants' roles and tasks. Section 18.3 is dedicated to the research method adopted including the case study description and the design of a semi-structured interview question. The main finding of the case study is presented in Sect. 18.4. Finally, a concluding section that overviews the study of the main contribution, its limitations, and recommendations for future research is identified in Sect. 18.5.

18.2 Literature Review

18.2.1 Management Accounting Profession

There is still much debate about the current stance of the management accounting profession and the roles of management accountants in their organizations [11]. Some have stated that the role of management accountants is changing from "bean counters" to "business advocates," supporting and advising senior managers in strategic decision making [10]. It was also claimed in prior studies that there was also "hybrid" management accountants, who are both very much involved in "bean counting" and "business advocate" type of activities [12]. However, [11] pointed out that the traditional conservative, change-averse, bean counting management accounting will not function well in this modern context. The accounting profession recently seems to have been promoting a rather different image of accounting and the accountant [12]. Barbera [13] pointed out that management accountants' roles have expanded to include the provision of expert advice, team leadership, design and management of information systems, design and control of performance measurement systems, providing information, being teachers, analysts, internal consultants, as well as interpreters and managers of complexity in an organization. In pursuit of this new type of role, it is also envisaged that the accountant's working

methods change, in particular with an increased emphasis on collaboration outside the finance function and working in cross-functional teams [11]. Management accountants nowadays are no longer regarded as information provider and financial analysts only [14]. They have to adapt with the rapid changes in market environment as well as becoming a strategic partner in an organization [7]. If they fail to do so, there is a tendency that management accounting profession is just a subservient of financial accounting profession; hence, management accounting function could lose its relevancy [4]. Therefore, it is important for management accounting profession to be relevant in this modern era [15].

18.2.2 Evolution of Management Accountants' Roles and Tasks

In the past, it was found that accountant in the 1970s and the 1980s was constructed as a responsible and rational person [12]. Moving toward in the 1990s, the accountant was perceived as an instructed action man [12]. The role of management accountant was perceived to be bean counters, number crunchers, corporate police, scorekeeper, and information provider [15]. Management accountant performed their tasks based on instructions provided and more on preparing accounting data. Ten years later, management accountants were seen to be actively involved in analyzing business performance, controlling costs, and risk management and be part of management in making decision and planning [16]. The management accounting practices in organizations now cover a broader scope, and they have also become an integral part of the management process [20]. Management accountants are seemed to play a greater role as advisor or business partner, budgets or business planner, cost or financial controller, and analysts [14]. The role however changed from year 2011. Management accountants seemed to promote an extreme image as hybrid accountants, value creators, and strategy formulator in the future [17]. They are expected to have the skills of future oriented and all-rounder [18]. They are even required to be able to be part of the management information systems (MIS) [19]. The ongoing evolution can be seen moved from modernity to high modernity and finally toward hyper-modernity [12].

18.3 Research Method

A case study approach was adopted in this study to explore past and future management accountants' roles and tasks in a Malaysian organization. Data has been collected through a semi-structured interview with key personnel of management accounting division in the organization. Researcher also extracts secondary sources of information from NAFMA Report 2011, company's website, Annual

Report 2011, and newspapers and combined it with interview data from the participant. To enhance validity of this case study, data were analyzed using the information gathered from the interview conducted and then supported and validated with the information provided in NAfMA Report 2011. This will contribute to the reliability of information for the case study findings and enhance richness of the findings.

18.3.1 Selection Criteria

Company T is identified as the case study company due to two reasons. Firstly, the case study company is one of the NAfMA winners for year 2011. NAfMA is an annual award jointly organized by the Malaysian Institute of Accountants (MIA) and the Chartered Institute of Management Accountants (CIMA) in collaboration with Universiti Teknologi MARA (UiTM). The award is introduced to recognize companies adopting best practices in management accounting and creating value that leads to business excellence. The companies must also be able to promote the application of management accounting techniques and systems within organizations in Malaysia in the pursuit of world-class business performance. Company T is an established company in Malaysia recently being awarded with the *Excellence Award* in National Award for Management Accounting (NAfMA) 2011.

Secondly, Company T is selected as it has a specific management accounting department known as Investor Relations and Management Accounting Department. This department was set up for more than 5 years since year 2004. It has more than 20 qualified management accountants, and more than half of them are located at the centralized location, while the others are dispersed within the organization. This department is separated into two units: Investor Relations and Management Reporting Unit. Both units are part of Finance Group. A face-to-face interview with the key personnel formed an important source of information in this study. Interviewee was selected on the basis of their position and experiences in key management accounting areas. The interviewee's contribution and change initiative toward the achievement in the NAfMA 2011 is also taken into consideration.

The interviewee was selected as she is currently the manager, who is heading the Management Reporting Unit in Company T. The unit is under the Investor Relations and Management Reporting Department in the organization. She has more than 10 years' experience in practicing management accounting, and she was appointed since year 2009 in the respective unit. Her current job specification covers from producing Monthly Management Report (MMR) for top management to prepare and document the MMR processes. She is also a Financial Group Customer Service Representative (CSR) in the Company T. From year 2003 to 2009, she was the former assistant manager in Credit Management Unit under Finance and Distribution Division. She was also the assistant manager under the same division but was located under Treasury Unit in year 2003. Previously, she joined "Skim Khas Perkhidmatan Siswazah" funded by Company T in year 2001.

The interviewee was a graduate of Bachelor of Commerce (Honors) from Lincoln University, United States. Her current position and experiences in management accounting areas within the organization contribute to the selection of the interviewee in the case study.

After the observed agreement with the interviewee, the name of the company will be confidential. For the research purposes, the company will be named as Company T. Initial contact was made with the company in March 2012 via email and phone conversation to negotiate access. Company T is willing to give generous access, with a full range of materials being made available (under the usual terms of confidentiality, where appropriate) such as excerpts from NAfMA Report 2011, Annual Report 2011, and newspaper clippings.

18.3.2 Semi-structured Interview

In view of the exploratory nature of the study, a semi-structured interview question was developed based on relevant literature review. The interview guide was subdivided into three parts and addressed under the following key themes:

- Part one relates to the prominence roles and tasks of management accountants in the past and significant changes between the past and future.
- Part two explores on the expectation of future management accountants' roles and tasks within the organization. The opinion relating to value creators and hybrid accountants is also taken into consideration.
- Part three investigates the awareness on the need of specific management accounting department within an organization. The views on the relevancy of management accounting and recommendations on how to improve the relevancies of management accounting in Malaysia are also taken into consideration.

18.4 Findings

18.4.1 Background of the Organization

The case study company is Company T, the largest electric utility company in Malaysia. It is also the largest power company in Southeast Asia with estimated RM71.4 billion worth of assets. Powering the nation for over a decade, Company T is committed to provide excellent service and employs approximately 28,000 staff to serve customer base in Peninsular Malaysia and Sabah. The company is listed on the main board of Bursa Malaysia. Company T's core activities are in the generation, transmission, and distribution of electricity. Other activities include repairing, testing, and maintaining power plants; providing engineering, procurement, and construction services for power plant-related products; assembling and manufacturing high-voltage

switchgears; coal mining; and trading. Its operations are carried out in Malaysia, Mauritius, Pakistan, India, and Indonesia.

Company T has a specific management accounting department which is known as Investor Relations and Management Reporting Department. This department has been set up since year 2004 and is separated into two units: Investor Relations and Management Reporting Unit. Both units are part of Finance Group. Currently, there are 20 management accountants in the organization. The case study interview was conducted with a representative from this department. According to the informant, the Investor Relations (IR) Unit is more like front liners which deals with external parties such as liaise with analysts and do benchmarking. For Management Reporting Unit, it acts like a backbone to the department which provides information for the Investor Relations team and top management. The Management Reporting function complements and provides credibility to the IR role by ensuring the IR team fully understands and appreciates the company's operations and is able to provide accurate and timely information to stakeholders.

18.4.2 Past Management Accountants' Roles and Tasks

Based on the interview session, the informant described past management accountants' roles and tasks are those prior year 2004. Year 2004 was identified due to the creation of specific management accounting department by the organization. Activities pertaining providing information to the top management and external parties are said to be vital task for management accountants in the past. Prior to 2004, management accountants were not required to provide timely information. This is because they were allowed to provide information not later than 2 months. According to the interviewee:

Past management accountants' tasks were more towards providing information, not concerned on providing timely information. Timing was not critical.

The timing of providing such information was identified as different compared to present management accountants' task. Now it is important for them to report on timely manner. The statement by the informant relating to timeliness of management accounting information is validated with the information provided by the NA/MA Report 2011 (p. 53):

As it is a powerful management tool for decision-making, it is critical that the management accounting information is available on timely basis.

According to the informant, management accountants' prominence role in the past was information provider. In addition, they were also expected to be able to analyze business performance and financial control. The forecasting activities existed but they were not as critical as currently they are. Activities related to scorekeeping and providing information are still relevant until now.

18.4.3 Future Management Accountants' Roles and Tasks

In the fast-changing environment, Company T also expected its management accountants' roles and tasks to change. According to the informant:

Ten years from now, management accountants are perceived to be able to forecast and have professional qualification.

Management accountants are expected to be future oriented and forward looking. These will allow them to adapt to the recent rapid changes. They are required to acquire relevant and up-to-date knowledge and skills. The interviewee even suggested that management accountant should possess CIMA qualification. It is a qualification which could provide the latest management accounting knowledge. The management accountants' past tasks seemed to provide information and monitor the performance of Company T. However, now they are required to be able to provide advice and possible solution to the management. As mentioned in NAFMA Report 2011 (p. 29):

GMMR is a report prepared by Management Reporting Unit is circulated to the board members and top management on monthly basis. Performance of the company is being highlighted through a presentation session with board members on a quarterly basis.

For example, if they look into the medical cost or overtime paid, in the past, they just need to provide the variance analysis by making comparisons for the costs. Currently, they need to take into consideration on how to present the information to the management and able to highlight important variances. For example, the increase of medical cost is 12 % due to the inflation rate ranging from 12 % to 15 %. The management accountants' role is to inform the management and advise them accordingly.

Management accountants also assist the management to monitor the progress of any decision making. A determined milestone, time line, and tracking procedures were prepared. This is to ensure the activities implemented are on time and as scheduled. Management accountants are seen not only reporting the information but required to assist the company to keep track on all ongoing actions. Management accountant of Company T is called "tracker" or "key helper." The interviewee's statement is validated with the information reported in NAFMA Report (p. 30):

The Management Reporting Unit is responsible for highlighting to company's management the status of the company's operation.

It is very important for management accountants to be well prepared and aware of the current situation in the organization. It may assist them to provide the latest information of the company's operation to the management. The interviewee also highlighted on the expectation of management accountants to be value creators or hybrid accountants from the following quotes:

I do agree management accountants are assumed to be as Value Creators as here, in the organization we can see anything to do nowadays, will have a concern of and must be

element of value added and value creation. Even in the Company T, if there is initiatives to be done, we must keep track and monitor to ensure what is the effects to the company, whether it is beneficial or not. For example, if we plan to join the NAFMA Award, what will be the value creation to the company after few weeks to go through with the assessment and evaluation process?

Then she added the following comments:

Thus after we highlight the value added to the organization in a way to promote our contribution towards the management accounting, thus we can assist the organization to participate the competition with the aim to gain the awards.

A management accountant is expected to be able to add value for the benefit of organization. This can be done if the management accountant is a forward-looking and future-oriented person. Management accountants are assumed to be hybrid accountants who should have both financial knowledge and business awareness. However, historical data is also important in any value creation activities. According to the interviewee:

We still use the past information and patterns, but we provide the user with trending, make analysis, advice certain people and provide them with the information in forecasting and planning for the future. Thus we have to be a Hybrid Accountants nowadays.

In summary, management accountants in Company T are expected to be strategist, value creators, advisors, and timely informers toward the success of the organization.

18.4.4 Relevancy of Management Accounting in the Modern Era

The interviewee was also asked on the perception of management accounting's relevancy in the future during the interview session. According to the informant:

Management accounting is proven to be relevant now and management accountants play more roles in the future.

The informant of Company T also highlighted on the relevancy of management accounting by addressing the important need of having a specific division for management accounting in the organization. In NAFMA Report (p. 27), it was clearly stated:

Recognizing the significance of management accounting as a strategic tool in decision making, a special management accounting function was created seven years ago, which is distinct from financial accounting but it is integrated with other management functions. This management accounting was several initiatives introduced when the company embarked on its Government-linked Companies (GLC) transformation plan.

The informant added that the specific division will allow information to flow more efficiently and effectively. The existence of this specific department will

assist the management to obtain timely information. Information is able to be disseminated more efficiently. As stated by the informant:

Previously, due to decentralization of management accounting department, different reports were prepared. The Chief Executive Officer (CEO) faced difficulty to read every report within a limited time. So with a specific management accounting division and unit, consolidated reports can be prepared. The CEO is able to get timely report with sufficient information and read within limited time.

The condense report enables the CEO to highlight only on certain information during the meeting. It allows him to identify the right department to refer to for more information. The distribution of information is quicker, effective, and timely response from management accountants. The problem of who to be contacted and who should be accountable on the report can therefore be minimized. The NA/MA Report 2011 validates the information by reporting that (p. 46)

At Company T, management accounting is practiced at Divisional levels wherein each Division is required to provide the financial and technical data extracted from various systems. The relevant information is then submitted to the Finance Group Division. The Management Reporting Unit will further analyse, interpret and consolidate the information received in the GMMR.

Before concluding the session, there were several recommendations made by the respondent with regard to enhancing the relevancies of management accounting in Malaysia. As mentioned by her:

More people should be encouraged to be in the management accounting discipline. This could be done by promoting the management accounting to universities' students from the beginning. Companies may also encourage their existing staffs to proceed with professional qualification such as CIMA.

With these initiatives, management accountants will obtain greater knowledge on management accounting practices and better exposures in managing business.

18.5 Conclusion

Based on the case study findings, it was found that information provided for top management and external parties was one of the vital tasks of management accountants in the past. However, the timing of providing such information was not a major concern. Predominant role of management accountants in the organization at that time was as the information provider instead of timely information provider. Analyzing business performance and cost or financial control were the other important tasks and activities related to scorekeeping, and providing information is still relevant to the organization. The findings from the case study also brought up same perceptions relating to the management accountants' roles and tasks in the future. From the interviewee's personal point of view, management accountants should change their mentality to be future oriented and forward looking by equipping themselves with more knowledge and skills. They also should be able to

involve prominently in value creation activities. The suggestion for taking professional qualification such as CIMA was raised by the respondent as one step ahead for practicing management accountants nowadays. This is due to the fact that management accountants in recent years are not only providing the information, but they have the responsibility to propose solution and advise the management on how to react to the situation. Then they have to monitor and keep track on the progress of such action. The informant also gave opinion with regard to the role of management accountants as value creators or hybrid accountants. Management accountants are expected to be successor to the value creation and business of the organization.

In addition to reflect the growing importance of management accounting profession especially in Malaysia, the study also provides new insights relating to the relevancy of management accounting function in the near future. The informant highlighted the importance of having specific division for management accounting in any organization. This is an initiative to allow information to be disseminated more efficiently and on timely manner. Management accounting discipline is also recommended to be promoted to universities' students from earlier stage in order to instill interest among them in management accounting. Companies may also encourage their existing staffs to proceed with professional qualification such as CIMA as an initiative to enhance their skills in practicing management accounting.

The findings have to be considered in the light of the limitations of the research. First, this study only focuses on management accountants' roles and tasks in the past and future. There is no discussion on management accounting tools or techniques. Further limitation is related to the case study findings. The results of analysis may have shortcomings that limit their usefulness to a single organization in Malaysia. As the interview took place in a Malaysian organization, the results may be influenced by Malaysian interpretation of management accounting. However, to enhance validity and reliability of the findings, other sources of evidence such as NA/MA Report 2011, Annual Report 2011, and newspaper were provided in the study.

This study identifies several recommendations and suggestions for future research. First, there are large potential areas of management accounting to be researched. Future research could include analysis of management accounting tools or techniques and management accountants' skills in addition to roles and tasks. It is also suggested similar studies be extended to other companies from different countries. It would be useful to know the comparisons of management accounting function and practices in several countries.

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Chapter 19

Corporate Crime Tolerance of Accounting Professionals in Malaysia

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Abstract The downfall of giant corporations revealed coalitions of the crime by key players in the organizations, most importantly including accounting professionals who have access to finance and control. The remedy for such coalitions is crucial in order to suppress corporate crime from threatening the global economy. For such reasons, there rise the needs to look at corporate crime in the perspective of the accounts professionals who play some of the most important role in the prevention measures. The purpose of this paper is to investigate the level of tolerance toward corporate crime behaviors in the perception of accounting professionals in Malaysia. Questionnaire was used in this study to seek MIA members' feedback about 15 given corporate crime scenarios which cover various types of corporate crime. The results indicate that accounting professionals in Malaysia show the lowest tolerance level toward fraud attempts while giving relatively the highest tolerance level toward promoting buddy situations in corporate crime. Furthermore, the result shows that there is a significant difference in scores for those who have formal religious and groups who do not have formal religious education. The results also indicate lower likelihood to corporate crime tolerance for those who have formal religious education in relation to those without formal religious education, thus suggesting for formal religious educational background as an important indication to lower the propensity for corporate crime behaviors in the future.

Keywords Corporate crime • Level of tolerance • Accounting professionals

Identify applicable sponsor/s here. If no sponsors, delete this text box (*sponsors*)

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19.1 Introduction

Corporate crimes have increased considerably over the recent years, and professionals believe this trend is expected to continue. In Malaysia, there has been escalating cases reported each year [22]. KPMG Malaysia [9], in their fraud survey of the chief executives of all the public listed companies on the Bursa Malaysia, revealed that 60 % of respondents felt that fraud is a major problem for Malaysian business and 83 % of respondents acknowledged experiencing fraud in their organization. As part of the consequences, corporate crime has been threatening the stability of the international financial system. This led to the global business system making considerable efforts to fight all aspects of corporate crimes. The recent years have seen the reemergence of questioning of the integrity of those employed within the organization, particularly the individuals involved at the higher end of the corporate spectrum [6]. The downfall of many giant companies such as Enron and WorldCom is an indication of corporate crimes. The reason behind the collapse lies on the coalition of the key players in the organization such as the accountants and auditors who committed corporate crime such as fraud which later led to the downfall of these companies. A need arises for reemergence of questioning the integrity of accounting professionals. As much as their demographic background and qualifications are bases for integrity of accounts professionals, their opinions and feedbacks are crucially important to be examined in order to look at the corporate crime phenomena in their point of views. Thus, this study intends to investigate accounts professionals' tolerance level toward corporate crime by looking at the professionals' acceptance level about various given scenarios of corporate crime, besides other demographic attributes. The study contributes to the literatures by extending the corporate crime questionnaires to professionals rather than students. In doing so, for the purpose of this study, the perceptions of Muslim accounts professionals were investigated in such a way to derive at their tolerance or acceptance level of corporate crime. Muslim accounts professionals are selected to match with the religious background variable introduced in the study, as the other contribution of the study. Specifically, the objective of this paper is to examine the accounting professionals' level of tolerance toward corporate crime behaviors in Malaysia.

19.2 Literature Review

19.2.1 History and Definition of Corporate Crime

Sutherland [18] introduced white-collar crime as a crime of respectable business and professional people and "crime committed by a person of respectability and high social status in the course of his occupation." According to Zitao (1990),

Sutherland's definition failed to distinguish between crimes committed by corporations as a collective unit and the crimes of their individual members or corporate and individual crime. Later, Clinard and Quinney [3] divided white-collar crime into two major groups, namely, occupational crime and corporate crime. Occupational crimes defined by Clinard and Quinney [3] are "offenses committed by individuals for themselves in the course of their occupations and the offenses by their employees against their employers," while corporate crimes are "offenses committed by corporate officials for their corporation and the offenses of the corporation itself." In social psychological terms, white-collar crimes variously referred to as "crimes of the middle class" [23], "crimes of privilege" [15], and "elite deviance" [17] are the crimes of majority-group members. Nevertheless, the Federal Law Group [20] suggested that white-collar crime may overlap with corporate crime because the majority of individuals who represent the interest of the corporation are employees or professionals who commit crimes. The current study posits corporate crimes as crimes committed by employees working in the organizations against the organization, as well as those crimes committed by the officials for the organization itself.

19.2.2 Corporate Crime in Malaysia

Corporate crime in Malaysia is increasingly becoming a serious phenomenon with escalating cases reported each year [22]. KPMG Malaysia [9] fraud survey questionnaires revealed 60 % of respondents acknowledge experiencing fraud in their organization, an increase of 33 % from 2002. Thirty six percent of the companies suffered total losses of RM10,001–RM100,000 to fraudulent conduct, while 17 % suffered losses in excess of RM1 million. PricewaterhouseCoopers [11], in their Global Economic Crime 2009 Survey, expected an increase in economic fraud to 53 % in 2009 which is more than double since 2005. PricewaterhouseCoopers's advisory service associate director, Ms. Tang Ai Ling, said in Malaysia that the economic fraud rose from 23 % in 2005 to 48 % in 2009. The average fraud loss suffered by a company in Malaysia is estimated to be RM7.7 million in 2009, an increase in percentage from RM173,000 in 2005. Puah et al. [12] reported that corporate crime in Malaysia caused losses exceeding RM3.93 billion from 1999 to 2002 with 6,000 cases reported yearly, while [11] 40 % of their worldwide respondent companies believed there is greater risk of corporate crime in the current economic environment, and this is supported by ACP Sidhu [16] who projected that the commercial crime in Malaysia will increase to 14,000 cases in 2015. Corporate crime in Malaysia is in its upward trend.

19.2.3 Factors That Contribute Toward Corporate Crime

Zahra et al. [25] suggested several societal, industrial, and organizational factors that can pressure management and encourage their fraudulent behaviors. There are three key factors: (1) societal level pressure, (2) industrial level pressure, and (3) company or organizational level pressure. Baucus and Near [2] identified four propositions of corporate misconduct which support the likelihood of illegal activity. They are occurring within larger organizations, firms operating in dynamic environments, firms that had accrued prior violations, and firms operating within certain industries. Baucus and Swajkowski (1985) suggested three distinct interacting elements from the stimuli of corporate crime: First, the environmental factors such as pressure or need may stimulate illegal behavior in the situation when the estimated benefit of the misbehavior exceeds its estimated cost; second, corporate structure, industrial structure, or legal structure which suggest an organization's structural complexity which, due to its complex nature, provides a good ground for allowing managers to commit illegal acts; and third, the inner-directed choice processes such as individual pathology, individual intent, or proactive exploitation. This third factor is the managerial choice to misbehave. Swajkowski [19] argued that the misbehavior of the managers is a choice, although the environmental or structural conditions may not stimulate the occurrence of illegal behavior. The literatures lead to conclude that factors contributing toward corporate crime fall into three main categories, i.e., individual factors, external factors, and internal factors.

According to Vitell and Hidago [21], individual workers in an organization must first recognize ethics and corporate social responsibility to be important before their behaviors become more ethical and reflect greater responsibility toward the organization. Knouse and Giacalone [8] stated that individual differences (moral-related individual differences and moral-unrelated individual differences), interpersonal levels, and organizational levels are the antecedents' factors to ethical decision behaviors.

Zahra et al. [25] propose that there are several societal, industrial, and organizational factors that can pressure management and boost their fraudulent behavior. They recommend three key factors, that is, (1) societal level pressure, (2) industrial level pressure, and (3) company or organizational level pressure. First, societal level pressures used societal or group-level theories to explain the social nature of criminal behavior. At the broader societal level, the anomie theory suggests that individuals who are unable to achieve their aspirations by experiencing strain may use deviant means to achieve their desired ends. The second factor is the industry-level pressures involving challenging industry conditions that cause and intensify fraud. This involves (a) industry cultures, (b) norms and histories, (c) industry investment horizons, (d) payback periods and financial returns, (e) industry concentration, (f) environmental hostility, (g) environmental dynamism, and (h) environmental heterogeneity.

19.2.4 Accounting Professionals and Corporate Crime

Recent accounting scandals occurring at prominent companies such as Enron, HealthSouth, Tyco, and WorldCom have been an indication of flaws existing in the accounting profession. The downfall of such giant corporations revealed coalitions of the crime by key players in the organizations. These key players especially the accountants, auditors, or such accounting professionals dealing with the organizations' money, financing, and control were supposedly the ones who should be the "police" chasing the criminal, but have turned out to be the criminals instead.

Apparently, the consequences for such behaviors are not pleasant to the economy. Reported earnings are unreliable anymore due to the increase in the frequency of earning restatements by firms [1]. In Malaysia several companies have been publicly reprimanded by the Securities Commission (SC) and directed to rectify and reissue financial statements. For instance, NasionCom Holdings Berhad's (NHB) group revenue of RM194,984,186 as reflected in its 2005 financial statements contained a total of RM143,109,727 not transacted sales but were recorded in the financial statements of two NHB subsidiaries, i.e., NasionCom Sdn Bhd and Express Top Up Sdn Bhd. NHB needs to rectify and reissue its financial statements for the financial year ended on 31 December 2005 (SC, 15 February, 2007).

Whoever the criminals were, getting away with the crime could not have been so easy unless in some coalition with the financial experts such as the accounting professionals. There should be remedies to be sorted out as prevention measures. This could be a very prolonged process, but let us begin with seeking the accounting professionals' opinion about their tolerance level toward corporate crime situations.

19.3 Methodology

19.3.1 Research Design

A survey is conducted to find out the Muslim accounting professionals' tolerance level of corporate crime through the use of questionnaire. The study used the approach adopted by Wood et al. [24] to design a group-administered questionnaire.

19.3.2 Sample Size and Selection

The sample consisted of 70 Muslim accountants who registered as MIA members in Malaysia. Selection of samples was done by distributing the questionnaires to participants who met the following criteria: (1) Muslim and (2) MIA member. Muslim participants were selected to match with the Islamic religious background

of the participants, which this study introduced as one of the variables. Participants were asked for their cooperativeness and involvements voluntarily so as to derive at non-biased answers.

19.3.2.1 Demographic Data

Besides religion and MIA membership, participants were also asked for their age, gender, length of job experience, highest academic qualification, and formal religious education.

19.3.3 Research Instrument and Measurement

A close-ended questionnaire was developed to gather information about demographic backgrounds and tolerance level toward corporate crime. The questionnaire was divided into two sections: the first section consists of five questions on demographic information including their religion and MIA membership and the other section consists of 15 statements of corporate crime scenarios adopted from Wood et al. [24] (Table 19.1).

19.3.4 Data Analysis Statistical Techniques

Data analysis was done by entering collected data into the Statistical Package for Social Sciences (SPSS) software. By using the SPSS for Windows Release 17.0 software, several statistical techniques were used such as the descriptive statistics and correlation to obtain the required results.

19.3.5 Reliability

Reliability of the instrument assures that various administrations of the instrument results are similar, free from sources of measurement error, and consistent [5]. Test of reliability is required to estimate the consistency of any measurement. Cronbach's alpha coefficient is one of the most commonly used measures of internal consistency. For dichotomous data, this is equivalent to the Kuder-Richardson 20 (KR20) coefficient. By convention, alpha should be 0.70 or higher. Cronbach's alpha is quite sensitive to the number of items in the scale; less items tend to produce a lower alpha (Table 19.2).

A survey instrument is reliable if the test-retest produces a Cronbach's alpha of 0.80 or higher [13, 14].

Table 19.1 Corporate crime questions

A. An executive earning RM100,000 a year padded an expense account by about RM2,000 a year
B. In order to increase profits, a general manager used a production process which exceeded legal limits for environmental pollution
C. Because of pressure from the brokerage firm, a stockbroker recommended a type of bond which the stockbroker did not consider to be a good investment
D. A small business received a quarter of its gross revenue in the form of cash. The owner reported only half of this amount of cash receipts for income tax purposes
E. A company paid a RM350,000 “consulting” fee to an official of a foreign country. In return, the official promised assistance in obtaining a contract which should produce RM10 million in profits for the contracting company
F. In a company, a president found that a competitor had made an important scientific discovery which would sharply reduce the profits of the president’s company. The company president then hired a key employee of the competitor in an attempt to learn the details of the discovery
G. Three highway building contractors disliked the disorganized and cut-throat bidding competition. They, therefore, reached an agreement which would provide a reasonable profit
H. A company president recognized that the sending expensive Christmas gifts to purchasing agents might compromise their position. However, this policy was continued as it was common practice and changing it may result in the loss of business
I. A corporate director learned that the company intended to announce a stock split and increase its dividend. On the basis of this information, the director bought additional shares and sold them for a profit following the announcement
J. A corporate executive promoted a loyal friend and competent manager to the position of divisional vice president in preference of a better qualified manager with whom the corporate executive had no previous relationship
K. An engineer discovered what was perceived to be a product design flaw which constituted a safety hazard. The company declined to correct the flaw. The engineer decided to keep quiet rather than raising the complaint to an outside authority
L. A chief financial officer for a company selected a legal method of reporting which concealed some embarrassing financial facts that would otherwise have become public knowledge
M. As part of a marketing strategy for a product, the producers changed its color and marketed it as “new and improved,” even though its other characteristics were unchanged
N. An owner of a small firm obtained a copy of a copyrighted software program from a business friend rather than spending RM500 to buy the programmed from the software distributor
O. Assume you are given a chance to make RM100,000 for yourself or your company with a 1 % chance of being caught and sent to a minimum security prison for 1 year

Adapted from Wood et al. [24]

Table 19.2 Interpretation of alpha

Alpha	Indicator
>0.9	Very good
>0.8	Good
>0.7	Acceptable
>0.6	Questionable
>0.5	Weak
>0.4	Unacceptable

Adapted from George and Mallery [7]

19.3.6 Descriptive Analysis

Descriptive analysis will include the means, standard deviation for the independent variable, and dependent variable.

19.3.7 Pearson Correlation Coefficient

In this study, the Pearson product-moment correlation coefficient (r) was used to measure the extent of the relationship between variables. Correlation value is expected to be between +1 and -1. Pallant [10] stated that “correlation analysis is used to describe the strength and direction of the linear relationship between two variables”. A correlation of 0.0 indicates no relationship, a correlation of 1.0 indicates a perfect positive correlation, and a value of -1.0 indicates a perfect negative correlation. Cohen (1988 in [10]) suggests the following guidelines to interpret the strength of the relationship between two variables as follows:

- $r = 0.10$ to 0.29 or $r = -.10$ to $r = -0.29$ small correlation
- $r = 0.30$ to 0.49 or $r = -.30$ to $r = -0.49$ medium correlation
- $r = 0.50$ to 1.00 or $r = -.50$ to $r = -1.00$ large correlation

19.4 Findings and Discussion

The overall mean responses of MIA members rating the corporate crime scenarios as acceptable were examined in relation to the mean of previous studies. Besides corporate crime, demographic factors consisting of age, gender, job experience, qualification, and formal religious education were analyzed in the descriptive analysis.

19.4.1 Reliability Statistics: Corporate Crime (15 items) (Tables 19.3, 19.4, 19.5, 19.6, and 19.7)

Table 19.3 Case processing summary

		<i>N</i>	%
Cases	Valid	70	100.0
	Excluded ^a	0	0.0
	Total	70	100.0

^aListwise deletion based on all variables in the procedure

Table 19.4 Reliability statistics

Cronbach’s alpha	No. of items
0.834	15

Table 19.5 Item statistics

	Mean	Std. deviation	N
Padded expense account	2.87	1.75	70
Environmental pollution	2.03	1.48	70
Pressure of investment	2.10	1.41	70
Negligence	1.94	1.61	70
“Consulting fee”	2.26	1.58	70
Competitor	4.03	2.01	70
Planned bidding competition	3.96	1.88	70
Gift-common practice	2.37	1.46	70
Stock split	2.76	1.81	70
Promoting buddy	4.11	2.00	70
Security hazard tolerance	1.87	1.32	70
Reporting false fin act	3.51	1.95	70
False marketing tactic	2.27	1.58	70
Illegal software	2.56	1.56	70
Fraud attempt	1.64	1.30	70

19.4.1.1 Descriptive Analysis

Gender, Age, Education Level, Formal Religious Education, and Job Experience

From the sample of 70 self-reported Muslim MIA-practicing members, 60 females and 10 males participated in the survey. Average age of the group equaled to 36.4 which ranged between 31 and 50 years. Education level ranged from participants receiving first degree (45, 80 %), master and PhD degrees (35.70 %), professional qualifications (12.90 %) to other qualifications (5.70 %). The demographic findings also revealed that 39 respondents did receive some sort of formal religious education, while 31 respondents didn’t. Majority of the respondents (54.30 %) had more than 9 years of job experiences, followed by 27.10 % who had 4–6 years, while the balance of 18.60 % of the respondents had 7–9 years.

Level of Tolerance Toward Corporate Crime

Table 19.8 above shows the results of corporate crime tolerance in descending order. From the mean of the study, promoting buddy indicates the highest score followed by competitor and planned bidding competition, with the means of 4.11, 4.03, and 3.96, respectively. The accounting professionals show the highest

Table 19.6 Item-total statistics

	Scale mean if item deleted	Scale variance if item deleted	Corrected item-total correlation	Cronbach's alpha if item deleted
Padded expense account	37.41	163.61	0.45	0.83
Environmental pollution	38.26	159.50	0.67	0.81
Pressure of investment	38.19	157.05	0.78	0.81
Negligence	38.34	155.62	0.71	0.81
"Consulting fee"	38.03	157.88	0.66	0.81
Competitor	36.26	169.61	0.25	0.84
Planned bidding competition	36.33	178.69	0.09	0.85
Gift-common practice	37.91	163.56	0.56	0.82
Stock split	37.53	164.54	0.40	0.83
Promoting buddy	36.17	169.16	0.26	0.84
Security hazard tolerance	38.41	164.45	0.60	0.82
Reporting false fin acct	36.77	168.09	0.29	0.84
False marketing tactic	38.01	160.10	0.60	0.82
Illegal software	37.73	165.36	0.47	0.82
Fraud attempt	38.64	170.15	0.44	0.83

Table 19.7 Scale statistics

Mean	Variance	Std. deviation	N of items
40.2857	186.613	13.66063	15

tolerance for corporate crime committed in promoting buddy. It seems that the act is relationally acceptable and could be due to the reasons that the "buddy" promoted for the post is someone who is competent. Even though the other person is better qualified, to favor a loyal friend who is also competent for the post has been found to be acceptable to the accounting professionals. The second ranking in the most acceptable corporate crime situation is the competitor. It turned out that the accounting professionals are found to be more tolerant to corporate crime committed because in the given crime situation, the competitor's employee has found out the way to beat the other company in terms of reducing its profit significantly. Thus, it is relatively acceptable to the accounting professionals that the employee is being hired by the company's president in order to save his company from being beaten by its competitor. While in the planned bidding competition, such corporate crime was committed due to the bidding competition which was "cut throat" and

Table 19.8 Level of tolerance toward corporate crime

Question	Corporate crime	Mean	Std deviation
J	Promoting buddy	4.11	2.00
F	Competitor	4.03	2.01
G	Planned bidding competition	3.96	1.88
L	Reporting false fin act	3.51	1.95
A	Padded expenses account	2.87	1.75
I	Stock split	2.76	1.81
N	Illegal software	2.56	1.56
H	Gift-common practice	2.37	1.46
M	False marketing tactic	2.27	1.58
E	Consulting fee	2.26	1.58
C	Pressure of investment	2.10	1.41
B	Environmental pollution	2.03	1.48
D	Negligence	1.94	1.61
K	Security hazard tolerance	1.87	1.32
O	Fraud attempt	1.64	1.30

disorganized; thus, it could be the reason why the accounting professionals found it to be more acceptable compared to the other worse scenarios of crime.

In the other end, fraud attempt scores the lowest mean, followed by security hazard tolerance and negligence with the mean scores of 1.64, 1.87, and 1.94, respectively. These bottom three corporate crime scenarios received the lowest tolerance level of corporate crime among MIA members in Malaysia. Obviously the fraud attempt is very much unacceptable by the accounting professionals. As much as accounting was invented to promote the true and fair values of financial business situation, committing fraud is in the opposite of this purpose and against the principle of an accounting professional and his or her integrity. Therefore such corporate crime behaviors received the lowest tolerance level by these accounting professionals. Security hazard tolerance received the second lowest tolerance level in corporate crime acceptance level by the accounting professionals indicating that they cannot compromise corporate crime which neglects the safety issues, as it will not only be unethical, but also the results of such crime could be involving injuries or even fatal to life. Negligence which is on the third lowest rank in the corporate crime tolerance level is expected to be not in much different situations like the fraud attempt in the lowest end. Negligence for recording revenues for the sake of income tax evasion is not much different with an attempt to induce fraud to the authority or third party; thus, it received the third lowest level of tolerance for corporate crime behaviors by the accounting professionals in Malaysia.

19.4.1.2 T-Test: Likelihood to Commit Crime

Formal Religious Education (Tables 19.9 and 19.10)

An independent-sample *t*-test was conducted to compare the likelihood to commit crime for those who have formal religious education and groups who do not have formal religious education. There is a significant difference in scores for those who have formal religious education ($M = 2.11$, $SD = 1.30$) and groups who do not have formal religious education [$M = 2.90$, $SD = 1.29$; $t(68) = -1.98$, $p = 0.05$]. The magnitude of the differences in the means was very small (eta squared = 0.005). The guidelines (proposed by Cohen [4]) for interpreting this value are 0.01 = small effect, 0.06 = moderate effect, and 0.14 = large effect. For the current example, it can be seen that the effect size of 0.005 is very small. Expressed as a percentage (multiply eta square value by 100), only 0.5 % of the variance in the likelihood to commit crime was explained by having formal religious school or not. The results suggest that there is likelihood that religious educational background could be a plausible explanatory variable for lower corporate crime tolerance among accounting professionals.

19.5 Conclusion

The study investigates the Muslim accounting professionals' level of tolerance toward various corporate crime scenarios. The results indicate that accounting professionals in Malaysia have the lowest tolerance level toward fraud attempts and relatively the highest tolerance level toward promoting buddy situations in corporate crime. Apparently these accounting professionals show the highest rejections in any fraud attempt situations, to suit their nature of profession which requires competence crucially in fraud detection. On the other hand, these same professionals find it relatively more tolerable for corporate crime such as promoting buddy instead of the other higher qualified individual. This could possibly be due to the reason that the buddy or friend chosen is also a competent person, not someone who is not fit for the job. The results also indicate lower likelihood to corporate crime tolerance in those who have formal religious education in relation to those without formal religious education, thus suggesting for formal religious educational background as an important plausible indication to lower the propensity for corporate crime behaviors in the future.

Table 19.9 Group statistics

	Formal religious education	<i>N</i>	Mean	Std. deviation	Std. error mean
Mean B	Yes	57	2.11	1.30	0.172
	No	13	2.90	1.29	0.36

Table 19.10 Independent samples test

	Levene's test for equality of variances		t-test for equality of means							95 % confidence interval of the difference	
	F	Sig.	t	df	Sig. (two-tailed)	Mean difference	Std. error difference	Lower	Upper		
Equal variances assumed	0.216	0.644	-1.982	68	0.052	-0.79217	0.39972	-1.58979	0.00545		
Equal variances not assumed			-1.990	17.978	0.062	-0.79217	0.39811	-1.62864	0.04430		

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Part VIII
Economics

Chapter 20

The Role of Financial Development on Cross-Border Mergers and Acquisitions: Evidence from Panel Data

Nur Syazana Mohd Nasir, Norsiah Kadir, and Sabri Nayan

Abstract This study attempts to explore the role of financial development on cross-border mergers and acquisitions (M&As) in 21 selected countries. Based on the sample period of 12 years (2000–2011), the data were analyzed by using dynamic panel data generalized method of moment (GMM) estimator. Interestingly, we find that cross-border M&As respond positively and significantly to the stock market capitalization. The result highlights the importance of domestic financial conditions in stimulating an outward cross-border M&As during this period. Furthermore, the study also reveals evidence that market size (GDP) for home and host countries, inflation rate, and global economic crisis 2007/2008 are statistically significant in influencing cross-border M&As from these selected countries.

Keywords Mergers and acquisitions • Financial development • Panel data • GMM estimator

20.1 Introduction

Foreign direct investment (FDI) whether comes in the form of greenfield investments or cross-border mergers and acquisitions (M&As) constitutes a major form of financing for developed and developing countries. Various reforms have been undertaken especially in the developing countries to improve the efficiency of financial markets on the continent. We all know the primary role played by

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developed economies in the cross-border M&A activity. While greenfield investments remain important, the increasing trend of cross-border M&As not only comes from developed countries but also in Asian regions that are growing rapidly and changing the overall industrial landscape.

However, we can say that cross-border M&As in developing countries is still in an early phase relative to the sizes and stages of development compared to developed economies. The results of cross-border M&As have deepened the economic integration of developing Asia and developed countries and at the same time increase the competitiveness with the global economy.

Table 20.1 shows the value of cross-border M&As from 2006 to 2011. The value of cross-border M&A purchases involving developing economies from Asia shows an upward trend from 2006 to 2007, but during 2008–2009, the value of cross-border M&A purchases decreased. This was mainly because banks were hesitant to finance such transactions in the prevailing climate of high and rising risk. Moreover, from 2010 to 2011, the value of purchases grew significantly. Developed countries accounted for 77 % (US\$428.1 billion) of world outward cross-border M&As (US\$555.2 billion) in 2011. Among the developed countries, countries from North America accounted the highest cross-border M&A purchases at 40.8 %.

The increasing significance of macroeconomic factors in explaining the location of international production during the 1990s in the host country has been highlighted in most of literature (see [6, 18]). In contrast, the relationship between outward cross-border M&As and home economy factors remains controversial and unclear. Thus, the aim of this study is to determine the role of financial development on cross-border M&As in 21 selected countries.

The present paper is organized as follows: Sect. 20.2 provides the review of related literature. Section 20.3 outlines the data and methodology employed. Section 20.4 presents results and discussions and Sect. 20.5 concludes.

Table 20.1 Cross-border M&As (purchases), 2006–2011 (billion US\$)

Countries	Purchases					
	2006	2007	2008	2009	2010	2011
World	625.3	1,022.7	706.5	249.7	334.0	555.2
Developed economies	497.3	841.7	568	160.8	223.7	428.1
Europe	300.4	569.0	359.0	102.7	41.9	168.4
North America	138.6	226.6	114.3	40.5	118.1	174.7
Other developed countries	58.4	46.1	94.7	17.6	63.6	85.0
Developing economies	114.9	144.8	105.8	74.0	98.1	108.3
Asia	70.8	94.5	94.4	67.3	79.0	85.2
East Asia	21.2	−0.7	39.9	35.9	53.9	54.2
South Asia	6.7	29.1	13.5	0.3	26.7	6.1
Southeast Asia	7.5	25.9	18.9	4.3	13.7	18.2
Latin America and Caribbean	28.1	40.2	2.5	3.7	15.8	18.8

Source: [17]

20.2 Literature Review

Relatively, little works have been done to investigate the role of financial development on cross-border M&As especially by using dynamic panel data GMM. As reported in Giovanni [8], only few studies with such work. By utilizing a large panel data set on cross-border M&As, Giovanni stressed that institutional factors and financial variables are important drivers of M&A flows. His main result emphasized on financial market deepening in the acquisition countries as the main determinant of M&As. The study also reveals the importance of stock market in influencing an outward cross-border M&As.

Contrary to Giovanni [8], Brooks and Jongwanich [4] in investigating cross-border M&As on nine emerging countries from Asia found that banking sector (as compared to the equity and bond markets) plays an important role in influencing cross-border M&As. Their result reveals that in Asia region, the main form of payments for the cross-border M&A activity is still by cash. Thus, loans from the banks and financial institution play the most important role as the mediator for the M&A deal.

On the other hand, Hyun and Kim [10], in examining the role of institutions and financial development on cross-border M&As in 101 selected countries, reported that the stock market is positive and significant in all the three specifications, while credit by banks and other financial institutions is positive but insignificant in one instance. Therefore, their result is similar to Giovanni [8] that stock market has greater impact on outward cross-border M&As.

Besides, Kamaly [11] in investigating the determinants of cross-border M&As in developing countries found that S&P index in the USA significantly explains cross-border M&A activity. He also emphasized that higher level of stock market activity and depth in developing countries decrease the amount of M&As.

Moreover, Uddin and Boateng [16] in their study on the UK outward cross-border M&As (using home country macroeconomic factors) reveal that GDP, interest rate, exchange rate, share price, and money supply are significant in influencing both outward and inward cross-border M&As.

Given the fact that there is a positive relationship between cross-border M&As and financial market indicators either from home or host country perspectives, the present study attempts to examine the role of financial development on cross-border M&As in 21 selected countries.

20.3 Data and Methodology

20.3.1 Data

This study is based on the panel data consisting of bilateral cross-border M&As, real GDP per capita (home and host countries), trade, credit, stock market

capitalization, consumer price index, and exchange rate from 21 selected countries (acquirers). Covering a sample period of 2000 through 2011, the data are obtained from Thomson One Reuters Database, World Development Indicators (WDI), Direction of Trade Statistics Yearbook (DOTSY), United Nation Conference and Trade Development (UNCTAD), International Financial Statistics Yearbook, and CEPII database.

Note that in our sample of study, cross-border M&As less than 10 % equity are excluded as by the definition, whereas these flows are included in the portfolio investment. We, however, only consider a deal as cross-border M&As if the acquirer and target are from different economies and exclude domestic M&As from our study because such activity does not represent actual cross-border activity.

The lists of the countries for this study are listed in Table 20.2.

20.3.2 Model Specifications

The model used in the analysis is a dynamic panel data specification in the form of

$$y_{it} = \alpha + \mu_i + \delta y_{it-1} + x_{it}\beta + u_{it} \tag{20.1}$$

$$u_i \sim iid(0, \sigma_u^2) \quad t = 1, 2, \dots, N, \quad t = 2000, \dots, 2011$$

where

Y_{it} is the total M&As to GDP ratio.

X_{it} is the matrix of explanatory variables besides the lagged dependent variables.

μ_i is the country individual effect.

μ_{it} is the error term, which captures all other variables affecting Y_{it} .

α , δ , and β are the unknown parameters.

Table 20.2 List of selected countries included in the cross-border M&A analysis

Developed countries	Developing countries
Australia	Bangladesh
Canada	China
Chile	Fiji
France	India
Italy	Indonesia
Japan	Malaysia
New Zealand	Mongolia
Poland	Pakistan
Singapore	Philippines
South Korea	Thailand
	Vietnam

$N = 21$

It is assumed that the error term, μ_{it} , follows a one-way component model with constant variance, σ_u^2 . The fixed-effect representation captures the idea of those countries, in most cases, which have individual effects such as geographical characteristics, institutional settings, and cultural norms which influence the outward cross-border M&As but can be regarded as fixed in short and medium terms.

The endogenous variables in this model are credit, stock, trade, and exchange rate. We use the value of cross-border M&A transactions instead of number based on the assumption that a great deal of information is lost if one uses number of cross-border M&A deals. Therefore, by using value amount, we value each observation according to size as opposed to the number of transactions. In addition, this is because of two reasons: first, to make sure the endogenous variable is stationary and second, to control for the size of target nation.

20.3.3 Estimation Procedures

This study employs three types of model in the panel data econometric analysis, namely, *pooled ordinary least square* (pooled OLS) *model*, *fixed-random-effect model*, and *generalized method of moments* (GMM). The pooled OLS model and the *fixed-effect* (FE) model are both estimated by using standard OLS method, while the *random-effect* (RE) model is estimated by using *generalized least square* (GLS) or *feasible generalized least square* (FGLS) method. For GMM, the estimate parameters are computed by minimizing the sum of squared differences between the population moments and the sample moments.

The problem with the pooled OLS is that this model does not take into account the heterogeneity of countries. In addition, once the lagged dependent variable is included in the specification, the model tends to correlate with the fixed effects in the error term which then results in dynamic panel bias. The fixed-effect model solves the heterogeneity problems of OLS by taking into consideration the individual-specific factors of countries such as geographical characteristics, institutions, and cultural norms which influence the outward cross-border M&As and are fixed short to medium term. The presence of lagged dependent variable as an explanatory variable in the model increases the endogeneity problem, since the lagged dependent variable could be related to the error term. Resulting from this, a special type of panel data estimation is required.

One of the suggested solutions is for the dynamic panel bias problem to use generalized method of moment (GMM) estimators. The *difference GMM* which was first proposed by Holtz-Eakin et al. [9] and further developed by Arellano and Bond [2] transforms the model by using the first differencing of regressors to remove country-specific effects so that they are not related with the error term anymore. Given that our panel data is unbalanced, the difference GMM might not be the ideal method alone, since it tends to have problems when dealing with missing observations and magnifying gaps in unbalanced panels.

Another alternative is to use the Arellano and Bover [3] and Blundell and Bond [5] system GMM procedure, which augments Arellano and Bond [2] by further assuming that first difference of instrument variable is uncorrelated with fixed effects [12]. This will result in more instruments that will improve efficiency of the estimators. However, one notable thing is having too many instruments can be a problem especially when dealing with finite samples [13]. The instruments may seem valid individually but not collectively which will lead to questionable findings. Thus, this will lead to the issue of limitation of instruments, whereby one can select instrument with levels, or differences, or collapse the instruments.

Our estimation is then based on the following long-run model:

$$\begin{aligned}
 \ln MA_{ij,t} = & \beta_0 + \beta_1 \ln MA_{ij,t-1} + \beta_2 \ln GDP_{j,t} + \\
 & \beta_3 \ln GDP_{i,t} + \beta_4 \ln Trade_{ij,t} + \beta_5 \ln Trade_{ij,t-1} + \\
 & \beta_6 \ln Credit_{j,t} + \beta_7 \ln \left(\frac{Credit}{Y^N} \right)_{j,t-1} + \beta_8 \ln Stock_{j,t} + \\
 & \beta_9 \ln \left(\frac{Stock}{Y^N} \right)_{j,t-1} + \beta_{10} \ln CPI_{j,t} - \beta_{11} \ln EX_{ij,t} - \\
 & \beta_{12} \ln Distance_{ij,t} + \beta_{13} DLang_{ij,t} + \beta_{14} DGEC_{ij,t} + v_{it}
 \end{aligned}
 \tag{20.2}$$

where the subindex *i* and *j* denote countries, *t* is for time, and ln denotes natural logarithm (log).

<i>ln MA_{ij,t}</i>	=Log of real cross-border M&A flow from home economy <i>j</i> to host economy <i>i</i>
<i>ln MA_{ij,t-1}</i>	=Log of lagged dependent variable for cross-border M&As
<i>ln GDP_{j,t}</i>	=Log of market size of home economy, <i>j</i> (real GDP per capita)
<i>ln GDP_{i,t}</i>	=Log of market size of host economy, <i>i</i> (real GDP per capita)
<i>ln Trade_{ij,t}</i>	=Log of bilateral trade between home country, <i>j</i> and host country, <i>i</i>
<i>ln Trade_{ij,t-1}</i>	=Log of lag bilateral trade between home country, <i>j</i> and host country, <i>i</i>
<i>ln Credit_{j,t}</i>	=Log of credit provided by banks and other financial institutions relative to GDP in the home economy, <i>j</i>
<i>ln</i> $\left(\frac{Credit}{Y^N} \right)_{j,t-1}$	=Log of lag credit provided by banks and other financial institutions relative to GDP in the home economy, <i>j</i>
<i>ln Stock_{j,t}</i>	=Log of market capitalization of equity market relative to GDP in home economy, <i>j</i> (percent)
<i>ln</i> $\left(\frac{Stock}{Y^N} \right)_{j,t-1}$	=Log of lag market capitalization of equity market relative to GDP in home economy, <i>j</i>
<i>ln CPI_{j,t}</i>	=Log of inflation rate, CPI in home economy, <i>j</i>
<i>ln EX_{ij,t}</i>	=Log of nominal exchange rate between home economy, <i>j</i> and host economy, <i>i</i>
<i>ln Distance_{ij,t}</i>	=Log geographical distance between home economy, <i>j</i> and host economy, <i>i</i>
<i>D Lang_{ij,t}</i>	=Dummy variable, to capture the language used, taking the value of 1 if both home and host countries used the same official language and 0 if otherwise
<i>DGEC_{ij,t}</i>	=Dummy variable, to capture the effect of global economic crisis, taking the value of 1 if observation in 2007–2008 and 0 if otherwise

The expected signs for coefficients of explanatory variables are as follows:

$$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9, \beta_{13}, \beta_{14}, > 0; \beta_{10}, \beta_{11}, \beta_{12}, < 0$$

20.4 Results and Discussions

Referring to Table 20.3, the second column reports the pooled OLS (robust) model estimation. The third column presents the robust fixed-effect model. Difference GMM and system GMM are in the fourth and fifth columns.

In order to verify whether fixed effects are preferred compared to the random effects, the Hausman specification test has been used. Based on the Hausman test, the calculated chi-squared value exceeds the critical value; we thus reject the null hypothesis and conclude that there is a correlation between individual effect and regressors.

In the pooled OLS (estimation 1), lagged dependent variable has a positive and significant effect at 1 % level. The finding is consistent with Vissic and Peric [19]. This means that in the previous year, cross-border M&As are significant in predicting the current year activity. The positive relationship suggests the existence of sunk costs of M&As. Thus, firms need to incur large informational costs to find foreign partners, with previous experience that helps save such costs.

Regarding the variable of interest, the first variable, credit is statistically significant in influencing outward cross-border M&As from these selected countries but with negative effect. However, previous year credit seems to have a positive and significant effect on the cross-border M&As. The result is in line with Brooks and Jongwanich [4].

For difference and system GMM, we use lag 2 and onward as instruments. The lag restriction is important since it tells the underlying assumption about the length of effect of the endogenous independent variables on dependent variables. The chosen lag shows that it takes a minimum of 2 years for the financial development effect and trade on outward cross-border M&As. Given that our data is unbalanced panel data, the difference GMM might not be an ideal method since it tends to have problems when dealing with missing observations and magnifying gaps in unbalanced panels. According to previous researchers, most of them prefer System GMM. Thus, this also applies in our study.

Referring to the variable of interest, one sees that stock market capitalization is positive and significant in encouraging an outward cross-border M&As. In particular, 1 % increase in the stock market capitalization (in the acquiring country) is associated with 0.894 % increase in the cross-border M&A activity. The result is in line with Giovanni [8] and Hyun and Kim [10] that reported a positive association between both indicators of domestic financial market depth and outward M&As. This suggests that banks and stock markets are complements rather than substitutes [8]. The finding is not surprising since the country's financial system is at the early stages of the development [1]. Banks provide most of the finance that firms need to

Table 20.3 Estimations of determinants of cross-border M&As for selected countries

Estimation model	Dependent variables: log cross-border M&As			
	POLS	FE ROBUST	DGMM2	SGMM2
ln MA _{ij,t}	0.208*** (0.045)	-0.139*** (0.053)	-0.313*** (0.087)	-0.014 (0.097)
ln GDP home	0.480*** (0.128)	-0.536*** (0.197)	-0.339 (0.242)	0.883* (0.468)
ln GDP host	0.175** (0.087)	2.074* (1.166)	5.059 (3.359)	0.636* (0.338)
ln trade	0.169* (0.094)	0.076 (0.110)	0.244 (0.147)	-0.074 (0.126)
L. ln trade	0.038 (0.089)	0.043 (0.113)	0.102 (0.128)	0.147 (0.109)
ln credit	-1.853** (0.839)	-0.937 (1.008)	1.252 (1.810)	-0.783 (1.536)
L. ln credit	1.617** (0.797)	2.048** (0.922)	-0.591 (1.590)	1.726 (1.379)
ln stock	0.354 (0.328)	1.113*** (0.363)	1.190** (0.463)	0.894** (0.419)
L. ln stock	-0.647* (0.330)	0.918* (0.474)	1.673*** (0.515)	0.094 (0.499)
ln cpi	0.542 (0.929)	1.326 (1.925)	-1.434 (3.839)	4.113** (1.841)
ln exchange rate	-0.100** (0.041)	-0.924 (0.943)	0.982 (2.1699)	-0.271 (0.202)
ln distance	0.170* (0.094)			-0.410 (0.446)
D _{Lang}	0.097 (0.238)	-1.063*** (0.137)	-0.615 (1.326)	0.334 (0.850)
D _{GEC}	0.652*** (0.251)	0.258 (0.278)	0.343 (0.320)	0.588* (0.308)
Constant	-7.488 (5.144)	-31.576*** (9.789)		-36.828*** (11.246)
Observations	606	606	368	606
R-squared	0.2000	0.117		
Adj. R-squared	0.181	0.097		
No. of id		183	89	183
No. of instruments			166.000	203.000
AR1 p-value			0.006	0.000
AR2 p-value			0.087	0.365
Sargan p-value			0.036	0.033
Hansen p-value			1.000	1.0000

Figures in parentheses as robust standard errors

***, **, * denote statistical significance at 1 %, 5 %, and 10 % levels, respectively

grow and establish themselves. After these firms are quite established, they can then consider a listing on stock exchange.

For the level of inflation, it was found to be positive and significant in explaining the outward cross-border M&As. The positive sign is not an unusual outcome since high inflation rate may sometimes be associated with rising level of economic activities [14]. The result is similar with Ezeoha and Cattaneo [7].

Lastly, the global economic crisis 2007/2008 is statistically significant in effecting cross-border M&As. This reveals that the 2007/2008 global economic crisis has increased the number of cross-border M&As in the selected countries.

Further, for the serial correlation test, the test for first-order autocorrelation AR (20.1) rejects the null hypothesis that error term is not serially correlated (see Table 20.3). Nonetheless, the test for second-order autocorrelation AR (20.2) fails to reject the null hypothesis of no autocorrelation. Therefore, as expected, we do not find the presence of second-order serial correlation. Thus, AR (20.2) test supports the validity of difference GMM and system GMM.

Moreover, the result for Hansen test of over-identifying restrictions indicates that the null hypothesis of exogenous instruments is not rejected with the p-value of 1.000. Nevertheless, the implausibly good p-value of this range of Hansen test should be interpreted with caution since the test is apparently weakened by too high instrument count.

20.5 Conclusions

This study uses dynamic panel data GMM in estimating the role of financial development on cross-border M&As in 21 selected countries for the period of 12 years (2000–2011).

The findings reveal that stock market capitalization is statistically significant in influencing an outward cross-border M&As in the selected countries. The result is in line with the previous study [8, 10, 11]. Thus, an important conclusion can be drawn from our result, that is, the acquiring firms prefer to pay their acquisitions with stock particularly to minimize the valuation risk. The higher the price of acquirer's stock, the more they tend to engage in cross-border M&As. This was supported by Sudarsanam and Sorwar [15], who argued that acquisition with a share as a medium to transfer payment is one way to minimize valuation risk. The significant conclusion to be drawn here is that the acquiring firms can minimize their costs and obtain financial synergies by paying attention to the stock markets as this should be a role for policy to support for the development of equity markets.

The findings also revealed that the market size (GDP) for home and host countries, inflation rate, and global economic crisis 2007/2008 support an outward cross-border M&As.

The contribution of this study offers future opportunity in several areas. For instance, a deeper study of whether the outward cross-border M&As by developed countries' firms differ from those in which the developing could be pursued.

Furthermore, exploring the effects of cross-border M&As on banking sector development and stock market development would be one of the interesting studies for future M&A theories.

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Chapter 21

Money Supply Endogeneity: Evidence from the Dynamic Panel Data

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Abstract In the discussion on monetary economics in general and the supply of money in an economy in particular, one cannot avoid mentioning one major concept, i.e. the money supply endogeneity. Money supply is said to be endogenous or endogenously determined if money creation occurs within the monetary system of an economy – rather than being determined by external forces. The theory of endogenous money represents the foundation of post-Keynesian monetary theory. Money supply endogeneity implies that central banks do not exogenously determine the quantity of credit money in existence; it is the interest rate that they can control exogenously. The present paper examines the money supply endogeneity based on a panel data set of 174 countries from year 2001 to 2011 utilising the dynamic panel data analysis and has found that money supply is endogenous as proposed by post-Keynesian theorists.

Keywords Post-Keynesians • Endogeneity • Panel data analysis • System GMM

21.1 Introduction

Money is the lifeblood of any modern production economy. Correspondently, the stability, progress and the general welfare of such economy would depend much on the level of its money supply as well as the monetary policy decisions and actions initiated by its monetary authority. Expressed differently, the levels of economic

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activity as well as stability, production and money supply in an economy are interrelated. The central issue then is: Does the quantity of money supply determine the levels of economic activity and production? Alternatively, are economic activities and production the variables that actually determine the level of money supply in an economy? These questions are actually concerned with the endogeneity/exogeneity concept of money supply – an issue which is still unsettled at least in academia.

The history of modern monetary economics has witnessed the emergence of two opposing views concerning the role of the central bank in managing the supply of money and (indirectly) the level of economic activities in an economy.

The first group of economists known as monetarists, under the influence of Milton Friedman, contends that money supply in an economy is exogenously determined. This view is based on the premise that money supply equals the money multiplier times the monetary base. Since the central bank can change this base, it can control the supply of money in the economy.

The second group of economists labelled as post-Keynesians posits that money supply is endogenous rather than exogenous. Money supply is said to be endogenous or endogenously determined if money creation occurs within the monetary system of an economy – rather than being determined by external forces.

In attempting to investigate empirically the theory of endogenous money based on a panel data set of 174 countries, this paper is organised in six sections. After providing a brief review of the theory of endogenous money in Sect. 21.2, a brief review of the related literature is offered in Sect. 21.3. While the data and methodology to be used in the present empirical study are described in Sect. 21.4. Section 21.5 presents and discusses the findings of the study. The last section, Sect. 21.6, concludes.

21.2 The Theory of Money Supply Endogeneity

Endogenous money is a major component of post-Keynesian economics. It refers to the theory that the existence of money in an economy is driven by the requirements of the real economy – that market forces combine with the central bank in establishing the money supply [21]. The banking system reserves then, expands and contracts as needed in order to accommodate the demand for credit at prevailing interest rates.

In the discussion on monetary economics in general and the supply of money in an economy in particular, one cannot avoid mentioning one major concept, i.e. the money supply endogeneity. Money supply is said to be endogenous or endogenously determined if money creation occurs within the monetary system of an economy – rather than being determined by external forces. According to Palley [18], the theory of endogenous money ‘... maintains that the money supply is endogenously determined by the joint actions of the monetary authority, the asset

and liability management decisions of commercial banks, the portfolio decisions of the nonbank public, and the demand for bank loans’.

However, on the other side of the monetary debate, there is another concept or proposition which claims that money supply in an economy is exogenous rather endogenous. A group of economists popularly known as monetarists posits that money supply is exogenous; it is determined outside of a monetary system. In Wray’s [26] words ‘Exogeneity usually means that a variable is determined by the government, or it indicates a variable whose value is taken as given because the theorist does not wish to explain its determination. In the case of the money supply, exogeneity is usually used in the first sense: the assumption is that the central bank controls the money supply through its control of bank reserves’.

The idea that money supply is endogenous is an extension to Keynes’s [10–12] ideas. The theory of endogenous money might actually be dated back to the nineteenth century in Wicksell (1936). In his paper, Smithin [23] presented a simple model combining both features of Keynes’s [11] ‘monetary production’ economy and Wicksell’s (1936) ‘pure credit’ economy. The basic idea behind the theory of endogenous money is that ‘Production takes time and is financed by loans from financial intermediaries or banks’.

Since the theory of endogenous money in general is an extension of Keynes’s [10–12] ideas, it is considered as part of post-Keynesian economics. In other words, the theory of endogenous money is the monetary version of post-Keynesian economics. As Palley ([19]:133) puts it, ‘The theory of endogenous money represents the centerpiece of Post Keynesian monetary theory’.

Economists such as Moore [17], Lavoie [14] and Rochon [22] – for instance – are among those who are responsible for the development of modern endogenous money theory. This group of economists is popularly known as post-Keynesian economists.

A special credit however is given to Basil Moore [17] because he is the one who was responsible for drawing the attention of academicians to the ‘hypothesis’ that money supply in an economy is endogenous. Moore [17] ‘has helped to revive the endogenous money approach and has played the major role in the Post Keynesian formulation of it. He noted that, the orthodox approach ‘verticalist’ because the money supply is normally presented as vertical in interest-money space; he named his endogenous money approach ‘horizontalist’ since the money supply curve is horizontal in interest-money space’ [26:1153].

As underlined by Davidson [8], the theoretical issue of whether money supplies are exogenous or endogenous has important implications for the cause versus effect role of monetary policy in a modern market-oriented production economy. In Davidson’s [8] words, if money supply is exogenous, as monetarists believe, then to the extent that changes in quantity of money are associated with changes in the price level, it can only play (by definition) a causal role. If the money supply is endogenous or an effect, then anti-inflation policies aimed at restricting the growth of money supply will be effective only if they restrict changes in aggregate demand.

21.3 Review of the Related Literature

Le Bourva, through his two papers published in 1959 and 1962, is actually the one who puts the foundation for the development of a branch of post-Keynesian economics known as the theory of money supply endogeneity. This theory in its 'organised' form, however, started in the late 1970s with the publication of the *Journal of Post Keynesian Economics* in 1979. Among the earliest papers published in this journal are by Moore [16, 17]. This suggests that the theory of money supply endogeneity is a relatively new theory since the empirical works examining money supply endogeneity only started in the early 1980s.

Kaldor [9] was among the earliest economists who empirically investigated this theory. He analysed the data for the United Kingdom for a sample period of 1966–1979 by utilising the ordinary least square (OLS) method. His findings suggest that money supply is determined by the demand for bank lending, hence appears to be among the earliest evidence of money supply endogeneity.

Moore [16] extended this evidence for the US economy using quarterly data spanning from 1964 to 1979 to analyse the demand for bank loans to commercial and industrial corporations. His finding cited that in order to finance their working capital, firms increase their demand for loans (particularly for the purpose of paying wages). Thus, financing for working capital appears to be the most important determinant of bank lending to companies.

Strictly speaking, when monetary authorities (central banks) change interest rates, it is because of a 'refinancing' rate, the rate at which liquidity is made available to the banking sector. It is only in the market for reserves that the bank is the monopoly supplier and only in that market that it can determine price directly. The deputy governor of the Bank of England once noted '...the Bank of England supplies base money on demand at its prevailing interest rate, and broad money is created by the banking system' [13:264]. What happens as broad money is created is determined by behavioural interactions among private sector agents. This includes what happens to market interest rates, the ones that genuinely impinge on the real economic activity.

Panagopoulos and Spiliotis [20] conducted an empirical study of the commercial banks' lending behaviour in Greece and revealed that credit money was primarily determined by the banking system in response to the demand for loans. In their conclusion, Panagopoulos and Spiliotis [20] underlined that '...evidence verifies the Post Keynesian approach that, in modern economies, the credit-money supply process is an endogenous one'.

Vera [24] provided other evidence that the supply of credit money is endogenous. Using the time series data from Spain (for the period 1987–1998), Granger causality tests were run between the monetary base, bank lending and various money multipliers. The evidence is strongly consistent with the hypothesis that money supply is credit driven and demand determined. Granger causality was found to run from bank lending to the base and to the money supply and not from the base to the money supply and to loans, as the mainstream view maintains.

Another evidence of money supply endogeneity was from Yulia Vymyatnina [25] using the Russian data. However, different from previous studies (monetarist view), Yulia found that inflation leads to money supply growth. Such findings support the endogenous money supply view.

Lavoie [15] examined the monetary-based endogeneity of the Canadian economy. His findings suggest that asset-based financial system, just like credit in financial systems, relies on a fully endogenous supply of high-powered money, with the central bank engaging essentially in ‘defensive’ operations. This is demonstrated through an analysis of the Canadian monetary process with the overnight rate closely gravitating around the target overnight rate. The central bank of Canada knows with perfect certainty both its supply of and the demand for settlement balances [15]. Thus, money supply in Canada is endogenous.

Ahmad and Ahmed [1] studied Pakistan’s monthly data based on a sample period of 24 years (i.e. 1980–2003) and came up with interesting findings that might have some implications for future research on money supply endogeneity. They found that Pakistan’s money supply for the period of 1980–2003 is endogenously determined in the short run. Different from other studies of money supply endogeneity, in the long run, their findings indicate that it is the base money that determines the total bank advances versus otherwise. In principle they concluded that the central bank of Pakistan has some considerable influences on money supply in the long run.

Similar to Ahmad and Ahmed [1], Cifter and Ozun [7] also utilised Granger causality and Vector Error Correction (VECM) methodology to examine money endogeneity in a developing country. Aimed at testing monetary transmission mechanism and passive money (or money supply endogeneity) hypothesis, they used seven types of variables: money base, money supply, credit capacity, industrial production index (i.e. the proxy for the GDP), interest rates, inflation and real exchange rate. They used quarterly data for the sample periods of 10 years, ranging from 1997 to 2006. One of the major outcomes of the study is that the endogeneity of money supply hypothesis of the post-Keynesian economics is supported in part by the accommodationists’ view but differs from those of structuralist and liquidity preference theories.

21.4 Empirical Method

The panel data set used in this paper runs across 11 years time span from 2001 to 2011 for 174 countries. All data are obtained from the World Development Indicators [27]. Money supply variable is represented by money and quasi money (M2) as percentage of GDP, while real GDP per capita is measured in constant US dollars (year 2000). Data on domestic credit provided by the banking sector including the monetary authorities and deposit money banks as well as other banking institutions and taken as percentage of GDP is used to reflect bank lending.

Finally, the inflation is taken by the year-on-year change of the consumer price index (base year 2000).

To provide a preliminary empirical assessment on the monetary endogeneity, the following money supply model is used:

$$MS_{it} = \alpha MS_{it-1} + \beta_1 GDP_{it} + \beta_2 LENDING_{it} + \beta_3 INFLATION_{it} + \nu_i + \varepsilon_{it} \quad (21.1)$$

where money supply (MS_{it}) is estimated against real GDP per capita (GDP_{it}), bank lending ($LENDING_{it}$) and inflation ($INFLATION_{it}$). We aim to investigate whether the variables have significant explanatory power on the money supply. As previously discussed in the literature review, the explanatory variables have been shown to significantly influence money supply notwithstanding the monetarist argument that the direction of causality runs from the money supply to those variables. ν_i is included in the model to capture the unobserved heterogeneity factor normally present in the panel data, and ε_{it} is the i.i.d. error term.

We employ a relatively new and advanced estimation method known as system GMM to estimate the money supply model as in Eq. (21.1). System GMM is developed by Arellano and Bover [4] and Blundell and Bond [5], and the method is considered more superior than difference GMM. Bond et al. [6] argue that this method is able to correct unobserved country heterogeneity, omitted variable bias, measurement error and potential endogeneity that frequently affect growth estimation.

This technique combines in a system the relevant regressions expressed in the first differences and in levels. First differencing checks for unobserved heterogeneity and omitted variable bias, as well as for time-invariant component of the measurement error. It also corrects endogeneity bias (time-varying component) via instrumenting the explanatory variables. Instruments for difference equations are obtained from values (levels) of explanatory variables lagged at least twice, and instruments for levels equations are lagged differences of the variable. Estimating two equations in a system GMM reduced potential bias and imprecision associated with a simple first-difference GMM estimator (Arellano and Bover [4], Blundell and Bond [5]).¹ Alonso-Borrego and Arellano [2] and Blundell and Bond [5] point out that when explanatory variables are persistent over time, lagged levels of these variables make weak instruments for regression in differences, and instrument weakness in turn influences the asymptotic and the small-sample performance of the difference estimator. Asymptotically, variance of the coefficients will rise, and in a small sample, Monte Carlo experiments show that weak instruments can produce biased coefficients.

¹See Arellano and Bover [4] and Blundell and Bond [5] for more detailed explanation of the dynamic panel system GMM, its moment conditions and stationarity assumptions which are shown to outperform difference GMM and static panel model such as fixed effect and pooled OLS.

Consistency of the GMM estimator depends on the validity of the instruments. As suggested by Arellano and Bond [3], Arellano and Bover [4] and Blundell and Bond [5], two specification tests are used. First, we use Sargan test for over-identifying restrictions to test the overall validity of the instruments. The null hypothesis for Sargan test is all instruments, as a group are exogeneous. The second test examines the null hypothesis that error term ε_{it} of the differenced equation is not serially correlated particularly at the second order (AR2).² One should not reject the null hypothesis of both tests. For additional robustness check, as far as the results are concerned, we also estimate Eq. (21.1) using a cross-sectional (pooled ordinary least square-pooled OLS) and panel fixed effect methods.

21.5 Empirical Findings

Table 21.1 outlines the results of four regression methods, namely, pooled OLS, fixed effects, difference GMM and system GMM, on Eq. (21.1) above. A quick glance of the results reveals that all included explanatory variables such as real GDP per capita, bank lending and inflation are indeed significant determinants of money supply, hence supporting the earlier arguments of money supply endogeneity as proposed by post-Keynesian economists, albeit the real GDP per capita has lower significant level. The strength of the dynamic difference and system GMM relies on the instruments' validity and reliability. They are indicated by the serial correlation tests (AR(1) and AR(2)) and the Hansen test.

The p-values of AR(1) and AR(2) tests indicate that serial correlation problem might exist in the first order but not in the second order, which is not unexpected (see footnote 3). Meanwhile, the Hansen test shows that we are unable to reject the null of overall exogeneity of the instruments used in the estimation of dynamic difference and system GMM since the p-values are 0.968 and 1.00, respectively. The numbers apparently are implausibly good due to the fact that no lag restrictions have been imposed to the analysis which lead to the proliferation of more than 200 instruments, and therefore p-values of Hansen test would be overstated.

21.6 Conclusions

The question of whether money supply in an economy is endogenously or exogenously determined is crucial for a proper formulation of macroeconomic theory and policy. While this issue still seems to be unsettled, our review of the empirical

² By construction, the differenced error term is probably serially correlated at first order even if the original error is not. While most studies that employ GMM dynamic estimation report the test for first-order serial correlation, some do not.

Table 21.1 Money supply estimation

Explanatory variables	Methods			
	Pooled OLS	Fixed effects	Difference GMM	System GMM
Constant	0.230*** (0.029)	-0.351* (0.197)		0.411*** (0.066)
Lagged money supply	0.928*** (0.010)	0.702*** (0.019)	0.503*** (0.092)	0.810*** (0.037)
Real GDP per capita	-0.001 (0.003)	0.168*** (0.028)	0.429*** (0.070)	0.019* (0.010)
Bank lending	0.030*** (0.007)	0.072*** (0.009)	0.109*** (0.041)	0.064*** (0.019)
Inflation	-0.014** (0.007)	-0.021*** (0.004)	-0.026*** (0.007)	-0.018*** (0.006)
Observations	1,494	1,494	1,266	1,494
<i>R</i> -squared	0.977	0.690		
Adj. <i>R</i> -squared	0.976	0.648		
Number of country		174	173	174
No. of instruments			207.000	247.000
AR1 <i>p</i> -value			0.003	0.000
AR2 <i>p</i> -value			0.703	0.675
Hansen <i>p</i> -value			0.968	1.000

Note: Dependent variable is money supply. All variables are in natural log form. Robust standard errors in parentheses. ***, **, * indicate significant at 1 %, 5 %, and 10 %, respectively

literature indicates that evidence supporting the proposition of money supply endogeneity in several countries is increasing.

In recent years, monetary authorities in several countries (Malaysia is included) have employed interest rate targeting approach in managing their economies towards facing internal as well as external changes. In facing the effect of the 2007/2008 world financial crisis, for example, monetary authorities in the United States (USA), the United Kingdom (UK) and Japan have introduced zero interest rate policies in addition to their stimulus packages. The United States, European Union, Germany, France, Japan, China, South Korea, Indonesia, the Philippines, Vietnam, Singapore, Thailand and Malaysia are among the countries that introduced billions of dollars stimulus packages to 'save' their economies from the adverse effects of the current global financial crisis.

The aforementioned scenario of policy decisions and actions suggests that monetary authorities in major economies of the world have considered money supply as endogenous, and hence, interest rates are treated to be exogenous. If the supplies of money in these economies are actually endogenous, then interest rate targeting approach in managing the economy (as highlighted above) would be the appropriate and effective policy.

Money supply endogeneity implies that causality runs from bank lending to money supply. Loan demand is determined by the increase in the demand for

working capital. Nominal output growth is determined by the growth of aggregate demand, and both determine the expansion of the money stock. Therefore according to post-Keynesian economics, causality in general begins from loans to deposits and from deposits to the monetary base. In a nutshell, the supply of credit money is endogenous and credit driven. The anti-inflation policies aimed at restricting the growth of money supply will be affective only of the restrict changes in aggregate demand. Our findings also emphasise that policymakers and economists need to revise their theories about monetary policy and credit expansion in the financial market.

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Chapter 22

Energy Consumption, Carbon Dioxide Emission, and Economic Growth in Malaysia

Nur Hilfa Awatif Mohamad Ridzuan and Nur Fakhzan Marwan

Abstract This paper investigates the relationship between disaggregated energy consumption (electricity, fossil fuel, and renewable energy), carbon dioxide emissions, and economic growth in Malaysia for the periods of the year 1980–2010 using the Johansen cointegration technique. The results reveal that there is a long-run positive relationship between each of the variable which is theoretically expected.

Keywords Energy consumption • Carbon dioxide emissions • Economic growth

22.1 Introduction

Over the past few decades, the correlation between energy consumption and economic growth along with economic growth and carbon dioxide emissions has been one of the most intense subject matters of research [1]. Being identified as the key foundations for economic growth and the major determinants for socio-economic development as well as for the achievement of higher standards of living, it is imperative to undertake an efficient production and consumption of energy based on sustainable technologies.

The energy sources in Malaysia are primarily composed of electricity, petroleum, coal, and natural gases [2]. Currently, renewable energy such as biomass and solar power are also being exploited [3]. Malaysia's electricity supply, dominated by the government-owned Tenaga Nasional Berhad (TNB) for over the last six decades, has been constantly providing electricity supply for the country. According to the International Energy Agency, it is estimated that the world consumption of energy sources will increase by 53 % by the year 2030, where most of the increment will be derived from developing countries. [4] stated that Malaysia is a developing country that had an increase of 5.6 % in energy consumption and reached 38.9 mtoe from the year 2000 to 2005 and will most likely reach 98.7 % mtoe by 2030. In terms of economic growth on the other hand, Malaysia

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experienced a 5 % growth rate in 2005. This indicates that energy consumption has a favorable effect on economic growth [5].

The relentless increase in energy consumption has inevitably intensified the environmental degradation [6, 7]. The consumption of energy will generate carbon dioxide emissions in which directly cause the detriment of environment. As more energy is consumed, more environmental problems will take place such as climate changes, greenhouse gas (GHG emissions), and global warming [8]. The environmental problems in turn will slow down the planning process of the economic development if there is an absence of government intervention in controlling the energy consumption and carbon dioxide emissions [9]. In China, a policy on the reduction of coal and other low-quality energy consumption is proposed due to the undesirable effects that these types of energy sources have caused to the environment [10]. Similarly, [11] recommended that the government of South Africa should reduce its energy consumption per unit of output to reduce the amount of pollutant emissions in the country. Meanwhile, Malaysia has taken a step ahead in controlling the rate of energy consumption through the new National Green Technology Policy which was introduced by Prime Minister Datuk Sri Najib Tun Razak. This policy that has been implemented since April 2009 strives to reduce the energy consumption along with to enhance the economic development [4].

Through a review of the existing literature on energy-economy-environment relationship over the past 20 years, it is found that most of the studies arrive to inconclusive results [1]. These studies generally focused on addressing the relationship between carbon dioxide emissions, electricity consumption, and economic growth. A similar study had been done in Malaysia, and the outcome suggested that Malaysia is an energy-dependent country as energy consumption is positively associated with economic growth and carbon dioxide emissions in both long and short run [12].

However, other than electricity, fossil energy is also a vital source of energy consumption in Malaysia. The significance of fossil energy can be accredited by the enormous amount of capital realized from the sale of crude oil and how a rise in petroleum price has critically affected the domestic sector. Furthermore, the importance of renewable energy should also not be overlooked as this type of energy sources can be further developed as to reduce the consumption of fossil energy. Thus, it is imperative to explore the impacts of the disaggregated energy (electricity consumption, fossil fuel, and renewable energy) on Malaysia's carbon dioxide emissions as these sources are known to cause an increase in the carbon dioxide concentration. It is anticipated that by decomposing energy in the analysis, a better picture of the relationship and the specific impact of the variables on carbon dioxide emissions can be illustrated. The structure of this paper is as follows: Sect. 22.2 describes the research methodology, Sect. 22.3 discusses the results, and Sect. 22.4 concludes all.

22.2 Research Method

In order to find the long-run relationship between carbon dioxide emissions, electricity consumption, fossil fuel consumption, renewable energy, and economic growth, following [13], augmented carbon dioxide emissions function is used in this empirical paper. The basic form of the relationship between the variables can be expressed as

$$\text{CO}_2\text{PC} = f(\text{ELECPC}, \text{PETRPC}, \text{RENEWPC}, \text{GDPPCG}) \quad (22.1)$$

where CO_2PC represents carbon dioxide emissions per capita, ELECPC is electricity consumption per capita, PETRPC is petroleum consumption per capita, RENEWPC is renewable energy per capita, and GDPPCG is gross domestic product (GDP) per capita growth. The relationship can be expressed in an equation as follows:

$$\text{CO}_2\text{PC} = \beta_0 + \beta_1\text{ELECPC} + \beta_2\text{PETRPC} + \beta_3\text{RENEWPC} + \beta_4\text{GDPPCG} + e \quad (22.2)$$

The study employed a log-log model specification to give more definitive results. Thus, the Eq. (22.2) can be modified in a logarithmic form as follows:

$$\text{LNCO}_2\text{PC} = \beta_0 + \beta_1\text{LNELECPC} + \beta_2\text{LNPETRPC} + \beta_3\text{LNRENEWPC} + \beta_4\text{GDPPCG} + e \quad (22.3)$$

The parameters $\beta_1, \beta_2, \beta_3,$ and β_4 represent long-run elasticity of carbon dioxide emissions with respect to $\text{ELECPC}, \text{PETRPC}, \text{RENEWPC},$ and $\text{GDPPCG},$ respectively, and e is the disturbance term in the model.

22.3 Findings

22.3.1 Data Collection

The annual time series data covered for the period of year 1980–2010 are obtained from World Bank database, US Energy Information Administration, and Malaysia Energy Information Hub. Carbon dioxide emission is proxied by the total carbon dioxide emissions from the consumption of energy (LNCO_2PC) measured in million metric tons. Economic growth is proxied by the gross domestic product per capita growth (GDPPCG), while electricity consumption is proxied by electricity consumption (LNELECPC). As for fossil fuel consumption and renewable energy consumption, these variables are proxied by petroleum consumption (LNPETRPC) and renewable electricity consumption (LNRENEWPC), respectively. All data are measured in terms of per capita units and are converted into natural logarithm except for gross domestic product (GDP) per capita growth.

Table 22.1 The results of ADF and Phillips-Perron unit root tests

Variable	ADF test		PP test	
	Level (constant)	First difference (constant)	Level (constant)	First difference (constant)
LNCO ₂ PC	-2.634***	-4.738*	-3.922*	-4.752*
LNELEPC	-0.869	-7.859*	-0.778	-7.893*
LNPETRPC	-2.41	-8.906*	-2.199	-16.835*
LNRENEWPC	-3.133**	-3.985*	-4.218*	-4.527*
GDPPCG	-4.492*	-6.677*	-4.492*	-14.273*

*, **, and *** denote significance at 1 %, 5 %, and 10 %, respectively

22.3.2 Unit Root Test

Many macroeconomic time series data contain unit root; therefore, it is imperative to test the stationarity of a time series as the nonstationarity regressors invalidate the empirical results and analysis. Thus, the Augmented Dickey-Fuller (ADF) and Phillips-Perron unit root tests are performed. Table 22.1 presents the results of the unit root tests for all variables, where ADF and PP unit root tests do not reject the null hypothesis of unit root at level in LNELEPC and LNPETRPC at 1 %, 5 %, or 10 % significance level. However, the null is rejected at first difference in all variables, indicating that all variables are integrated of order one, I(1). As a result, the maximum order of integration of the series (d max) in the system is 1. In the existence of I(2) or higher order variables, the computed statistics are not valid.

22.3.3 Cointegration Tests

As the results from unit root tests clearly indicate that all variables are I(1), Johansen and Juselius cointegration tests are employed to verify whether these nonstationary variables are cointegrated. These procedures justify that the obtained coefficients are symmetrically distributed and provide unbiased median. Additionally, the conducted hypothesis testing employs the standard asymptotic chi-squared tests.

Table 22.2 shows the results of both trace and maximum eigenvalue tests. The optimal lag length is determined by the [14] Akaike information criterion (AIC), and a VAR system of k lags is estimated for various lag lengths. It is found that all series' optimal lag lengths are two. Nevertheless, [15] have demonstrated that Johansen's likelihood ratio (LR) tests are derived from asymptotic results, thus standard inferences in finite samples are misleading. Often, cointegration relationships are found in finite samples when asymptotic critical values are used. Therefore, [16] and [17] have suggested Johansen's test statistics are adjusted using scaling factor of $(T-nk)/T$ where T is the sample size, n is the number of variables in the estimated system, and k is the lag length. In this paper, the computed test statistics are calculated based on [18] scaling factor.

Table 22.2 Testing for cointegration using Johansen and Juselius method

	Trace stats	CV 0.05	p-value
None*	109.1935	69.81889	0.0000
At most 1*	52.55635	47.85613	0.0000
At most 2*	31.37364	29.79707	0.0003
At most 3*	15.64984	15.49471	0.0030
At most 4	3.547714	3.841466	0.0221
	Max-Eigen stats	CV 0.05	p-value
None*	56.63717	33.87687	0.0000
At most 1*	21.18271	27.58434	0.0160
At most 2*	15.72379	21.13162	0.0251
At most 3*	12.10213	14.26460	0.0129
At most 4	3.547714	3.841466	0.0221

* denote significant at 10 %

The results propose the existence of at least four cointegrating relationships among variables in the series at 5 % level of significance, implying that these series are driven by at least four common trends.

22.3.4 Vector Error Correction Estimates

Results of cointegrating equation show that the long-run equilibrium is

$$\begin{aligned} \text{LNCO}_2\text{PC} = & 16.94676 + 0.732059\text{LNELECPC} \\ & + 1.653133\text{LNPNETRPC} + 139741\text{LNRENEWPC} \\ & + 0.022678\text{GDPPCG} \end{aligned} \quad (22.4)$$

The equation clearly shows that all variables are positively and significantly cointegrated with carbon dioxide emissions. A 1 % rise in consumption of electricity, fossil fuel, and renewable energy, as well as GDP, will contribute about 0.7 %, 1.65 %, 0.14 %, and 0.02 % to carbon dioxide emissions, respectively, in Malaysia. All coefficients are relatively large except for GDP. This is highly anticipated since Malaysia had implemented the national green technology policy that ensures sustainable increases in GDP while reducing CO₂ emissions into the atmosphere.

The coefficient of the ECM (-1) as could be observed in Table 22.3 is correctly signed (negative), and highly significant, indicating that the model has a self-adjusting mechanism for adjusting the short-run dynamics of the variables with their long-run values. This signifies that there exists a long-run relationship between CO₂ emission and its determinants. The speed of adjustment to equilibrium is given by the coefficient of ECM (-1) as -0.656334. This speed is very high, indicating that a deviation in CO₂ emission growth from equilibrium is corrected by as high as 66 % the following year.

Table 22.3 The results of vector error correction estimates LNCOPC is the dependent variable

Variable	Coefficient	Std. error	T-ratio
LNCO ₂ PC	1.000000	–	–
LNELECPC	0.732059	0.02203	33.2359
LNPERPC	1.653133	0.15304	10.8020
LNRENEWPC	0.139741	0.01833	7.62341
GDPPCG	0.022678	0.00300	7.56097
Constant	16.94676	–	–
ECM(-1)	-0.656334	0.14327	-4.58121

Table 22.4 FEVD of CO₂ emissions

Period	SE	CO ₂ PC	ELEC	PETR	REN	GDP
1	0.051	100.000	0.000	0.000	0.0000	0.000
5	0.098	48.703	10.791	18.529	21.265	0.710
10	0.129	30.526	15.067	25.107	28.832	0.465
15	0.144	25.296	16.758	25.750	31.814	0.379
20	0.152	23.249	17.430	25.976	32.997	0.345
25	0.156	22.289	17.744	26.084	33.550	0.330
30	0.159	21.803	17.902	26.139	33.831	0.322

This result presents evidence that energy consumption has a detrimental effect on the environment in Malaysia as it highly contributes to the concentration of carbon dioxide concentration. One possible reason is that Malaysia has not yet adopted any sustainable technologies in the production and consumption of energy in the country. This is the evidence why Malaysia had a very poor climate change performance index and was ranked 55th out of 61 most polluted countries on Climate Change Performance Index 2013.

22.3.5 Variance Decomposition Analysis

Table 22.4 are the results of the forecast error variance decomposition analysis. Developed by Sims [19], the results enable us to deduce the percentage of a variable's forecast error variance that arises from a shock from a variable in the system. It is clear from the table that 100 % of forecast error variance in carbon emissions is explained predominantly by its own innovation in the first year. However, in the fifth year, GDP per capita growth accounts for most of the variability in carbon emissions per capita which is about 71 %. The initial impacts of electricity, fossil fuel, and renewable energy consumption on forecast error variance of carbon emissions start from as low as 0 % in the first year. However, as year increases, these variables account for most of the forecast variance. This can be seen from the table that in the 30th year, about 18 %, 26 %, and 34 % of the

change in carbon emissions is contributed by the consumption of electricity, fossil fuel, and renewable energy, respectively. On the contrary, GDP per capita growth contributes only a small percentage in the forecast variance in the 30th year which is 0.3 %. Overall, the variance in carbon dioxide emissions is explained by the variability of the consumption of electricity, fossil fuel, and renewable energy. This implies that carbon dioxide emission is relatively endogenous in the system.

22.3.6 Impulse Response Analysis

The impulse responses graphs (IR) are computed to provide a superior tool to examine the dynamic relations between variables by probing the responses to shocks and to complement the FEVD findings. Figure 22.1 illustrates that carbon dioxide emissions react significantly to fossil fuel and renewable energy consumption as the impacts of these variables increase the emissions for the first 4 years and then subsides to zero afterwards. While for GDP, the response of carbon dioxide

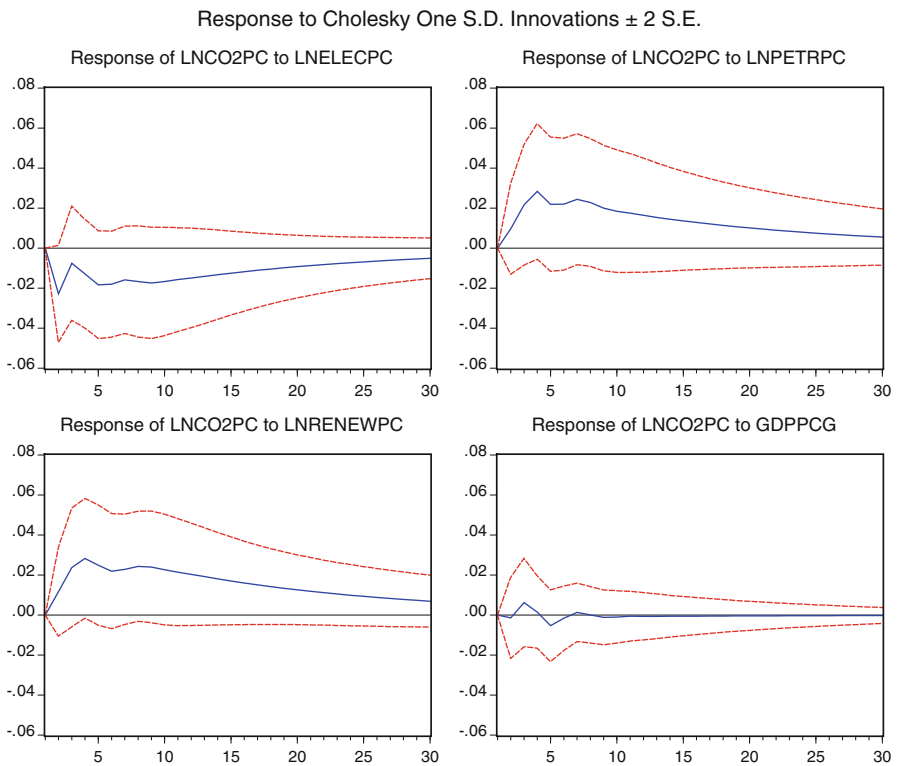


Fig. 22.1 Response of LNELEPC, LNPETRPC, LNRENEWPC, and GDPPCG to Cholesky One S.D LNCO₂PC innovation

emissions fluctuates in the first 5 years and reach zero beyond the sixth year. However, electricity consumption has negative impact on carbon dioxide emissions.

22.4 Conclusion

This paper investigates the relationship between disaggregated energy consumption (electricity, fossil fuel, and renewable energy), carbon dioxide emissions, and economic growth in Malaysia for the years 1980–2010 using the Johansen cointegration technique. The results reveal that there is a long-run positive relationship between each of the variable which is theoretically expected.

To complement the increased demand of electricity consumption in the country, efficient planning and investment in the development of electricity infrastructure is crucial. Most importantly, there is urgent need to fast-track the progress of the renewable energy exploitation as this energy source is seen as a significant alternative to fossil fuel energy. In the long run, efforts should be directed at utilizing energy from other clean sources such as natural gas to control emissions. Additionally, to ensure environmental sustainability, Malaysia needs to implement a wide range of environmental policies that would induce industries to adopt new technologies which could help to reduce the environmental pollution. The country also needs to further enhance the energy-related research and development for more efficient and cleaner technologies in the future.

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Part IX
Others

Chapter 23

Integrity and Organizational Environment

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Abstract From the late 1990s until the early 2000s, the word “integrity” has been popularized among Malaysians along with the establishment of the Malaysian Integrity Institute (IIM) in 2004. Integrity refers to the quality of having strong moral principles in the society and this encompasses employees in an organizational setting. Having the fact that human beings intend to behave guided by their personal interests, integrity is seen able to curb the negativity of such act to ensure organizational goals could be attained. In reality, deciding what is an ethical behavior is much easier compared to executing the act. This is one of the challenges faced by most managers all over the world as they are responsible for setting examples of ethical behavior and assisting employees to make ethical choices. Moreover, an organization also plays an important role to promote moral acts among the employees such as creating an ethical environment in the workplace together with relevant rules and regulations. Thus, this article has the aims to (1) discuss factors determining ethical behaviors, (2) expound the importance of managerial roles in exercising business ethics, (3) posit approaches that make an ethical manager, and (4) analyze integrity in an organizational environment.

Keywords Ethics • Integrity • Manager • Approaches • Behavior • Organization

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23.1 Introduction

The common practice of integrity conduct is much related to human nature because people generally or employees specifically intend to behave according to their personal interests. Integrity and ethics are concerned with doing the right thing within a moral framework. Unfortunately, breaches of ethical conduct are common in today's organizational environment. Significantly, people made unethical choices based on misguided personal interests and perceptions. The managers' roles in ethics are vital. In addition, managers are also responsible for setting examples of ethical behavior and in assisting employees to make ethical choices. Actually thinking and deciding what is ethical is much easier compared to doing what is ethical. The organizational role is also important in developing ethical behavior such as creating an ethical environment at the workplace.

Integrity and ethics are issues that have generally been conceptualized as important aspects among practicing managers. Literature discussing ethics and integrity has outlined different perspectives about the concept of integrity. There are two approaches being practiced among the managers – firstly, the consistency or wholeness perspective which does not have an explicit moral component and, secondly, a moral perspective which stresses what is right and wrong [1]. From the consistency perspective, integrity involves more than simply doing what one says; what one says and does must also pass through some moral filter [2]. Integrity is seen as embodying wholeness or completeness and as representing the consistency and coherence of principles and values [1]. Therefore, integrity is also required for moral components, moral principles and commitments, and moral values and norms. Ethics or moral philosophy asks basic questions about the good life, about what is better and worse, about whether there is any objective right and wrong, and how we know if the situation is right or wrong [3]. This definition of ethics assumes that the primary objective is to help individuals decide what is good or bad, what is better or worse.

Integrity must be evaluated with respect to personal values and focuses on the underlying beliefs and attitudes that are determinants of managerial or individual behavior. Scholars identify that values vary among people; consequently there are different interpretations of what behavior is ethical and unethical in a given situation [4]. The meaning of integrity is individual specific. Basically, two ethical individuals may have different actions based on their own value systems which guide them to arrive at different conclusions about a given decision. Today's managers are not only seen responsible for the financial success of their organizations but also responsible to develop moral values and ethical standards in their subordinates.

The practices of managerial ethics and integrity will provide the impact on organizational outcomes. The organization can best ensure that their organizational members approach ethical situations in ways the organizations desire by intentionally establishing strong organizational practices regarding ethics. This will most likely and efficiently occur when organizational founders and subsequent leaders

explicitly attend to their own values, determine the values that they wish to instill in organization members, and make strategic organizational decisions that will facilitate the development of shared perceptions of appropriate ethical behavior [5]. The role of managers who work toward the creation of an ethical working climate also will leave lasting impressions and also effects on the members of the organization.

Implementation of integrity and ethics, for example, is crucially important in business. To achieve long-term margins, customer relationship is really important. To develop a long-term relationship with satisfied and loyal customers, the business needs to be based on ethics. Business ethics will leave a long-lasting impression on the customers and then create an impression on their mind to build trust in organizations. Ethics is an integral part of running a business and hence ethical values accompany business by default. Without following certain ideals in business, the managers cannot become successful. Success that is being attained without a strong foundation of ethics is bound to be short-lived. A business cannot continue to prosper without a practice based on ethics.

23.2 Factors Determining Ethical Behavior

In recent years, the integrity of managers has increasingly been discussed. Indeed, integrity is an important element of leadership. Basically, ethical behavior will determine the consistency between one individual's personal values and the connection of his/her values with the organization and society. Unethical behavior created by an employee can affect other employees, teamwork, and organization as a whole. The manager and organization should encourage ethical behavior among the employees.

23.2.1 Trust and Total Quality

The approach of total quality practice cannot be implemented if the organization is unable to understand the elements and standards of ethical behavior. This is because the application of ethical behavior will build trust and trust is the most important aspect of total quality. Normally, people who trust each other will be able to get along, create mutual understanding, and embark on effective communication process in different situations. The managers must be trusted by the employees. In attempting to build trust at the workplace, managers should take the initiative; even though in a total quality setting, trust building and other tasks necessary for the success in the intensely competitive global marketplace are the responsibility of everyone [3]. To make it effective, the managers should not expect that the trust can be built or just happen magically. To achieve total quality, it is required that the managers motivate the employees and consistently develop their job skills.

In a study which linked the perception of the manager's ethics with subordinate outcomes, a strong positive correlation was found between the employees' perceptions of the integrity demonstrated by their corporate management and the employees' job satisfaction [6]. More recently, integrity and trustworthiness have been identified as important elements of effective charismatic leadership style. Further, the charismatic leadership style has been shown to be related to a variety of positive subordinate outcomes, including trust and respect for the leader, organizational citizenship behaviors, performance, satisfaction, organizational commitment, and lower turnover intentions [7]. In summary, research shows that individual's perceived ethical integrity plays an important role in his/her success as a leader or manager, but in specific, it is really difficult to know how exactly the employee's impressions of the leaders' integrity develop, how these impressions can be changed over the time, and which leader behaviors are most influential in the impression of formation process.

23.2.2 Values and Total Quality

Values are core beliefs that help to guide behavior. Significantly, values are definitely practiced in organizations. Values that encourage ethical behavior include the concept of fairness, integrity, honesty, and trustfulness. The organization is unable to produce a quality product or deliver a quality service unless the organization values quality. Each individual employee and the organization as a whole system are required to apply their knowledge and skills on what they value, what they believe in, and what they feel is important. If the primary values are ignored, the total quality practice will not be implemented correctly due to the lack of necessary motivation of those called upon to implement these programs. In addition, primary values will support the effective implementation toward total quality principles and overcome the resistance to change.

People are attracted to (and therefore attempt to join) organizations in which they believe they would "fit" [8]. In other words, an assessment of the degree to which one's own values and personality would mesh well with the values and tasks of the organization determines whether or not a person chooses to apply, and accept an offer from, to a given organization [5]. Normally, people frame external events in the aspects of their personal values and motives; values are important parts of perceptual filters.

23.2.3 Integrity and Total Quality

Integrity is another aspect of ethical behavior. Integrity refers to the quality of having strong moral principles in the society, and this encompasses employees in an organizational setting. Scholars claim that integrity, as a personal and

organizational characteristic, combines honesty and dependability [3]. When an individual or organization has integrity, automatically ethical behaviors will follow. Managers with integrity will ensure that their organizations and employees are really concerned when making decisions. Furthermore, the managers' decision will affect the employees' routine and life. The managers are accountable for any consequences of the solution which they carry out and it is important to maintain ethical practices.

A judgment about a manager's integrity is usually not made in isolation. The situation often implies that the moral judgment about the manager's integrity is one of several considerations when making decisions about a manager's continued appointment [1]. Understanding the concept of integrity is also useful in the application of human resource policies and practices.

23.2.4 Responsibility and Total Quality

Accepting responsibility is a part of ethical behavior. In a total quality setting, people, managers, or employees are responsible for their actions and are also required to be accountable for their job performance. If people accept responsibility, it helps to build trust, integrity, and all other elements of ethics that are important in a total quality. Responsibility is one of the dominant factors determining employees' performance and commitment. The results of employees' responses to work or organizational environment bring about work outcomes that affect their organization's overall performance [9]. Therefore, the relationships between responsibility and total quality have been important issues in organizational development and business ethics.

23.3 Importance of Managerial Roles in Exercising Business Ethics

In recent years, in spite of a growing interest in good ethics practices whether in public or private sectors, the public is still not convinced that there is much improvement in this issue. In public sectors, for instance, public administration's treatment of ethics involves many things, some sort like whose philosophy to be used. Should we follow the work of Aristotle and St. Thomas Aquinas or should we follow the philosophy of Plato as the foundation of their ethics [10]? While in the private sectors, the players are always facing the conflicts between ethical practices versus organization profit.

When we discuss ethics among the managers, the ultimate goal is to prepare them to do the right thing. So, when there are problems in getting the managers to do the things right, it should be no surprise that managers also have problems

determining what is right. Thus, the purpose of ethics is to help managers to determine what is right and act accordingly.

Basically, when we discuss what exactly a manager's roles and responsibilities toward business ethics, we cannot run away from discussing three major roles which are the responsibility for setting an example of ethical behavior, followed by the responsibility for helping his staff make ethical choices, and lastly, the responsibility for helping staff to follow through and exhibit behavior after the appropriate choice has been made [3].

Managers should set a good ethical behavior in their workplace so that the rest of their staff understand and follow such good behavior. For instance, when the managers always show their respect toward their staff regardless of the level or position in the organization, the staff also will follow the same. Indirectly, the whole organization will uphold this ethical value and that particular organization will work harmoniously. Sometimes, throughout the process of practicing good ethical values at the workplace, employees are trapped in between – whether to follow the managers' good ethical behavior or to remain with their unethical behavior which is endorsed by their teammates. In this situation, the managers have to play their role in helping the employees to make ethical choices. Even though at the beginning the staff will be isolated by their teammates if they choose to follow the ethical behavior, at the end of the day, the managers should explain and convince the staff that the decision will give benefit to their career and the entire organization. Besides, managers are also responsible for helping the staff to follow through and exhibit ethical behavior that has been chosen because sometimes the staff are willing to practice the ethical behavior but they do not know how to start.

When discussing ethical behavior, sometimes we fail to recognize that organizations also contribute to the unethical behavior. Ethical managers alone cannot guarantee ethical practices in business. Among the organizational factors that contribute to the unethical behavior are failing to make ethics part of the organization's core values; failing to set a consistent positive example; failing to adopt, deploy, and enforce a corporate code of ethics; failing to reward ethical behavior; applying unrealistic pressure; and also putting personnel in ethical "corners" [3].

In the Malaysian context, when we discuss the ethical values and practices, we cannot avoid from touching the subject of National Integrity Plan (NIP). Among the objectives of NIP is to "establish a fully moral and ethical society whose citizens are strong in religious and spiritual values and imbued with the highest ethical standards." This objective can also be found in the fourth challenge of our Vision 2020. Basically in the National Integrity Plan (NIP), there are five targets that have been emphasized by our government. Out of five targets, target number three (target 3) is more related to business ethics which is "To enhance corporate governance and business ethics." Our policy makers believe that by having a good corporate governance and business ethics, we can reduce the cases of corporate fraud which give big impact on our country's good will and future.

Again, “a simple action can make a big difference,” so as managers, even though they only play a small role in upholding the ethical practices in business, the long-term impact will explain everything.

23.4 Approaches That Makes an Ethical Manager

There are three approaches that managers can apply in carrying out their responsibilities relating to ethics. The ethical behavior of a manager shows that his/her behavior aligns with the legal, moral, and human values. All actions which go against these values will be regarded as unethical. The managers must opt for the ethical paradigm and be responsible.

23.4.1 Best Ratio Approach

The best ratio approach is a pragmatic approach based on the belief that people are basically good, that in the right circumstances they will behave ethically, but under certain conditions they can be driven to unethical behavior [3]. To create conditions that encourage ethical behavior and to maintain the best possible ratio of good choices to bad choices, managers should implement the possible actions. In certain situations, when difficult decisions must be made, managers are required to make the choice that will be the most beneficial for most people. This approach is also known as situational ethics.

23.4.2 Black-and-White Approach

With the black-and-white approach, right is right, wrong is wrong, and conditions are irrelevant [3]. The managers are responsible to make the ethical decisions and carry them out. The reason is to ensure that employees show positive ethics regardless of the situation. To some extent, when hard decisions must be made, the managers should be fair and practice impartial choices regardless of the result. Through this approach, the managers should do the right thing without concern for short-term circumstances.

23.4.3 Full-Potential Approach

Scholars claimed that with the full-potential approach, decisions made are based on how they will affect the ability of those involve to achieve their full potential [3].

In an organization, each of the employees is responsible for realizing their full potential within the certain limits of morality. The choices made that can achieve this specific goal without interfering with the others' right are considered as ethical.

23.5 Integrity in an Organizational Environment

In this context, integrity among the managers could not be limited into a mundane definition, *vis-à-vis* honesty and trustworthy. It should be expended to a broader reference, that is, beyond the code of conduct that awaits a person to behave in ethical standards [11]. Managers are the first line in managerial level, and decision making is one of the priority tasks that mobilizes the daily works in the office. This in turn argues that rules in organization cannot stand alone, as it closely depends on the characteristics and behavioral traits which support the ethical behavior by the managers [11]. At this level, managers are perceived to be the agents of socialization on the corporate culture that is held by the organization [12]. Paradoxically, the rules only provide the guidelines which address minimal circumstance, measuring one's compliance with the code. In other words, should one fail to comply with the rules, then he/she has committed an unethical behavior. Compliance, on the other hand, is able to provide employees with the safeguards to protect the individual and his/her profession in the long run [11].

The question here is how can the managers be objective in decision making? Being objective means attaining a balanced state of mind in exercising one's duty [11]. The managers shall not be influenced by their personal feelings or opinions in considering and representing facts. They must be far from being biased and must be independent. Independence fosters managers to be value-free from any social relationships with others while performing their duty. However, we perceive this stage as a process that evolves over time, rather than a short-term aim.

Ethical decision making is also associated with early career experiences. Many managers collected their bittersweet experiences while working with others and learn the lesson from each of the event in their organizational life. This indicates that the employees' ethical decision making is mainly influenced by the earlier environmental experiences held by them [12]. The research that was undertaken among the first-year doctoral students identified poor coping in their learning in the organizations could lead to interpersonal conflict, thus being the impetus toward unethical decision making. The study explained that new entrances of employees are at the level of adapting themselves into the professional career field; thus, learning is more prominent with respect to ethical decision making. If such learning fails to be undertaken and their job performance is rated low, the probability to commit the immoral decision making is high such as breaking the rules and regulations.

It is certainly evident that corporate culture alone could not prevent wrongdoings. Hence, we suggest that the inculcation of ethical behavior and later decision making should be emphasized since university years. The environment

characterized by dishonesty shall be defined appropriately and must be curbed accordingly by the faculties, administrators, and entire organizational culture which involve all enterprises. Most universities must be able to create ethical awareness among the students as the first step to generate moral decision makers [13]. This will help the students to be more aware and sensitive of ethical issues, integrity, work ethics, etc. On top of that, administrators that stick to the rules rigidly would force the students to abide by the policies in the university. Indirectly, it socializes and thus internalizes the ethical code of conduct that becomes habits and practiced daily by the students. Therefore, they will hold higher moral standard in their future work and able to make moral judgment whenever they are faced with any uncertainties.

23.6 Conclusion

In conclusion, the creation of a healthy, ethical working place depends on the managers' code of ethical conduct. No matter what philosophy or approach that is taken by the managers, adherence to a clear code of ethics will minimize the unethical behavior committed by the employees, and consequently, the organizations, public or private alike, will run smoothly and competently.

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Chapter 24

Malay Cooking Method Terminologies: Understanding and Usage

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Abstract There are numerous methods of cooking terminologies that are used in Malay cooking that consist of dry and moist methods. However, although Malay culinary is very rich in terminologies, some of them are disappearing. The probability of these terminologies will become extinct when the older generation dies and it will no longer be spoken or known by anyone. However, this phenomenon occurs not only among the ordinary youngsters, but it also goes to young professional chefs and culinarians. Therefore, this study empirically investigates the level of understanding of Malay cooking method terminologies and its impact to the usage among the young Malay culinarians in their daily cooking activities. This study used a quantitative approach, and respondents were among the young Malay culinarians who are working directly in food industries within the Kelang Valley, Malaysia. The results from descriptive and multiple regression analyses revealed that the majority of the respondents have a relatively poor understanding on Malay cooking method terminologies. The finding further proved that the respondents only use a few Malay cooking method terminologies in their daily cooking activities. In this sense, transferring the Malay food terminologies and knowledge from generation to generations is the effective way in achieving its preservation. The more Malay food terminologies are understood, the better people will be able to communicate and use it in their daily lives and at the same time will be able to sustain and constantly use the terminologies in the next future.

Keywords Malay • Cooking method • Terminologies • Usage

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24.1 Introduction

Many people would agree that language is a tool of communication encompassing symbol and codes used by people to reserve, retrieve, shape, and transfer experiences and knowledge [13]. Language is not a static process but acts as a vehicle through which culture is expressed, conveyed from one generation to another [9]. Therefore, the preservation of a native language acts as a stronger connector to their ethnic community because the societies who embrace their language knowledge as a central value will encourage their children and the youngster to use the language more often in the society [26]. Besides, it also develops within all fields of profession which act as a mechanism to pass a specific knowledge and information through language terminologies [15]. Reference [5] expressed that language through its terminologies denotes and represents specific meanings of something. For instance, most of the universal music languages or terminologies are derived from Italian words ranging from the rhythm, key, and tempo to the other elements [22]. In medical field on the other hand, doctors speak a language using terms that others don't understand, and so do lawyers. For that reason, these languages exist in just about every kind of area, and cooking is no exception. However, despite the universal terminologies established within particular disciplines, every ethnic culture or country is also having their own food languages or terminologies which signify certain meaning to either in the preparations, methods of cooking, equipment, eating decorum, or others [3].

Within the Malay community, language was used as a symbol to create and sustain the identity on the ways in which Malays today understand their culture and how the language fits into their own cultural self-identifications [12]. As the Malay language represents the culture and society, it is important to promote it as this will ensure the sustainability and continuity of the Malay people's identity. From the culinary perspective, the Malays is one of the indigenous group in Malaysia which has a large food vocabulary and terminologies [32]. However, although Malay culinary is very rich in terminologies, some of them are disappearing. According to Sharif et al. [32], the biggest single threat to the Malay food language is the modern culture and society that marginalized the tradition of the past. Much of the terminologies are no longer being learned by new generations of the children or by new adult speakers. The probability of these terminologies will become extinct when the older generation dies and it will no longer be spoken or known by anyone. However, this phenomenon occurs not only among the ordinary youngsters, but it also goes to young professional chefs and culinarians.

Owing to the lack of usage, much of the Malay food terminologies are believed to be getting ignored and gradually disappeared; in fact, some of the words no longer exist. Furthermore, in the lack of effective legal protection, the Malay culinary heritage including its terminologies continues to disappear at an alarming rate and gradually dying out especially among the younger generation. This phenomenon has brought a concern and anxiety of many people including the older

generation, government, and linguistic experts [29]. Therefore, this study aims to investigate the level of understanding of cooking method terminologies and its impact toward the usage among the young Malay culinarians.

24.2 Literature Review

24.2.1 *Food Terminology*

Like many other crafts, cooking has developed highly specialized terminologies for describing its various operations [7]. Many scholars posited that the understanding of food terminologies is essential to the people of a particular country especially those individuals involved in the culinary field. The terms are the standardized way to communicate specifically defined cooking techniques and methods that refer to the preparation of foods. Using the right terminologies is important as it has universal meaning in the culinary field and intended to describe or communicate a specific action or order. Reference [19] mentioned that food terminologies also can be learned through food tradition that can be passed down from generation to generation. He added that ethnic cuisines will often have their own vocabulary and terminology unique to their culinary traditions. Reference [28] offered similar ideas that food language could have one set of terms for everyday cooking and another for ceremonial cooking or one set of terminologies for preparing the day meal and a different set for the evening meal. Without food terminologies, the secret of cooking, technique, and skill may not be transferred, people may not acquire knowledge of cooking through generations, and cultural continuity will not exist [19]. Those terminologies of food are certainly not static and constantly growing, and the changes that occur signify cultural swings and the way the terminologies are used and practiced by people [21]. Reference [8] mentioned that every language of every culture or country also possessed their own unique and different food terminologies that may resemble the same meaning with other food terminologies from other countries.

Scholar [24] measuring knowledge and understanding toward cooking found that young adults generally have a low level of food terminology knowledge. He mentioned that people who do not understand cooking terms such as the use of proper equipment and appropriate ingredients or make inappropriate substitutions for ingredients may end up with substandard food product even if the recipe and preparation instructions were accurately prepared. As mentioned by Levy and Auld [18], cooking terminologies can be so intimidating that people may become anxious and discouraged to cook. Therefore, defining cooking terminologies in the recipe instructions, providing suggestions for acceptable substitutions, or describing in detail proper ways to measure ingredients can help to increase food terminology knowledge and to reduce the likelihood of errors resulting from insufficient cooking knowledge. Reference [16] stated the benefits of improving food terminology

knowledge range from increasing the frequency of cooking at home to helping families, especially youngsters, able to recognize the characteristics of a traditional food of their society.

24.2.2 *Malay Food Terminologies*

Nearly every culture and language has contributed to the culinary language. Including Malay, it also possessed its own terminologies of food that embrace from its preparation, method of cooking, and numerous unique food names [27]. Reference [25] claimed that Malay food terminologies have been shaped by cultural transmission over many generations. He also stated that the average Malay parents would usually inherit the skill and process of cooking to their children through its terminologies that act as a medium of transmitter that occurs not only during daily cooking activities and traditional event but also during wedding ceremony [12]. In Malay food preparation, the variety of ingredients used are often described as spicy and flavorful as Malaysia is the melting pot of spices, herbs, and roots. Strong, tangy, and flavorful fresh herbs, spices, and ingredients such as *serai* (lemongrass), *pandan* (screwpine), *kemangi* (a type of basil), *kesum* (polygonum or laksa leaf), buah pala (nutmeg), kunyit (turmeric), *bunga kantan* (wild ginger buds), biji sawi (mustard seeds), and halba (fenugreek) are often used. Apart from the Malay ingredient terminologies, another important aspect for Malay food terminologies is the equipment and utensils used [6]. Several traditional Malay cooking equipments including several types of grinders called *lesung batu* (pestle and mortar), *batu giling* (stone roller), and *batu boh* (mill) are used for preparing spices and pastes. Vegetables are diced on a *landas* (wooden board), while a coconut scraper or *kukur niyur* is indispensable in making both curries and sweets. Pastries are also made for desserts, and for this a *torak* (rolling pin) and *papan penorak* (pastry board) are considered essential. Besides the preparation and the cooking methods, food names also play an important role in Malay food terminologies [17]. There are abundant unique food names that can be found in Malay delicacies that typically named after the appearance of the food, the way food is prepared, places, people, and by certain event or incident. Some of the famous and unique Malay food names include buah melaka, *lompat tikam*, *badak berendam*, *tahi itik*, *cek mek molek*, *serabe*, *beriani gam*, *cakar ayam*, *nasi dagang*, etc.

24.2.3 *Malay Cooking Methods*

Different cultures and language tend to have their own unique ways of cooking, and each of them has different terminologies which often come from historical necessities [20]. Traditional cooking methods in Malay cuisine are quite similar to the life in Malay villages, slow and laid-back, as most authentic Malay delicacies are

cooked on low heat for a long time as compared with Chinese food [11]. Reference [30] mentioned that there are numerous methods of cooking terminologies that are used in Malay cooking that consist of dry and moist methods. Tumis (use of a small amount of oil or fat in a shallow pan over relatively high heat), salai (smoked or grilled food on the fire such as dried fish, and the ingredients are usually cut into pieces or thinly sliced to facilitate fast cooking), sangai (method of cooking whereby foods mainly dried spices are being fried without oil), and layur (warm over low heat to dry) are examples of terminologies for dry-heat cooking methods. On the other hand, moist-heat cooking method includes terms such as tanak (cooking in a pot especially rice), jerang (boiling or simmering normally used of liquids), celur (blanching or dipping something such as vegetable into the hot water), and reneh (simmering or boiling food).

24.2.4 Usage of Terminologies

The terminologies that people use in their daily lives can reveal important aspects of their social and psychological worlds [2]. The ways people use terminologies convey a great deal of information about themselves, their audience, and the situations they are in and indicate their social status, age, sex, and motives. In Reference [4], the usages of terminologies are influenced by (1) word of languages: Some terms might have a problematic structure, i.e., they do not fit into the wording system of a language. (2) Related terms: If a term is already well established, a new term will probably not be used. Finally, the (3) frequency of use: On the one hand, if a term can be so specific that it is hardly used by anybody, it will not be well known. On the other hand, a term might be well known, even if words make it hard to pronounce. Scholar [33] studies the usage of terminology formation, terminology structure, and type of food name terminologies in restaurants. In relation to this research, the author suggests among restaurant owners to better understand and frequently practice English language structure if they want to use English food menu names in their restaurant. In Japan, on the other hand, the topic of food is discussed in nearly every aspect of life. It will be mentioned in almost every TV show and on the radio and will come up in nearly every conversation. It is even commonly discussed during or after a meal [23]. In relation with that, Agbo [1] affirmed that the understanding of the food terminologies is important because the more they understand the food terminologies and related words, the better they will be able to communicate and use it in their daily conversation.

24.3 Methodology

As this study examines the understanding and usage of Malay cooking method terminologies among young Malay culinarians, a quantitative research approach is considered to be the most suitable method to be used. A questionnaire survey was used in assessing the understanding and the usage of Malay food terminologies among the young Malay culinarians. The information required for this study was obtained from young Malay culinarians who previously had undergone formal culinary education with the age range from 22 until 30 years old. Owing to the large number of young Malay culinarians in the country and the geographical dispersion, only those who are working directly in food sectors such as in independent restaurants, hotel restaurants, cafes, and cafeterias within the Kelang Valley (Shah Alam, Petaling Jaya, Subang Jaya, and Kelang), Malaysia, will be chosen as a sample. The surveys were conducted during weekdays within a month; however, due to distance constraints, only 10–20 questionnaires were able to be distributed to the targeted respondents per day. In line with that, approximately 200 (20 days × ten questionnaires per day) surveys were able to be collected. Based on experience, a researcher would be able to gather 10–30 questionnaires in a day [10, 14]. The analytical methods such as descriptive statistic, reliability, Pearson correlation, and multiple regression analysis were used to analyze all the gathered data.

24.4 Results and Analysis

24.4.1 *General Perception of Malay Food Terminologies*

The findings of the first research objective which is the general perception of Malay food terminologies revealed that many of the respondents agreed that Malay is rich with valuable and unique food terminologies. With that, they also believed that Malay is rich with food preparation terminologies, cooking method terminologies, and food name terminologies. Since the respondents agreed that Malay is loaded with food terminologies, they were also certain that the Malay recipes, techniques, secret, and cooking skills can be learned through its food terminologies, and that is the reason why it is so important to pass down the Malay food terminologies to the young generation. This is more important especially among the Malaysian culinarians to understand and use the food terminologies because its constant usage will obviously help to continue and preserve the traditional Malay food and culinary heritage. Thus, besides English and French, it is recommended to use and teach the Malay food terminologies in culinary institution as well as in food industry such as hotels and restaurants.

24.4.2 *The Level of Understanding of Malay Cooking Method Terminologies*

Although Malay is loaded with cooking method terminologies as confirmed in the first analysis, unfortunately, the result for this analysis apparently shows that the overall respondents generally have a moderate understanding on Malay cooking method terminologies in general. This can be seen through moderate mean scores on understanding on Malay dry-heat cooking method terminologies, understanding on Malay moist-heat cooking method terminologies, and understanding on Malay combination cooking method terminologies. These results are further supported by moderate mean score based on the example of terminologies given including sangai (foods, mainly dried spices, are being fried without oil), tumis (use of a small amount of oil or fat in a shallow pan), lengat (cooking rice or food with vapor or steam), and reneh (simmering or boiling food) (Table 24.1).

The overall mean score further strengthens the finding. Generally, the levels of understanding of cooking method terminologies among the respondents are relatively moderate ($M = 2.91$).

24.4.3 *The Level of Usage of Malay Cooking Method Terminologies*

Most likely due to low understanding on the Malay cooking method terminologies as mentioned in the previous analysis, the result obviously revealed a few usage on Malay food terminologies among the young Malay culinarians. For that reason, it is not surprising that the level of usage of Malay food preparation terminologies during their daily cooking activities is also relatively low. The respondents also mentioned that they only use a few Malay cooking method terminologies during their culinary studies or culinary exposure which possibly the reason why the usage of Malay cooking method terminologies among their working colleagues as well as in recipe and menu writing is relatively low.

24.4.4 *Correlation Between Cooking Method Terminologies*

To test the correlation between the independent variable (understanding of cooking method terminologies) and dependent variable (usage of Malay cooking terminologies), a Pearson moment correlation was used. The result in Table 24.2 revealed a

Table 24.1 Total overall mean score for the level of understanding of Malay cooking method terminologies

Variable	Mean	S.d.
Understanding of Malay cooking method terminologies	2.91	0.864

Scale: 1 = strongly disagree, 2 = disagree, 3 = neither, 4 = agree, 5 = strongly agree

Table 24.2 Pearson correlations among variable

Variable	
Understanding of Malay cooking method terminologies	0.278**

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

small (0.278) correlation between the understanding of cooking method terminologies and the usage.

24.4.5 Relationship Between the Understanding of Cooking Method Terminologies and the Usage

The relationship between the understanding of cooking method terminologies and usage among young Malay culinarians was further confirmed with multiple regression analysis. Table 24.3 signifies that the understanding of Malay cooking method terminologies expounded ($R^2 = 0.19$) the variation in the usage of the terminologies. Hair et al. [33] stated that the higher the value of R^2 , the greater the explanatory power of the regression equation and thus the prediction of the dependent variable. Therefore, the variables (cooking method terminologies) only explain 19 % of the variance in the usage of Malay food terminologies which appear to be a slightly low result. The regressions disclosed that the understanding of Malay cooking method terminologies significantly impacted the usage ($p < 0.000$). However, the impact is somewhat low by looking at the beta value ($\beta = 0.23$). Therefore, it has been proved that the understanding of Malay cooking method terminologies among young Malay culinarians only contributed few usages in their daily cooking activities.

24.5 Implication, Conclusion, and Recommendation

Transferring the Malay food terminologies and knowledge pertaining to Malay ingredients, preparations, equipment, and cooking methods from generation to generations is the effective way in achieving its preservation. With regard to the ways of retaining the Malay food terminologies together with the traditional food, every mother should encourage their children in helping them in the kitchen; introduce the name of the foods, ingredients, and the way they prepare foods; and teach them how to cook especially before they leave the house for higher education, marriage, or work. Besides that, this can be done through passing down the knowledge of food terminologies through the involvement in cooking processes during religious and cultural events with the older peoples. Therefore, knowledge and understanding of Malay food terminologies is very important especially among

Table 24.3 Multiple regression results

Independent variable (IV)	Dependent variable (DV) usage of Malay food terminologies
	Beta coefficients and significance levels
Cooking	
Methods	0.23***
R^2	0.19
F -change	52.25***

*** denote significance at 1 %

young generation. This is because the more Malay food terminologies are understood, the better people will be able to communicate and use it in their daily lives and at the same time will be able to sustain and constantly use the terminologies in the next future. In addition to the above statements, the relevant authorities, either public or private sector, should help to increase the awareness and disseminating information on the importance of preserving Malay heritage, language, and foods through media and food events. Such actions would at least encourage the young generations especially the culinarians to better understand and appreciate the Malay foods, language, and heritage. Besides, this also can be done through increasing the use of traditional Malay food terminologies in Malay recipe books as a source of references for future generations.

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Chapter 25

An Innovation of Teaching Information Security: A Lightweight Browser Plug-In for Detecting the Spoofed E-mail

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Abstract Innovative teaching method and material nowadays become important and useful for better and deeper understanding. This is due to the changing in the environment of the classroom and the technology itself. Students nowadays seek practicality with whatever they managed to learn in class especially the theoretical part. Information security is one of the courses offered in Computer Science field. This course introduced students with a number of information attacks. One of the well-known attacks is e-mail spoofing. Based on the syllabus, students should be able to define and explain e-mail spoofing. Practically, students should have a very simple and short lab session to perform and detect e-mail spoofing. Therefore, this paper proposed a lightweight browser plug-in for detecting the spoofed e-mail. The developed plug-in has been employed in lab session for teaching information security. As a result, all students managed to successfully answer all questions regarding e-mail spoofing. In fact, the lecturers were also satisfied using the plug-in as teaching aid.

Keywords Spoofing • Browser plug-in • Innovative • Information security

25.1 Introduction

Nowadays, the process of teaching and learning is gradually improved with the rapid changes in the technology. With assistance from the Internet, things like ideas, notes, and tools are easily discovered. The teaching and learning nowadays are not entirely focused on printed materials. An element of innovation should be

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embedded to make the learning activity more dynamic. Innovation is the idea of creating new enhanced product from the original product. Innovation in teaching is one type of reinventing the existing teaching approach. The significant changes in a technique of delivering knowledge were assisted by the changes and improvements of the information and technology infrastructure [1]. Information security is not only important as one of the courses offered in a university syllabus but also important as a general knowledge that the public should know.

Electronic mail or e-mail is one of the essential communication elements used in exchanging information between two parties or more, electronically. Due to the rapid growth of hacking tools, e-mails can no longer transport the information safely. Moreover, the exchanged e-mail may be spoofed while traveling in the mail network by irresponsible parties.

The purpose of e-mail spoofing is to phish user's credentials and confidential data. There are two ways to execute e-mail spoofing: firstly, the responsible person may use similar name to the valid sender's name in order to create the account and secondly, the person can go into the Simple Mail Transfer Protocol (SMTP) port 25 to change the value inside the e-mail header. The SMTP does not provide a strong authentication mechanism and thus is easily hacked [2]. The spoofed e-mail is almost identical with the valid e-mail because it comes from the valid sender. The non-ICT users have no knowledge about this and they might be exposed to these threats. E-mail spoofing will lead to information breach and credential leak which is bad for one's or company's reputation [3].

Although security measurements have been developed and created such as filtering technique in order to secure the e-mail, e-mail spoofing still persists. Therefore, this paper introduces an innovative technological method to teach information security in order to help the lecturer and student, indirectly, to reduce the number of spoofed e-mails penetrating the user's inbox.

25.2 Literature Review

In general, there are various types of teaching and learning methods. These methods include lecture approach, video approach, small group discussion approach, and case study approach [4]. Lecture approach is about presenting factual material in a direct, logical manner, using experiences which inspire and stimulate thinking to open discussion [5]. Lecture approach is also useful for large group of students. However, lecture approach has its own limitations: firstly, experts are not always good teachers; secondly, sometimes audience is passive; thirdly, learning limitation is difficult to gauge; and lastly, communication can only be done in one way [5]. As for video approach, the strengths are first, it can entertain ways of teaching content and raising issues; second, keep the group's attention; and third, looks professional and stimulates discussion [4]. Video approach has several limitations. First, focus discussion may be limited and second, full participation may not occur.

Small group discussion approach can reach group consensus; this approach also allows participation for everyone and people are often more comfortable in small groups [4]. The limitations for this approach are it requires careful thought as to the purpose of the group and the group may get sidetracked [4]. Case study approach can assist in developing analytical and problem-solving skills. This approach also allows for exploration of solutions for complex issues and allows students to apply new knowledge and skills [5]. The limitation for this approach is people may not see its relevance to their own situations and insufficient information can lead to inappropriate results.

Traditional approaches do not encourage students to question what they have learned or to associate with previously acquired knowledge [6]; problem-based learning is seen as an innovative measure to encourage students how to learn via real-life problems [7]. The teacher uses multimedia to modify the contents of the material. It will help the teacher to represent in a more meaningful way, using different media elements. These media elements can be converted into digital form, modified and customized for the final presentation. By incorporating digital media elements into the project, the students are able to learn better since they use multiple sensory modalities, which would make them more motivated to pay more attention to the information presented and retain the information better. Creating multimedia projects is both challenging and exciting. Fortunately, there are many multimedia technologies that are available for developers to create these innovative and interactive multimedia applications [8].

Another advantage of creating multimedia projects in the classroom setting is that when students create multimedia projects, they tend to complete the task in a group environment. By working in a group, the students would have to learn to work cooperatively and collaboratively, using their group skills and a variety of activities to accomplish the project's overall objectives [9].

An educational approach can be defined as a way of dealing with an education issue. A teaching approach may be defined as a combination of ways that a teacher uses when presenting the content of a lesson. The different approaches to teaching are didactic approach, expository approach, empiricist approach, heuristic approach, the inquiry/discovery approach, and constructivist approach.

Teaching methods may be defined simply as a way of carrying out actual teaching in the "classroom." They are the means by which the teacher attempts to impart the desired learning or experience. The concern is with the way the teacher organizes and uses teaching techniques or skills, subject matter, teaching aids, or resources to meet teaching objectives. Teaching methods include lecture (chalk and talk) method, teacher demonstration method, and practical work/experiment method [9].

The chalk and talk lecture method involves delivering factual information with very little or no participation by the learners. This method is outmoded due to a number of reasons: firstly, it does not offer training for the attainment of scientific skills; secondly, the content taught in a lecture is quickly forgotten; and lastly, lectures tend to be boring especially if they are lengthy and if the teacher lacks appropriate communication skills [9].

For teacher demonstration method, the purpose of demonstration is to provide means by which the teacher can explain or clarify certain parts of the context quickly and economically. For instance, it can be demonstrated that metals expand when heated or that seedlings exposed to a unilateral source of light bend toward the light. It is essential that the students should be involved actively during demonstration [9].

Practical work/experiment method involves teaching/learning activities conducted by the students under the guidance/supervision of the teacher. The teacher provides the students, either singly or in groups, with the materials and apparatus well as the instructions to be followed in performing the activities. Deliberate effort should be made to enhance group work although individual participation must be assured [9].

Currently, the teaching approaches described earlier have been applied when teaching information security in higher education institutes. Information security course is composed of theoretical and practical modules. Some of the modules require the students to thoroughly understand the concepts. However, most of the concepts have to be practiced by using advanced teaching and learning tools. Most of the advanced tools for teaching and learning are not focusing on the specific course.

Information security course mainly introduces the security issues of the information being transferred through the network. Information is always wanted by the unethical person because of its confidentiality and privacy [10]. Information can be transmitted to others by using various transmission channels such as e-mail. An e-mail application is composed of e-mail server and e-mail client and both are governed by e-mail protocol. The three most common e-mail protocols are POP3 (Post Office Protocol 3), IMAP (Internet Message Access Protocol), and SMTP (Simple Mail Transfer Protocol). E-mail is sent over by using SMTP through the Internet and is stored in mass storage until it is retrieved using the POP3 or IMAP protocol. POP3 is a division of IMAP that is used to download e-mails from an IMAP server [11]. The exchanged e-mail may be spoofed while traveling in the mail network by the irresponsible person.

A spoofing attack is described as an action of attempting to originate an electronic transmission from one source that simply did not exist [12]. It is an act of manipulating e-mail activity in which the sender's address and e-mail header are modified so that the victim's computing platform can be compromised. E-mail spoofing is often associated with e-mail phishing and e-mail spamming. Both are considered as an act of attack by sending a fake e-mail from a valid e-mail identity such as friends, bank, or a favorite online store [13].

The weakness of the SMTP has led to e-mail spoofing [14]. SMTP does not provide a strong authentication mechanism, allowing the attacker to perform e-mail spoofing. The SMTP port 25 can be contacted using Telnet. The attacker can easily forge an e-mail to compromise the victim because in the telnet protocol, there is no authentication required.

There are few researches on spoofing and other attacks that are related to e-mail application. A research regarding detection of phishing e-mail based on the

structural properties is proposed in [15]. The experiment has been carried out by using SVM (support vector machine) which collects data by using structural properties about spam e-mail and then stored in the SVM [15]. In this approach, the detected invalid e-mail will be blocked from entering the inbox. However, not all e-mails can be recognized as the spoofed e-mail accurately. In [16] a model based on fingerprint recognition to strengthen sender's e-mail has been proposed. The model employed fingerprint recognition for authenticating the user and provides the user with a transparent process of signing and verifying the e-mail.

25.3 The Proposed Method (The Manual)

After completing the lecture session regarding e-mail spoofing, the lecturer will explain about the developed plug-in. Then, the lecturer has to explain one by one the utility of the plug-in. The lecture session is then continued with the lab session. For the first one 1 h, the lecturer has to demonstrate how to use the plug-in. The subsequent hour will be continued by asking the student to try the plug-in. Before the class ends, the lecturer gives the student two assignments. In the first assignment, the student has to perform e-mail spoofing. In the second assignment, the student has to employ the plug-in to detect the spoofed e-mail and identify the attributes of the spoofed e-mail. The next subsection discusses the manual on how to use the developed plug-in for teaching information security.

25.3.1 Introduction Page

E-mail spoofing detection is a plug-in. In order to use it, users are required to install the add-on into their Mozilla Thunderbird mail client. Users can download the plug-in at the add-on download page provided by Mozilla. Firstly, users can view the basics about how the plug-in itself work. All the information needed is provided from there. There are names of developers and some options that are available for users such as how to automatically update the plug-in when the developer updates the new version of their plug-in. Users also can remove or disable temporarily the add-on if needed. Figure 25.1 shows some of the examples.

25.3.2 Scan Result

Since e-mail spoofing detection is a plug-in, users need to install the add-on in their Mozilla. Once installed, they can find the option to scan by right-clicking the selected e-mail; the option will pop up as shown in Fig. 25.2. What users need to do is to click on the "ESD it" option.

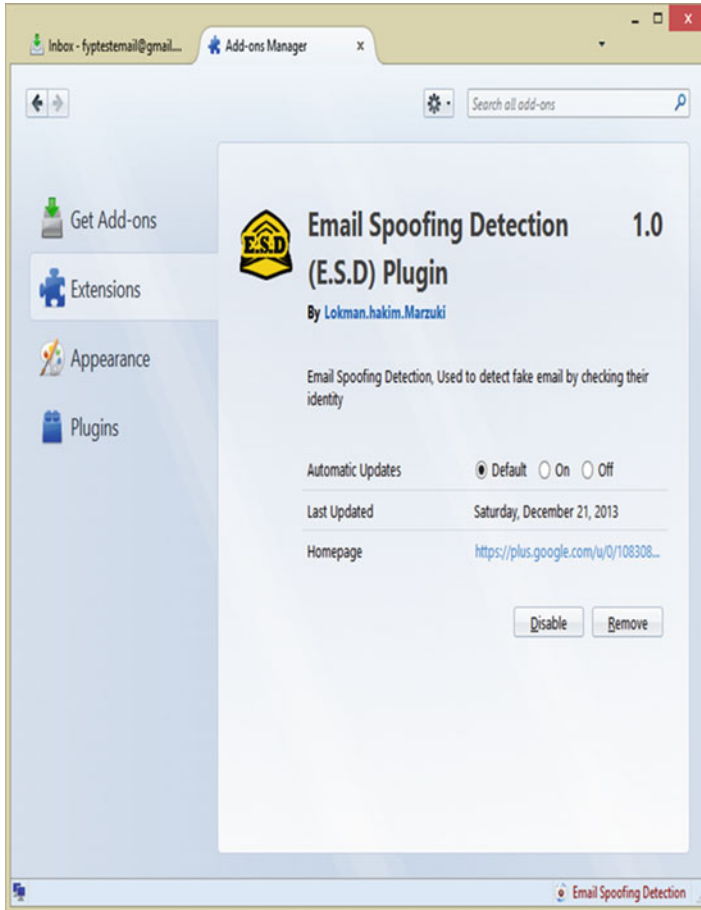


Fig. 25.1 Add-on introduction interface

Figure 25.3 explains what users will get when scanning process is complete. The interface is divided into three main categories. The first one is “scan progress” which is for detection of time taken of each e-mail to complete the scan. This part is important for accuracy test, to tell the user how much longer they need to wait until the progress bar finishes loading. The second part is “security information” where it provides significant info about the particular e-mail; there are also results of the current e-mail and how much scores it will get. A higher percentage means that the detected e-mail was the spoofed e-mail. On the last part, there is a scan summary. From the figure there are four criteria that have been implemented in the system to trace the spoofed e-mail. From that particular part, user will know which part of their e-mail is traced as spoofed e-mail.

While implementing the algorithm, there are issues that exist where some of the valid e-mail domains are classified as spoofed e-mail which will generate a

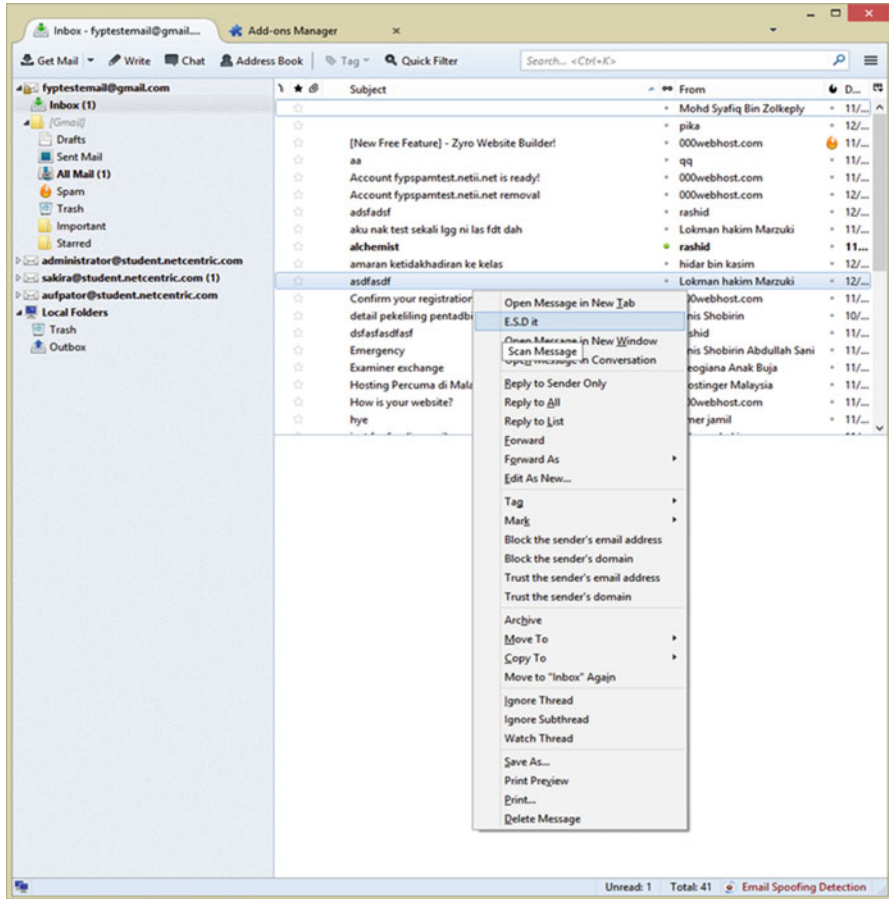


Fig. 25.2 Right-click option

technical error to the user, and to prevent this thing from happening, there are additional features added to the project which are called whitelist and blacklist. Figure 25.4 shows how to access ESD option panel.

Blacklist features are illustrated in Fig. 25.5. What this module does is it helps user directly mark the e-mail as blacklisted e-mail and it will be automatically identified as spoofed e-mail. User can add or delete an e-mail by using functions that are available in the right-click option shown in Fig. 25.1. This alternative will help this plug-in function in a robust way to avoid false negative issues.

Whitelist function is considered after the effect of a false positive in the scanning result. By improving this plug-in using whitelist method, it will prevent the chances of false positives to occur. Figure 25.6 provides a graphical interface about whitelist functionality.

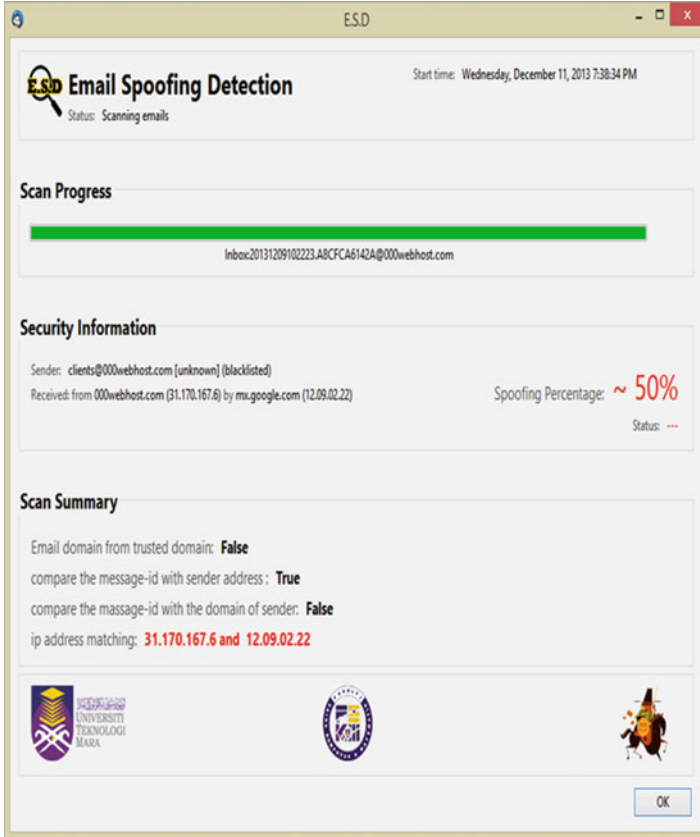


Fig. 25.3 Result of scan

25.4 Result and Findings

The proposed method really improved students’ understanding on e-mail spoofing. Based on Fig. 25.7, All 30 students have answered all questions regarding e-mail spoofing attacks both in their test and final exam. The questions required the students to define and explain e-mail spoofing. Besides, there was also a question requiring them to explain the process of performing e-mail spoofing.

As for the lecturers who teach information security subject, the plug-in did help them a lot. Figure 25.8 illustrates the feedback received from the ten lecturers on the employment of the plug-in in lab session. The lecturers strongly agreed of using the plug-in to help the students understand the e-mail spoofing concepts well.

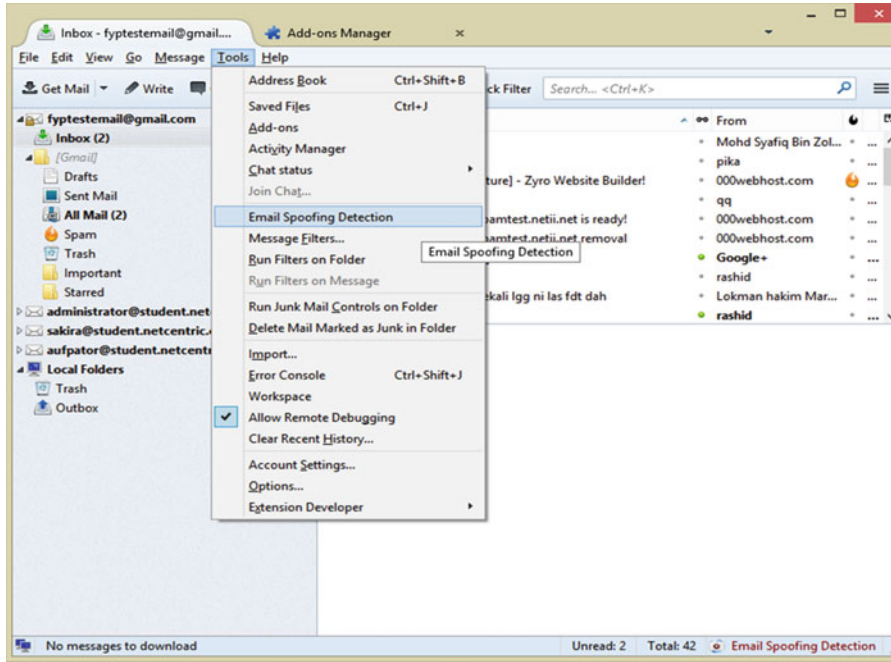


Fig. 25.4 ESD option panel

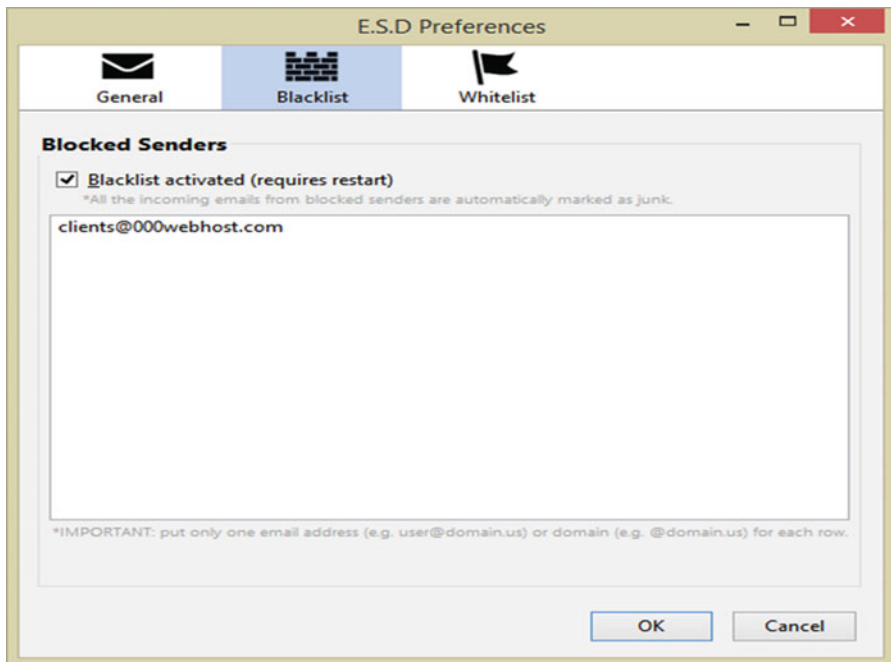


Fig. 25.5 Blacklisted e-mail address option

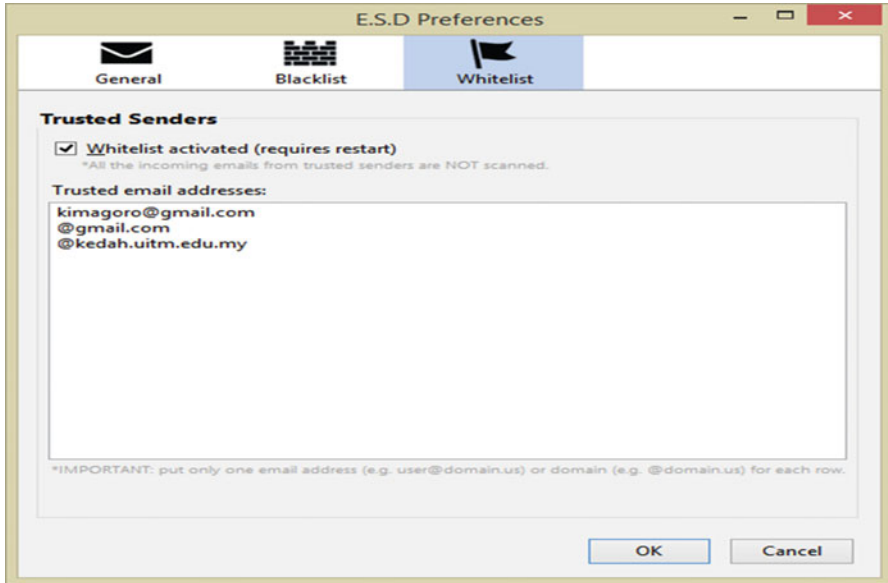
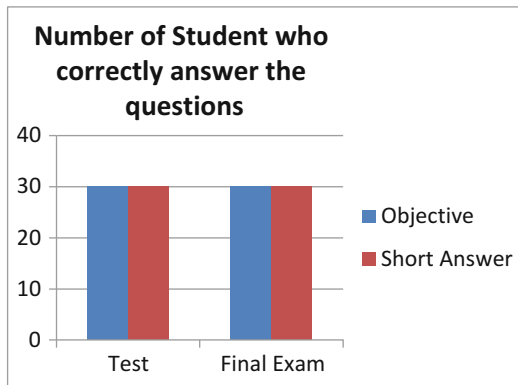


Fig. 25.6 Whitelist e-mail address option

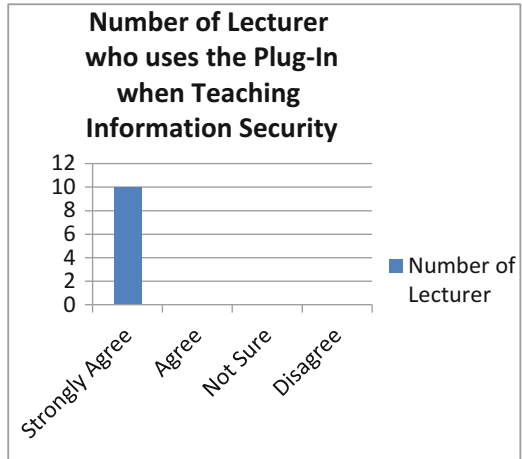
Fig. 25.7 Students' performance in answering the test and final exam questions on e-mail spoofing correctly



25.5 Conclusion

In conclusion, the innovation in teaching information security by employing the lightweight browser plug-in for detecting e-mail spoofing has successfully improved students' understanding. In addition, the developed plug-in has improved the effectiveness of delivering knowledge about e-mail spoofing to the students.

Fig. 25.8 Lecturers' feedback on employing the developed plug-in for teaching information security



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Chapter 26

Antecedents to Social Entrepreneurship Engagement

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Abstract Social entrepreneurship strives to solve societal problems through value creation which makes it different from commercial entrepreneurship. Social entrepreneurship helps bridge the gap between the academic world and the community. It is vital to identify the engagement antecedents empirically as there were limited studies in this area. Besides, it is critical to explore the rank of importance of the antecedents in determining the engagement intention among higher institution students. There were 364 questionnaires completed by students from higher learning institution. As the result, factor analysis identified awareness, government push, desire, and basic needs as the antecedents of social entrepreneurship engagement. Pearson correlation had showed the correlation between all the antecedents and engagement intention. However, the multiple regression analysis (MRA) verified only awareness and government push antecedents have significant relationship with engagement intention among other variables investigated. The analysis also showed the hierarchical order of the antecedents which ranked awareness as foremost important followed by government push, desire, and basic needs. Implications, limitation, and areas for future research were also discussed.

Keywords Social entrepreneurship • Engagement antecedent • Engagement intention

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26.1 Introduction

Social entrepreneurship has been identified as one of the dimensions in today's society. For years, government and private agencies around the world have taken initiatives to alleviate social problems in communities such as poverty and the marginalized group. Consequently, there has also been mass migration of rural communities into urban areas due to better job opportunities and raise economic level. As such, one of the initiatives taken is by creating social entrepreneurship programs [3]. Dees [18] states that social entrepreneurship strives to provide solutions to societal problems. The value it creates toward the society makes social entrepreneurship different with any other commercial entrepreneurship. Bugg and Emerson [11] stated social entrepreneurs identify problems and its causes in the society and then devise solutions to the problems. Hence, the nature of social entrepreneurship is by combining entrepreneur abilities with commitment to solve problems and create sustainable change [42]. Therefore, social entrepreneurs do not only demand for profits but also as means to provide solutions to the existing societal problems.

Social entrepreneurship is an alternative for the economic development of the community. Klasen [34] observed that economic development promotes fairer distributions of both economic and social resources, which enable community from the lower social pyramid to climb the ladder through socioeconomic development. In addition, the communities itself are used to play their role in economic and social development for their own community [29].

In relation to the development of social entrepreneurship, higher institutions had actively engaged their students with various stakeholders in order to create exposure to real-life experience [25]. Social entrepreneurship can be a program that bridges the gap between the academic world and the community [38]. Channelle and Cathryne [15] stated that higher institutions started to adapt social entrepreneurship for community building as learning tools for students through their engagement. On the other hand, there are debates and discussions regarding the effectiveness of normal entrepreneurship learning process in higher institutions [47]. In view of the challenges, engagement will expose students to culture, entrepreneurship, and also opportunities to create business networking with colleagues locally and abroad [38]. In light of current development, this paper presents three major pillars for discussion which encompassed the following:

- To identify the antecedents that motivates students to involve in social entrepreneurship program
- To examine the relationship between engagement antecedents with engagement intention
- To rank the engagement antecedents that contribute to students' engagement intention for social entrepreneurship

26.2 Literature Review

26.2.1 *Student Engagement in Social Entrepreneurship*

Social entrepreneurship referred to as the innovative activities with a social objective in either the for-profit sector, such as in social-purpose commercial ventures [19] or in corporate social entrepreneurship [4], or in the nonprofit sector, or across sectors, such as hybrid structural forms which mix for-profit and nonprofit approaches [18]. In fact social entrepreneurship is a new innovative method in dealing with complex social needs [31]. Social entrepreneurship is the work of social entrepreneur. In relation to that, Dees [18] affirms that social entrepreneurs are another classification of entrepreneur. Durieux and Stebbins [22] stated that social entrepreneurs execute innovative solutions to what they define as social problems regardless it is local, regional, national, or international. Social entrepreneurship offers sustainable innovative solution to communities that need help. Social entrepreneurship is the work of social entrepreneur. A social entrepreneur recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to achieve social change [38].

Based on the development, higher institutions' management had seen the importance of social entrepreneurship engagement as a new method for student development [61]. As the results, various communities' sustainable economic uplifting program had been adopted into the institution system in order to create students' engagement [9]. Through social entrepreneurship activities, students were encouraged to determine projects with the communities of which can improve their economic condition. Besides, other stakeholders such as the industry, non-governmental organizations (NGOs), individuals, and the government were playing their roles as the supporting systems in any projects or activities initiated [57]. Students normally form groups to engage in social entrepreneurship. Teams were formed and consisted of members with different disciplines. The teams strive to apply business concepts to develop programs, activities, and project that improve economic and standard of living for community in need [57].

In relation to the engagement, students are expected to be exposed with social capital that leads to various opportunities which benefited the community and themselves [14]. On the other hand, social enterprise provides avenue for students to develop their entrepreneurial skills while assisting the community in solving their social enterprise problem. Evidence had shown that students' awareness on entrepreneurship will increase with their engagement with various projects [50]. On the other hand, Gibb [26] suggest students' engagement can be enhanced via relationship learning, network management, and managing on the basis of personal relationship with stakeholders.

26.2.2 *Basic Needs*

Dees [18] proposed that universal human needs' fulfillment is likely to enhance a person's feelings of well-being. The immediate "basic needs" are food (including water), shelter, and clothing [41], although they also include sanitation, education, and healthcare [30]. Fulfilling the basic needs is critical before enhancing into another stage of life. Meanwhile, Tay and Diener [56] highlighted the association between the fulfillment of needs and subjective well-being (SWB). SWB encompassed life evaluation, positive feelings, and negative feelings. Life evaluation was most associated with fulfilling basic needs; positive feelings were most associated with social and respect needs; and negative feelings were most associated with basic, respect, and autonomy needs. Societal need fulfillment predicted SWB, particularly for life evaluation, beyond individuals' fulfillment of their own needs, indicating the desirability of living in a flourishing society [56].

There are other influences on SWB, such as culture as stated by Oishi [45] and Triandis and Suh [58] and also temperament [39]. However, if the needs are indeed built into people because they aid survival, it is likely that humans are constructed so as to experience the fulfillment of the needs as rewarding and the deprivation of them as punishing [56]. On the other hand, Diener et al. [21] indicated that life evaluation was being effected by income. In addition, the meeting of basic and psychological needs mediated the effects of income on life evaluation to some degree, and the strongest mediation was provided by standard of living and ownership of conveniences [21].

26.2.3 *Self-Desire*

Self-desire is believed to influence students' engagement intention. As individuals, students are driven by internal attributes to guide them on their thoughts and actions in various social settings. The concept of self was highlighted by Geertz [25] as a person who is "bounded, unique, more or less integrated motivational and cognitive universe, a dynamic center of awareness, emotion, judgment, and action organized into a distinctive whole and set contrastively both against other such wholes and against a social and natural background" (p. 48). However, Bandura [6] argued that social desire referred to people looking into their personal capabilities in organizing and executing strategies in order to obtain desired performance. Students are engaged when they are involved in their work and persist despite challenges and obstacles. It also refers to a student's willingness, need, desire, and compulsion to participate and be successful in the learning process promoting higher level thinking for enduring understanding [8]. On the other hand, Talbert [55] had widely discussed on how a person's action is being caused by his or her desire. Likewise, Noser and Hill [44] studies on female students found out that individuals who possess unstable high self-esteem reported a stronger desire to become famous than

those with stable high self-esteem. In addition, findings also suggested the intriguing possibility that individuals with unstable high self-esteem might want to become famous as a method for gaining external validation [44].

Self-confidence is an individual's belief that he or she has the ability to produce results, accomplish goals, or perform tasks competently. Stability refers to the ease or difficulty of changing the self-concept, and it depends on how crystallized or structured an individual's self-beliefs are. Beliefs become crystallized with repeated similar experiences [52]. According to Shavelson and Bolus [53] theory of self-concept, individuals have two collective self-perceptions that are (a) formed through experiences with, and interpretations of, the environment and (b) heavily influenced by reinforcements and evaluations by significant other persons. Self-concept is multidimensional and comprises self-esteem, self-confidence, stability, and self-crystallization [51]. Those are among critical self-concepts that are important in influencing individual's decision making. Self-esteem is an individual's perceived sense of self-worth, that is, whether an individual accepts or respects himself or herself. The independent self must, of course, be responsive to the social environment [24]. The social responsiveness often is derived from the need to strategically determine the best way to express or assert the attributes of the self [39].

26.2.4 Government Push

Changes in the social, political, and economic makeup of contemporary society have resulted in greater emphasis on competition, entrepreneurship, individualization, and fragmentation, but, at the same time, there has been growing calls by the community for improved connection between government and citizens and greater integration and cooperation [10]. The process of linking government and community is at the broadest level referred to as community engagement. It involves arrangements for citizens and communities to participate in the processes used in order to make good policy and to deliver on programs and services [13]. However, government was also aware that citizens did not just want better cooperation between agencies or more coordinated and efficient services, but they wanted to be more involved in the decision-making processes and deliberations of government [48]. The issue of community government sector relationships has become a primary consideration. This is because societies and their governments enter into new arrangements and relationships to bridge the gap between citizens and governments as well as to design and deliver enhanced public services [10]. Hence, various efforts to collaborate with government agencies should be initiated particularly through structural social capital [43].

On the other hand, Oldenburg [47] suggested that governments can help drive a culture of recognizing and celebrating change makers, create regulation-free special social development zones, and growing the best ideas across borders in helping the social entrepreneur. Government through municipalities helps social

entrepreneurs by increasing awareness of social problems, besides helping social entrepreneur to acquire resources, coordinate with other organizations, and implement programs. Almost three quarters of cities provide active or moderate support, which is positively associated with the perceived effectiveness of nonprofit organizations in their communities [35]. Moreover, government role in creating awareness programs and activities on social entrepreneurship will attract more engagement from students of higher institutions. Ministry of Education Malaysia had actively encouraged higher institution students to propose social enterprise project for funding. On the other hand, Ministry of Youth and Sport Malaysia promotes volunteerism which leads to social entrepreneurship among the youth. The launching of 1Malaysia for Youth (IM4U) which pushes for volunteerism and social entrepreneurship in creating innovation to solve social and economic problem among the community indicates serious Malaysian government commitment. Various other government agencies in Malaysia had played their role in bringing changes and initiating problem-solving among the communities such as Majlis Amanah Rakyat (MARA), Federal Land Development Authority (FELDA), and TEKUN. Besides, presently Malaysian government had becoming inclusive to various ideas and initiatives by community and social enterprises that can bring innovation and sustainable change to the country as a whole.

26.2.5 Awareness

Awareness is very important to ensure student engagement in social entrepreneurship projects. Students should be made aware on community problems that need to be addressed with innovative solutions [35]. In addition, according to Harun et al. [28], awareness is one of the factors that contributes to community involvement besides knowledge and skills. Meanwhile, Ahmad et al. [1] indicated that awareness encompassed three items which are exposure to the same kind of program before this, knowing how the program operated, and well informed about the consequences of the program. Thus, various activities should be initiated to enhance awareness among higher institution students on the potentials of social entrepreneurship for future career path after graduation [47]. It is important to create as many as possible informative activities through various medium to outreach students in the higher institution. Awareness activities can be initiated with the collaboration with the government, industry, community, or any related stakeholder [16]. The informative activities can be in the form of e-mentoring [50]; student projects with small firms [14]; and internship and placement [62] seminars, workshops, and benchmarking. In addition, sharing of information through social media in the course of creating awareness is inevitable nowadays [50]. Besides, social entrepreneurship should be the opportunity for students to create social capital in becoming a real entrepreneur by gaining experience in handling the community project. Problem and challenges will create better awareness on the

benefit of social entrepreneurship in transforming students through experiential learning.

26.2.6 Engagement Intention on Social Entrepreneurship

In cognitive approaches, the words' intentions dwell in a central position in the study of human behaviors [59]. Several scholars' behaviors [2, 5, 54], questing their view by adapting both theoretical and empirical perspectives, proved that intentions are the best single predictor. Comparing to other scholars, Bird [7] definition can be concluded to be more precise which relates the intention to a state of mind directing a person's attention (and therefore experience and action) toward a specific object (goal), or a path, in order to achieve something (means).

In relation to social entrepreneurial engagement domain, the entrepreneurial ideas can begin with an individual entrepreneur inspiration though intentions are needed in order for them to become manifest [20]. Parallel with this approach, individual entrepreneurs do not start a business as a reaction or reflex, but they do it intentionally [37]. Consequently, at the early birth of an organization, the impact of the entrepreneur's intention is predominant, by the influences of external stakeholders, corporate structure, politics, image, and culture which has not yet been established [7]. Therefore, the founder's intention and engagement determine the form and the direction of a nascent organization. In line with this view, entrepreneurial intention and engagement can be sum, as a cognitive representation of the actions implemented by individual entrepreneur is either to establish new independent ventures or to create new value within existing companies.

26.3 Methodology

Self-administered questionnaires were developed and distributed to collect responses from students of higher learning institution. As the result, all 364 distributed questionnaires were completed and returned for evaluation. The sampling of 364 respondents was in accordance to the rule of thumb highlighted by Krejcie and Morgan [36]. The questionnaire was developed into three main sections. Section one consisted of demographic profile followed by section two which consisted of 25 items related to antecedent statements. Section three comprised items related to antecedent intention statements. All of the items in sections two and three employed 5-point Likert-scale measurement, while section one used dichotomous question.

Descriptive analysis was employed to analyze and categorize the demographic profile of respondents. However, items on the antecedents in section two were analyzed by using the factor analysis. Meanwhile, Pearson correlation was used to determine the correlation between the identified engagement antecedents and

engagement intention in section three. In addition, the multiple regression analysis (MRA) was used to verify the relationships between the antecedents (independent variable) and engagement intention (dependent variable). The hierarchical order of the antecedents was determined through the employment of MRA.

26.4 Result and Analysis

Table 26.1 below shows the output of descriptive analysis by showing the demographic profile based on gender, age, race, and education of the respondents.

The multivariate test of normality was used to determine whether the data had normal distribution before proceeding to other analysis. The results were in the form of scatter plot diagram where Mahalanobis values D^2 were plotted against χ^2 -distribution or chi-squared distribution [32].

According to Mahalanobis test of normality, the R^2 linear values were ranged from 0 to 1. The desirable result would be value that is closest to the value of 1 [49].

Based on Fig. 26.1, R^2 linear value was 0.974 which showed the multivariate data was normal and eligible for factor analysis. Factor analysis was used for data reduction analysis to determine the sets of underlying items, which are the antecedents to social entrepreneurship engagement intention. The Kaiser-Meyer-Olkin (KMO) index was 0.878 which fell into meritorious adequacy sign indicating the variables were intercorrelated [33]. On the other hand, Bartlett’s test of sphericity was significant at $p < 0.001$ which was less than 0.05 that enabled the data to be analyzed with factor analysis [27].

Table 26.1 Demographic profile

	Percentage (%)
Sex	
Male	33
Female	67
Age	
Below 21	47
21–24	44
Above 25	9
Race	
Malay	52
Iban	20
Bidayuh	9
Melanau	6
Others	13
Education	
Diploma	46
Degree	27
Others	27

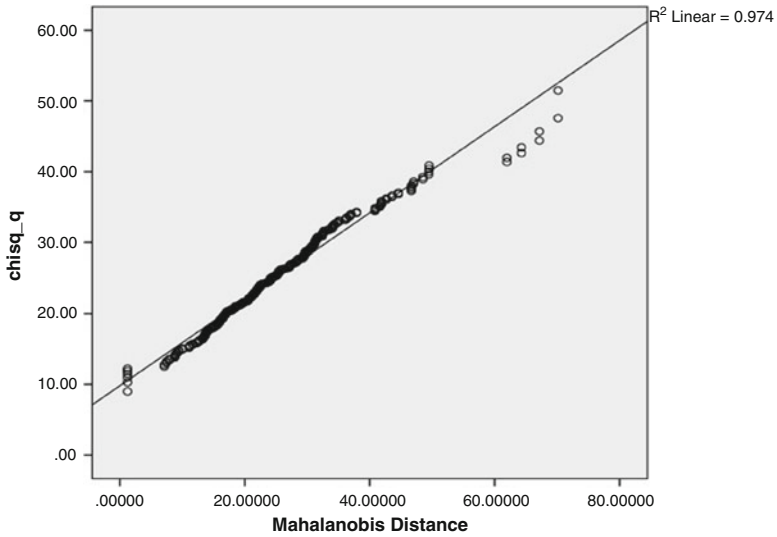


Fig. 26.1 Multivariate test of normality

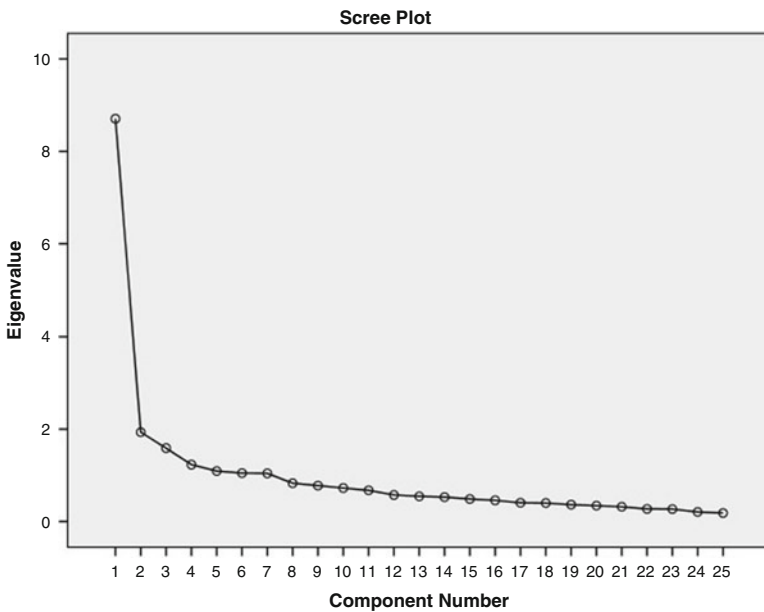


Fig. 26.2 Scree plot

The scree plot was used to identify the optimum number of factors that can be extracted, and it is derived by plotting the eigenvalue against number of factors in their order of extraction [12, 17]. From Fig. 26.2, in the scree plot, the point in

which the curve begins to straighten indicated the minimum number of factors to be extracted. The scree plot shows the curve begins to straighten after the fourth point.

Field [23] stated the acceptable correlation value for rotated component matrix should be above 0.30. Based on the rotated component matrix output in Fig. 26.3, the 25 items were categorized into four components with the factor loading above 0.30. Hence, this indicated no items in section two of the questionnaire were dropped. Subsequently, the analysis identified four antecedents based on the components which were basic needs, awareness, desire, and government push (Table 26.2).

All the antecedents were reliable with the Cronbach alpha value above 0.70 except for awareness variables, which was only 0.658. However, according to Tuckman [60], Cronbach alpha of 0.5 and above is good enough to measure attitude. This mean 0.658 value of Cronbach alpha for awareness variables was acceptable.

Pearson correlation analysis had indicated that all the antecedents were positively and significantly correlated with engagement intention ranging from 0.557 to 0.429. Hence, this showed that all the antecedents have strong positive relationships with the engagement intention. It was found that awareness had the highest correlation with 0.557 followed by desire (0.452), basic needs (0.436), and government push (0.429).

MRA was utilized to determine the relationship between the four antecedents, which were basic needs, desire, awareness, and government push against engagement intention acting as the dependent variable. The results showed that only awareness and government push were significantly related with engagement intention at the value of 0.001 and 0.006, respectively. The standardized coefficients for the antecedents were awareness (0.375), government push (0.148), desire (0.111), and basic needs (0.065). Consequently, the ranking for the four antecedents were identified as awareness, government push, desire, and basic needs.

According to factor analysis, the four antecedents of social entrepreneurship engagement identified were awareness, government push, desire, and basic needs. Pearson correlation analysis on the four engagement antecedents indicated that it was positively and significantly correlated with engagement intention. However, based on MRA, there were only two antecedents significantly related to student engagement intention, namely, awareness and government push. In addition, awareness is found to be the most important antecedent that contributed to student engagement intention.

In order to enhance student engagement intention in social entrepreneurship, it is important for the respective higher institution management to conduct various awareness programs on social entrepreneurship. Programs can be conducted in the form of seminars, workshops, dialogs, and courses involving students.

Strengthening collaboration effort with various government agencies is a vital strategy to attract more students' engagement with social entrepreneurship. The fundamental strategy can be achieved through collaborative work with various stakeholders.

Rotated Component Matrix*

	Component			
	Basic Needs	Awareness	Desire	Government Push
B2	0.616			
B4	0.728			
B9	0.609			
B13	0.642			
B18	0.462			
B19	0.711			
B22	0.459			
B1		0.611		
B5		0.725		
B6		0.724		
B10		0.721		
B15		0.403		
B20		0.459		
B24		0.508		
B7			0.558	
B8			0.716	
B11			0.688	
B12			0.499	
B14			0.452	
B25			0.542	
B3				0.664
B16				0.703
B17				0.811
B21				0.638
B23				0.475

Fig. 26.3 Rotated component matrix

Table 26.2 List of items

Code	Items
B2	Improve local community standard of living
B4	Create job opportunities for local community
B9	Reduce poverty and improve economy
B13	Responsible to generate income
B18	Accepting social entrepreneurship project
B19	Better job for my community
B22	Improve my standard of living
B1	Social entrepreneurship can solve social problem
B5	Social entrepreneurship can preserve the environment
B6	Social entrepreneurship program, such as ecotourism, will benefit local community
B10	Cultural uniqueness can be shared with others through social entrepreneurship
B15	Social entrepreneurship have high growth potential
B20	Promote my place to outsiders
B24	Appreciated by contributing to community
B7	Conserving the environment
B8	Success stories of social entrepreneurship
B11	The operation of social entrepreneurship operates
B12	Compatible to the societies
B14	Household income opportunities
B25	Positive information about social entrepreneurship
B3	Convinced with government intervention
B16	Government financing
B17	Government support
B21	Contribution to the government
B23	Government involvement

Students need to be motivated to engage in social entrepreneurship projects and programs. In light of motivating students, it is crucial for the higher institution to encourage direct communication between student bodies and the community. The interaction of both parties can stimulate desire for engagement as it develops better understanding and change of ideas.

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