



**THE EFFECTS OF CORPORATE
ENTREPRENEURSHIP DETERMINANTS ON
FINANCIAL PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES IN MALAYSIA.**

BY

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**A thesis submitted in fulfilment of the
requirement for the degree of Doctor of Philosophy
Business Administration**

**Kulliyyah of Economic and Management Sciences
International Islamic University Malaysia**

APRIL, 2017

ABSTRACT

This study addresses the issue of poor financial performance among the small and medium enterprises in Malaysia. There is a gap of an imbalance status between the total number of small and medium enterprises which constitute 97.3 per cent of the total number of business establishments in Malaysia and its contribution of only 32.7 per cent to Malaysian Gross Domestic Product. Therefore, there is a need to improve the Malaysian small and medium enterprises financial performance in order to enhance their contribution to Malaysian Gross Domestic Product. The research gap in prior corporate entrepreneurship studies has prompted scholars to further explore the relationship between corporate entrepreneurship and financial performance.

The purpose of this study is to investigate the effects of corporate entrepreneurship determinants on financial performance of small and medium enterprises in Malaysia. This study has further investigated the effects of corporate entrepreneurship by synthesising it from multiple disciplines, incorporating multi-level of analysis and supporting them with empirical evidences. Hypotheses are developed to determine the relationships between the corporate entrepreneurship determinants and financial performance of the Malaysian small and medium enterprises.

Data was obtained from a cross-sectional survey involving a population of 618 companies listed as the previous recipients of the Malaysian “Enterprise 50” award winners from 1998 to 2014. The key informant of each company was represented by a permanent staff from the management-level employee in order to acquire the generalisation for this study. Survey data was collected through electronic questionnaires and analysed using the statistical package for social sciences and structural equation modelling by applying partial least squares approach. The research response rate was 221 valid usable sets of respondents or 35.7 per cent.

The findings revealed that significant direct effect existed between the determinants of corporate entrepreneurship and the financial performance of small and medium enterprises in Malaysia. Other important findings were the significant moderating role of respondents' age and the significant mediating role of organisations' competitive advantage.

The results hold implications for practitioners' deeper understanding of the intra and inter-organisational factors that affect corporate entrepreneurship practices and will enhance decision-making skills specifically those of the top management level in the small and medium enterprises. The results also hold ramifications for practitioners and scholars on how to sustain competitive advantage of the business organisation and creating significant contribution in improving organisational financial performance in the future.

المقدمة

تعالج هذه الدراسة قضية ضعف الأداء المالي للشركات الصغيرة ومتوسطة الحجم في ماليزيا. فهناك فجوة واختلال في التوازن بين مجموع عدد الشركات الصغيرة ومتوسطة الحجم والتي تشكل ما يقرب من 97,3% من مجموع الشركات المؤسسة في ماليزيا وبين مساهماتها المالية التي لا تتجاوز 32,7% في اجمالي الناتج المحلي لماليزيا. لذلك، هناك حاجة لتحسين الأداء المالي للشركات الصغيرة ومتوسطة الحجم في ماليزيا من أجل تعزيز مساهماتها المالية في اجمالي الناتج المحلي لماليزيا. لقد دفعت الفجوة البحثية المختصين، قبل اجراء الدراسات الخاصة بالشركات الريادية، لاكتشاف المزيد من العلاقة بين الشركات الريادية وبين الاداء المالي.

ان الغرض من هذه الدراسة هو التحقيق في مدى تاثير محددات الشركات الريادية على الأداء المالي للشركات الصغيرة ومتوسطة الحجم في ماليزيا. كما استطلعت هذه الدراسة كذلك مدى تاثير الشركات الريادية من خلال انشاءها من نظم متعددة، وتأسيس مستويات عدة من التحليل ودعمها مع الأدلة التجريبية. فقد تم تطوير الفرضيات لتحديد العلاقة بين محددات الشركات الريادية والأداء المالي للشركات الصغيرة ومتوسطة الحجم في ماليزيا.

لقد تم الحصول على بيانات عبر استطلاعات من قطاعات شتى شملت نماذج من 618 شركة مدرجة في قائمة الحاصلين على جائزة (انتربرايز 50) للمدة من 1998-2014. ان المعلومات الرئيسية لكل شركة تم استيفائها من قبل موظف دائم من المستوى الاداري بهدف الحصول على التعميم اللازم لهذه الدراسة. وقد تم الحصول على بيانات الاستطلاع عبر استفتاء الكتروني حيث تم تحليلها من خلال حزمة احصائية خاصة بالعلوم الاجتماعية وصياغة المعادلات الهيكلية عبر طريقة المربعات الصغرى. لقد بلغ معدل الاستجابة للبحث 221 مستجيباً أي ما يعادل 35,7%.

لقد كشفت النتائج عن وجود علاقة وثيقة مباشرة بين محددات الشركات الريادية وبين الأداء المالي للشركات الصغيرة ومتوسطة الحجم في ماليزيا. وهناك نتائج مهمة اخرى متمثلة بالعامل المهم لأعمار المستجيبين والدور المهم للميزة التنافسية للمؤسسات.

تحمل هذه النتائج تداعيات على فهم أعمق لأصحاب الاختصاص للعوامل الداخلية والبيئية للمؤسسة والتي لها تأثير على ممارسات الشركات الريادية كما انها ستعزز مهارات صنع القرار خاصة في مستوى الادارات العليا للشركات الصغيرة ومتوسطة الحجم. كما تحمل هذه النتائج تفرعات لأصحاب الاختصاص والممارسين حول كيفية المحافظة على الميزة التنافسية لأعمال الشركة وخلق اسهامات مهمة في تحسين الاداء المالي للمؤسسة مستقبلاً.

APPROVAL PAGE

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DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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DEDICATION

*This thesis is dedicated to my parents for laying the foundation
of what I turned out to be in life.*

ACKNOWLEDGEMENTS

All glory is due to Allah, the Almighty, whose Grace and Mercies have been with me throughout the duration of my programme. Although, it has been tasking, His Mercies and Blessings on me ease the herculean task of completing this thesis.

I am most indebted to my supervisor, Professor Datin Dr. Junaidah Hashim, whose enduring disposition, kindness, promptitude, thoroughness and friendship have facilitated the successful completion of my work. I put on record and appreciate her detailed comments, useful suggestions and inspiring queries which have considerably improved this thesis. Her brilliant grasp of the aim and content of this work led to her insightful comments, suggestions and queries which helped me a great deal. Despite her commitments, she took time to listen and attend to me whenever requested. The moral support she extended to me is in no doubt a boost that helped in building and writing the draft of this research work. She has provided much support and I am therefore very delighted and proud to have had Professor Datin Dr. Junaidah Hashim as my main supervisor. I am also grateful to my co-supervisor, Associate Professor Dr. Suhaimi Mhd Sarif, whose support and cooperation contributed to the outcome of this work.

During my period of study, there were a number of people who had provided me with their unwavering support. I wish to thank all my dearest colleagues, especially Dr. Azilah, Dr. Joginder Singh, Prof. Dr. Leow Chee Seng and Dr. Mohd. Najib. It has been a privilege to work with them and for their valuable knowledge sharing and support during my study.

Not forgetting the moral support and blessings from my parents, Abbas Haji Jalal and Fatimah Ambak, and my siblings, Abdul Wahab, Zainah, Yansharah and Hajjah. Above all, I would like to thank them for their kindness and continuous valuable assistance.

Last but not least, I would like to express my gratitude to my family who has made many sacrifices for me. My thanks go to my beloved wife, Che Hasnah, for her patience, sacrifices and encouragement. My thanks also go to my lovely children - Nur Arafah, Nur Afiqah, Ahmad Arif and Nur Athirah, the rest of the family and friends for their prayers, support, understanding and endurance during the completion of this thesis.

Once again, we glorify Allah for His endless mercy on us one of which is enabling us to successfully round off the efforts of writing this thesis. Alhamdulillah.

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LIST OF ABBREVIATIONS

CA	Competitive advantage
CE	Corporate entrepreneurship
DV	Dependent variable
EFA	Exploratory factors analysis
FP	Financial performance
GDP	Gross Domestic Product
ICT	Information and communication technology
IV	Independent variable
NFP	Non-financial performance
OCB	Organisational citizenship behaviour
OP	Organisational Performance
PLS	Partial least squares
ROA	Return of Assets
ROS	Return of Sales
SEM	Structural equation modelling
SMEs	Small and medium enterprises
SPSS	Statistical package for social sciences