THE RELATIONSHIP BETWEEN STRATEGIC
ENTREPRENEURSHIP AND PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES IN MALAYSIA

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ABSTRACT

The objective of this research is to determine the relationship between entrepreneurial orientation (EO), entrepreneurial values (EV), knowledge creation process (KCP), and the performance of Small and Medium Enterprises (SMEs) in Malaysia. This research analyzes these contributing variables to strategic entrepreneurship and their relationships with the performance of SMEs. There are a number of views on strategic entrepreneurship, which most have propensity for opportunity-seeking and advantage seeking behavior that require combined theories in entrepreneurship and strategic management. However, a few scholars argue that it is actually a balance of exploration and exploitation activities which correspond to the firm’s capability to explore opportunities internally plus externally, and allow the sustaining of wealth creation. The research employs a quantitative and survey method, and data were collected from owner/managers of SMEs throughout peninsular Malaysia. Out of the 370 responses collected, only 335 were usable in this research. The data were analysed using multiple regressions. The findings reveal that exploration and exploitation depicted in entrepreneurial orientation, entrepreneurial values and knowledge creation process respectively were significant predictors in strategic entrepreneurship and exhibited positive influence to the performance of SMEs in Malaysia. This research contributes theoretically to the enhancement of the understanding as well as the analysis of the strategic entrepreneurship model in SMEs. It provides another empirical supports to the three variables of EO, EV and KCP where EO having the biggest strength and contribution to the firm performance. In managerial contribution aspect, the findings provide opportunities for the SMEs to engage strategic entrepreneurship activities and develop sustaining competitive advantages thereby shoring up their performance.

Keywords: entrepreneurial orientation, entrepreneurial values, knowledge creation process, performance, small and medium enterprises.
ABSTRAK


Kata Kunci: orientasi keusahawanan, nilai-nilai keusahawanan, proses penciptaan pengetahuan, prestasi, perusahaan kecil dan sederhana.
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CHAPTER ONE : INTRODUCTION

1.1 Background of study

The significant role of Small and Medium Enterprises (SMEs) in economic development amongst the key world economies has been known for very long time. SMEs are the accelerators and have great impact to growth performance of a country economic, particularly in such a dynamic surge in market competition internationally and variation in happening (Normah, 2007; Ladzani & Vuuren Van, 2002). The establishment of social stability and economic welfare of a nation together with the creation of many job opportunities are some of the SMEs’ contributions (Ladzani & Vuuren Van, 2002; Steiner & Solem, 1988). As such, SMEs have turned out to be the central consideration of government particularly in the annual budget announcement or during planning of the short-term or long-term economy policy (Bernama, October 08, 2011).

The strategic significance of SMEs has been recognized (Underwood, 2003) as followed. Firstly they are accountable for creating job opportunities at a quicker pace than larger organization. Secondly they enlarge the competitive forces of the market and hence decrease the monopoly advantage of large organizations. Finally they promote the progress in entrepreneurial skills and innovation.

Many studies have revealed that SMEs are important in nurturing economic growth; create employment prospect and decreasing poverty (Singh & Mahmood, 2014; Sumaiyah & Mahmood, 2011; Arinaitwe, 2006, Ayyagari, Beck & Demirguc-Kunt, 2005; Karides, 2005; O'Regan & Ghobadian, 2004; Audretsch, 2002). There is abundance of reports in
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