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**THE RELATIONSHIP OF SOCIAL ENTREPRENEURIAL
BEHAVIOUR, ENTREPRENEURIAL LEADERSHIP AND
ORGANIZATIONAL PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES IN MALAYSIA**



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**DOCTOR OF BUSINESS ADMINISTRATION
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**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Partial Fulfillment of the Requirements for the Doctor of Business
Administration**

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ABSTRACT

Small and medium enterprises (SME) play a huge role towards the economic performance of countries all over the world. In Malaysia, the SMEs play a major role as well in steering the development of the country. However, the organizational performance of Malaysian SME is still considered weak and has not been realized to its full potential. To improve the organizational performance, SMEs have to adopt and adapt best industry business practices that could assist them in becoming more competitive. Previous studies have examine the predictors of organizational performance, however little has been done in examining the relationship of social entrepreneurial behaviour and entrepreneurial leadership towards organizational performance as a cohesive framework. Therefore, this study examines the mediating effect of entrepreneurial leadership between social entrepreneurial behaviour and organizational performance of SMEs in Malaysia. Respondents were chosen by systematic random sampling and 401 respondents participated in this study. This study uses structural equation modelling for analysis and the findings show that entrepreneurial leadership mediates the relationship between social entrepreneurial behaviour and organizational performance. Based on the result, the best path to achieve organizational performance is by following the mediating path. Both entrepreneurial leadership and social entrepreneurial behaviour are considered new and in their infancy stage. As a result, this study fills the literature gap in the particular fields. In addition, this study provides empirical evidence on the relationship between the constructs, it is able to contribute practically towards the leaders of the organizations as they will understand better the role of social entrepreneurial behaviour and entrepreneurial leadership towards its organizational performance. Future research could venture into studying the effect of social entrepreneurship activities towards SME's performance. There is a huge literature gap in assessing the effect of social entrepreneurship activities within organization as there is a dearth of reliable and valid instrument.

Keywords: Social entrepreneurial behaviour, entrepreneurial leadership, organizational performance, SME, Malaysia.

ABSTRAK

Perusahaan kecil dan sederhana (PKS) memainkan peranan yang besar terhadap prestasi ekonomi negara-negara di seluruh dunia. Di Malaysia, PKS memainkan peranan utama dalam memacu pembangunan negara. Walau bagaimanapun, prestasi organisasi PKS Malaysia masih dianggap lemah dan tidak mencapai potensi sepenuhnya. Untuk meningkatkan prestasi organisasi, PKS di Malaysia perlu mengguna pakai serta menyesuaikan amalan perniagaan terbaik yang boleh membantu mereka untuk meningkatkan daya saing. Banyak kajian lepas memeriksa peramal prestasi organisasi, namun tidak banyak yang dilakukan dalam mengkaji hubungan ciri-ciri keusahawanan sosial dan kepimpinan keusahawanan terhadap prestasi organisasi di dalam satu rangka kerja. Oleh itu, kajian ini mengkaji kesan mediasi kepimpinan keusahawanan antara tingkah laku keusahawanan sosial dan prestasi organisasi PKS di Malaysia. Responden adalah pemilik PKS di Malaysia. 401 borang kaji selidik yang boleh digunakan diperolehi melalui kaedah persampelan rawak sistematik. Model Persamaan Struktural (SEM) telah digunakan untuk analisis. Dapatan kajian menunjukkan bahawa terdapat hubungan mediasi oleh kepimpinan keusahawanan antara tingkah laku keusahawanan sosial dan prestasi organisasi. Berdasarkan keputusan, cara yang terbaik untuk mencapai prestasi organisasi adalah dengan melalui mediasi kepimpinan keusahawanan dari tingkah laku keusahawanan sosial. Kedua-dua kepimpinan keusahawanan dan tingkah laku keusahawanan sosial dianggap topik baru dan di peringkat awal di bidang masing-masing. Oleh itu, kajian ini mengisi jurang kesusasteraan dalam bidang tersebut. Di samping itu, kajian ini memberikan bukti empirikal mengenai hubungan antara konstruk dan ia mampu menyumbang secara praktikal ke arah pemimpin-pemimpin organisasi kerana mereka akan lebih memahami peranan tingkah laku keusahawanan sosial dan kepimpinan keusahawanan ke arah prestasi organisasinya. Kajian masa depan boleh mencuba untuk mengkaji kesan aktiviti keusahawanan sosial terhadap prestasi PKS. Terdapat jurang sastera yang besar dalam menilai kesan aktiviti keusahawanan sosial dalam organisasi kerana terdapat kekurangan instrumen dipercayai dan sah.

Kata kunci: Ciri-ciri keusahawanan sosial, kepimpinan keusahawanan, prestasi organisasi, PKS, Malaysia.

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LIST OF ABBREVIATION/GLOSSARY TERMS

| | |
|---------|-------------------------------------------------------------------------------------------|
| CSR | Corporate Social Responsibility |
| DNA | The set of non-genetic traits, qualities, or features that characterize a person or thing |
| EL | Entrepreneurial Leadership |
| GDP | Gross Domestic Product |
| GLOBE | Global Leadership and Organizational Behaviour Effectiveness |
| GST | Goods and Service Tax |
| NGO | Non-Governmental Organization |
| NSDC | National SME Development Council |
| OP | Organizational Performance |
| SE | Social Entrepreneurship |
| SEB | Social Entrepreneurial Behaviour |
| SME | Small and Medium Enterprises |
| SMECorp | SME Corporation Malaysia |
| SPSS | Statistical Package for the Social Sciences |



CHAPTER 1

INTRODUCTION

1.0 Introduction

The first chapter of this thesis offers an overview of the study. This chapter is divided into nine sections. Firstly it discusses on the background of the study and followed by problem statement. These two sections discuss on the scenario as well as problems and how those aspects lead to this study. Next, the research questions and research objectives are listed. Subsequently, the scope of the study and significance of the study are discussed. These sections focus on scope of the study as well as the implication and contribution it may provide in the academic along with practical world. Then, the definition of variables is discussed, followed by the assumption of the study and lastly organization of the study.

1.1 Background of the Study

It is a well-known fact that the small and medium enterprises (SME) play a huge role towards the economic performance of countries all over the world (Aziz & Mahmood, 2011) and they wield a powerful influence in on the world economy (Ghobadian & Gallear, 1996; Ladzani & Van, 2002). SMEs are important in a nation's economy as they have been the source of employment creation (Ghobadian & Gallear, 1996; Ladzani & Van, 2002), sustaining technological lead in the market place (Bovee et al., 2007), creating new ideas as well as providing dynamism to the market place (Griffin & Ebert, 2006). Habaradas (2008) argued that SMEs contribute to the development of nations by (i) addressing poverty by creating jobs and

increasing income, (ii) dispersing economic activities in the rural areas, and provides broad-based sources of growth, (iii) serving as suppliers and providers of support services for large organizations, (iv) stimulating entrepreneurial skills among the populations, and (v) acting as incubators for developing enterprises into large firms.

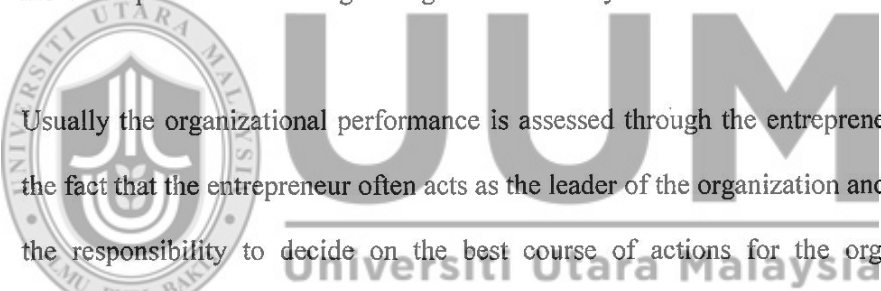
In Malaysia, the SMEs play a major role as well in steering the development of the country. Malaysian SMEs have been considered as the main player of economic growth in driving industrial development (Normah, 2007), as well as the backbone of the nation (StarBiz, 2009). Thus, SMEs in Malaysia continue to remain significant in the country's economy and their importance is even more significant as Malaysia moves towards realizing the objective of becoming the developed country status by the year 2020 (SMEE Corp, 2014).

However, the organizational performance of Malaysian SME is still considered weak and has not been realized to its full potential. Its contribution to the Malaysia's GDP is relatively small compared to that of SMEs in other countries (Nambiar, 2009). Murjan and Salleh (2012) highlighted that Malaysian SMEs only contributed 31% to the nation's GDP while other nation's SME contributed as much as 53% in Germany, 53% in Japan, and 51% in the United Kingdom. They added that, in fact, when compared to the neighbouring countries, Malaysia's SMEs contribution to GDP is far lower; Singapore and Thailand contributed 49% percent and 38% respectively.

In addition to that, the failure rate of SMEs is extremely high. Organizations may fail at different stages. Some of the firms fail in their early stages while others fail after a

few years later of their establishment (Ladzani & Vuuren, 2002). Aziz and Mahmood, (2011) mentioned that 25% of small enterprises fail within two years, and 63% fail within six years. It was also reported that this similar rate of failure occurred in the UK, the Netherlands, Ireland, Japan, and Hong Kong (Aziz & Mahmood, 2011). Similarly, in Malaysia, the failure rate among SMEs was as high as 60% (Ahmad & Seet, 2009), and this figure is considered quite upsetting (Jamaludin & Hasun, 2007).

To improve the organizational performance, the SMEs in Malaysia need to realize their full potential and seize any opportunities to improvise themselves. The SMEs have to adopt best industry business practices that could assist them in becoming more competitive and having an edge in the industry.



Usually the organizational performance is assessed through the entrepreneur due to the fact that the entrepreneur often acts as the leader of the organization and shoulder the responsibility to decide on the best course of actions for the organization. Therefore, the entrepreneur might need a certain amount of competencies and capabilities to guide the organization to achieve the common objectives. Many researchers have done various studies to understand better the factors that may contribute to the organizational performance from the perspective of the entrepreneur and business owner. A few new and intriguing factors have emerged such as social entrepreneurial behaviour and entrepreneurial leadership.

Social entrepreneurship is picking up its place in Malaysia. The acceptance and awareness is growing steadily in the country. In the recent International Conference

of Young Leaders in March 2015, the Prime Minister of Malaysia, Dato Seri Najib Razak has stressed the importance of leaders of organizations to have the social entrepreneurship spirit to help the country achieving its mission as a developed country (Razak, 2015) and the Minister of Youth and Sports, Khairy Jamaluddin concurred by stressing the need to build the DNA of social entrepreneurship among the leaders of organization (Jamaluddin, 2015). In relation to the urges by the policymakers, interestingly few researchers have suggested that social entrepreneurial behaviour of an entrepreneur may contribute to organizational performance. Gandy (2012) reported in his empirical study that there is relationship between social entrepreneurial behaviour of organization leaders with organizational performance. In addition, Mohtar and Rahim (2014) illustrated the relationship of social entrepreneurial behaviour with organizational performance in their conceptual paper.

On the other hand, there is a new term for leadership that has been introduced by the researchers called entrepreneurial leadership, which is used to explain both the entrepreneurial and the leadership aspects (Ireland & Hitt, 1999; McGrath & MacMillan 2000; Meyer & Heppard, 2000). The term entrepreneurial leadership was introduced to accommodate the demand of a leader in the business organization that has entrepreneurial behavior and competencies. Many researchers have pointed the importance of organization leaders of having entrepreneurial leadership in this challenging business situation (Kuratko & Hornsby, 1996; Hisrich & Gratchev, 1996; Bolin, 1997; Swihart, 2002; Gupta et al., 2004).

Unfortunately, empirical studies on the impact of social entrepreneurial behaviour and entrepreneurial leadership towards organizational performance among SMEs, particularly in the Malaysian context have been less than encouraging. Therefore, empirical work is needed to overcome this shortcoming. For that reason, this study aims to fill the particular need and fill the literature gap.

1.2 Problem Statement

The literature acknowledges that the study of organizational performance is an *integral part* for businesses and organizations. A recent body of work implies that social entrepreneurial behaviour and entrepreneurial leadership of the organizational leaders may affect organizational performance. However, social entrepreneurial behaviour studies are mostly done in the non-profit sector with the mindset that social entrepreneurship is exclusively for the non-profit organization. Furthermore, literature has suggested that both social entrepreneurship and entrepreneurial leadership studies are considered as new fields and in need of more discussion, literature and empirical studies. Most of the previous studies focused on the individual effect of either social entrepreneurial behaviour or entrepreneurial leadership construct on organizational performance. Little has examined these variables as a cohesive framework. Therefore this study will examine the relationship between social entrepreneurial behaviour, entrepreneurial leadership and organizational performance. The key purpose of the study is to see if by having entrepreneurial leadership, it mediates the relationship between social entrepreneurial behaviour and organizational performance of SMEs in Malaysia.

1.3 Research Questions

The research questions for this study are:

1. Does social entrepreneurial behaviour has significant relationship with organizational performance?
2. Does social entrepreneurial behaviour has significant relationship with entrepreneurial leadership?
3. Does entrepreneurial leadership has significant relationship with organizational performance?
4. Does entrepreneurial leadership mediates the relationship between social entrepreneurial behaviour and organizational performance?

1.4 Research Objectives

The research objectives for this study are:

1. To examine the relationship of social entrepreneurial behaviour towards organizational performance.
2. To examine the relationship of social entrepreneurial behaviour towards entrepreneurial leadership.
3. To examine the relationship of entrepreneurial leadership towards organizational performance.
4. To examine the mediating effect of entrepreneurial leadership on social entrepreneurial behaviour and organizational performance.

1.5 Scope of the Study

This study includes only the SMEs in Malaysia. Total of 645,136 Malaysian SMEs are the chosen population. The SMEs will be represented by manufacturing and

service sector nationwide. The entrepreneur as the business leaders will be the respondents for this study. It aims on examining the effect of social entrepreneurial behavior towards organizational performance and whether entrepreneurial leadership mediates the relationship between social entrepreneurial behavior and organizational performance of small and medium enterprises (SME) in Malaysia.

1.6 Significance of the Study

The study is intended to contribute new knowledge to the field by examining the relationship between social entrepreneurial behaviour, entrepreneurial leadership and organizational performance. To date, there is little research has been done on this framework. The lack of research is primarily due the fact that both social entrepreneurial behaviour as well as entrepreneurial leadership are considered as relatively new field and due to the dearth of instruments available to measure both. Most of the previous studies focused on the individual effect of either social entrepreneurial behaviour or entrepreneurial leadership construct on organizational performance. Thus, this study will contribute to the literature and practical fields significantly as it made the effort to study the constructs cohesively.

1.6.1 Theoretical Contribution

This study is contributes theoretically in terms of:

1. Contributes to the social entrepreneurial behaviour literature and provides empirical study in terms of its effect on organizational performance which is lacking in the field, even more so in terms of

SMEs as mostly being studied extensively on non-profit sector and large corporations.

2. Provides an empirical study on the effect of entrepreneurial leadership towards organizational performance. Entrepreneurial leadership is lacking in empirical study especially in terms of its effect on organizational performance.
3. This study will contribute to the existing theory by integrating social entrepreneurial behaviour, entrepreneurial leadership and organizational performance.

1.6.2 Practical Contribution

The results of this study will provide insights into how social entrepreneurial behaviour and entrepreneurial leadership may affect organizational performance. The results would be significant for SME leaders as they seek to link practices and outcomes. This empirical study will be able to contribute practically by understanding what business consequences are expected from increasing the level of social entrepreneurial behaviour, and how entrepreneurial leadership influence the relationship between social entrepreneurship and organizational performance.

SME leaders will understand better the role of social entrepreneurial behaviour and entrepreneurial leadership towards its organizational performance. This could lead towards changes of business practice and leadership style in making effort to increase the level of performance.

1.7 Definitions of Variables

For the purposes of this research study, the following terms will be utilized as follows:

1.7.1 Social Entrepreneurial Behaviour

Social entrepreneurial behavior is considered as a set of entrepreneurial characteristic that resides within an entrepreneur that may lead to social entrepreneurship activities. It is behaviour within an entrepreneur regardless of its business inclination; non-profit or profit sector. Social entrepreneurial behavior is deemed as a leader with risk-taking, innovativeness and pro activeness characteristics.

1.7.2 Entrepreneurial Leadership

Entrepreneurial leader is a person with the ability to innovate, accept risk, shoulder personal responsibility and exhibit economic orientation. Entrepreneurial leadership is a concept that exhibit visionary scenarios which are applied to gather and marshal a group of followers and associated with coming out with concepts and ideas that were generated from problems. They usually have certain characteristics such as framing challenges, absorbing uncertainties, path clearing skill, able to build commitments and specifying limits ability.

1.7.3 Organizational Performance

Organizational performance is the actual output or results of an organization as measured against its intended goals and objectives. In basic terms, organizational performance is defined as the ability of an organization to effectively accomplish its goals and objectives.

1.8 Assumptions

It is very important to outline the assumptions of the study as the ideal situations for such studies do not exist except in controlled environments. Thus the followings are the assumptions of the study:

1. The instruments in this study actually measure the social entrepreneurial behaviour, entrepreneurial leadership and organizational performance as they are intended to do.
2. The respondents answered honestly and accurately.
3. The respondents are able to represent the intended population of SMEs.

1.9 Organization of the Study

This study is organized into six chapters:

Chapter One: INTRODUCTION

This chapter starts with the background of study based on the scenario in Malaysia. The researcher defines the terminology and describes the problem statement in the field of social entrepreneurship behaviour, entrepreneurial leadership and organizational performance. Research questions and research objectives are presented in this chapter as well as the definition of each variable.

Chapter Two: LITERATURE REVIEW

Chapter Two provides a deeper understanding of the literature concerning social entrepreneurship behaviour, entrepreneurial leadership and organizational performance. In addition, SMEs were discussed as they are the target respondents for

this study. The concepts derived from this section and literature gap were discussed at length.

Chapter Three: RESEARCH DESIGN AND METHODOLOGY

This chapter describes the research objectives and questions posed in the study. A research model is developed along with the hypotheses that are guided by the research questions. The chapter elaborates in detail the research design, methodology and sampling used in this study.

Chapter Four: DATA ANALYSIS AND FINDINGS

This chapter synthesizes the data gathered from the study in which the preliminary model is developed. The data analysis process is done comprehensively using SPSS and SEM. The findings of the hypotheses testing are presented.

Chapter Five: RESEARCH FINDINGS AND DISCUSSION

This chapter discusses the findings of the study. The findings of the hypotheses are deliberated. The research questions is revisited and addressed to serve the aim of the study.

Chapter Six: CONCLUSIONS AND RECOMMENDATIONS

This chapter concludes the study and discussions from previous chapters. Limitations and future research are discussed. The implications of this study are highlighted and recommendations for practitioners and academics are discussed.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This study focuses on the relationship between social entrepreneurial behaviour as the independent variable, entrepreneurial leadership as the mediating variable and organizational performance as the dependent variable. Hence, this chapter provides a comprehensive overview and discussion on the related literature.

An overview of why this study should be conducted based on the literature gap is analyzed. This chapter will also describe the chosen sample for study, the Small and Medium Enterprises in Malaysia.

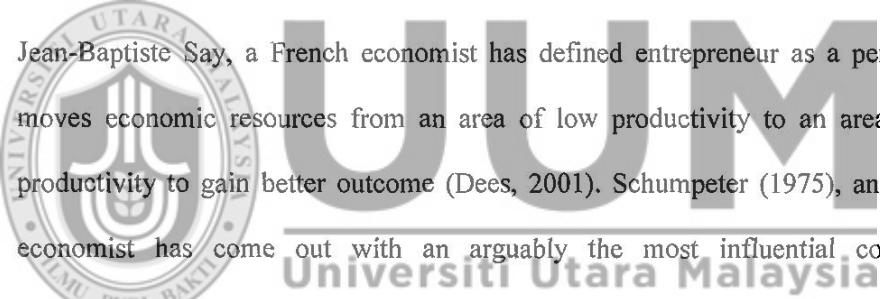
This chapter will discuss on (1) entrepreneurship (2) social entrepreneurship (3) social entrepreneurial behaviour, (4) leadership (5) entrepreneurial leadership (6) organizational performance, followed by the descriptions of (7) Small and Medium Enterprises in Malaysia, (8) underpinning theory, (9) the literature gap and finally the (10) summary of the chapter.

2.1 Entrepreneurship

Any discussion and analysis on social entrepreneurship should start with an overview of entrepreneurship. By merging the word social and entrepreneurship, it simply embedded a social cause towards entrepreneurship that we already understood. Helm (2007) argued that social entrepreneurship is a concept extended from the

entrepreneurship model that has been applied in the profit sector. Therefore, a theoretical understanding of social entrepreneurship must be inseparable from entrepreneurship theory.

The most common understanding of entrepreneurship is an activity that involves business venture creation (Dees, 2001). Venkataraman (1997) defined entrepreneurship as the discovery, evaluation, and utilization of future goods and services. Then Shane (2003) extended the definition by defining entrepreneurship as an activity that focuses on the discovery, evaluation and exploitation of opportunities to produce new goods and services which involve organizing effort in terms of raw materials, processes and markets that previously had not existed.



Jean-Baptiste Say, a French economist has defined entrepreneur as a person who moves economic resources from an area of low productivity to an area of high productivity to gain better outcome (Dees, 2001). Schumpeter (1975), an Austrian economist has come out with an arguably the most influential concept of entrepreneurship. He describes entrepreneur as the force that drives economic progress. Without an entrepreneur, economies would become static, structurally immobilized, and subject to decay. He further described that an entrepreneur will use the resources in terms of a material, product or service to start a venture that will start a motion of chain reaction that motivates the other entrepreneurs to innovate to the point of creative destruction, a condition that the new venture sets off by effectively replacing existing products, service or business that will be obsolete. He sees that an entrepreneur as an agent of change in the economy.

On the other hand, Peter Drucker opted to differ as he does not perceive entrepreneur as the agent of change, but instead as an exploiter of change (Drucker, 1995). He believes that an entrepreneur constantly explore for changes, actively responds to the changes and exploits them as opportunities. Many scholars has associated entrepreneur with the ability of alertness towards opportunity. Martin and Osberg (2007) discussed that regardless of how previous scholars defined entrepreneur as an innovator or exploiter, theorist worldwide agreed upon a common definition that associate entrepreneur with opportunity. They added that entrepreneurs are further associated with certain abilities such as having an extraordinary capacity to identify and seize upon new opportunities, the strong desire to pursue the opportunities and the ability to shoulder the inherent risks.

Rahim and Mohtar (2015) operationalized the definition of entrepreneur as “an innovator that creates and exploits opportunity, consequently creating value and change towards the economy and society” (p.10).



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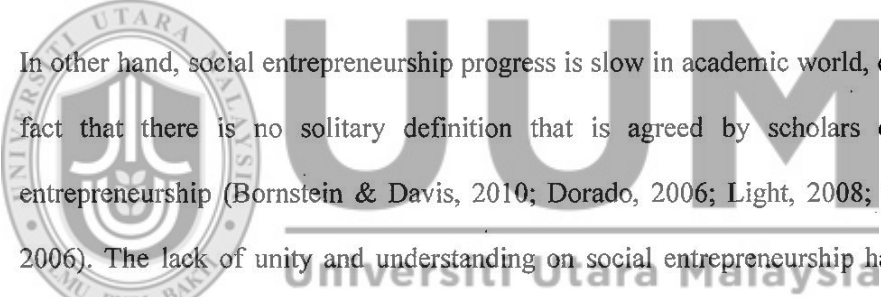
Based on the overview of the theoretical base, it can be said that entrepreneurship describes a situation of which an opportunity arises and identified and pursued by a person with entrepreneurial skills that resulted on the creation of business venture towards achieving a particular outcome.

2.2 Social Entrepreneurship

Social entrepreneurship is a subcategory of a bigger field called entrepreneurship. Entrepreneurship is a well-developed field that has a long history, both practically

and theoretically. However, social entrepreneurship is considered relatively opposite (Rahim & Lajin, 2014). Social entrepreneurship is a relatively young term and very much pursued in the business world, nonetheless it is still considered as a concept at its infancy stage in academic arena (Johnson, 2002; Roberts & Woods, 2005).

In business world, the rise of social entrepreneurship signals the realization on the need for social change and how it has a positive long-lasting impact on transformational benefit to society. The popularity was gained due to the appeal of social entrepreneurs on their selfless stories. The reasons on why they are doing it and how they achieved, has created interest in the practical world (Martin & Osberg, 2007).



In other hand, social entrepreneurship progress is slow in academic world, due to the fact that there is no solitary definition that is agreed by scholars on social entrepreneurship (Bornstein & Davis, 2010; Dorado, 2006; Light, 2008; Sherman, 2006). The lack of unity and understanding on social entrepreneurship has caused limited progression in this field of research (Helm, 2007). Although the benefits that are being presented by social entrepreneurship are understood by many as there a huge number of people promoting and funding the cause, however the actual definition of social entrepreneurship today is far from clear (Martin & Osberg, 2007). Table 2.1 discusses the major social entrepreneurship definitions.

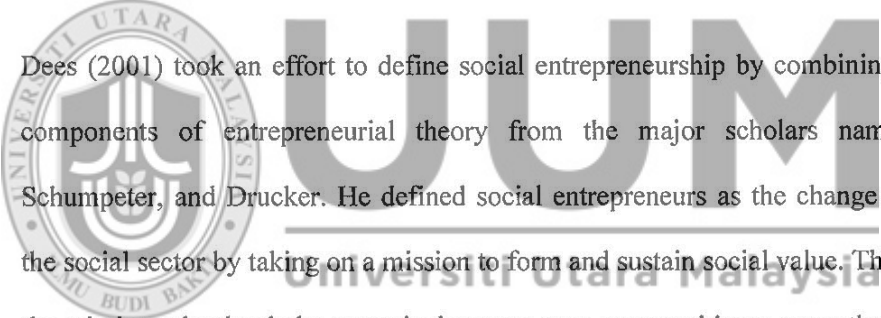
Table 2.1:
Social Entrepreneurship Definitions

| Year | Author | Definition |
|------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2000 | Fowler | Social entrepreneurship is the creation of viable economic structures, relations, institutions, organizations and practices that yield and sustain social benefits |
| 2001 | Dees | Play the role of change agent by: 1) Adopting a mission to create and sustain social value, 2) recognizing and relentlessly pursuing new opportunities to serve that mission, 3) engaging in a process of continuous innovation, adaptation, and learning, 4) acting boldly without being limited by resources currently in hand, and 5) exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created. |
| 2002 | Drayton | The act of deliberate and intentional inclusion of entrepreneurial strategies and theories in the quest of social change. |
| 2004 | Alvord, Brown and Letts | Social entrepreneurship that creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformation. |
| 2006 | Hartigan | Social entrepreneurship objective is to achieve a progressive social transformation. |
| | Austin, Stevenson and Wei-Skillern | Social entrepreneurship is innovative, social value creating activity that can occur within or across the non-profit, business or government sectors. |
| | Mair and Marti | Social entrepreneurship is a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs. |
| | Peredo and Mclean | Some person or group: 1) aims at creating social value, 2) shows capacity to recognize and take advantage of opportunities to create the value, 3) employs innovation in creating or distributing social value, 4) willing to accept above average risk in creating and disseminating social value, and 5) unusually resourceful in being relatively undaunted by scarce assets in pursuing social causes. |
| | Sharir and Lerner | Applying business strategies for the purpose of more effective confrontation with complex social problems. |
| 2007 | Helm | Social entrepreneurship consists of risk taking, innovativeness and pro-activeness |
| 2009 | Zahra et al. | Social entrepreneurship encompasses the activities and processes to discover, define and exploit opportunities to enhance social wealth by starting a new venture or managing an existing one, in an innovative manner. |
| 2012 | Santos | Creates value for the benefit of society, while commercially-driven ventures appropriate value for the benefit of a certain group of individuals |
| 2015 | Rahim and Mohtar | An entrepreneur that has the entrepreneurial characteristics and leading an organization with a social mission, regardless of whether it is a non-profit organization or hybrid organization |

Source: Compiled by author

Social entrepreneurship was introduced by William Drayton, a MacArthur Fellow (Barendsen & Gardner, 2004). In 1980, Drayton founded a global organization called Ashoka which identifies and invests on foremost social entrepreneurs with system changing solutions for the world's most urgent social problems (Gandy, 2012). During that period, the social sector begins to discover that entrepreneurship and the entrepreneurial concepts could be applied in that field as well.

Social entrepreneurship objective is to achieve a progressive social transformation. (Hartigan, 2006). Drayton (2002) defined social entrepreneurship as the act of deliberate and intentional inclusion of entrepreneurial strategies and theories in the quest of social change.



Dees (2001) took an effort to define social entrepreneurship by combining the key components of entrepreneurial theory from the major scholars namely Say, Schumpeter, and Drucker. He defined social entrepreneurs as the change agents in the social sector by taking on a mission to form and sustain social value. They pursue the mission relentlessly by proactively act on new opportunities to serve that mission. They engage in a process of continuous innovation, adaptation, and learning as well as acting boldly without being limited by resources currently in hand and exhibiting heightened accountability to the constituencies served and for the outcomes created.

Social entrepreneurship has been categorized into at least four different approaches (Gandy, 2012) with two primary structures, either a for-profit or not-for-profit entity (Kistruck & Beamish, 2010; Rahim & Mohtar, 2015).

The first approach of social entrepreneurship is defined as social sector that has the solid leadership techniques and ideas in order to transform marginal organizations into an effective one. While the social mission remains the same, social enterprises have taken this approach focusing on improving the effectiveness and efficiency (Dees, 2001; Shane, 2003; Sherman, 2006). Evidence to this approach is the fact that there are many social organizations that have begun to have very competitive compensation packages in order to attract managers and leaders from the business sector (Barendsen & Gardner, 2004; Capell, 2005; Dees, 2001; Farruggia, 2007). Robert and Woods (2005) believed that social entrepreneurs may use the same tools and language of business, however their goals and objectives are different from those with commercial intent. For social entrepreneurs, the social mission is the goal, not wealth creation as wealth is simply a tool or means to an end (Dees, 2001). Dees (2001) and Shane (2003) argued that social entrepreneurship focuses on the mission to create social value as that is the criteria that distinguishes social entrepreneurs from business entrepreneurs. This approach is very similar to social business that was defined by Nobel Peace Prize laureate Prof. Muhammad Yunus. He described social business as doing philanthropic services and profit is less important compared to the beneficial effects it has on society (Yunus,2009)

The second approach involves social organizations that develop profit ventures to supplement the donations that they received. Usually this type of approach will seek for profit realizing opportunities to fund their overall mission. This type of approach has been categorized as a hybrid not-for-profit model as the entrepreneur sets up a social benefit organization that has a certain degree of cost recovery through the sale of goods and services (Hartigan, 2006).

The third approach is called the corporate social responsibility (CSR). CSR is considered as possible social entrepreneurship as many authors and academic writers believed so and use the term social entrepreneurship and CSR interchangeably (Gandy, 2012). This happened due to the recent increased attention given to social entrepreneurship and the business world has felt the need to be a part of it and to show its responsibility towards the social issues. Porter and Kramer (2006) mentioned that authors have identified a trend of socially responsible organizations. They added that activists, governments and the media are all holding organizations accountable for the impact they have on society.

The last approach is considered as the latest phenomenon that has been developed within the social entrepreneurship literature, and commonly referred as social enterprise, social venture, hybrid organization or double bottom-line organization (Dorado, 2006; Townsend & Hart, 2008; Rahim & Mohtar, 2015). This category has seen profit oriented organizations blend business and social goals (Dees, 1998; Dorado, 2006; Townsend & Hart, 2008; Rahim & Mohtar, 2015). This approach is defined as an entrepreneurial venture that strives to achieve measurable social and financial outcomes (Clark et al., 2004). Dorado (2006) as well as Rahim and Mohtar (2015) discussed that by this approach, it illustrates that there is a possibility of doing good while also doing well financially. This approach is included as a part of social entrepreneurship with the argument of while the organization generate profit for maximization of wealth for the stakeholders, it simultaneously expanding the social venture to reach more people in need as well (Hartigan, 2006). This approach is usually been adopted by business entrepreneurs with the internal motivation for social causes (Townsend & Hart, 2008).

Some may argue that the most popular assumption of social entrepreneurship would be the first approach however there are a number of scholars that expressed concerns on the limited view of social entrepreneurship that is believed to be exclusively for non-profit organizations only. Calls for critical reflections to open social entrepreneurship towards different perspectives have been made in order to provide some challenge to the dominant view on social entrepreneurship (Bull, 2008).

Light (2008) discussed the emerging definitions of social entrepreneurship that is either *exclusive* which considers only non-profit organizations and exclude profit-oriented organizations or *inclusive* which has broader meaning that include more individuals, ideas, opportunities, and organizations into the frame. Perrini (2006) argued that categorization of social entrepreneurship as exclusively for non-profit organizations as *limited* view while social entrepreneurship as a concept of organizations striving to enhance their sustainability by generating more revenue as the *extended* view.

Swanson and Zhang (2010) are scholars who believe that social entrepreneurship as possible in for-profit businesses. They created a model that illustrates how an organization could legitimately pursue two separate objectives in terms of profit and social cause.

Nicholls (2005) argued that all organizations that ranges from social organizations to profit oriented businesses with a social mission can exhibit social entrepreneurship. This is not a surprise as social entrepreneurship is a combination of social and entrepreneurship concepts. This hybrid term combines the entrepreneurship

characteristics that have the economic sustainability features of traditional profit oriented organizations with the social change objectives that characterize many non-profit organization, government agencies, and social service providers (Boschee, 2008; Perrini, 2006; Mort et. al., 2003; Swanson & Zhang, 2010).

Rahim & Mohtar (2015) suggested a model of extended social entrepreneurship by dividing social entrepreneurship into non-profit and hybrid. The former consists of traditional NGO while the latter is further divided into social hybrid and economy hybrid. The social hybrid and economy hybrid are organizations that have both social and financial goals, however they are differentiated by their primary goals, either social or economy.

Therefore, this study will focus on the *extended* and *inclusive* views of social entrepreneurship that believe social entrepreneurship could and should include profit oriented organizations with social mission. By doing this, it will encourages profit-oriented organizations to be socially responsible and share the responsibility of solving the social issues hand-in-hand with the social benefit organizations.

Nevertheless, the lacking of agreed definition of social entrepreneurship (Harding, 2004; Hartigan, 2006; Roberts & Woods, 2005; Sherman, 2006), does not stop the understanding and agreed purpose of social entrepreneurship which seek positive social change (Light, 2008).

2.3 Social Entrepreneurial Behaviour

It is currently a phenomenon that profit sector tends to venture into social entrepreneurship and creating a more just and sustainable environment. The reason behind the social entrepreneurship activities may varies between the entrepreneur and the company; however it is a fact that the many of the organization leaders have the social entrepreneurial behaviour. Although research on social entrepreneurial behaviour is still scarce, anecdotal evidence suggests a few distinguishing traits and skills.

Boschee (1998) considers candour, passion, clarity of purpose, commitment, courage, values, customer focus, willingness to plan, ability to think like business, strategy, and flexibility, as the social entrepreneurial behaviours. Prabhu (1999) defined social entrepreneurial behaviour as behaviour of an ordinary people doing extraordinary things. Thompson et al. (2000) suggested that vision, fortitude, leadership, confidence and innovativeness are necessary traits of social entrepreneurial behaviour. Drayton (2002) describes social entrepreneurial behaviour as creative behaviour with powerful new, system change idea and ability to recognize opportunities. While Llewellyn et al. (2000) defined social entrepreneurial behaviour as good leadership characteristics and the leader is expected to have a strategic leadership mindset.

Social entrepreneurial behaviour is a creative behaviour with powerful new, system change idea and ability to recognize opportunities (Thompson et al., 2000) and as a collaborative leadership style, a long-term community-oriented motivation, a teamwork capability (Morse & Dudley 2002).

Table 2.2 summarized the social entrepreneurial behaviour definitions that have been contributed by various researchers.

Table 2.2:
Social Entrepreneurial Behaviour Definitions

| Year | Author | Contribution |
|------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1998 | Boschee | Social entrepreneurial behaviour consists of candour, passion, clarity of purpose, commitment, courage, values, customer focus, willingness to plan, ability to think like business, strategy, and flexibility. |
| 1999 | Prabhu | Social entrepreneurial behaviour is behaviour of an ordinary people doing extraordinary things. |
| 2000 | Thompson et al. | Suggested that vision, fortitude, leadership, confidence and innovativeness are necessary traits of social entrepreneurial behaviour. |
| | Llewellyn et al. | Social entrepreneurial behaviour include good leadership characteristics and expected to have a strategic leadership mindset |
| 2002 | Drayton | Social entrepreneurial behaviour is a creative behaviour with powerful new, system change idea and ability to recognize opportunities. |
| | Morse and Dudley | Social entrepreneurial behaviour is considered as a collaborative leadership style, a long-term community-oriented motivation, a teamwork capability |
| 2004 | Barendson and Gardner | Listed energetic, persistent, confident and perseverance as social entrepreneurial behaviour. |
| 2006 | Mair and Noboa | Empathy, moral judgment, self-efficacy and social networking skills are the key social entrepreneurial behaviour |
| 2007 | Helm | Social entrepreneurial behaviour consists of risk taking, innovativeness and pro-activeness |
| 2010 | Nga and Shamuganathan | Proposed five dimensions of social entrepreneurial behaviour, which are social vision, appreciation for sustainable practices, innovation capacity, ability to develop social networks and ability to generate financial returns. |
| 2011 | Kumbul and Kicir | Social entrepreneurial behaviour consists of creativity, internal locus of control and self-efficacy. |

Source: Compiled by author

Barendson and Gardner (2004) listed energetic, persistent, confident and perseverance as social entrepreneurial behaviour whereas Mair and Noboa (2006) suggested that empathy, moral judgment, self-efficacy and social networking skills are the key social entrepreneurial behaviour. Helm (2007) regards a person with social entrepreneurial behaviour as an individual who has innovativeness, risk taking and pro activeness behaviour.

In 2010, Nga and Shamuganathan proposed five dimensions of social entrepreneurial behaviour, which are social vision, appreciation for sustainable practices, innovation capacity, ability to develop social networks and ability to generate financial returns. Finally Kumbul and Kicir (2011) consider social entrepreneurial behaviour as creativity, internal locus of control and self-efficacy.

If we look upon the behavioural characteristics that have been discussed, social entrepreneurial behaviour may not be exclusive to social entrepreneurs but may equally apply to for profit entrepreneurial behaviour (Youssry, 2007). Dees (1998) concurred by wishing that more social entrepreneurial behaviour is presented in both social and profit sector.

In relation to the social entrepreneurial behaviour in profit sector, in 2014, an article has been published listing the top American companies who engaged in social entrepreneurship with the highest amount comes from Walmart with \$312 million (O'Neill, 2014). The total amount of money invested for social causes from the top five companies amounted to nearly \$1.4 billion (Table 2.3). It is notable that these companies are commercial companies with profit as their main objectives.

Table 2.3:
Top American's Company engaging in Social Entrepreneurship

| No | Companies | Details |
|----|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Walmart | Total cash spent on SE: \$311,607,280 Priorities: <ul style="list-style-type: none"> • Food Security • Environmental sustainability • Women's Issues • Community Development |
| 2 | Wells Fargo & Company | Total cash spent on SE: \$275,478,175 Priorities: <ul style="list-style-type: none"> • Homeownership and Small Businesses • Environmental sustainability • Education Initiatives • Affordable Housing |
| 3 | Chevron Corporation | Total cash spent on SE: \$274,348,743 Priorities: <ul style="list-style-type: none"> • Public Health • Community Development • Education Initiatives |
| 4 | Goldman Sachs Group | Total cash spent on SE: \$262,580,983 Priorities: <ul style="list-style-type: none"> • Veterans • Education Initiatives |
| 5 | ExxonMobil Corporation | Total cash spent on SE: \$227,487,934 Priorities: <ul style="list-style-type: none"> • Math and Science Education • Women's Issues • Public Health • Education Initiatives |

SE=Social entrepreneurship

Source: Compiled by author

In local context, Malaysian entrepreneurs and companies are doing their part in pursuing social entrepreneurship. Koppisch (2014) wrote an article in July 2014 issue of Forbes Asia and listed the 48 heroes in Asia that is actively engaged in social entrepreneurship. 4 of our local entrepreneurs are listed in the list (Table 2.4).

Table 2.4:
Top Malaysian's Entrepreneurs Engaging in Social Entrepreneurship

| | | |
|---|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Syed Mokhtar Al Bukhari (MMC Corp. and DRB-Hicom) | Total cash spent on SE: \$500,000,000 Priorities: <ul style="list-style-type: none"> • Community Development • Education Initiatives |
| 2 | Tony Fernandes (Air Asia) | Total cash spent on SE: \$2,000,000 Priorities: <ul style="list-style-type: none"> • Community Development |
| 3 | Mina Cheah Foong (Body Shop) | Philanthropic priorities: <ul style="list-style-type: none"> • Religion and Beliefs • Environmental sustainability |
| 4 | Ninian Morgan (MBF Holdings) | Total cash spent on SE: \$15,000,000 Priorities: <ul style="list-style-type: none"> • Community Development • Education Initiatives • Public Health • Religion and Beliefs |

Source: Compiled by author

Based on the discussion, it is essential to understand that though social entrepreneurial behaviour is commonly linked with social entrepreneurs, however it is not exclusively for social entrepreneurs. Most of the behavioural characteristics discussed are the traits of profit-oriented entrepreneurs as well. As the literature suggested, many profit-oriented entrepreneurs and companies are engaged in social entrepreneurship though their main organizational objectives are inclined towards economic objectives rather than social objectives. Therefore, it is important and intriguing at the same time to understand the social entrepreneurial behaviour within the scope of the profit sector.

2.3.1 Helm's Instrument for Social Entrepreneurship Behaviour

Researchers had agreed that there is a dire need for social entrepreneurship assessment. However, the discussion is still continuous not only about what should be measured, but also how it should be measured (Galvin, 2006; Nicholls, 2005). On top of that, researchers that are concerned with the proper assessment and evaluation in social entrepreneurship are looking for the relationship between specific practices with certain impact (Kramer, 2005). Researchers wish for understanding on what behaviour lead to sustainable, pattern-breaking change (Gandy, 2012). Ashoka (2006) discussed that social entrepreneurs creates changes in the societies and there is a need for a proper instrument to show causal relationships between those systemic changes and specific applied practices.

Preferably, the assessment of social entrepreneurship should look upon on the relationship between result and specific practices or behaviours, but current assessment instruments lack this kind of causal linking (Kramer, 2005). Kramer (2005) added that in order to measure different practices, techniques, and opportunities adopted by an organization is by looking whether those particulars actually affect organizational performance. By assessing them, it helps to spread best practices to other organizations, which in turn, generates even greater success.

However, there is no specific assessment instrument that has been developed to measure the effectiveness of social entrepreneurship (Tarsilla, 2009). In other words, there is no assessment instrument exists that able to measure the impact of specific social entrepreneurial practices. In spite of the relative lack of social entrepreneurship assessments and instruments, the interest in social organization

assessment is growing and there has been some creditable effort (Kaplan, 2001; Rojas, 2000). One of them is a measurement developed by Helm (2007).

Helm (2007) developed a conceptualization of social entrepreneurial behaviour that combines innovation, risk-taking, and pro activeness that has been based on the realities of the social sector and existing research in social organizational management, economics, and strategic management (Figure 2.1). Furthermore, based on his theoretical conceptualization of social entrepreneurship, he developed an instrument to measure social entrepreneurial behaviour.

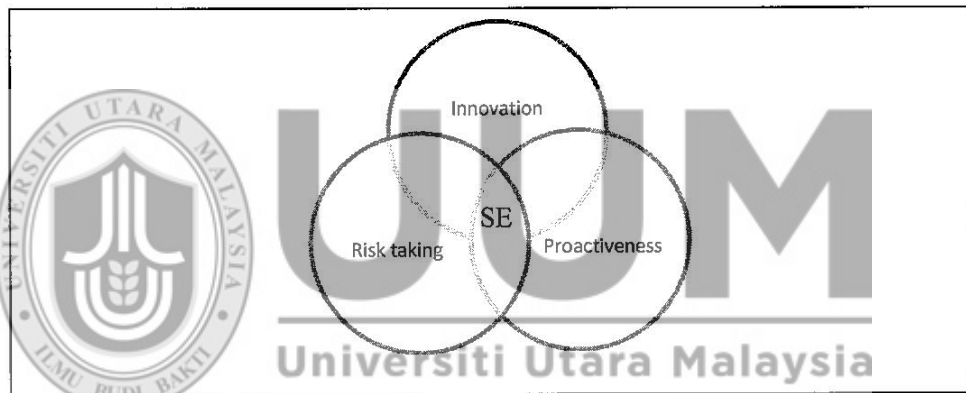


Figure 2.1:
Helm's Theoretical Conceptualization of Social Entrepreneurship

In his study, Helm's (2007) main objective is to develop a conceptualization of social entrepreneurial behaviour that could be measured. Sherman (2006) mentioned that common conceptual themes of social entrepreneurship exist despite of the scattered social entrepreneurship literature. Therefore, Helm (2007) derived the items for his theoretical conceptualization based on the common conceptual themes. For example, Mort et al. (2003) concluded social entrepreneurs are those who "display innovativeness, pro activeness, and risk-taking" (p. 82).

To date, Helm's instrument is the most valid and reliable instrument to measure social entrepreneurial behaviour. Gandy (2012) has used the instrument and proved its reliability and validity empirically in his study of investigating the correlation between social entrepreneurship and non-profit organization's effectiveness.

2.4 Leadership

New organizations are created in abundance every day and creating an acceleration of competition that has brought pressure across the business world. Thus organization needs business leader to steer the organization to the right direction. However, the normal analytical planning is no longer sufficient to create competitive advantage that leads to success as the business world has turned to be too unpredictable (Brown & Eisenhardt, 1998). Thus, planning could not be too conventional (Bettis & Hitt, 1995), instead it need to be more experimental (McGrath, 1997). With the current need of more flexible and experimental leaders, emerged a new concept called entrepreneurial leadership, a notion that synergized the concept of an entrepreneur with leadership characteristics. In order to understand better of the new concept, an overview of leadership literature is being discussed before advancing to the literature of entrepreneurial leadership.

Table 2.5
The Main Leadership Theories and Models

| No | Leadership Theories and Models | Authors |
|-----------|---------------------------------------------------------|----------------------------------------------------------------------------|
| 1 | Great Man Theory | <i>Bowden, 1927</i> |
| 2 | Trait Theory | <i>Bingham, 1927</i> |
| 3 | Leader Dominance Approach | <i>Schenk, 1928</i> |
| 4 | Environment Approach | <i>Hook, 1943</i> |
| 5 | Five Bases of Power Approach | <i>French, 1956; French and Raven, 1959</i> |
| 6 | Emergent Leadership | <i>Hollander, 1958</i> |
| 7 | Reinforced Change Theory | <i>Hollander, 1958</i> |
| 8 | Managerial Grid Model | <i>Bass, 1960</i> |
| 9 | Four-Factor Theory | <i>Blake and Mouton, 1964</i> |
| 10 | Role Attainment Theory | <i>Bowers and Seashore, 1966</i> |
| 11 | Leader Role Theory | <i>Stogdill, 1959</i> |
| 12 | Contingency Theory | <i>Homans, 1959</i> |
| 13 | Theory X and Y | <i>Fiedler, 1964</i> |
| 14 | Situational Theory | <i>McGregor, 1966</i> |
| 15 | Path-Goal Theory | <i>Hersey and Blanchard, 1969; 1977</i> <i>Evans, 1970; House, 1971</i> |
| 16 | Multiple Linkage Model | <i>Yukl, 1971; 1989</i> |
| 17 | Normative Theory | <i>Vroom and Yetton, 1973; Vroom and Jago, 1988</i> |
| 18 | Vertical Dyad Linkage/ Leader Member Exchange Theory | <i>Dansereau et al., 1975</i> |
| 19 | Reciprocal Influence Approach | <i>Greene, 1975</i> |
| 20 | Role-Making Model | <i>Graen and Cashman, 1975</i> |
| 21 | Action Theory of Leadership | <i>Argyris, 1976</i> |
| 22 | Attribution Approach | <i>Pfeffer, 1977</i> |
| 23 | Charismatic Theory | <i>House, 1977</i> |
| 24 | Open-Systems Model | <i>Katz and Kahn, 1978</i> |
| 25 | Leadership Substitute Theory | <i>Kerr and Jermier, 1978</i> |
| 26 | Theory Z | <i>Ouchi and Jaeger, 1978</i> |
| 27 | Transformational Leadership Theory | <i>Burns, 1978</i> |
| 28 | Social Exchange Theory | <i>Hollander, 1979; Jacobs, 1970</i> |
| 29 | McKinsey 7-S Framework | <i>Pascale and Athos, 1981</i> |
| 30 | In Search of Excellence Approach | <i>Peters and Waterman, 1982</i> |
| 31 | SFP Leader Theory | <i>Eden, 1984; Field, 1989</i> |
| 32 | Performance beyond Expectations Approach | <i>Bass, 1985</i> |
| 33 | Self-Leadership | <i>Manz and Sims, 1987</i> |

Source: Compiled by author

Managing an organization is difficult, leading it is even more demanding. Leadership is an important phenomenon that is very important in various fields of studies, however it is still a vague domain and much study has to be made. Concurring to the statement, Bennis (1959) describe leadership as a topic that has been written much but probably the least understood topic in behavioural science studies. In addition, Burns (1978) stated that leadership is one of the most studied phenomena but the least understood.

The term leadership has existed since the 18th century (Stogdill, 1974), however leadership is only being studied 200 years later in 20th century (Bass, 1981). Since then, various studies have been done on leadership from very diverse perspectives as shown on Table 2.5. The table above shows the main leadership theories and models in chronological manner. The table illustrates the intensity of the leadership studies as it peaked in the 20th century.

Leadership is defined as having the capacity to influence a number of people in achieving objectives (Robbins, 2003). De Pree (2004) stated that leadership is considered as an art in influencing people. A leader is “any person who influences individuals and groups within an organization, helps them in the establishment of goals, and guides them toward achievement of those goals, thereby allowing them to be effective” (Nahavandi, 2002, p. 4).

Leadership is a relationship between leader and a group of followers with agreed commitment in achieving a mutual goal. An exemplary leadership is which a leader that able to bring out the best of his followers, for example starting up and build a successful entrepreneurial organization, leading a social movement for the benefit of society as well as guiding an organization through a difficult period. (House & Aditya, 1997).

DuBrin (2001) defined leadership style as a pattern of consistent behaviour which reflects the characteristic of a leader. Every leader has their own leadership style and each leadership style may influence organizational performance. Organizations need effective leaders who are flexible in adapting and understanding the fast changing

and complex business world (Nahavandi, 2002). Effective leaders will make sure that the organization that they lead will meet the goal of the establishment (Fiedler, 1964) and their followers are motivated and satisfied (House, 1971).

2.5 Entrepreneurial Leadership

Both entrepreneurship and leadership are essential field of study, therefore a number of researchers attempted to merge both of the concepts into a relatively new concept called entrepreneurial leadership in order to understand the phenomena better. (Gupta et al., 2004; McGrath & MacMillan, 2000; Tarabishy et al., 2005)

Lippitt (1987) was the first person to define entrepreneurial leader. He stated that entrepreneurial leader is a person with the ability to innovate, accept risk, shoulder personal responsibility and exhibit economic orientation. Entrepreneurial leadership is a concept that exhibit visionary scenarios which are applied to gather and marshal a group of followers (Gupta et al., 2004).

A number of researchers argued that entrepreneurial leadership is an effective leadership style and there is a pressing need to it (Tarabishy et al., 2005). Entrepreneurial leaders are pivotal in achieving success of new business ventures (Swiercz & Lydon, 2002) and it is important for these entrepreneurial leaders to continue starting up new ventures due to their interest (Hybels, 2002).

Fernald and Solomon (1996) describe entrepreneurs as people who have the leadership characteristics such as having the long-term visualization on new service,

product or organizational development. They added that entrepreneurial leadership is associated with coming out with concepts and ideas that were generated from problems. They usually have certain characteristics such as problem solving, vision, risk taking, decision-making, and strategic initiatives.

Kuratko and Hornsby (1996) in their research on developing entrepreneurial leadership in organizations, as well as Hisrich and Gratchev (1996) in their research on the importance of entrepreneurial leadership in global economy for new ventures, gave an almost similar definition of entrepreneurial leadership as Fernald and Solomon (1996), yet their effort in defining the term was not supported with any strong empirical foundation.

In their study, King et. al. (1996) came out with a new model that relates adult development stages, organizational life cycle and leadership personalities. They proposed that in leading an organization through its life cycle, depends on the entrepreneur's stage of psychological development.

Schulz (1993) was the first person to use the term entrepreneurial leadership in his dissertation. He discussed the importance of entrepreneurial leadership and it is a type of leader that is much needed in the current context of global business. In his field study, he analyzed how entrepreneurial leaders conceptualize, establish, invest, select, and preserve competencies and skills within the organization. However he never operationalized the term.

Knowledge and information have turned out to be the new sources of power in the business world and new form of leadership is needed to ensure that the organization's intellectual capital is able to be maximized (Bolin, 1997). She added that the current leader need to be able to face business challenges and changes, therefore an entrepreneurial leadership is needed.

Entrepreneurial leadership competencies could be categorized into two sets of competencies, namely Functional Competencies and Self Competencies (Lydon, 2001). Functional Competencies is in relevance with the Four Square Model's performance subsystems while Self Competencies refer to the individual. The author further described that leadership in experiencing an evolution that connects leadership roles with entrepreneurial roles due to the fact that the business world has turned global and increasing level of competitiveness.

Swihart (2002) stated that there were successful independent retailers and did a study on them in terms of entrepreneurial leadership. She labelled this group of people as superpreneur as they were able to be successful in a rapid changing market condition as established a relationship between entrepreneurial, personal and leadership characteristics. Her study findings' shown that the superpreneur has characteristics of transformational leadership and entrepreneurial orientation. Though she was the first to study entrepreneurial leadership by analyzing the entrepreneurial orientation and leadership style, however she did not used a reliable and valid leadership instrument.

In his study in the United States, Daewoo (2002) analyzed the top managers of construction firm's transformational leadership characteristics, organizational size and organizational history on innovation and internationalization. He reported that there was a strong relationship between innovation and type of leadership in the organizations studied. The author did use a valid and reliable leadership instrument, however for organization's innovation sub-dimension's measurement, he did not used a reliable instrument.

Gupta et. al.(2004) did a cross cultural study on entrepreneurial leadership by having large number of respondents from all over the world that consisted of 62 societies of cross-cultural sample of over 15,000 managers. In their study, they created a valid and reliable instrument to measure entrepreneurial leadership. They proposed that entrepreneurial leaders were associated with certain characteristics such as challenging but realistic, absorbing uncertainty, able to negotiate through opposition, building commitment through inspiring others and able to specify limits. So far their research is the closest effort in operationalizing the concept of entrepreneurial leadership.

Thornberry (2006) regards that leadership requires passion, vision, focus, and the ability to inspire others. Entrepreneurial leadership requires all of the characteristics, plus a mindset and skill set that helps entrepreneurial leaders identify, develop, and capture new business opportunities. Entrepreneurial leadership is also considered as leaders that are capable of sustaining innovation and adaptation in high velocity and uncertain environments (Surie & Ashley, 2008). Renko et al., (2013) suggested that entrepreneurial leadership entails influencing and directing the performance of group

members toward the achievement of organizational goals that involve recognizing and exploiting entrepreneurial opportunities.

Table 2.6
Main Researches on Defining Entrepreneurial Leadership

| No | Authors | Contribution |
|----|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | <i>Schulz (1993)</i> | The first researcher to use entrepreneurial leadership as a variable in dissertation. |
| 2 | <i>Fernald and Solomon (1996)</i> | Literature overview on entrepreneurship and leadership. Provoked researchers to define the concept of entrepreneurial leadership. |
| 3 | <i>Kuratko and Hornsby (1996)</i> | Described the importance of entrepreneurial leadership in organization. |
| 4 | <i>Hisrich and Gratchev (1996)</i> | Described the importance of entrepreneurial leadership in global economy for new ventures. |
| 5 | <i>King, Solomon and Winslow (1996)</i> | Introduced the idea of entrepreneurial leadership is related to the entrepreneurs' adult development stage and their organization's life cycle. |
| 6 | <i>Bolin (1997)</i> | Argued that entrepreneurial leadership is essentially needed. |
| 7 | <i>Lydon (2001)</i> | Presented the idea of entrepreneurial leadership as functional and self-competency. |
| 8 | <i>Swihart (2002)</i> | Analyzed entrepreneurial leadership with successful individual retailers. |
| 9 | <i>Daewoo (2002)</i> | Illustrated the relationship of entrepreneurial leadership and organization's innovation. |
| 10 | <i>Gupta, Mcmillan and Surie (2004)</i> | Developed entrepreneurial leadership instrument and first to relate entrepreneurial leadership with entrepreneurial orientation. |
| 11 | <i>Thornberry (2006)</i> | Defined entrepreneurial leadership as passion, vision, focus, and the ability to inspire others. Plus a mindset and skill set that helps entrepreneurial leaders identify, develop, and capture new business opportunities |
| 12 | <i>Surie and Ashley (2008)</i> | Defined entrepreneurial leadership as leadership that is capable of sustaining innovation and adaptation in high velocity and uncertain environments. |
| 13 | <i>Renko et al. (2013)</i> | Entrepreneurial leadership entails influencing and directing the performance of group members toward the achievement of organizational goals that involve recognizing and exploiting entrepreneurial opportunities. |

Source: Compiled by author

Table 2.6 summarized the various researches done on entrepreneurial leadership. Generally, the past researches have reviewed and studied the field of entrepreneurship and leadership in order to understand and contribute to the new field of entrepreneurial leadership.

2.5.1 Gupta, Macmillan and Surie's Empirical Model

Entrepreneurial leadership is a considerably a new field of study, and as being discussed on the earlier section on the literature of entrepreneurial leadership, valid and reliable instrument for this field is little to choose from. Most of the previous studies have used a combination of leadership and entrepreneurial orientation instrument to measure entrepreneurial leadership. To date the only valid and reliable instrument that is being developed specifically for entrepreneurial leadership is from the study by Gupta et al. (2004).

In Gupta et al. (2004) study, they created an instrument to measure entrepreneurial leadership by using data from Global Leadership and Organizational Behaviour Effectiveness (GLOBE) that consists of 62 societies of cross-cultural sample of over 15,000 managers. In their empirical model, they divided entrepreneurial leadership into five roles that was adapted and modified from a previous study by McGrath and MacMillan (2000). Three of the roles are linked to scenario enactment and another two with cast enactment as shown at Table 2.7.

For the role of framing a challenge, the entrepreneur leader frames a challenge that will drive the team in using their fullest abilities, but not to the extend of pushing them over the limits (McGrath & MacMillan, 2000). This role makes the entrepreneurial leader synergizes ambitious goals with good understanding of the

limits of the team on what can be accomplished (Brazeal & Herbert, 1999). The result of this role is the discovery of challenge that is worthy of persistence (Pinchot, 1994).

Table 2.7
Gupta, Macmillan and Surie's Empirical Model of Entrepreneurial Leadership

| Dimension | Roles | Attributes |
|--------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Scenario enactment | Framing the challenge (setting challenging but realistic outcomes to accomplish) | Performance oriented Ambitious Informed |
| | Absorbing uncertainty (absorbs uncertainty and being responsible for the future) | Extra insight Visionary Foresight Confidence builder |
| Cast enactment | Path clearing (negotiates the oppositions and creates a path clearing for scenario enactment) | Diplomatic Effective bargainer Convincing Encouraging |
| | Building commitment (creating and inspiring a common purpose) | Inspirational Enthusiastic Team builder Improvement-oriented |
| | Specifying limits (setting up a common understanding on what can and cannot be done) | Integrator Intellectually stimulating Positive Decisive |

Source: Gupta et al. (2004)

By having the role of absorbing uncertainty, the entrepreneurial leader establishes a vision that will be executed by the team. In the mean time, the entrepreneurial leader bear the responsibility of any judgement and take full accountability of the organization's actions in order to absorb the paralyzing effects of uncertainty, thus the team could build up their confidence and move forward in achieving the intended goals (Gupta et. al., 2004).

Path clearing role is which the entrepreneurial leader adjust and handle the internal and external environments (Cyert & March, 1966; Thompson, 1983). The entrepreneurial leaders are able to foresee and diffuse potential problems, getting support from key individual, organization or stakeholders in order to achieve the desired outcome (Gupta et. al., 2004).

In building commitment role, entrepreneurial leaders maximize their team-building skill to motivate and galvanize a team that is highly motivated to the extend of willing to use extra effort and time to achieve the scenario determined by the entrepreneurial leader (Bandura, 1970).

For specifying limits, the entrepreneurial leader maintain the commitment of the organization during turbulence times by specifying limits of his team in order to mold a new perception of the team's individual capabilities through eliminating self-inflict limitation (Gupta et al., 2004). In addition, by identifyng constraints, it will prospers into breakthrough outcomes (Clark et al. 1985).

These five roles with are grouped into two categories of scenario enactment and cast enactment, create a construct of entrepreneurial leadership based on the study of Gupta et. al. (2004).

2.6 Organizational Performance

Organizational performance or effectiveness has garnered relatively huge amount of attention in both profit and social sectors (Herman & Renz, 2004; Tucker, 2010). Organizational performance is an essential component in organizational analysis and

organizational theory (Goodman & Pennings, 1977; Quinn & Rohrbaugh, 1983). Ali (2003) defined organizational performance as the actual output or results of an organization as measured against its intended goals and objectives. In basic terms, organizational performance is defined as the ability of an organization to effectively accomplish its goals and objectives (Selden & Sowa, 2004).

The goal of measuring organizational performance is to be able to compare the expected result with the actual results, analyzing whether there is any deviations from plans, individual performance assessments and investigates the progress being made towards achieving the objectives (Hashim, 2007).

Many theoretical models has been introduced to conceptualize organizational performance (Henri, 2004; Dess & Robinson, 1984; Ostroff & Schmitt, 1993). These scholars have listed several approaches as below:

- i. Goal approach (focuses exclusively on goals, objectives, targets);
- ii. System approach (emphasizes the means needed to achieve specific ends in terms of inputs, resources and processes);
- iii. Strategic constituencies approach (includes interest groups or constituencies external and internal to the organization);
- iv. Competing values approach (utilizes organizational values as a starting point and compares three sets of competing values to form definitions of effectiveness);
- v. Ineffectiveness approach (focuses on the factors which inhibit successful performance)

Assessing organizational performance for SMEs is different compared to large organization due to their smaller in size that leads to limited abilities (Taticchi et al., 2008). In addition, SME owners and managers are attentive of the local market and the client demands, thus creating an intensive relationship with the clients compared to large organizations (Taticchi et al. 2008). This could be achieved due to the less bureaucracy and smaller internal lines of communication (Winch & McDonald, 1999) in the SMEs compared to large organizations.

2.6.1 Measuring Organizational Performance


Small businesses should focus on simplicity and ensure that their performance measurement system is focused and simple (Ali, 2003). Taticchi et al. (2008) argued that there is no single specific measurement is available that is suitable to measure SMEs in terms of organizational performance, thus it was suggested that a combination of measurement is being used to assess SMEs.

Though the definition of organizational performance was arguably agreed cohesively by the scholars, however the major problem on organizational performance is the measurement. Selden and Sowa (2004) stated, “numerous scholars throughout the development of organization theory have focused on developing the best way to define and/or measure organizational performance” (p. 395).

There are two schools of thought in measuring organizational performance. One believe that a single measure is sufficient enough to fully explicate all aspects of the performance (Snow & Hrebiniak, 1980 as cited in Liao and Chuang, 2006), while the others believed that a comprehensive and multiple dimensional framework is needed

to effectively measure the performance in the profit sector (Quinn & Rohrbaugh, 1983; Rojas, 2000; Selden & Sowa, 2004). Due to the fact that organizations often have multiple goals, a single factor of measurement is insufficient for measuring organizational performance (Herman & Renz, 2004). However, Ali (2003) argued that there is no single measure to assess performance especially in small and medium enterprises. Therefore, the table 2.8 summarized a number of scholar's suggestions on measuring organizational performance.

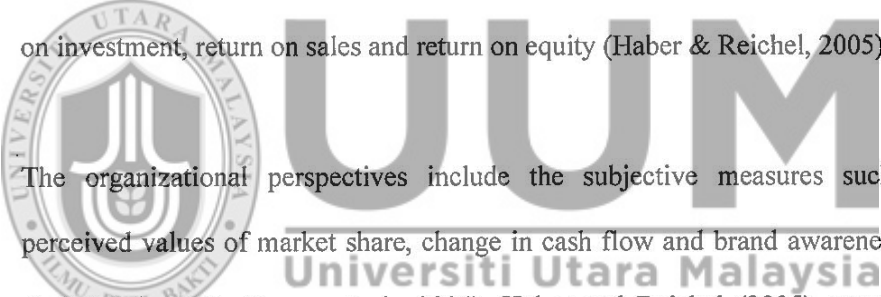
Table 2.8
The Measurement of Organizational Performance

| Measurement | | Authors |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
|  Financial | Net income growth, sales growth, and return on investment | Talon et al. (2000) |
| | Sales, sales growth and profitability (return on sales) | Hendrickson & Psarouthakis (1992) |
| | Return on sales | Lee & Choi (2003); Bontis (1998); Gold et al. (2001) |
| | Profit, revenues, return on investment, return on sales and return on equity | Haber & Reichel (2005) |
| Innovation | New product/services | Mertins et al., (2001); Gold et al., (2001); |
| Resource | Skills and leadership styles | Dosi (1988) |
| | Technological resources, owner/top managers' managerial skills and capability, employees' skills, employees' professional/ technical knowledge, firm's internal relationships and firm's external relationship. | Xia et al. (2007) |
| Subjective | Perceived values of market share, change in cash flow and brand awareness | Haber & Reichel (2005); Gomes et al.(2004) |

Source: Compiled by author

Tvorik and McGiven (1997) described that in order to measure organizational performance, two areas are usually focused on: economic perspective and organizational perspective. According to Subramaniam and Nilakanta (1996), organizational performance measurement may include financial measures. It is recommended that the measure of organizational performance on more traditional objectives such as net income growth, sales growth, and return on investment (Talon et al. 2000).

Hendrickson and Psarouthakis (1992) proposed that organizational performance may be measured by using sales, sales growth and profitability (return on sales). It was suggested that return on sales as the effective basis for evaluating small firms (Lee & Choi (2003), Bontis (1998) and Gold et al. (2001) as well as profit, revenues, return on investment, return on sales and return on equity (Haber & Reichel, 2005)



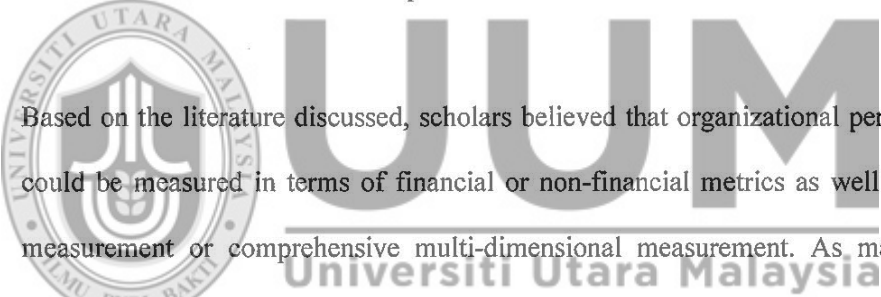
The organizational perspectives include the subjective measures such as the perceived values of market share, change in cash flow and brand awareness (Haber & Reichel, 2005; Gomes et al., 2004). Haber and Reichel (2005) suggested that subjective measures are used when there are problems associated with financial measures. They argued that though financial performance measures are the easiest to use to assess an organization's performance, the financial data may be confidential and relatively difficult to attain.

Certain scholars believed that organizational performance may be measured by emphasizing on resource-based capabilities (Dosi, 1988 as cited by Tvorik & McGivern, 1997). Based on their studies, they concluded that an organization is a

repository of skills and capabilities that demonstrates cohesive resources and leadership styles that mobilize the organization towards achieving the shared vision.

Based on their study on SME in Singapore, Xia et. al, (2007) suggested that measurement of organizational performance can be categorized into six different dimensions of resources, which are:

- i. Technological resources;
- ii. Owner/top managers' managerial skills and capability;
- iii. Employees' skills;
- iv. Employees' professional/technical knowledge;
- v. Firm's internal relationships;
- vi. Firm's external relationship.



Based on the literature discussed, scholars believed that organizational performance could be measured in terms of financial or non-financial metrics as well as single measurement or comprehensive multi-dimensional measurement. As majority of empirical studies has associated performance with success (Dess & Robinson, 1984), it is very subjective and based on individual perception on what is "success". Thus, it can be concluded that there is no one single measurement that is sufficient to measure various and diversified types of organizations. Therefore, one should choose carefully the organizational performance measure that is deemed most suitable for the type of organization involved while taking consideration on the accessibility and constraints.

2.7 Small and Medium Enterprises in Malaysia

SMEs have been the core of economic growth in driving a nation's development. Economic growth in many developed countries has been significantly generated by the activities of SMEs (Ghobadian & Gallear, 1996; Ladzani & Van, 2002) due to the fact that SMEs is the type of business that holds the largest percentage in countries all over the world. Malaysia has 99.2% of SMEs (SMEECorp, 2012; Rahim et al., 2012), while 99.7% in United States (SBECouncil, 2014) and 99.7 % in Japan (Small and Medium Enterprise Agency, 2014) just to name a few.

Apart from contributing to the economic development, SMEs also offer employment opportunities (Ghobadian & Gallear, 1996; Ladzani & Van, 2002). For example, in 2013, SME employment and labour productivity growth rates recorded a better performance than the overall total employment and labour productivity growth. SME employment grew by 6.3% (total employment growth: 5.9%), while SME labour productivity declined by only 0.1% as against a decline of 1.1% for the overall labour productivity.

The performance of SMEs in Malaysia remained encouraging despite the difficult business environment. GDP growth of SMEs improved by 0.3% to 6.3% in 2013 versus 6% in 2012 (Figure 2.2). SME growth also exceeded the overall GDP growth of the country of 4.7%, proving the importance of the SMEs towards the nation's economy (SMEECorp, 2014).

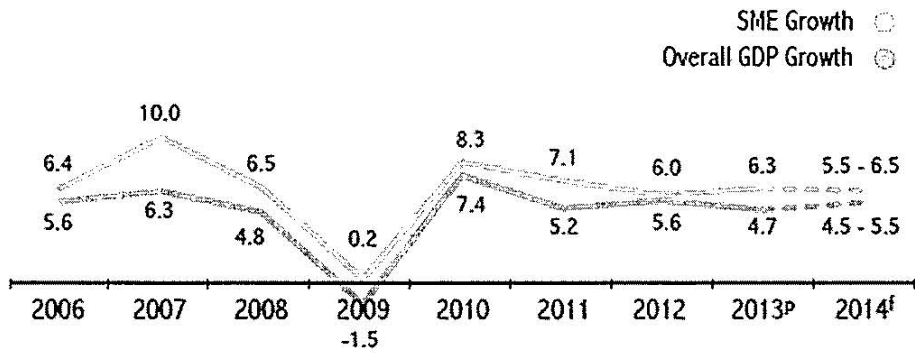


Figure 2.2:
SME GDP and Overall GDP Growth

Due to the importance of SMEs, the Malaysian government has given priority in SME and entrepreneurship growth (SMEECorp, 2014). In the latest 2014 Budget announcement, many incentives have been introduced to facilitate the growth of SMEs. In addition, the Government has also declared measures to safeguard the SMEs from adversely affected by the on-going policy reforms in the economy such as the Minimum Wage Policy introduced in 2013 and the newly announced GST (SMEECorp, 2014).



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2.7.1 Definition of Small and Medium Enterprises in Malaysia

Due to countless developments in the economy since 2005 such as price inflation, structural changes and change in business trends, an assessment of the definition was undertaken in 2013 and a new SME definition was endorsed at the 14th National SME Development Council (NSDC) Meeting in July 2013 (SMEECorp, 2014). The definition was simplified as follows:

- i. Manufacturing: Sales turnover not exceeding RM50 million OR full-time employees not exceeding 200 workers

- ii. Services and other sectors: Sales turnover not exceeding RM20 million OR full-time employees not exceeding 75 workers

A business entity will be deemed as an SME if the organization meets either one of the two specified criteria, namely sales turnover or full-time employees whichever is lower. For microenterprises regardless of sectors, the criteria is defined as sales turnover of less than RM300,000 or less than 5 full-time employees. For small and medium enterprises, the definition is summarized on Table 2.9

Table 2.9
Summary of Small and Medium Enterprises based on Categories

| Category | Small | Medium |
|--------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Manufacturing | Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75 | Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200 |
| Services & Other Sectors | Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30 | Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75 |

Source: SMECorp (2014)

If a business organization fulfills either one criteria across the different sizes of operation, then the smaller size will be applicable. For example if a firm's sales turnover falls under small but employment falls under medium, the business will be deemed as a small (SMECorp, 2014).

2.7.2 Classification of Sectors and States

SMECorp (2014) has classified SMEs into three major sectors namely manufacturing, services and other sectors. The summarization of the SME's classification of sectors is presented in Table 2.10.

Table 2.10
Summary of Small and Medium Enterprises' Classification of Sectors

| Category | Description |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Manufacturing | Physical or chemical transformation of materials or components into new products |
| Services | All services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing-related services such as research and development (R&D), logistics, warehouse, engineering etc. |
| Other Sectors | Refer to the remaining 3 key economic activities, namely: (i) Primary Agriculture – Perennial crops (e.g. rubber, oil palm, cocoa, pepper etc.) and cash crops (e.g. vegetables, fruits etc.) – Livestock – Forestry & logging – Marine fishing – Aquaculture (ii) Construction – Infrastructure – Residential & non-residential – Special trade (iii) Mining & quarrying |

Source: SMECorp (2014)

Most of the SMEs in Malaysia belong to the services sector (n=580,985, 90.1%) followed by manufacturing (n=37,861, 5.9%) and others (n=26,290, 4%). In terms of the categories, most of the SMEs belongs to the micro category (n=496,458) followed by small (n=128,787) and medium (n=19,891). The details of the breakdown are shown in Table 2.11.

Table 2.11
Number of Establishments by Sector and Size

| Sector | Micro | Small | Medium | Total SMEs | Total S.M.E.s |
|--------------------|--------------------------|----------------|---------------|----------------|---------------|
| | Number of Establishments | | | | % Share |
| Manufacturing | 21,619 | 13,934 | 2,308 | 37,861 | 5.9 |
| Services | 462,420 | 106,061 | 12,504 | 580,985 | 90.1 |
| Agriculture | 3,775 | 1,941 | 992 | 6,708 | 1.0 |
| Construction | 8,587 | 6,725 | 3,971 | 19,283 | 3.0 |
| Mining & Quarrying | 57 | 126 | 116 | 299 | 0.05 |
| Total SMEs | 496,458 | 128,787 | 19,891 | 645,136 | 100.0 |

Source: SMECorp (2014)

SMEs in Malaysia are scattered all over the country (Table 2.12), however it is concentrated in the central region of Malaysia namely Selangor (n=125,904, 19.5%) and Wilayah Persekutuan Kuala Lumpur (n=84261, 13.0%). Next is Johor (n=68,874, 10.7%) and Perak (n=60,028, 9.3%) which both exceeded the 60,000 mark. This is followed by the both states of Malaysia Borneo; Sarawak (n=43830, 6.8%) and Sabah (n=40884, 6.3%). Pulau Pinang is next with 40,824 (6.3%) SMEs. All of the above has high amount of SMEs due to either high concentrated amount of population or the size of the states are large. The remaining states has less than 40,000 SMEs; Kelantan (n=37823, 5.9%), Kedah (n=37092, 5.7%), Pahang (n=29,462, 4.6%), Negeri Sembilan (n=24542, 3.8%), Melaka (n=21,675, 3.4%), Terengganu (n=22,514, 3.5%), Perlis (n=5,053, 0.8%) and lastly the Federal Territories of Labuan (n=1,952, 0.3%) and Putrajaya (n=418, 0.1%).

Table 2.12
Number of SME Establishments by State

| State | Total SMEs | % |
|--------------------|------------|-------|
| Johor | 68,874 | 10.7 |
| Kedah | 37,092 | 5.7 |
| Kelantan | 37,823 | 5.9 |
| Melaka | 21,675 | 3.4 |
| Negeri Sembilan | 24,542 | 3.8 |
| Pahang | 29,462 | 4.6 |
| Perak | 60,028 | 9.3 |
| Perlis | 5,053 | 0.8 |
| Pulau Pinang | 40,824 | 6.3 |
| Sabah | 40,884 | 6.3 |
| Sarawak | 43,830 | 6.8 |
| Selangor | 125,904 | 19.5 |
| Terengganu | 22,514 | 3.5 |
| W. P. Kuala Lumpur | 84,261 | 13.0 |
| W. P. Labuan | 1,952 | 0.3 |
| W. P. Putrajaya | 418 | 0.1 |
| Total SMEs | 645,136 | 100.0 |



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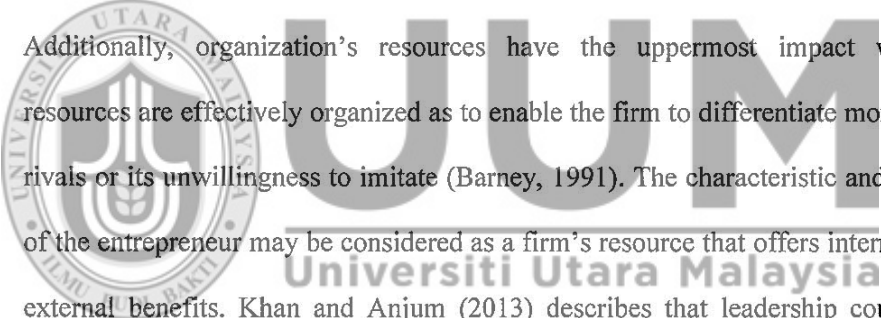
Source: SMECorp (2014)

2.8 Underpinning Theory

2.8.1 Resource Based Theory

The Resource Based Theory initiated from the idea of the industrial organization firm standpoint (Russo & Fouts, 1997). Many theorists of resourced-based theory advocate that the success of the firm is determined by both internal and external factors (Dierickx & Cool, 1989; Prahalad & Hamel, 1990; Wernerfelt, 1984).

Organization attain sustained competitive advantages through the implementation of strategies exploiting their internal strengths by means of responding to their environmental opportunities while simultaneously dealing with external threats and keeping clear of internal weaknesses (Barney, 1991). Furthermore, the resource-based view studies the relationship between the organization's internal characteristics and its organizational performance as well as its ability to maintain profitability. The theory suggests that every organization has distinct resources and capabilities, that provide the core for the organizational strategy and is the main foundation of the organization's competitive advantage (Barney, 1991; Grant 1991). The theory emphasizes on the resources as an element that is not easily-duplicated within other firms in an attempt to obtain competitive advantage (Grant, 1991).



Additionally, organization's resources have the uppermost impact when the resources are effectively organized as to enable the firm to differentiate more than its rivals or its unwillingness to imitate (Barney, 1991). The characteristic and behavior of the entrepreneur may be considered as a firm's resource that offers internal and/or external benefits. Khan and Anjum (2013) describes that leadership could create competitive advantage by encouraging creativity and innovation in the organization. In their empirical study, they proved that leadership positively influences competitive advantage of an organization. In addition to that, Mahmood and Hanafi (2013) has empirically proven that leaders that have the elements of risk taking, innovativeness and pro activeness, which is deemed as the characteristics of social entrepreneurial behavior, positively influence competitive advantage as well as organizational performance.

Based on Grant's (1991) study, resources may be categorized as tangible or intangible. The former comprises physical resources including infrastructure, equipment, raw materials, and financial reserves while the latter comprises reputation and technology. The characteristic and behavior of the entrepreneur in terms of social entrepreneurial behavior and entrepreneurial leadership may also lead to the enhancement of the firm's strategic position in the competitive market through the provision of resources and simultaneously improving organizational performance.

2.9 Literature Gap

Based on the literature discussed, it shows that social entrepreneurial behaviour and entrepreneurial leadership are considered as relatively young and new field of study that requires more study.

In relation to this study, social entrepreneurship research that having a psychological or behavioural dimension are still small in number. Little reasearch has been done in this field and very limited empirical evidence exist to its linkage towards organizational performance (Kramer, 2005).

As for entrepreneurial leadership, it is being suggested that more empirical data are needed to explain and evaluate entrepreneurial leadership (Kanie, 2003) and future leadership research should be doing more quantitative approaches to survey entrepreneurial leaders (Wah, 2004). Gupta et. al. (2004), concurred by suggesting that there is a need for entrepreneurial leadership research globally, not limited to

certain geographical areas as there is a need to explore the underlying concepts and how it is similar or differ from culture to culture.

Most empirical studies have investigated these variables separately. Social entrepreneurial behaviour and entrepreneurial leadership has not been explored extensively, especially in SMEs and their relations in influencing organizational performance. Furthermore, Mohtar and Rahim (2014) have urged for an empirical study to examine the relationship between the particular variables.

The gaps are summarized below:

- i. Social entrepreneurial behaviour is lacking in empirical study especially in terms of its effect on organizational performance particularly on SMEs.
- ii. Entrepreneurial leadership is lacking in empirical study especially in terms of its effect on organizational performance.
- iii. Social entrepreneurial behaviour, entrepreneurial leadership and organizational performance have been studied separately and there is lack of research examined them as a cohesive framework.

Based on the gaps discussed above, there is a dire need for a study to be done to understand the relationship between social entrepreneurial behaviour, entrepreneurial leadership and organizational performance of SMEs.

2.10 Chapter Summary

The literature review chapter has analyzed extensively social entrepreneurial behaviour, entrepreneurial leadership and organizational performance as well as the literature gaps that lead to this study. Therefore it can be concluded that there is a vital need for the profit sector to understand how social entrepreneurial behaviour and entrepreneurial leadership could effect organizational performance. Furthermore, this area of study is very limited and even more so in the Malaysian context.



CHAPTER 3

RESEARCH FRAMEWORK AND METHODOLOGY

3.0 Introduction

In order to ensure the particular study achieves the reliability and validity, it is essential to design a study with proper choices of procedures and methods (Bickman & Rog, 1998). It is achievable by mounting the most rigorous designs in data collection from respondents and designing studies that are able to be generalized.

The chapter will begin with the discussion on the conceptual framework, highlighting the independent variable, dependent variable and mediating variable. Next, hypotheses development will be explained in testing the relationship of the variables. There are four hypotheses involved in this study. Then the research design is being discussed in terms of the research process plan, sampling techniques, population and sample of the study. Data collection procedure using quantitative method is explained and followed by the questionnaire design. Subsequently the instrument, survey questionnaire validation and instrument translation process are described. Lastly detailed data analysis procedure is discussed based on using the statistical software of SPSS and Amos to facilitate data analysis.

3.1 Research Framework

The main purpose of this study is to examine the relationship between social entrepreneurship, entrepreneurial leadership and organizational performance of SMEs in Malaysia. The independent variable of this study is social entrepreneurial behaviour, the mediating variable is entrepreneurial leadership and the dependent variable is organizational performance (Figure 3.1)

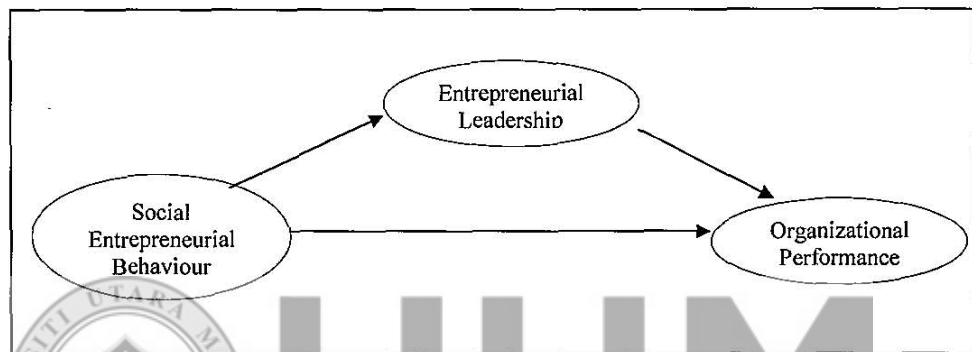
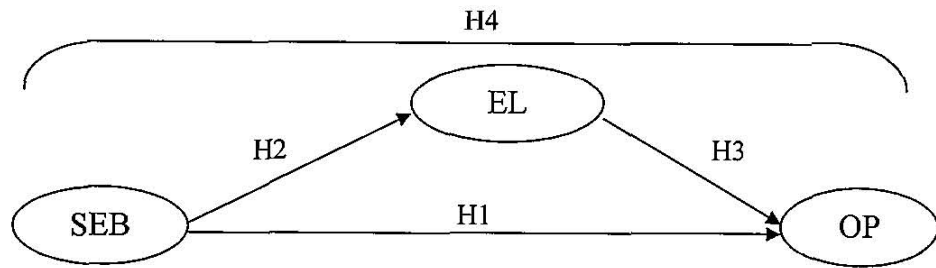


Figure 3.1:
The Research Framework

3.2 Development of Hypotheses

The framework presented in the preceding section shows how the links for variables are hypothesized. It is noted that each variable, social entrepreneurial behaviour (SEB) and entrepreneurial leadership (EL) have hypothesized impacts on organizational performance (OP). Based on the discussion from the literature review, the hypotheses were developed and Figure 3.2 presents the hypothesized relationships and how the hypotheses feature in the proposed framework. Through the framework, entrepreneurial leadership (EL) was posited to mediate the

relationship between social entrepreneurial behaviour (SEB) and organizational performance (OP).



Key: SEB – Social Entrepreneurial Behaviour; EL – Entrepreneurial Leadership; OP – Organizational Performance.

Figure 3.2
The Hypotheses as Depicted in the Research Framework

The proposed hypotheses are:

H1: Social entrepreneurial behaviour has a significant positive relationship on organizational performance.

H2: Social entrepreneurial behaviour has a significant positive relationship on entrepreneurial leadership.

H3: Entrepreneurial leadership has a significant positive relationship on organizational performance.

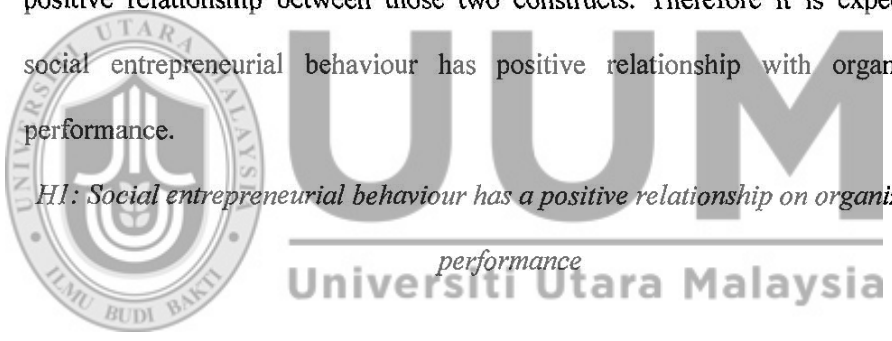
H4: Entrepreneurial leadership mediates the relationship between social entrepreneurial behaviour and organizational performance.

3.2.1 The Relationship between Social Entrepreneurial Behaviour and Organizational Performance

The literature has suggested numerous social entrepreneurial behaviours that are considered as competencies needed for entrepreneurs. Practically, many profit sectors organizations have ventured into social entrepreneurship activities while

performing in its economic and financial goals as been discussed earlier. However, on the academic side, studies on the relationship of social entrepreneurial behaviour towards organizational performance are scarce. Nevertheless, there are various studies linking the elements of social entrepreneurship behaviours; risk taking, innovativeness and proactiveness towards organizational performance. It was empirically proven that the tendency to engage in relatively high levels of risk-taking, innovative and proactive behaviours is positively linked with organizational profitability and growth (Covin & Slevin, 1991; Wiklund & Shepherd, 2003; Covin et al., 2006; Ireland et al., 2009; Soininen et al., 2011). As a matter of fact, Gandy (2012) has studied the implication of social entrepreneurial behaviour towards the organizational performance in the United States and the result shows that there was positive relationship between those two constructs. Therefore it is expected that social entrepreneurial behaviour has positive relationship with organizational performance.

H1: Social entrepreneurial behaviour has a positive relationship on organizational performance



3.2.2 The Relationship between Social Entrepreneurial Behaviour and Entrepreneurial Leadership

As been discussed in the literature, it is clear that social entrepreneurial behaviour is considered as essential elements that mould an entrepreneur. It is undeniable that entrepreneurs are deemed as the leader of the organization. Previous researches have been supporting the idea of entrepreneur as the leader of the organization (Henton et al., 1997; Dees, 2009). Many literatures have linked social entrepreneurial behaviour

with the leadership of the entrepreneur. For example, Thompson et al. (2000) has suggested that social entrepreneurial behaviour consist of leadership element. Llewellyn et al. (2000) concurred by emphasizing that good leadership characteristic is a part of social entrepreneurial behaviour. In addition, Morse and Dudley (2002) mentioned that social entrepreneurial behaviour is considered as collaborative leadership style. Thus, it is anticipated that social entrepreneurial behaviour will have positive relationship with entrepreneurial leadership.

H2: Social entrepreneurial behaviour has positive relationship on entrepreneurial leadership

3.2.3 The Relationship between Entrepreneurial Leadership and Organizational Performance

An entrepreneur is seen as the leader of the organization that has certain leadership skills and entrepreneurial competencies. Previous researches have been supporting the idea of entrepreneurs as the leader of the organization (Henton et al., 1997; Dees, 2009). Leadership has emerged to be one of the most important factors affecting organizational performance and due to that, leaders who are committed may be the key to the development of an environment that provides organizational performance (Cascio et al., 2010). An empirical research done by Kieu (2010), it was found that there is strong correlation between leadership on year-over-year revenue growth and profits. Peterson et al. (2003) has proven that the level of agreement and commitment of leadership to be critically significant in the overall organizational performance. Meanwhile Chung-Wen (2008) has established that there is a significant positive relationship between leadership and organizational performance in Taiwan. Previous studies suggested that there is a link between entrepreneurial leadership and

organizational performance (Covin & Slevin, 1991), hence it is anticipated that entrepreneurial leadership has positive relationship with organizational performance.

H3: Entrepreneurial leadership has a positive relationship on organizational performance

3.2.4 The Relationship between Social Entrepreneurial Behaviour, Entrepreneurial Leadership and Organizational Performance

It has been discussed in the literature that social entrepreneurial behaviour and entrepreneurial leadership are the determinants of organizational performance. Empirical and conceptual studies have been conducted in supporting the constructs to have a positive effects on organizational performance which many of them were treated as individual construct ie. social entrepreneurial behaviour affecting organizational performance (Gandy,2012) and entrepreneurial leadership affecting organizational performance (Covin & Slevin, 1991; Chung-Wen, 2008). However, many researchers have coined the idea that links social entrepreneurial behaviour with leadership (Thompson et al., 2000; Llewellyn et al., 2000; Morse & Dudley ,2002) and recently Mohtar and Rahim (2014) have come out with a conceptual framework of entrepreneurial leadership mediating the relationship between social entrepreneurial behaviour and organizational performance. Based on the discussion, the following hypothesis is being proposed:

H4: Entrepreneurial leadership mediates the relationship between social entrepreneurial behaviour and organizational performance

3.3 Methodology

The methodology section focuses on the methodology of the particular study which consists of detail explanation on research design, sampling technique, population and sample size, data collection procedure, questionnaire design, instrument, survey questionnaire validation and instrument translation process. Finally, this chapter ends with the discussion on the statistical techniques used to analyze the data.

3.3.1 Research Design

Research design must be carefully crafted in such a way that the requisite data can be gathered and analyzed to arrive at a solution (Sekaran & Bougie, 2010). There are two approaches that researchers may opt, quantitative approach or qualitative approach (Kumar, 2005). The differences between the quantitative and qualitative approaches is that quantitative approach involves gathering numerical data using structured questionnaires to collect primary data from individuals, while qualitative approach is the description of things that are made without assigning numbers which is usually collected using some type of unstructured interviews of observation (Hair et. al., 2007).

This study used quantitative approach by using survey technique of standardized questionnaire due to the research question aiming to find the relationships among the variables. The use of survey is suitable for this study due to the fact that it enables the researcher to get snapshot views and attitudes of the respondents with respect to the social phenomenon under study (Sekaran, 2003). Stacks (2002) defined survey as the method that being used to gather relatively in-depth information about respondent attitudes and beliefs. Survey is a data collection technique of many respondents

giving answers to the same questions to measure various variables, test multiple hypotheses (Neuman, 2007). In addition, survey is a common method used in many social science researches and studies (Neuman, 2007).

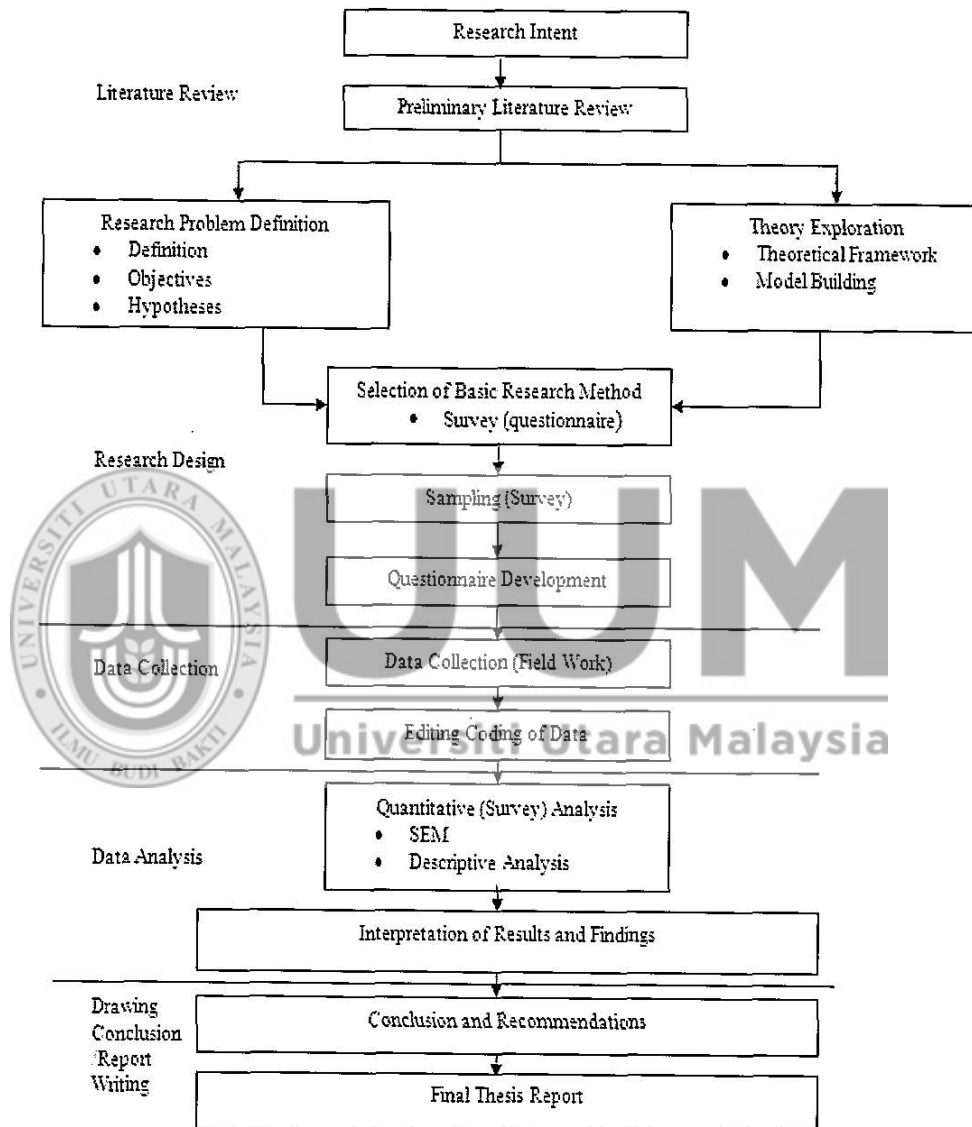


Figure 3.3
Research Process Flowchart

This study will be conducted according to the steps illustrated in Figure 3.3, which outlined the research process flow chart for this research. The steps for this study include literature review, research design, data collection, data analysis and drawing up the conclusions and report writing.

3.3.1.1 Sampling Technique

Respondents for this study were the owners of SMEs in Malaysia. This study chose to use the single respondent approach is based on the fact that in the case of SMEs the view of a single respondent who is the key player of the organization is able to reflect those of the firm (Lyon et al., 2000; Brush & Vanderwerf, 1992; Chandler & Hanks, 1993). In addition, the approach is suitable as both the size of the firms as well as the respondent's knowledge towards the information sought. In many previous studies within entrepreneurial organizations, surveys were usually given to either the owner or general manager of each SME (Lumpkin & Dess, 1996; Miller, 1983). Therefore, a study using single-respondent self-reports is considered appropriate and necessary means of operationalizing key constructs when carefully performed (Chandler & Hanks, 1993).

The list of respondents was provided by SME Corporation Malaysia (SME Corp) makes up the target sample. The target survey was identified using systematic random sampling. It is a sampling technique which the respondents were chosen randomly but systematically until a sampling size of the required size were formed. By using systematic random sampling technique each and every unit in the population has an equal possibility of being selected for the sampling distribution

(Sekaran, 2003). This sampling technique has the least bias and offered the most generalization (Sekaran, 2003).

3.3.1.2 Population

Population consists of the entire group of people, events or things of interest the researcher would like to investigate. The population for this study is the SMEs in Malaysia. As of December 2014, there were 645,136 SMEs in Malaysia (Table 3.1).

Table 3.1
Number of SMEs in Malaysia

| Sector | Micro | Small | Medium | Total |
|------------|---------|---------|--------|---------|
| No of SMEs | 496,458 | 128,787 | 19,891 | 645,136 |

Source: SME Corp (2014)

3.3.1.3 Sample

Sample is a part of the population in which some members are selected from the population (Cavana et al. 2001). In the ideal world, a research would collect data from all members or a population under investigation; however, this method is not feasible in most circumstances (Hair et al., 2007). Thus a sample of the population is usually selected to represent the population. The sample of this study is the owners of the SMEs in Malaysia

Table 3.2:
The Determining Sample Size from a Given Population

| Population (N) | Sample (S) |
|----------------|------------|
| 50000 | 381 |
| 75000 | 382 |
| 100000 | 383 |
| 500000 | 384 |
| 1000000 | 384 |

Source: Kricjic & Morgan (1970)

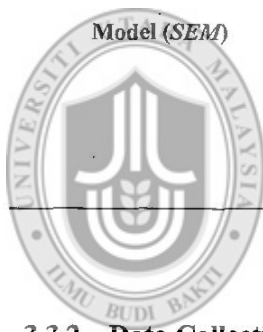
The number of respondents for a study depends on the number of population as well on statistical techniques employed. A sample size of at least 384 is determined for this study as suggested by Sekaran (2003) who argued that a sample of 384 is sufficient to represent a population of 500,000 to 1,000,000 (Table 3.2).

The number of sample is suitable with the statistical technique used in this study which opts for structural equation modeling (SEM) as shown in the Table 3.3.

Table 3.3:
Statistical Techniques with Minimum Sample Size Requirements

| Statistical Analysis | Minimum Sample Size |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Structural Equation Model (SEM) | <ul style="list-style-type: none"> • Sample size as small as 50 can provide valid results (Hair <i>et al.</i>, 2006). • Recommended minimum sample sizes of 100-150 to ensure stable Maximum likelihood estimation (MLE) solution (Hair <i>et al.</i>, 2006). • Sample size in a range of 150 - 400 is suggested (Hair <i>et al.</i>, 2006). |

Source: Hair et al. (2006)



3.3.2 Data Collection Procedure

The study adopts the mail survey technique to reach a relatively large sample of SMEs in Malaysia. By using this method, large geographical area can be covered quickly and cheaply and it is also time effective, as many questionnaires are being answered in parallel. Evidence suggests that a mail survey is relatively cost effective compared to other methods and much information can be obtained very quickly without the problems of interviewer bias during face-to-face techniques. This technique ensure respondent's anonymity and sensitive information can be easily gathered (Forsgren, 1989). According to May (2002), mail survey is an efficient and

accurate method of polling the opinions of the sample population and is an effective means of collecting quantitative data. Furthermore, it is a technique that has the maximum potential to produce results that are generalizable and precise in terms of the population (Firestone, 1997).

The questionnaire was designed in a booklet format. 2000 sets of questionnaires and self-addressed envelope with postage will be posted based on the list provided by SME Corp. Attached together will be the cover letter stating the objective of the survey, the purpose of the study and its importance, how the results were to be used, the researcher's contact information, how to deliver the completed questionnaire and the assurance of confidentiality.

3.3.3 Questionnaire Design

The study uses standardized questionnaire as a method of study. The questionnaire uses dual language; Malay and English. In the current study, the whole thesis and all measurements including the questionnaire were originally constructed in English.

The questionnaire is divided into four parts:

- (1) First section focuses on the company profile and demographic information of the respondents. It has 7 questions in total.
- (2) Second section focuses on the social entrepreneurial behaviour. This section consists of 10 questions using seven-point Likert scale.
- (3) Third section focuses on entrepreneurial leadership. This section consists of 19 questions using seven-point Likert scale.
- (4) Fourth section focuses on organizational performance. This section consists of 5 questions using seven-point Likert scale.

In total the questionnaire has 41 questions, which is considered reasonable. According to Jobber (1989), it is better to use short rather than long questionnaires in order to achieve higher response rate.

3.3.4 Instrument

All of the instruments in this study were adopted from previous studies instruments that have been tested for its validity and reliability. For social entrepreneurial behaviour, it uses instrument developed by Helm (2007), entrepreneurial leadership uses instrument developed by Gupta et al (2004) and lastly organizational performance uses instrument that was developed by Gold et al. (2001) for English version and Ngah (2011) for Malay version. All of the instruments are presented as close-ended questions measured by seven-point Likert scale (with 1 = strongly disagree and 7 = strongly agree). The full set of these measurement items and questions can be found in Appendix A, which presents the survey questionnaire. The sources of items in the instruments are presented by the Table 3.4.

Table 3.4:
Sources of Measurements

| Variable | Source of Measurement Items |
|----------------------------------|---------------------------------|
| Social entrepreneurial behaviour | Helm (2007) |
| Entrepreneurial leadership | Gupta et al (2004) |
| Organizational Performance | Gold et al. (2001), Ngah (2011) |

In terms of the reliability of the instruments, Helm's (2007) instrument of social entrepreneurial behaviour is shown in Table 3.5. The result shows that the Cronbach's Alpha value ranges from 0.719 to 0.843, above the acceptable threshold

0.70 suggested by Nunnally and Bernstein (1994). Thus this instrument can be considered as reliable.

Table 3.5:
Social Entrepreneurial Behaviour Instrument's Reliability

| Measure | Cronbach's Alpha |
|---------------|------------------|
| Innovation | 0.843 |
| Proactiveness | 0.825 |
| Risk-taking | 0.719 |

Source : Helm (2007)

For entrepreneurial leadership instrument (Gupta et al., 2004) the reliability is shown in Table 3.6. The result shows that the Cronbach's Alpha value ranges from 0.77 to 0.86, above the acceptable threshold 0.70 suggested by Nunnally and Bernstein (1994). Thus this instrument can be considered as reliable.

Table 3.6:
Entrepreneurial Leadership Instrument's Reliability

| Measure | Cronbach's Alpha |
|----------------------------|------------------|
| Entrepreneurial leadership | 0.86 |
| Two sub dimensions | |
| 1. Scenario enactment | 0.81 |
| 2. Cast enactment | 0.77 |

Source : Gupta et al. (2004)

For organizational performance instrument (Gold et al., 2001; Ngah, 2011) the reliability is shown in Table 3.7. The result shows that the Cronbach's Alpha value was 0.92, above the acceptable threshold 0.70 suggested by Nunnally and Bernstein (1994). Thus this instrument can be considered as reliable.

Table 3.7:
Organizational Performance Instrument's Reliability

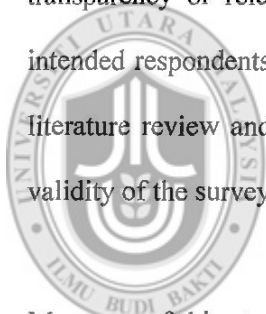
| Measure | Cronbach's Alpha |
|----------------------------|------------------|
| Organizational performance | 0.92 |

Source : Ngah (2011)

The researcher has gained approval for the instruments used in this study as attached in Appendix B

3.3.5 Survey Questionnaire Validation

The validity of the survey instrument is observed in its content and one of the methods of checking validity is by using the face validity method, in which a test is subjectively viewed as covering the concept it purports to measure. It refers to the transparency or relevance of a test for the purpose of collecting data from the intended respondents (Holden, 2010; Gravetter & Forzano, 2012). A comprehensive literature review and interviews with academicians, enhances the content and face validity of the survey instrument (Li et al., 1998).



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Measures of this study were developed from the existing literature. In this research, the items used in the data collection instrument were generated based on previous social entrepreneurial behaviour, entrepreneurial leadership and organizational performance literature review. The questionnaire was originally prepared in English, however only organizational performance measures have a translated version of Malay language based on the study done by Ngah (2011).

The questionnaire was checked for face and content validity by two academicians who are familiar with the constructs and variables that were provided with the

survey. One of them is a Professor that holds the position of Assistant Vice Chancellor (Entrepreneurship) and another is as an Associate Professor that holds the position of Head of Department (Entrepreneurial Operations). Both of them are from Malaysian Academy of SME and Entrepreneurship Development (MASMED), Universiti Teknologi MARA (UiTM) who are expert in the field of entrepreneurship. Uncertainty and sources of confusion in the questionnaire were highlighted and improved following the comments and suggestion during the process of validity. Acknowledgements of the validity process are attached in Appendix C.

3.3.6 Instrument Translation Process

Translating questionnaire into different languages has become a standard procedure in a multi-lingual society like Malaysia (Ng, 2006). Furthermore, by offering a dual language in a questionnaire, it is considered as a method of capturing the respondents' attention and response (Harzing, 2006; Bond & Yang, 1982). Therefore in the questionnaire booklet, the questions are asked in dual language, Malay language and English language in parallel as this will provide a better understanding, especially for native respondents. In order to ensure that the Bahasa Melayu version correctly reflects the meaning and the relevance of the original instrument, back-to-back translation was undertaken by two lecturers from English Language Teaching Centre (ELTC) who are experienced in translation works to provide the appropriate translation of the items in the original version of the questionnaire. Acknowledgements of the translation process are attached in Appendix D.

3.3.7 Data Analysis Procedure

Data analysis involves analysis phases such as coding the respondents' data, data screening as well as selecting the appropriate data analysis strategy (Sekaran, 2000).

Various data analysis techniques and procedures will be used in this study as listed in Figure 3.4. Each of the steps will be discussed in the following sub-sections.

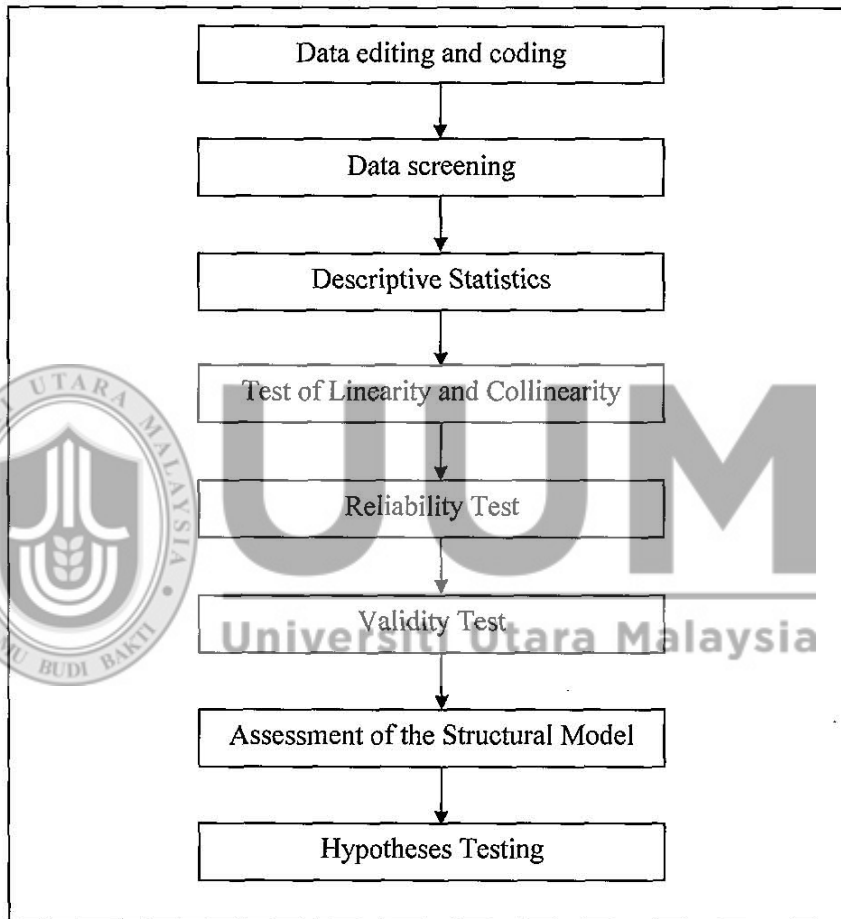


Figure 3.4
Data Analysis Procedures

This study uses Statistical Package for the Social Sciences (SPSS) version 21 as well as Amos version 20. The researcher employed the use of Amos to perform the structural equation modelling (SEM) in order to investigate the inter-relationships between constructs of the hypothesized model. SEM is chosen due to its robustness in statistical analysis and it allows the assessment of the direct and indirect effects of each variable on the other variables (Maruyama, 1998).

3.3.7.1 Data Editing and Coding

First of all, after data collection has been made, coding is needed for the systematic storage of data (Zikmund, 2003). For this study, it was done by using SPSS software version 21 where character symbols were assigned to the data and it was edited prior to entering into SPSS.

3.3.7.2 Data Screening

Next is the data screening process which comprises few phases to ensure that the impact of data characteristics do not negatively affect the outcome. In this procedure, missing data analysis is done that may include deletion, distribution and replacement (Kline, 1998; Tsikriktsis, 2005) as well as assessment of outliers that may happen due to incorrect data entry or intended population become extreme when combining values throughout the variables (Hair et al., 2006).

3.3.7.3 Descriptive Analysis

It is a method to transform the raw data into information that is presented in a format which makes them easily understandable and interpretable (Kassim, 2001; Sekaran, 2000). The analysis will provide useful information by the use of frequency

distribution, mean and standard deviation, which are processes that are invaluable in identifying the differences among the groups of the variables of interest. Background information of the respondents and organization will be presented in terms of frequency distributions and percentages which will be illustrated using tables.

3.3.7.4 Test of Linearity and Collinearity

Linearity test is performed in order to verify whether the correlation value represents only the linear relationship between variables without the non-linear effects (Hair et al., 2006). For this purpose, the scatter plot is being used in which the scatter plot should show the dotted line as a linear line. Meanwhile the collinearity test is being done to check upon the multicollinearity issue which is defined as the condition where the dependent variables are highly correlated (Pallant, 2001). It was suggested that a research's correlation values have to be lower than the recommended value of 0.90 as anything more than the suggested value is considered as multicollinearity (Hair et al., 2010). It also can be detected by looking upon the variance inflation factor (VIF) value where the recommended value of tolerance is registered at 10 for VIF (Hair et al., 2006).

3.3.7.5 Reliability Test

Reliability is the consistency of the measurement used to which an instrument measures in the same way each time it is used under the same condition with the same subjects (Nunnally, 1978). The Cronbach Alpha value of 0.60 and above is considered an acceptable range (Hair et al., 2006). In addition, another test could be done to test the reliability, called composite reliability which was introduced by Werts et al. (1974). It is calculated by using the equation below:

$$\text{Composite reliability} = \frac{(\sum \text{ standardized loading})^2}{(\sum \text{ standardized loading})^2 + \sum \epsilon_j}$$

(Source: Hair et al., 1998: 624)

The result of the composite reliability index exceeding 0.70 shows an internal consistency that is deemed satisfactory (Hair et al., 1998).

3.3.7.6 Validity Test

Validity is being defined as the level of the instrument being able to measure what is supposed to measure (Gay, 1987). Hair et al. (2006) argued that the research instrument used in the survey may be reliable without being valid however it is not possible for it to be valid without being reliable.

Construct validity confirms how accurate the results have been achieved. There are two main categories of construct validity which are convergent validity and discriminant validity.

Convergent validity is considered as the specific construct covering or sharing a high level of variance (Hair et al., 2006). It is being used to validate the level in which two measures having the similar concept are related. It is being done by the means of multiple attempts to measure the same concept in agreement. The convergent validity of a study is measured based on factor loading, composite reliabilities, and average variances extracted (Hair et al., 1998). The factor loadings should exceed the recommended value of 0.6 (Chin et al., 1997) while composite reliability values should exceed the recommended level of 0.7 (Hair et al., 1998). Furthermore, the average variances extracted, which explains the overall amount of variance in the indicators accounted for by the latent construct should exceed the recommended value of 0.5 (Hair et al., 1998).

On the other hand, discriminant validity refers observed constructs that should not be interrelated (Campbell & Fiske, 1959). It is performed to demonstrate that the items are distinguished among constructs. In order to prove discriminant validity, the square correlations for each construct must be less than the average variance extracted by the indicators measuring that construct.

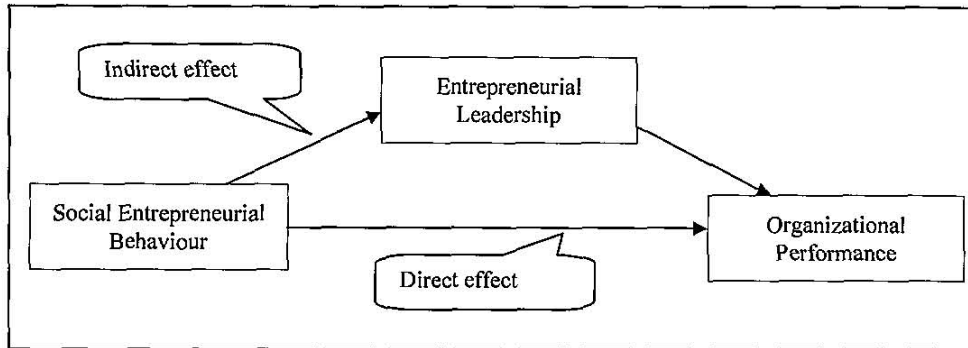
3.3.7.7 Assessment of the Structural Model

A measurement model relates the items to the latent construct that provides factor loadings and reliability measures from items to latent constructs. SEM's overall model is examined using multiple fit indices. The t-values and the R^2 were examined for the model fit as well as the other indexes (Hair et al., 2006). After successfully establishing a sufficient measurement mode, the next step will be the hypotheses testing of the study through fitting the structural models for the relations among the latent variables (Kline, 1998).

3.3.7.8 Hypotheses Testing

This study will use SEM to test the hypotheses as discussed earlier. The hypotheses testing procedure aims to test the direct and the indirect effect between the variables. (Figure 3.5). Thus this study will look upon the direct effect (SEB→OP) and indirect effect (SEB→EL→ OP). If both direct and indirect effects are present, thus it is called partial mediation, while if only indirect effect is present then it is considered as full mediation. However, if the circumstances show that there's only direct effect and indirect effect is missing, it is considered as there is no mediation.

Figure 3.5:
The Research Framework with Direct and Indirect Effect



3.4 Chapter Summary

This chapter discussed extensively on research framework and methodology used for this study. The chapter presented the necessary elements to ensure that the study being taken is on the track of having a suitable and sufficient research method. Proper hypotheses development was discussed to support the research framework. Then the research design was presented, which uses simple random sampling technique and discussion on the population and sample involved. Subsequently the data collection procedure was explained, followed by the questionnaire design and instruments chosen for this study. Next the survey questionnaire validation and translation process were elaborated. Lastly the data analysis procedure was discussed involving the use of SPSS and Amos as the statistical software.

CHAPTER 4

DATA ANALYSIS

4.0 Introduction

This chapter presents the data analysis for the survey in accordance with the analysis techniques presented in the preceding chapter. As discussed in Chapter Three, which describes the research design, a five-page questionnaire was used to measure the theoretical constructs of social entrepreneurial behaviour (SEB), entrepreneurial leadership (EL) and organizational performance (OP). After the content and face validity of the questionnaire was established, the questionnaire was sent to the randomly chosen organizations. The following section discusses the analysis of the data collected for the study.

4.1 Data Collection

4.1.1 The Response Rate

A set of questionnaire was sent to the owners of the organization. A stamped return envelope was included with the questionnaire to ease the purpose of returning the questionnaire back for analysis. A total of 405 responses were received for this survey (a response rate of 20 per cent). 4 responses were dropped as they were incomplete. As the intended response was 384, the first wave of response has matched the intended response and no further actions were taken for the remaining respondents that did not respond. This response rate is similar to other surveys in Malaysia, which have a tendency to achieve a response of between 15-25 per cent (Sarachek & Aziz, 1983; Rozhan, 1998; Nordin & Arawati, 1993; Hazman, 1998;

Kanapathy & Jabnoun, 1998). This response rate is also considered satisfactory since accessing the owner of SMEs is usually difficult (Ngah, 2011).

In the following sections, the results from the survey conducted are presented. All analyses (except structural equation modelling, SEM) were performed using SPSS version 21. Amos version 20 was used to analyze the proposed research framework through SEM.

4.1.2 Data Screening and Cleaning

Data screening and cleaning techniques are essential in ensuring that data have been correctly entered (Coakes et al., 2010). Therefore, error checking and verification were conducted throughout the data editing, data coding and data entry as suggested by Awang (2012). 4 questionnaires with missing responses were detected and they were excluded from the study. It was excluded without further action due to the proportion of the missing data is small (less than 10%) and the sample size of the study is large (Awang, 2012).

4.1.3 Frequency Analysis

Table 5.1 shows the frequency analysis of the respondent's organization and demographic profile. The frequency analysis was done based on the business period, business structure, type of industry, annual sales turnover, number of employees, ethnicity and education. Majority of the respondents has a business period of less than 5 years (n=220, 54.9%) followed by 5 to 10 years (n=106, 26.4%) and more than 10 years (n=75, 18.7%). The most popular business structure amongst the

respondents is sole proprietary (n=230, 54.9%) followed by partnership (n=110, 26.4%) and private limited company (n=61, 18.7%).

Table 4.1:
Frequency Analysis

| Variable | Description | N | % |
|------------------------------|-----------------------------|-----|------|
| Business Period | Less than 5 years | 220 | 54.9 |
| | 5 to 10 years | 106 | 26.4 |
| | More than 10 years | 75 | 18.7 |
| | Total | 401 | 100 |
| Business Structure | Sole Proprietary | 230 | 54.9 |
| | Partnership | 110 | 26.4 |
| | Private Limited Company | 61 | 18.7 |
| | Total | 401 | 100 |
| Type of Industry | Manufacturing | 29 | 7.2 |
| | Services | 372 | 92.8 |
| | Total | 401 | 100 |
| Annual Sales Turnover | Below RM300,000 | 256 | 63.8 |
| | RM300,000 – RM2,999,999 | 88 | 21.9 |
| | RM3,000,000 – RM14,999,999 | 27 | 6.7 |
| | RM15,000,000 – RM20,000,000 | 12 | 3.0 |
| | RM20,000,001 – RM50,000,000 | 18 | 4.5 |
| | Total | 401 | 100 |
| Number of Employees | Less than 5 | 52 | 13.0 |
| | 5 – 29 | 325 | 81.0 |
| | 30 – 74 | 24 | 6.0 |
| | Total | 401 | 100 |
| Ethnicity | Bumiputera | 371 | 92.5 |
| | Chinese | 28 | 7.0 |
| | Indian | 2 | 0.5 |
| | Total | 401 | 100 |
| Education | SPM | 115 | 28.7 |
| | Certificate | 42 | 10.5 |
| | Diploma | 88 | 21.9 |
| | Degree | 140 | 34.9 |
| | Master | 16 | 4.0 |
| | Total | 401 | 100 |

Most respondents are from the service industry (n=372, 92.8%), which is the biggest number of organization in Malaysian SMEs, while manufacturing contributed to the

rest (n=29, 7.2%). Majority of the respondents has below RM300,000 as their annual sales turnover (n=256, 63.8%) while the least is in the range between RM15,000,000 to RM20,000,000 (n=12, 3.0%). Most of the respondents have 5 to 29 employees in the organization (n=325, 81.0%) followed by less than 5 employees (n=52, 13.0%) and 30 – 74 employees (n=24, 6.0%). Majority of the respondents are Bumiputera (n=371, 92.5%) which is the main ethnicity in Malaysia, followed by Chinese (n=28, 7.0%) and Indian (n=2, 0.5 %). In terms of education level, most of the respondents are degree holders (n=140, 34.9%) while the least are Master Degree holders (n=16, 4.0%).

4.2 Univariate Analysis

4.2.1 Test of Collinearity and Linearity

Multicollinearity issue is described as some of the explanatory variables are not independent but are correlated. When multicollinearity is present, the regression coefficients become imprecise. Hair et al. (2010) describes multicollinearity as an issue that creates shared variance between variables. This issue will decrease the ability of independent variables in predicting dependent variable.

Multicollinearity analysis is done by firstly checking the correlation between the variables. It was suggested that a research's correlation values have to be lower than the recommended value of 0.90 as anything more than the suggested value is considered as multicollinearity (Hair et al., 2010). Based on the result on Table 4.2, it shows that the correlation values are between 0.529 to 0.590, therefore there is no multicollinearity issue.

Table 4.2
Pearson-Correlation Test Results

| Construct | Social Entrepreneurial | Entrepreneurial Leadership |
|----------------------------|------------------------|----------------------------|
| Organizational Performance | 0.529** | 0.590** |

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

Next, variance inflation factor (VIF) analysis need to be carried out to ensure that there is no multicollinearity issue (Pallant, 2005). Kleinbaum (2007) suggested that the value of VIF of any variable should not exceeds 10, as that variable is said to be highly collinear and will pose a problem for multivariate analysis. The calculated values of the VIF for the variables are presented in Table 4.3. The results show that the VIF is equal to 1.000 for all three variables. This proves that problem of multicollinearity does not exist as the VIF values are less than 10.

Table 4.3
Multicollinearity Test Results

| Variables tested | Variance Inflation Factor | Remarks |
|------------------|---------------------------|------------|
| SEB and OP | 1.000 | No Problem |
| SEB and EL | 1.000 | No Problem |
| EL and OP | 1.000 | No Problem |

4.3 Multivariate Analysis- Structural Equation Modelling

The Structural Equation Modelling approach is used to validate the research model. It was chosen due to its ability to test causal relationships between constructs with

multiple measurement items (Joreskog & Sorbon, 1996). SEM involves a two-stage model-building process, which are the measurement model and the analysis of the structural model.

4.3.1 Measurement Model

First of all, the measurement model was examined for instrument validation (Lin, 2007) for the purpose of determining the model specification (Hair et al., 2006). The measurement model for this study was assessed using Confirmatory Factor Analysis (CFA). CFA is employed in evaluating the construct validity, which includes unidimensionality, reliability, convergent validity, discriminant validity and predictive validity of the constructs. As this study has a large number of items involved, it is considered necessary to use an approach that requires variables to be evaluated individually using different measurement models (Moorman, 1995, Athuahene-Gima & Evangelista, 2000, Chen & Paulraj, 2004). It is necessary to assess the fit of each construct and its items individually to determine whether there are any items that are particularly weak (Hooper et al, 2007). Modifications can be made locally, in order to substantially improve the results of the model.

Items that had a loading of less than 0.60 were not significant at the 0.01 level and/or cross-loadings of more than 0.35 were discarded as an indication of a very high level of error. Table 4.4 details the results of item validation. In the process, 5 items were dropped from social entrepreneurial behaviour, 14 items from entrepreneurial leadership and 1 item from organizational performance. Consideration of both the statistical criteria and the theoretical issues are made before removing any items. The

following sub-section presents the three measurement models from the above process.

Table 4.4
Summary of Items Dropped in Confirmatory Factor Analysis

| Variables | Original Number of Items | Final (CFA) Number of Items | Number of Items Dropped in CFA | Description of Items Dropped in CFA |
|---------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Social Entrepreneurial Behaviour | 10 items | 5 | 5 | SEB1: Placed a strong emphasis on the dev new products or services |
| | | | | SEB4: Made major changes in processes, policies, products and services |
| | | | | SEB5: Is very often the first organization to introduce new products/services, administrative techniques and operating technologies |
| | | | | SEB7: Provided the lead for similar service providers |
| | | | | SEB9: Select projects that may alter the organization's public image. |
| Entrepreneurial Leadership | 19 items | 5 | 14 | EL2: Sets high goals, works hard |
| | | | | EL3: Knowledgeable, aware of information |
| | | | | EL4: Intuitive |
| | | | | EL5: Has a vision and imagination of the future |
| | | | | EL6: Anticipates possible future events |
| | | | | EL8: Skilled at interpersonal relations, tactful |
| | | | | EL9: Is able to negotiate effectively, able to make transactions with others on favorable terms. |
| | | | | EL10: Unusual ability to persuade others of his/her viewpoint |
| | | | | EL11: Gives courage, confidence or hope through reassuring and advising |
| | | | | EL13: Demonstrates and imparts strong positive emotions for work |
| EL14: Able to induce group members to work together | | | | |
| EL15: Seeks continuous performance improvement | | | | |
| EL17: Encourages others to use their mind—challenges beliefs, stereotypes and attitudes of others | | | | |
| Organizational Performance | 5 items | 4 | 1 | OP2: In the past 3 years, we have improved our product/service innovation |

The measurement model after CFA was shown on Figure 4.1. After selective items were dropped, the model illustrates each measures of the model. Social entrepreneurial behaviour and entrepreneurial behaviour have 5 items each while organizational performance has 4 items.

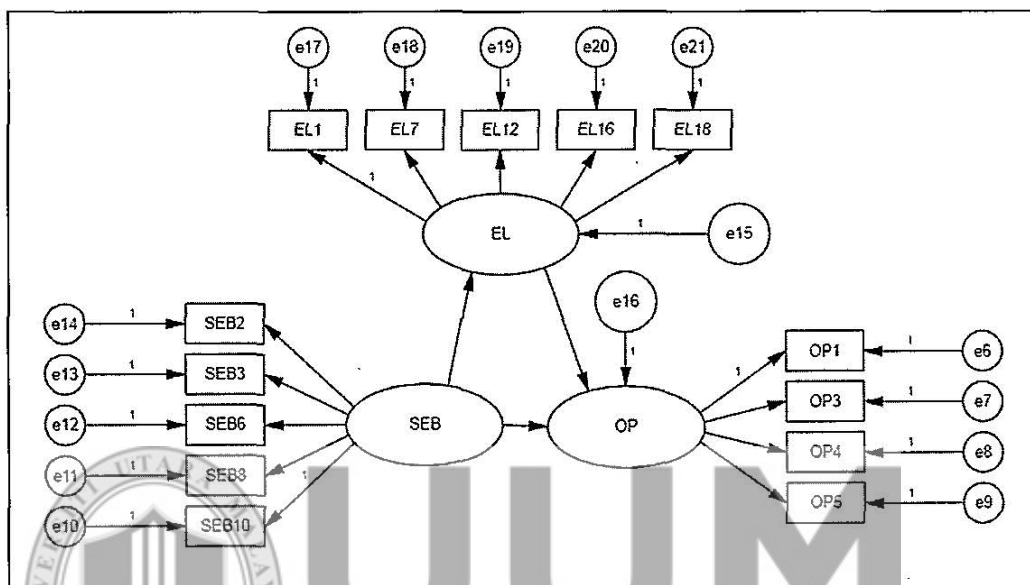


Figure 4.1 :
The CFA Measurement Model

Table 4.5 shows the result of fit for each measurement. The ratio (χ^2/df) ranges from 1.459 to 2.813, all below the recommended threshold of 3.0 (Hair et al. 2006). RMSEA values are in between 0.034 to 0.067, which are below the recommended cut-of-points of 0.08 (Hair et al.2006). The values of GFI are from 0.986 to 0.996 while the value of AGFI are from 0.959 to 0.981, all are above the recommended threshold of 0.90 (Hair et al. 2006). While the values of CFI (from 0.982 – 0.998) and TLI (from 0.991 – 0.999) are all above the recommended threshold of 0.95 (Hair et al. 2006).

Table 4.5
Fit Results for Measurement Models after Instrument Validation

| Construct | Number of Items Dropped | Fits | | | | | | | |
|-----------|-------------------------|----------|----|-------------|-------|-------|-------|-------|-------|
| | | χ^2 | Df | χ^2/df | RMSEA | GFI | AGFI | CFI | TLI |
| SEB | 5 | 7.913 | 5 | 1.583 | 0.038 | 0.992 | 0.977 | 0.988 | 0.994 |
| EL | 14 | 14.066 | 5 | 2.813 | 0.067 | 0.986 | 0.959 | 0.982 | 0.991 |
| OP | 1 | 2.918 | 2 | 1.459 | 0.034 | 0.996 | 0.981 | 0.998 | 0.999 |

The results from the instrument validation illustrate that based on modification indices and standardized error, several items were deleted to ensure that the data is fit to the model. Generally, the reason behind the removal of problematic items and re-specifications is because it may result in a better fit of a model (Bollen, 1989). Although there are several items were dropped, there are rationalizations for dropping the items. Firstly, the measures were adopted from researchers that used the instruments out of Malaysia and considered exploratory in nature. This argument was supported by Halim and Ha (2009), in which they suggested that possible justification for dropping the items was that the integrated items had never been used in Malaysia sample before. Therefore, in this study, the action of dropping items was considered legitimate reasons in order to seek parsimony and fitness (Klein et al. 2006). In addition, most of the studies particularly exploratory studies need to delete certain items originally included in scale to improve their fitness, validity and reliability (Nyambegera et al., 2001).

4.3.2 Convergent Validity of the Measurements

The convergent validity is defined as the degree to which a set of variables converge in measuring a particular concept (Hair et al., 2010). To establish the convergent validity, analysis based on certain criteria need to be performed such as the factor

loadings, composite reliability (CR) and average variance extracted (AVE). They were used simultaneously as suggested by Hair et al. (2010).

Table 4.6
The Convergent Validity Analysis

| Constructs | Items | Loadings | Cronbach's Alpha | CR ^a | AVE ^b |
|----------------------------------|-------|----------|------------------|-----------------|------------------|
| Social Entrepreneurial Behaviour | SEB2 | 0.750 | 0.788 | 0.883 | 0.601 |
| | SEB3 | 0.818 | | | |
| | SEB6 | 0.786 | | | |
| | SEB8 | 0.760 | | | |
| | SEB10 | 0.759 | | | |
| Entrepreneurial Leadership | EL1 | 0.759 | 0.886 | 0.887 | 0.611 |
| | EL7 | 0.771 | | | |
| | EL12 | 0.802 | | | |
| | EL16 | 0.747 | | | |
| | EL18 | 0.826 | | | |
| Organizational Performance | OP1 | 0.831 | 0.922 | 0.924 | 0.752 |
| | OP2 | 0.854 | | | |
| | OP3 | 0.858 | | | |
| | OP4 | 0.922 | | | |

a: Composite Reliability (CR) = $(\sum \text{factor loading})^2 / \{(\sum \text{factor loading})^2 + \sum (\text{variance of error})\}$

b: Average Variance Extracted (AVE) = $\sum (\text{factor loading})^2 / \{(\sum \text{factor loading})^2 + \sum (\text{variance of error})\}$

Table 4.6 shows the result of convergent validity on the measurement model. The loadings of each item are between 0.747 to 0.922, exceeds the recommended value of 0.5 (Hair et al., 2010). The composite reliability values ranged from 0.883 to 0.924 which exceeds the recommended value of 0.7 (Hair et al., 2010). The average variances extracted (AVE) values ranged between 0.601 and 0.752, exceed exceeds the recommended value of 0.5 (Hair et al., 2010). These results indicate a good level of construct validity of the measures used (Barclay et al., 1995).

4.3.3 The Discriminant Validity of the Measurements

Discriminant validity of the measures is a step that is mandatory prior to testing the hypotheses through the path analysis. It is a method used to confirm the construct validity of the model. Compeau, Higgins, and Huff (1999) described that if the discriminant validity of the measures was to be established, the shared variance between each construct and its measures should be greater than the variance shared among distinct constructs.

Table 4.7 shows the test of discriminant validity by comparing the average variance extracted (AVE) and the square of correlations. All respective AVE are larger than the squared correlation between the corresponding constructs, which demonstrates the strong support of discriminant criterion.

Table 4.7
Test of Discriminant Validity

| | 1 | 2 | 3 |
|-------------------------------------|--------|--------|--------|
| 1. Social Entrepreneurial Behaviour | 0.601* | | |
| 2. Entrepreneurial Leadership | 0.492 | 0.611* | |
| 3. Organizational Performance | 0.565 | 0.600 | 0.752* |

Notes: *Diagonal elements are the average variance extracted for each of the three constructs. Off-diagonal elements are the squared correlations between constructs. For discriminant validity, diagonal elements should be larger than off-diagonal; All of the correlations are significant at the $p < 0.001$ level

4.3.4 Hypotheses Testing

The objective of statistical inference is to draw conclusions about a population on the basis of data gathered from a sample of that population. Hypothesis testing is the method used to evaluate the strength of evidence derived from the sample and provides a framework for making determinations related to the population, for

example, it provides a way for understanding how reliably one can generalize observed findings in a sample under study to the larger population from which the sample was derived (Davis & Mukamal,2006). The study has formulates four specific hypothesis, in which three hypothesis was drawn on direct relationship while the fourth on a mediating relationship. The summary of the first three hypotheses is shown in Table 4.8.

Table 4.8
The Results of the Inner Structural Model

| Hypothesis | Hypothesized Path | Path Coefficient | T value | P value | Decision |
|----------------|----------------------------------------------------------------|------------------|---------|---------|-----------|
| H ₁ | Social Entrepreneurial Behaviour -> Organizational Performance | 0.356 | 5.878 | *** | Supported |
| H ₂ | Social Entrepreneurial Behaviour -> Entrepreneurial Leadership | 0.492 | 7.499 | *** | Supported |
| H ₃ | Entrepreneurial Leadership -> Organizational Performance | 0.425 | 7.406 | *** | Supported |

*:p<0.05; **:p<0.01; ***:p<0.001

The results of this study showed that Organizational Performance (OP) was examined through the constructs of Social Entrepreneurial Behaviour (SEB) and Entrepreneurial Leadership (EL), the result presented a positive and significant impact from both of the constructs towards the dependent variable at the 0.001 level of significance.

For hypothesis 1 (H1), it shows that SEB has positive significant effect on OP ($\beta= 0.356$, $t=5.878$, $p<0.001$). Next, for hypothesis 2 (H2), the hypothesis testing shows that SEB has positive significant effect on EL ($\beta= 0.492$, $t=7.499$, $p<0.001$). Lastly, hypothesis 3 (H3), it shows that EL has positive significant effect on OP ($\beta= 0.425$, $t=7.406$, $p<0.001$). Therefore, all three hypotheses were supported for this study.

4.3.5 Mediation Effect Analysis

Mediating variable is the variable that mediates the effect from an independent variable to its dependent variable. According to Baron and Kenny (1986), a mediator variable is a generative mechanism in which the focal independent variable influences the dependent variable of interest. Mediation takes place where there is a significant relationship between predictor and criterion variables. A mediator variable is considered as so if it develops an indirect effect through which the focal independent variable influences the criterion variable under study (Baron & Kenny, 1986).

Because the mediation relationship was significant only in terms of causal relationship, it is not sufficient to conclude that there is a mediation relationship. Preacher and Hayes (2004; 2008) have introduced a new method called “bootstrapping the indirect effect” to counter the weaknesses of previous methods of mediation analysis.

Bootstrapping is a resampling method that creates a sampling distribution in order to estimate standard errors, and create the confidence intervals (Hu, 2010). It is used for mediation analysis as a confirmation process due to its accuracy for computing confidence intervals for mediation effect when the mediation effect is nonzero (Hu,

2010). It has been recognized as a nonparametric resampling procedure that is more rigorous and powerful for testing the mediating effect (Hayes, 2009; Zhao et al., 2010). Hair et al. (2013) has supported the usage of bootstrapping for mediation analysis. He noted that “when testing mediating effects, researchers should rather follow Preacher and Hayes (2004, 2008) and bootstrap the sampling distribution of the indirect effect, which works for simple and multiple mediator models” (p. 223).

The bootstrapping mediation analysis was carried out with 2000 bootstrap samples and 95% bias-corrected confidence intervals. Table 4.9 shows the result of direct effect based on the bootstrapping technique. It shows that SEB has direct effect with EL ($p < 0.001$) and OP ($p < 0.001$), while EL has direct effect with OP ($p < 0.001$).

Table 4.9
The Results of Direct Effect - Bootstrapping

| Constructs | SEB | EL | OP |
|------------|------|------|-----|
| EL | .001 | ... | ... |
| OP | .001 | .001 | ... |

After achieving direct effect on all of the constructs, the next analysis carried out is the bootstrapping analysis on the indirect effect. Table 4.10 shows that based on the analysis done, there is an indirect effect of SEB with OP ($p < 0.000$).

Table 4.10
The Results of Indirect Effect - Bootstrapping

| Constructs | SEB | EL | OP |
|------------|------|-----|-----|
| EL | ... | ... | ... |
| OP | .000 | ... | ... |

The hypotheses testing and bootstrapping mediation analysis have shown that all four of the hypotheses were supported, proving that there is direct and indirect effect between social entrepreneurial behaviour (SEB) and organizational performance

(OP). The indirect effect was established through a mediating variable of entrepreneurial leadership (EL).

4.4 Summary of Hypotheses Findings

The relationship between the three constructs, namely, Social Entrepreneurial Behaviour (SEB), Entrepreneurial Leadership (EL) and Organizational Performance (OP) were examined. Four hypotheses were formed based on the conceptual framework, and they were tested with the collected data using Structural Equation Modelling of AMOS. The summary of all four hypotheses is shown in Table 4.11.

Table 4.11:
Summary of Hypotheses

| Hypotheses | Details | Result |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| H1: Social entrepreneurial behaviour has a significant positive relationship on organizational performance. | There is a positive relationship between social entrepreneurial behaviour and organizational performance. | Supported |
| H2: Social entrepreneurial behaviour has a significant positive relationship on entrepreneurial leadership. | There is a positive relationship between social entrepreneurial behaviour and entrepreneurial leadership. | Supported |
| H3: Entrepreneurial leadership has a significant positive relationship on organizational performance. | There is a positive relationship between entrepreneurial leadership and organizational performance | Supported |
| H4: Entrepreneurial leadership positively mediates the relationship between social entrepreneurial behaviour and organizational performance. | A positive relationship between social entrepreneurial behaviour and organizational performance is mediated by entrepreneurial leadership | Supported |

4.5 Chapter Summary

This chapter presented the data analysis of the study. Frequency analysis, test of collinearity and linearity were demonstrated. A structural equation modelling approach was applied to the data using the AMOS version 20.0 software packages. Through Confirmatory Factor Analysis, the constructs were tested for validity and proven to possess validity in all tested aspects. Four hypotheses were tested with a positive result. The test of mediation of entrepreneurial leadership was possible using structural equation modelling. The tests showed that entrepreneurial leadership mediates the relationship of social entrepreneurial behaviour and organizational performance.

In the following chapter, the discussions drawn from the research's findings are discussed. The chapter provides answers to the research questions presented in the beginning of the study as well as the concluding remarks for this study.



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CHAPTER 5

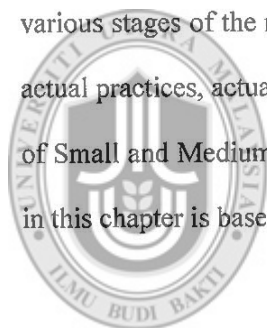
RESEARCH FINDINGS AND DISCUSSION

5.0 Introduction

This section reviews the results of the data analysis covered in chapter four of this study report. The findings will be reviewed comprehensively and research questions will be revisited and answered.

5.1 Review of Data Analysis Results

The presentation of the main findings of this research covers the findings from the various stages of the research. The importance of these findings lies in the identified actual practices, actual behavioural measures and their influences on the performance of Small and Medium Enterprises (SMEs). It is important to note that the discussion in this chapter is based on the results from the SMEs in Malaysia.



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5.2 Readdressing the Research Questions

This section provides answers to the research questions that were raised at the initial stage of this study. The four research questions were posed to steer the study to the intended direction. This section revisits the research questions and delivers elaborated answers according to the findings of the research. The four research questions are:

RQ1. Does social entrepreneurial behaviour has significant relationship with organizational performance?

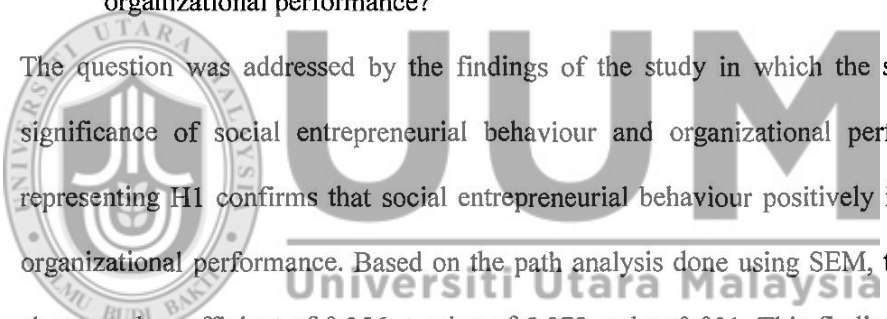
RQ2. Does social entrepreneurial behaviour has significant relationship with entrepreneurial leadership?

RQ3. Does entrepreneurial leadership has significant relationship with organizational performance?

RQ4. Does entrepreneurial leadership mediates the relationship between social entrepreneurial behaviour and organizational performance?

5.2.1 The Relationship between Social Entrepreneurial Behaviour and Organizational Performance

RQ1. Does social entrepreneurial behaviour has significant relationship with organizational performance?



The question was addressed by the findings of the study in which the statistical significance of social entrepreneurial behaviour and organizational performance representing H1 confirms that social entrepreneurial behaviour positively influence organizational performance. Based on the path analysis done using SEM, the result shows path coefficient of 0.356, t-value of 5.878 and $p < 0.001$. This finding implies that social entrepreneurial behaviour of the entrepreneur directly influence the performance of the organization. This indicates that social entrepreneurial behaviour of the owner plays a role in determining the performance of the organization, as suggested by previous researchers (Gandy, 2012; Mohtar & Rahim, 2014).

5.2.2 The Relationship between Social Entrepreneurial Behaviour and Entrepreneurial Leadership

RQ2. Does social entrepreneurial behaviour has significant relationship with entrepreneurial leadership?

The findings of the study show that the statistical significance of social entrepreneurial behaviour and entrepreneurial leadership representing H2 confirms that social entrepreneurial behaviour positively influence entrepreneurial leadership. Based on the path analysis done using SEM, the result shows path coefficient of 0.492, t-value of 7.499 and $p < 0.001$. This finding implies that social entrepreneurial behaviour of the entrepreneur directly influence the entrepreneurial leadership of the entrepreneur. This indicates that the higher social entrepreneurial behaviour, the greater entrepreneurial leadership of the entrepreneur will be. This is not surprising as many past researchers has coined the idea linking between these two variables. For example, Thompson et al. (2000) has suggested that social entrepreneurial behaviour consist of leadership element. Llewellyn et al. (2000) concurred by emphasizing that good leadership characteristic is a part of social entrepreneurial behaviour. In addition, Morse and Dudley (2002) mentioned that social entrepreneurial behaviour is considered as collaborative leadership style.

5.2.3 The Relationship between Entrepreneurial Leadership and Organizational Performance

RQ3. Does entrepreneurial leadership has significant relationship with organizational performance?

Based on the result of the study, it shows that the statistical significance of entrepreneurial leadership and organizational performance representing H3 confirms that entrepreneurial leadership positively influence organizational performance. Based on the path analysis done using SEM, the result shows path coefficient of 0.425, t-value of 7.406 and $p < 0.001$. This finding implies that entrepreneurial leadership of the entrepreneur directly influences the organizational performance. This indicates that entrepreneurial leadership of the owner plays a role in determining the performance of the organization, as suggested by previous researchers. For example, an empirical research done by Kieu (2010) found that there is strong correlation between leadership on year-over-year revenue growth and profits. Peterson et al. (2003) has proven that the level of agreement and commitment of leadership to be critically significant in the overall organizational performance. Meanwhile Chung-Wen (2008) has established that there is a significant positive relationship between leadership and organizational performance in Taiwan. Previous studies suggested that there is a link between entrepreneurial leadership and organizational performance (Covin & Slevin, 1991).

5.2.4 The Mediating Effect of Entrepreneurial Leadership between Social Entrepreneurial Behaviour and Organizational Performance

RQ4. Does entrepreneurial leadership mediate the relationship between social entrepreneurial behaviour and organizational performance?

This question was answered based on the findings of the study. Based on the results discussed earlier, it shows that all of the three hypotheses were supported, simultaneously supporting H4, that implies entrepreneurial leadership mediates the relationship between social entrepreneurial behaviour and organizational performance. Looking upon the result of the structural model based on the path analysis (Figure 5.1), it shows that social entrepreneurial behaviour (SEB) explains 24% of the variance in entrepreneurial leadership (EL), and 46% of organizational performance's (OP) variance was explained by social entrepreneurial behaviour and entrepreneurial leadership. Though the structural model shows that there is positive relationship between the constructs and the is partial mediation of EL towards SEB and OP, however, the path coefficient shows that in achieving OP, the best path is through SEB (t-value=0.492) and EL (t-value=0.425). This is due to the fact that the alternative path of SEB to OP has a weaker t-value of 0.356. This indicates that the best way to achieve OP, based on this study, is by having both SEB and EL.

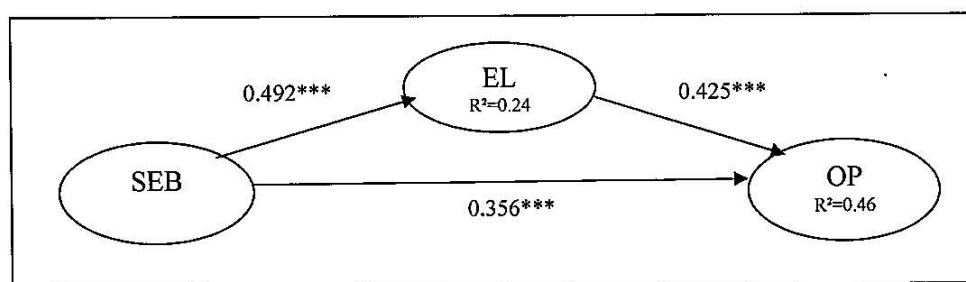


Figure 5.1 :
The Structural Relationship among Constructs

5.3 Discussion

This study examined the effect of social entrepreneurial behaviour SMEs in Malaysia. An integrated framework has been developed with the inclusion of entrepreneurial leadership as a link between social entrepreneurial behaviour and organizational performance. Most SMEs are unaware of the advantage of social entrepreneurial behaviour to improve their performance.

The result shows that social entrepreneurial behaviour has positive relationship with organizational performance. In Malaysia, social entrepreneurship is widely used to describe the effort of certain non-profit organizations or the government agencies to change the economical state of poor communities (Zakaria, 2011). However, this study has shown that social entrepreneurial behaviour is common within the SMEs. In local context, many SMEs have demonstrated social entrepreneurial behaviour, however the behaviour was not being published and promoted extensively, compared to large firms which tend to do so to strengthen and improve their image. Therefore, it is not surprising that the result demonstrated that social entrepreneurial behaviour positively affects organizational performance. The result is similar to past study by Gandy (2012) who studied the similar relationship among non-profit organization. Consequently, the result will give SMEs an opportunity to be further involved in social entrepreneurship activities. Contradicting to certain common believes, this study proves that social entrepreneurial behaviour is essential for the success of profit sector.

In addition, the result demonstrated that entrepreneurial leadership has positive relationship with organizational performance. This result is similar with previous

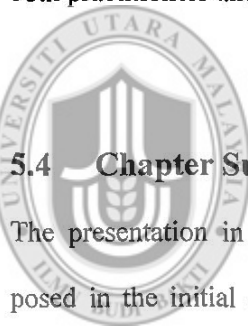
studies that were done in regards of leadership with organizational performance (Kieu, 2010; Peterson et al., 2003; Chung-Wen, 2008). SMEs in Malaysia have faced many challenges in the fragile economic situation. As SMEs contributed to more than 99.2% of firms establishments in Malaysia (SMECorp, 2012; Rahim et al., 2012), it creates a highly competitive scenario. Therefore, it is essential to have an entrepreneurial leader spearheading the organization, to steer the organization towards success. Thus, it is important to exhibit entrepreneurial leadership as it positively affects organizational performance.

Many researchers have claimed that social entrepreneurial behaviour and leadership has a certain connection. For example, Thompson et al. (2000) has suggested that social entrepreneurial behaviour consist of leadership element. Llewellyn et al. (2000) concurred by emphasizing that good leadership characteristic is a part of social entrepreneurial behaviour. In addition, Morse and Dudley (2002) mentioned that social entrepreneurial behaviour is considered as collaborative leadership style. This study has empirically proven that social entrepreneurial behaviour has positive relationship with entrepreneurial behaviour. It shows that in the profit sector, by increasing the social entrepreneurial behaviour, consequently it will improve the entrepreneurial leadership as well.

Based on the resourced-based theory, both social entrepreneurial behaviour and entrepreneurial leadership could be considered as internal resources of the organization that is unique from others, thus creating a competitive advantage over other competitors, subsequently achieving better organizational performance. This is demonstrated by the last findings of the study that established the mediating effect of

entrepreneurial leadership between social entrepreneurial behaviour and organizational performance. Hence, entrepreneurs should positively embrace the social entrepreneurial behaviour and apply the entrepreneurial leadership style in the effort of achieving better organizational performance.

Recognizing the importance of social entrepreneurial behaviour and entrepreneurial leadership may give practitioners further insights into how they can improve their organizational performance. This study has attempted to increase the understanding and awareness of social entrepreneurial behaviour and entrepreneurial leadership for owners and managers who are seeking to improve their organizational performance. Therefore, the results of this study can serve as a useful source of information for both practitioners and academicians.



5.4 Chapter Summary

The presentation in this section provides answers to the four research questions posed in the initial stage of the study as well as the discussion. In the following chapter, the conclusions and recommendations are presented. Table 5.1 shows the summary of the research questions as discussed earlier.

Table 5.1 :
Summary of Research Questions and Discussion

| Research Question | Objective | Data Analysis |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RQ1: Does social entrepreneurial behaviour has significant relationship with organizational performance? | To examine the effect of social entrepreneurial behaviour towards organizational performance. | SME entrepreneur's social entrepreneurial behaviour positively influences organizational performance. |
| RQ2: Does social entrepreneurial behaviour has significant relationship with entrepreneurial leadership? | To examine the effect of social entrepreneurial behaviour towards entrepreneurial leadership. | The social entrepreneurial behaviour of SME's owners positively influences entrepreneurial leadership |
| RQ3: Does entrepreneurial leadership has significant relationship with organizational performance? | To examine the effect of entrepreneurial leadership towards organizational performance. | The entrepreneurial leadership of entrepreneurs of SME positively effects organizational performance. |
| RQ4: Does entrepreneurial leadership mediates the relationship between social entrepreneurial behaviour and organizational performance? | To examine the mediating effect of entrepreneurial leadership on social entrepreneurial behaviour and organizational performance. | Entrepreneurial leadership mediates social entrepreneurial behaviour and organizational performance. The best path for better performance is starting with social entrepreneurial behaviour through entrepreneurial leadership |




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CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

6.0 Introduction

This study has met its research aims in gaining an understanding of the role of social entrepreneurial behaviour and entrepreneurial leadership towards SMEs' performance. This chapter offers the conclusion based on the results drawn from the entire process of conducting this study. The limitations and areas for future research are also presented. Recommendations for the industry and academics of the studied practices are offered.

6.1 Theoretical Contributions

Theoretically, a framework is proposed for empirical studies to link social entrepreneurial behaviour and entrepreneurial leadership with organizational performance. This study is probably among the first to establish an integrative view of these constructs, as previously many studies focused on the individual effect of social entrepreneurial behaviour and entrepreneurial leadership towards organizational performance. This framework may be used as a stepping stone for further empirical research in this particular area. This study contributes to the overall understanding of the behavioural aspects of the entrepreneur and how it affects organizational performance through social entrepreneurial behaviour and entrepreneurial leadership.

The effect of social entrepreneurship on organizational performance has been explored. However, mainstream studies have focused on the effect of social entrepreneurship towards social benefit organizations or non-profit sector. Many believed that social entrepreneurship should be exclusively for non-profit sector only. This study has broken the norm by studying the effect of entrepreneur's social entrepreneurial behaviour in profit-sector, thus, filling the huge literature gap of social entrepreneurship studies in profit sector. By having this empirical study done, it could open the gates of social entrepreneurship studies within the context of profit sector.

By introducing the entrepreneurial leadership as the mediating variable, a more comprehensive model was established. The model shows that entrepreneurial leadership mediates social entrepreneurial behaviour and organizational performance and the best path for better performance is starting with social entrepreneurial behaviour through entrepreneurial leadership



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6.2 Practical Contributions

6.2.1 Managerial

The findings from this study show that there is empirical evidence that social entrepreneurial behaviour affect organizational performance exponentially. The findings contribute practically in two aspects:

- (1) Having an understanding on the benefits of having social entrepreneurial behaviour and entrepreneurial leadership for entrepreneurs in profit sector.

(2) Promoting and encouraging entrepreneurs in profit sector to have better social entrepreneurial behaviour, consequently to be more socially responsible, as it is an act of getting two birds with one stone; being good to the communities while improving the organizational performance.

(3) By having entrepreneurial leadership, the organizational performance will be further improved. This will encourage entrepreneurs to adopt entrepreneurial leadership as their leadership style in order to further enhance their organizational performance.

The results of this study would be significant for SME leaders as they seek to link practices and outcomes. This empirical study will be able to contribute practically by understanding what business consequences are expected from increasing the level of social entrepreneurial behaviour, and how entrepreneurial leadership mediates the relationship between social entrepreneurship and organizational performance.

At present, SME leaders will understand better the role of social entrepreneurial behaviour and entrepreneurial leadership towards its organizational performance.

This could lead them towards changes of business practice and leadership style in making effort to increase the level of performance.

6.2.2 Policymakers

The policymakers in Malaysia have recently stressed the importance of social entrepreneurship in moving the nation into the goal of achieving Vision 2020. In the recent International Conference of Young Leaders in March 2015, the Prime Minister of Malaysia, Dato Seri Najib Razak has insist on the importance of leaders

of organizations to have the social entrepreneurship spirit to help the country achieving its mission as a developed country (Razak, 2015) and the Minister of Youth and Sports, Khairy Jamaluddin concurred by stressing the need to build the DNA of social entrepreneurship among the leaders of organization (Jamaluddin, 2015). In addition, Jamaluddin (2015) requested on better understanding on this issue on how enterprises in Malaysia could help participating in social entrepreneurship.

Therefore, by providing a framework and evidence of the positive influence that social entrepreneurial behaviour and entrepreneurial leadership have on organizational performance, this study has contributed towards the call of the ministers in understanding better on the matter of social entrepreneurship and enterprises. As a result, this study could be the reference material for the policymakers to encourage entrepreneurs to venture into social entrepreneurship as well as for further research to be done.

6.3 Limitations and Suggestions for Future Research

This study is not without limitations. These limitations can be tackled in future research work that may focus on studying the relationships among constructs used in this study as well as in related areas of research.

The first limitation is the geographical factor. Most of the respondents are from the Central region of Malaysia where most of the SMEs are centralized. This study perceives that the SMEs have a similar background, resources and environment, however, in reality, issues such as geographical factors could influence the way on how an organization behaves. Therefore, future research should be conducted

throughout Malaysia in proper proportion to gain a better understanding and to observe the different practices.

Next, the data gathered in this study is cross-sectional. These influencing factors were measured at a static point rather than as they were developing across time, thus, losing the dynamisms and richness of time explanation. Future research might gather longitudinal data to examine the causality and interrelationships between the studied variables.

Thirdly, the data was collected in a single country which is Malaysia. Potential culture differences should be noted, especially Malaysia has various ethnicity and culture. Therefore the study's findings may only be generalized in Malaysia. The research model should be tested further using samples from other countries to generalize the findings.

Next, having single-informant per organization is can be considered as limitation. Future research may also focus more explicitly on micro-foundations of routines, for example, by obtaining reports of social entrepreneurial behaviour and entrepreneurial leadership practices from individual members of each organization. Although obtaining multiple respondents data per organization is challenging, it would allow for a more rigorous testing and may obtain different result and perspectives.

Lastly, as this study has explored the effect of social entrepreneurial behaviour towards SME's performance, future research could venture into studying the effect of social entrepreneurship activities towards SME's performance. There is a huge

literature gap in assessing the effect of social entrepreneurship activities within organization as there is a dearth of reliable and valid instrument. Nevertheless, it is important to understand how profit sector could benefit while being socially responsible.

6.4 Recommendations

6.4.1 Recommendations for the SMEs

The study has drawn an intriguing result in which links social entrepreneurial behaviour towards organizational performance, which mediating effect of entrepreneurial leadership. By understanding the concept, SMEs should start focusing on having leaders with social entrepreneurial behaviours as it could benefit the performance of the organization. Previous research has supported the idea of having philanthropic leaders with empirical evidence that links its activities with organizational performance (Okwemba et al., 2014). Literature in previous chapter also highlighted the social entrepreneurship acts of successful leaders and their organizations in the western countries as well as Malaysia. This means that SMEs should follow suit and take on serious measures to adopt the social entrepreneurial behaviours, not only to improve the organizational performance, but to be socially responsible as well. Tepthong (2014) has urged social enterprises leaders to act in such a way of business entrepreneurs to ensure the stability and success of social enterprises. However, possibly it's time for the business entrepreneurs to act similar to the social entrepreneurs.

On the other hand, it is undeniable that leaders play a huge role in determining the success of the organizations that they lead. As leaders have their own leadership style

and each leadership style may influence organizational performance (DuBrin, 2001), organizations need effective leaders who are flexible in adapting and understanding the fast changing and complex business world (Nahavandi, 2002). Thus the answer could be entrepreneurial leadership as there is a number of researchers argued that entrepreneurial leadership is an effective leadership style and there is a pressing need to it (Tarabishy et al., 2005). Therefore, SMEs should focus on equipping its leaders with entrepreneurial leadership to steer the organization towards betterment. Leadership trainings, hands on learning and tacit knowledge acquisition should be foster among leaders of organizations to inculcate them with entrepreneurial leadership.

6.4.2 Policy Recommendations

SME is considered as the backbone of the nation's economy and development. Therefore it is vital for the policymakers to have relevant policies to encourage the organizational performance of the SMEs.

The government has taken the right step by realizing the importance of creating social entrepreneurship DNA among the enterprises. However, more policies should be introduced to encourage SME leaders to demonstrate their social entrepreneurial behaviours. Regulations could be amended to support and persuade the leaders, such as tax incentives or formulate cooperation and networks between social enterprises and SMEs for a win-win situation.

Secondly, many government agencies provides free trainings however, most of the trainings are more inclined towards technical and business related. Less is offered

towards empowering entrepreneurs with entrepreneurial leadership skills and competencies. On the other hand, the government has introduced tax incentives in terms of double deduction on expenses of the training. However, it only applies on limited approved training at approved institutions (Ministry of Finance, 2014), creating a partial encouragement for SMEs to pursue trainings. Therefore, much need to be done in this area. The policymakers need to consider increasing the number of leadership trainings as well as introducing more flexible tax incentives for those who which to undergone trainings.

6.5 Chapter Summary

This chapter concludes and recommends based on the findings and discussions of this study. The chapter highlights the purpose of the study in the introduction section. The practical and theoretical aspects were also discussed and elaborated upon. Limitations of study as well as suggestions for future research were also identified to pave the way for future research in the area of social entrepreneurial behaviour, entrepreneurial leadership and organizational performance. Finally, recommendations were offered towards SMEs and the policymakers.

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