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INSIGHT Journal focuses on social science and humanities research. The main aim of INSIGHT Journal is to provide an intellectual forum for the publication and dissemination of original work that contributes to the understanding of the main and related disciplines of the following areas: Accounting, Business Management, Law, Information Management, Administrative Science and Policy Studies, Language Studies, Islamic Studies and Education.

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TABLE OF CONTENTS

Foreword by Deputy Rector of Research, Industrial Linkages & Alumni	i
Paper Title	Page
Assessment of Halal Governance Issues in Malaysia	1
Stock Market Efficiency: A Pooled Mean Group Approach	9
Customer Preferences in Purchasing Residential Property: An Interview Survey	20
Determinants of Job Satisfaction: How Satisfied Are Employees at Public Universities	28
Intellectual Capital and Corporate Entrepreneurship Toward Firm Performance: A Preliminary Study	36
Exploring the Elements of Audience Engagement in Job Advertising of Job Search Website in Malaysia	48
Fuzzy Simple Hierarchy Analysis for Supplier Selection Decision	55
Determinants of Customer Satisfaction on Catering Service in Electric Train Service (ETS), Keretapi Tanah Melayu Berhad (KTMB)	66
System and Information Quality an Enabler for Assessing ERP Impacts on the Public Sector: The Case of ePBT in Malaysian Local Authorities	74
Marketing Strategy of Tangerang Culineria as One of the Culinary Tourism Objectives in Tangerang City	82
An Overview of a Broadly-Based Entrepreneurial Competencies Model for Business Success of Women Micro-Entrepreneurs in Malaysia	94
Factors Influencing Audit Report Lag in Malaysian Public Listed Companies	100
A Study on Consumer's Acceptance towards Green Banking Practices	109
Distribution of Profits under the Companies Act 2016: Satisfying the Insolvency Test	111
Millennial Grips on Professional Accounting Profession in A Malaysian Setting	124
Environmental Experiences and Positive Environmental Deviance towards Environmental Disclosure Quality: A Conceptual Framework for Internal Corporate Governance	133
The Impact of Malaysian Ringgit Fluctuation towards Profitability of Islamic Banks in Malaysia	146

The Impact of Job Rotation towards Motivation of Nurses in Private Medical Institution in Malaysia	155
The Influence of Social Media Marketing Activities on Brand Equity	161
Measuring Intention to use IP-Belt among Pregnant Mothers using TAM Model: Technology-Based Innovation in Road Safety	169
The effect of perceived usefulness, perceived ease of use, trust and perceived risk toward E-wallet usage	183
Guardianship and Custody of Divorced Couple's Children: Welfare of The Children or Best Interest of The Child, A Comparison Study Between Malaysia and Indonesia	192
Factors Influencing Brand Awareness of Feminine Hygiene Products among Young Female Adults	203
Adoption of Digital Forensic by Malaysian Large Enterprises: A Conceptual Framework	211
The Implementation of The Promotion Mix on Cash Waqf Collection	218
The Role of Social Media on the Performance of Micro, Small and Medium Enterprises (MSMEs) in Palembang City	225
Factors Influencing Purchase Intention Based on Facebook Advertising: DAS	232
Drivers, Enablers and Challenges of Effective Project Managers	239
Organic Rice New Product Screening: Customers Preference Application	252
The Effects of University Environments, Personal Traits and Risk Taking Towards Entrepreneurial Intention Among Undergraduate Students	266
Factors on Drug Addiction: A Case Study at The Cure &Care Rehabilitation Centre (CRCC)	274

FOREWORD BY DEPUTY RECTOR OF RESEARCH, INDUSTRIAL LINKAGES & ALUMNI



Since 2018, the INSIGHT JOURNAL (IJ) from Universiti Teknologi MARA Cawangan Johor has come up with several biennial publications. Volume 1 and 2 debuted in 2018, followed by Volume 3 this year as well as Volume 4 with 19 published papers due to the great response from authors both in and out of UiTM. Through Insight Journal, lecturers have the ability to publish their research articles and opportunity to share their academic findings. Insight Journal is indexed in MyJurnal MCC and is now an international refereed journal with many international reviewers from prestigious universities appointed as its editorial review board members.

This volume 5 as well as volume 6 (which will be published in 2020) are special issues for the 6th International Accounting and Business Conference (IABC) 2019 held at Indonesia Banking School, Jakarta. The conference was jointly organized by the Universiti Teknologi MARA Cawangan Johor and the Indonesia Banking School Jakarta. Hence, the volumes focus mainly on the accounting and business research papers compiled from this conference, which was considered a huge success as over 66 full papers were presented.

Lastly, I would like to thank the Rector of UiTM Johor, Associate Professor Dr. Ahmad Naqiyuddin Bakar for his distinctive support, IJ Managing Editor for this issue Dr. Noriah Ismail, IJ Assistant Managing Editor, Fazdillah Md Kassim well as all the reviewers and editors who have contributed in the publication of this special issue.

Thank you.

ASSOCIATE PROF. DR. SAUNAH ZAINON
Deputy Rector of Research, Industrial Linkages & Alumni
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Intellectual Capital and Corporate Entrepreneurship Toward Firm Performance: A Preliminary Study

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Abstract

Studies have been carried out on intellectual capital but the role of corporate entrepreneurship in explaining the relationship between intellectual capital and firm performance is still scarce especially in SMEs perspective. This preliminary study investigates the relationship of intellectual capital, corporate entrepreneurship and firm performance of SMEs in Malaysian tourism industry. The preliminary study involved 68 SMEs in tourism industry. The results showed a positive significant effect between intellectual capital and firm performance. Corporate entrepreneurship played a strong role as a mediator between intellectual capital and firm performance. The findings contribute to the body of knowledge and SMEs in tourism would further benefits if intellectual capital is properly addressed. Recommendation and suggestion are provided.

Keywords: Intellectual Capital, Corporate Entrepreneurship, Firm Performance.

1. Introduction

Tangible and intangible resources are vital for an organization and they are utilized by firms in strategies planning and execution (Barney & Hesterly, 2015). Example of tangible assets are physical resources such as equipment, inventories and factories while the intangible assets are non-physical resources such as knowledge, reputation and brand (Stead & Stead, 2016). SMEs could perform better when they manage to efficiently exploit tangible and intangible resources. Based on current studies, intangible resources such as

intellectual capital are vital in helping companies to achieve sustainable competitive performance (Ying, Hassan, & Ahmad, 2019). In addition, it has been suggested that intangible resources and capabilities contributed more greatly to firm performance as compared to tangible resources (Kamasak, 2017). Moreover, recent review of 54 empirical researches on intellectual capital and firm performance, Inkinen (2015) posited that intangible resources like intellectual capital are vital for the success and performance of firm.

According to Zahra (2015), corporate entrepreneurship is another source of knowledge that allow firms to innovate, rejuvenate organizations, creating competency to venture in new market, achieve growth and enhancing productivity (Zahra, 2015). Any entrepreneurial activities within an organization like innovation, corporate venturing and strategic renewal are considered corporate entrepreneurship (Kuratko, Hornsby, & Hayton, 2015). During the transition from traditional economy to the knowledge-based economy, corporate entrepreneurship plays an important roles toward higher performance, competitiveness and productivity (Kuratko & Audretsch, 2013).

Intellectual capital has becoming one of important issues in management (Todericiu & Stăniț, 2015). In the context of developing country, there were lack of studies had been conducted in the role of intellectual capital on the success and performance of firms (Kanchana & Mohan, 2017). Furthermore, large firms are still in the front seat in exploiting intellectual capital as compared to the SMEs (Nghah, Salleh, Wahab, & Azman, 2016). In addition, there is still room to explore in the relationship between intellectual capital and firm performance as there was lack in clarity (Hsu & Wang, 2012). Moreover, even though there are corporate entrepreneurship within the SMEs that is used to overcome their lack of resources problem, there are limited researches in this context (Nason, Mckelvie, & Lumpkin, 2015). Therefore, the main objective of this preliminary study is to gauge the reliability and validity of the instrument that will be used for further research on the role of corporate entrepreneurship as the mediator between intellectual capital and firm performance.

2. Literature Review

2.1 Intellectual Capital

Intellectual capital is an intangible resources that is quite complicated to measure or valued as compared to tangible assets that have monetary value (Pastor, Glova, Lipták, & Kováč, 2017). Since the 1990's, the definitions and concepts of intellectual capital have been widely discussed by scholars. Intellectual capital was defined as an intellectual material that has been utilized to produce a higher valued asset (Klein & Prusak, 1994). Later on, intellectual capital has been conceptualized as a combination of intangible resources and activities that enable firm to transform its resources in a system that capable in creating value (Marr, Schiuma, & Neely, 2004). Ordóñez de Pablos (2003) suggested that intellectual capital is either static or dynamic. Intellectual capital that is considered static is knowledge, which is currently available inside a firm. Meanwhile, intellectual capital that is considered dynamic is firm activities that involves knowledge and creating new resources such as ability for self-renewal, change capabilities and value creating process (Kianto, 2007).

There are several types of knowledge-based resources in intellectual capital and three-dimensional categorisation of intellectual capital are human-centred, organisational-centred and relational-centred, where these categories have been generally accepted as the standard for measurement model of intellectual capital (Inkinen, 2015; Secundo, Dumay, Schiuma, & Passiante, 2016). The first dimension is human-centred capital that refers to workers and their knowledge, capabilities, skills, characteristics and education (Bontis, 1998; Edvinsson & Sullivan, 1996; Stewart, T., & Ruckdeschel, 1998). The second dimension is organizational-centred capital such as organisational capital and structural capital that consist of the intellectual properties of the firm, tacit knowledge inside the information technology system, the outcome and product of knowledge conversion like databases, documents, plans and process descriptions as well as all intangible non-human knowledge inside a firm (Bontis, 1998; Edvinsson & Sullivan, 1996; Stewart, T., & Ruckdeschel, 1998). Lastly, the relational-centred capital like customer and relational capital that include the valuable relationships with external stakeholders such as the customers, suppliers, distributors, partners, the local community and all the related parties (Dzinkowski, 2000; Edvinsson & Sullivan, 1996; Roos & Roos, 1997). This three-dimensional categorisation of intellectual capital was described by pioneering scholars where the fundamental components are almost identical even though there are slight terminological differences between the definitions.

Intellectual capital components namely human capital, structural capital and relational capital have a positive effect on the financial performance of SMEs in tourism industry like the hotel industry (Sardo, Serrasqueiro, & Alves, 2018). SMEs with higher intellectual capital strength exhibited higher radical and incremental innovation performance (Agostini, Nosella, & Filippini, 2017). Furthermore, SMEs are able to sustain performance and growth using intellectual capital, which is considered their strategic asset (Shaari, Isa, & Khaliq, 2018).

2.2 Corporate Entrepreneurship

Current global economy is highly competitive and firms are required to become more entrepreneurial whilst engage in entrepreneurial activities in order to become competitive, survive the competition and improve performance (Dess, G. G., & Lumpkin, 2005; Bloodgood, Hornsby, & Hayton, 2013). The success of firms especially small businesses depend on entrepreneurial competency of the firm (Radzi, Nazri, & Nor, 2017). These entrepreneurial activities within firms are referred to as Corporate Entrepreneurship (Kuratko et al., 2015).

Corporate entrepreneurship is referred to a process where individual inside organization pursuing new opportunities or engage in new activities using available resources within the organizations (Hisrich & Ramadani, 2017). There are three main component of corporate entrepreneurship namely innovation, corporate venturing and strategic renewal where scholars mostly used as a single meta-construct due to their complementary and mutually supportive concept (Sakhdari, 2016).

Corporate entrepreneurship has a significant and positive effect on firm performance (Bierwerth, Schwens, & Ru, 2015). SMEs that engaged in corporate entrepreneurship experienced superior performance (Yunis, El-Kassar, & Tarhini, 2017). Meanwhile, previous studies showed that corporate entrepreneurship mediates the relationship

between external environments environment (Kearney, Hisrich, & Antoncic, 2013), technological skills capacity (García-Morales, Bolívar-Ramos, & Martín-Rojas, 2014) as well as IT capabilities (Chen, Wang, Nevo, Benitez-Amado, & Kou, 2015) with firm performance. Based on these literatures, it can be suggested that both intellectual capital and corporate entrepreneurship play an important role in the performance of SMEs.

There is a paucity in study on the role of intellectual capital and corporate entrepreneurship on the performance of SMEs in the service sector especially the tourism industry in Malaysia. While intellectual capital has been generally accepted as a determinant for firm performance especially in the knowledge-based economy, the role of corporate entrepreneurship is yet to be widely explored in explaining the relationship between intellectual capital and firm performance. SMEs which can capitalise their intellectual capital by turning human capital, structural capital and relational capital into sources of superior performance through corporate entrepreneurship are expected to perform better and survive the current dynamic and highly competitive market.

2.2 Firm Performance

Firm performance is the combination of financial and non-financial dimension namely profitability, growth, customer satisfaction, employee satisfaction, social performance, and environmental performance (Santos & Brito, 2012). Firm performance usually measured using financial data (Walker & Brown, 2004) and it is still relevant (Yip, Devinney, & Johnson, 2009). However, SMEs in Malaysia tend to use the combination of financial and non-financial measures in evaluating their firm performance (Chong, 2008; Nasip, Hassan, & Muda, 2015).

SMEs especially in tourism industry are encouraged to use non-financial measurement in gauging their performance (Mjongwana, 2018). There are consensus in literature regarding the need to combine financial and non-financial performance indicators (Van Looy & Shafagatova, 2016). Consequently, this study will use the combination of financial and non-financial measures in measuring the firm performance. Seven items namely return on investment, financial performance, sales growth, productivity, numbers of complaints, customer satisfaction and employee satisfaction will be used to measure the overall firm performance of the SMEs in the tourism industry (Ramayah, Samat, & Lo, 2011). Likert scale was used to indicate the performance of their respective firms using scale ranging from 1 (strongly disagree) to 5 (strongly agree).

3. Research Methodology

This study used the scales adopted and revised from previous studies to fit in this study to ensure the validity and reliability. The scales of intellectual capital are taken from Carrington (2009), corporate entrepreneurship are adopted from Dai, Mao, Zhao, & Mattila (2015) and firm performance was from Ramayah et al. (2011). The scale range from 1 (strongly disagree) to 5 (strongly agree). The survey was conducted on the list of randomly selected SMEs in tourism industry. Online survey was utilized as it is proven fast, efficient and cheap (Bista & Saleh, 2017). Collected data was analyzed using Smart PLS 3.2.7 and SPSS version 23 to analyze this preliminary study.

3.1 Respondent Profile

The sample obtained randomly from the list of SMEs in tourism industry, which is downloaded from Malaysian Tourism Ministry's website. The survey was conducted for a month in October 2018. Randomly selected companies were called and invited to participate in the survey.

A power analysis was performed using G-Power software to determine the appropriate minimum sample size for this preliminary study (Faul, Erdfelder, Lang, & Buchner, 2007). A minimum of 68 sample is required to conduct a preliminary study with 5% probability and 80% confidence. From a total number of 246 online survey sent, 68 responses have been collected. That represent around 28% response rate.

Overall, majority of the respondents was female (60%) while male represented 40% of the total respondents. Majority of them were private limited companies amounting 58 companies. Based on the annual sales report, 60% are small companies while micro and medium companies are 25% and 15% respectively. The majority of the companies are Bumiputera companies with up to 90% of the total respondent. A surprise finding was one is a foreign owned company. The majority of companies are in travel agencies business. Most of the respondent are educated with around 27 has a degree while another seven have postgraduate degree. Table 1 shows the respondents' demographic information for the preliminary study.

Table 1 Respondent's Demographic Information

Demographic	Frequency (n=68)	Percentage (%)
Gender:		
Male	27	39.7
Female	41	60.3
Annual Sales Turnover:		
Less than RM300,000	17	25.0
RM300,000 to <RM3 million	41	60.3
RM3 million < RM 20 million	10	14.7
Ownership Status:		
Bumiputera	61	89.7
Non-Bumiputera	6	8.8
Foreign-owned	1	1.5
Nature of Business:		
Retail Trade/Shopping	1	1.5
Accommodation	3	4.4
Travel Agencies	61	89.7
Transport Services	1	1.5
Others	2	2.9
Education Level:		
SPM/STPM	15	22.1
Diploma	19	27.9
Degree	27	39.7

Postgraduate	7	10.3
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3.2 Reliability and Validity Test

Structural equation modelling was utilised in the data analysis. SmartPLS 3.27 (Hair, Hult, Ringle, & Sarstedt, 2017) was then used to evaluate the reliability and validity of the variables. The validation of a measurement model can be established by examining the indicator loadings, assessing internal consistency reliability, convergent validity and discriminant validity (Hair et al., 2017). For the indicator loading, the value above 0.7 is recommended as it provide acceptable item reliability since they indicate that the construct explains more than 50 percent of the indicator's variance (Sarstedt, Ringle, & Hair, 2017). Meanwhile, composite reliability is generally used to assess internal consistency reliability, where higher value indicate higher reliability (Jöreskog, 1971). Reliability values between 0.6 to 0.7 are considered "acceptable in exploratory research", values 0.70 and 0.90 range from "satisfactory to good". However, reliability value of 0.95 or higher is considered problematic as it indicate the items are redundant and also suggest the possibility of undesirable response patterns that triggered inflated correlation (Hair, Risher, Sarstedt, & Ringle, 2018). Beside composite reliability, Cronbach alpha is another measure of internal consistency reliability.

The next step is to assess the convergent validity of each construct measure. Convergent validity is the extent to which the construct converges in order to explain the variance of its items. The metric used for evaluating a construct's convergent validity, is the average variance extracted (AVE) for all items on each construct. The minimum acceptable AVE is 0.50 or higher, where an AVE of 0.50 or higher indicates that the construct explains 50 percent or more of the variance of the items that make up the construct (Hair et al., 2018). Table 2 shows the composite reliability, convergent validity and loadings.

Table 2 Composite Reliability, Convergent Validity and Loadings

Construct	Items	Loadings	CR	AVE
Intellectual Capital			0.946	0.558
Human Capital	hc1	0.770	0.902	0.650
	hc2	0.903		
	hc3	0.764		
	hc4	0.729		
	hc5	0.852		
Structural Capital	sc1	0.860	0.918	0.692
	sc2	0.790		
	sc3	0.872		
	sc4	0.836		
	sc5	0.797		
Relational Capital	rc1	0.872	0.902	0.699
	rc2	0.906		
	rc3	0.875		
	rc4	0.671		
Corporate Entrepreneurship			0.953	0.632

Innovation	in1	0.799	0.928	0.719
	in2	0.868		
	in3	0.867		
	in4	0.865		
	in5	0.840		
Corporate Venturing	cv1	0.876	0.917	0.787
	cv2	0.915		
	cv3	0.871		
Strategic Renewal	sr1	0.901	0.917	0.737
	sr2	0.915		
	sr3	0.901		
	sr4	0.697		
Firm Performance			0.943	0.704
	fp1	0.847		
	fp2	0.881		
	fp3	0.865		
	fp4	0.933		
	fp5	0.826		
	fp6	0.873		
	Fp7	0.611		

From the table above, the value of composite reliability exceeds 0.8, thus demonstrating internal consistency. Meanwhile, most item loaded more than 0.7, hence demonstrating indicator reliability. However, some item has lower loading ranging from 0.611 to 0.697. Nevertheless, the item loading less than 0.7 but higher than 0.6 are retained as AVE is more than 0.5. Lastly, the AVE value for all construct range from 0.558 to 0.787. Each construct has AVE value of more than 0.5, thus demonstrating convergent validity. The results indicated satisfactory reliability and validity of the measures.

4. Conclusions

This study contributed to the knowledge of entrepreneurship especially in the context of SMEs. Since Malaysia is depending on tourism industry as one of a major contributor for the it's GDP, firms especially the SMEs should identify recognize and utilized their intangible resources and capabilities like intellectual capital and corporate entrepreneurship in order to improve performance. SMEs in tourism industry that able to exploit their intellectual capital and corporate entrepreneurship would be able to offer new products and services, better marketing and promotion, engage in cooperation with others stakeholder in order to perform better. SMEs in tourism industry should leverage their limited internal resources to their advantage. There were few limitations in this study. Firstly, the number of respondents is considered small to derive any conclusion. Secondly, most of the participants are in travel agencies business located in Kuala Lumpur and Selangor. The findings from this preliminary study would allow a more thorough means to examine the effect of intellectual capital and corporate entrepreneurship on the firm performance of SMEs in tourism industry in Malaysia.

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