



## Entrepreneurial Orientation towards Business Performance: A Study on Tunas Mekar Participants

Azlin Shafinaz Arshad<sup>1</sup>, Zahariah Mohd Zain<sup>2</sup>, Arlinah Abd Rashid<sup>3</sup>, Afiza  
Azura Arshad<sup>4</sup>, AzitaDolly Ariffin<sup>5</sup>, Marziah Mokhtar<sup>6</sup>, Ainaa Salihah Zahari<sup>7</sup>

<sup>1</sup> Malaysian Academy of SME & Entrepreneurship Development (MASMED),  
Faculty of Business & Management, Universiti Teknologi MARA Selangor

<sup>2,4,5</sup> Faculty of Business and Management, Universiti Teknologi MARA Selangor

<sup>3,7</sup> Arshad Ayub Graduate Business School (AAGBS), Faculty of Business & Management,  
Universiti Teknologi MARA Selangor

<sup>6</sup> Centre of Foundation Studies, Universiti Teknologi Mara Cawangan Selangor,  
Dengkil Campus, Selangor

### 1 ABSTRACT

Tunas Mekar Programme, a smart partnership arrangement between Bumiputera graduates and SME entrepreneurs using the mentor-mentee concept, was launched back in 2005. This programme involves SMEs entrepreneur (mentor) sharing their experiences as an entrepreneur and the graduates (mentee) who will then share the knowledge and expertise they had acquired during their studies. This study aims to determine entrepreneurial orientation of Tunas Mekar participants and identify the most significant dimensions that affect business performance. Entrepreneurial orientation comprises methods, processes, practices, styles and decision-making activities engaged by entrepreneurs that lead into new marketplaces. For this study, simple random sampling method was adopted and 150 questionnaires were distributed to Tunas Mekar participants where only 104 were deemed usable. The study discloses Tunas Mekar participants possess entrepreneurial orientation characteristics; innovative, proactive as well as being risk-takers. Innovativeness was found to have the most significant impact towards their business performance compared to proactiveness and risk-taking. This study provides some understanding and information on Bumiputera entrepreneurs' in terms of their entrepreneurial orientations.

**Key Words:** Entrepreneurial orientation; Business performance; Innovativeness; Proactiveness; Risk-taking

## 1. INTRODUCTION

Entrepreneurial orientation has been widely known and acknowledged by researchers all over the world as one of the most crucial factors that impact business performance. Entrepreneurial orientation is essential, as the business environment today is getting more complex, dynamic and incredibly competitive. The concept of entrepreneurial orientation according to Poon, Ainuddin and Junit (2006) refers to the top management's strategy in relation to innovativeness, proactiveness and risk-taking. This is in line with the dimensions suggested by Covin and Slevin (1989) where entrepreneurial orientation is made up of these dimensions; innovativeness, proactiveness and risk-taking. However, two additional dimensions; competitive aggressiveness and autonomy were added into the notion of entrepreneurial orientation by Lumpkin and Dess (1996).

According to a study by Abd Aziz and Mahmud (2011), Small Medium Enterprises (SMEs) is the main contributor to the Malaysian economic development. SMEs contribution to Gross Domestic Price (GDP) in 2016 has increased to 36.6% and the employment created by SMEs has increased from 64.5% in 2015 to 65.3% in 2016 (SME Annual Report 2016/2017). Employment of SMEs is acknowledged as one of the important resources contributing to the economy in both developing and developed countries and Malaysia is no exception. Figure 1 shows the employment data according to the size of the firm.

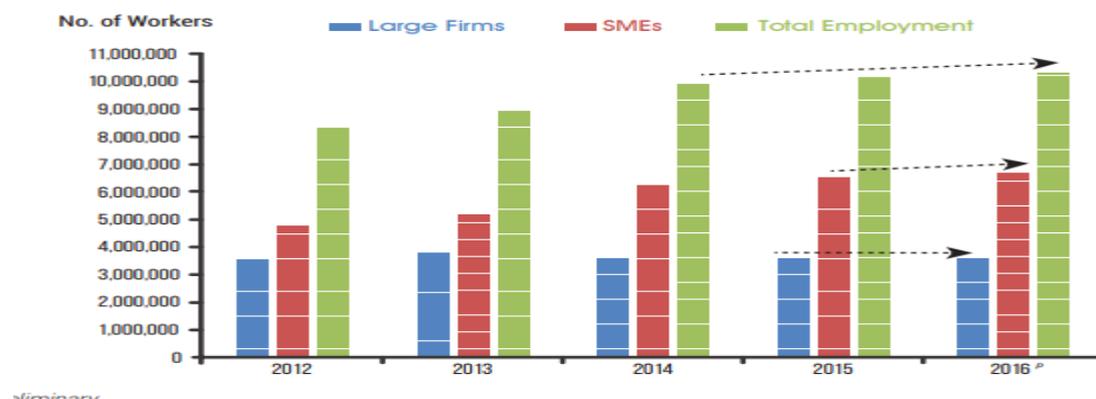


Figure 1: Employment based on firm size (Source: Department of Statistics, Malaysia)

Although the number of SMEs establishments keep on increasing, the percentage of Bumiputera ownership is still small and has yet to achieve 30% business equity. According to Datuk Seri Abdul Wahid Omar, Minister in the Prime Minister's Department, Bumiputera equity ownership has increased from 18.9% in 2000 to 23.5% in 2011 (Jalil, 2015). He also mentioned the government has always aimed to increase Bumiputera equity ownership to 30% as part of its efforts to expand the economic pie to include more Bumiputera participation in business and the economy as Bumiputera entrepreneurs are believed to have been left behind

the other races in achieving success in the economic development. To mitigate this issue, many efforts have been introduced to close this gap to ensure a more balanced wealth distribution among the various races as the Bumiputera's participation and ownership in equity have been lagging (30% Bumi equity target can be achieved, 2017).

Various programmes, activities and assistance have been designed to build resilient Bumiputera entrepreneurs to rectify these imbalances of income and wealth. At the same time, it is to ensure Bumiputera entrepreneurs are given opportunities as well as platforms to progress. One of the initiatives taken is by introducing Tunas Mekar Programme which was launched in May 2005. It is a program initiated by former Prime Minister, Tun Abdullah Ahmad Badawi to create more Bumiputera entrepreneurs. The Tunas Mekar Program is a collaborative effort between a few parties; Implementation and Coordination Unit (ICU) of the Prime Minister's Department and Universiti Teknologi MARA (UiTM). The responsibility of managing and running the program was given to UiTM. The Tunas Mekar Programme is a smart partnership arrangement between Bumiputera graduates and SME entrepreneurs using the mentor-mentee concept. The mentor is the SME entrepreneur who will share their experiences as entrepreneurs. The mentee on the other hand are the graduates who provides and shares the knowledge and expertise acquired during their studies. It is based on a simple and practical concept of placement of graduates with SMEs as apprentices cum consultant for one year so that a win-win relationship can be created. The programme which started its first series in 2005 has completed its 6<sup>th</sup> series in 2017. Table 1 depicted information on the Tunas Mekar programme since its inception.

Table 1: Number of parties involved with Tunas Mekar Programme

Programme	Number of Mentee	Entrepreneur Created	Percentage of entrepreneur created
Tunas Mekar Series 1 (2005-2007)	198	110	55.56
Tunas Mekar Series 2 (2008-2010)	487	266	54.62
Tunas Mekar Series 3 (2011-2012)	231	197	85.28
Tunas Mekar Series 4 (2012-2013)	381	267	70.1
Tunas Mekar Series 5 (2014-2015)	337	258	76.56
Tunas Mekar Series 6 (2016-2017)	122	122	100

Source: Malaysian Academy of SME and Development (MASMED), 2018

Although studies on entrepreneurial orientation has been growing in recent years, limited studies have been found to focus on Bumiputera entrepreneurs (Awang, Ahmad & Subari, 2010; Awang, Khalid, Kassim, Ismail, Zain & Madar, 2009; Zainol & Daud, 2011; Zainl, Daud & Muhammad, 2012). In light of this, the study contributes to the entrepreneurial orientation literature by using entrepreneurial orientation measures by Covin and Slevin (1989) in studying Bumiputera entrepreneurs who participated in Tunas Mekar programme, a smart partnership arrangement between Bumiputera graduates and SME entrepreneurs using mentor-mentee concept. Hence, the objectives of this study are to determine entrepreneurial orientation

dimensions towards business performance and to identify the most significant dimensions that affect business performance.

## **2. LITERATURE REVIEW**

### **2.1. Entrepreneurial Orientation**

Entrepreneurial orientation is methods, processes, practices, styles and decision-making activities engaged by entrepreneurs that lead into new marketplaces (Lumpkin & Dess, 1996). Covin and Wales (2012) explained entrepreneurial orientation relates to organizational decision-making proclivity to engage in new, innovative and entrepreneurial activities. This is a process reflected in recurring as organizational behavior rather than the actions of individual processing certain characteristics or attributes (Quince & Whittaker, 2003). Arshad (2016) described entrepreneurial orientation as a process, methods and styles adopted by CEOs or top managers to reflect the business operations and activities. Entrepreneurial orientation is a key organisational capability that assists entrepreneurs/managers in identifying and exploiting opportunities in international markets (Kocak & Abimbola, 2009). Entrepreneurial orientation is expected to bring better and sound decisions in improving entrepreneurial activities and performance (Kumar, Al Mamun, Ibrahim & Yusoff, 2018). Innovativeness involved the encouragement and support of new ideas, creativity and experimentation the possible to develop with new products and services (Miller & Friesen, 1983). This is an important dimension to organizations as it is the basic ideas which lead to developments of new products and services that help thriving firm to sustain (Lumpkin, Brigham & Moss, 2010). Proactiveness is described to the extent in which firms put their effort to lead rather than follow closely their competitors in such main business areas as to the introduction of new goods or services, administrative techniques as well as operating technology (Antoncic & Hisrich, 2001). As put forward by Rauch, Wiklund and Frese (2004), proactiveness is future-oriented and seeking change which allows the organization to introduce new goods and services earlier than others firm by anticipating future demands. Zhai, Sun, Tsai, Wang, Zhao and Chen (2018) explained proactiveness as referring to the tendency for enterprises to take positive marketing strategies, proactive action, and leading strategies to introduce new products, new processes, new technologies, and new services to circumvent their competitors. On the other hand, risk taking is willingness to pursue change that has a chance to uncertainty and chance of getting losses or considerable performance inconsistencies (Morris, 1998). Firm is ready to accept any consequences in the future if firm assume to responsible for a specific amount of risk (Hughes & Morgan, 2007). Nonetheless individuals who take calculated risk is a successful entrepreneur (Kuratko & Hodgetts, 2007). Risk-taking is associated with the uncertainty that follows from behaving entrepreneurially (Kraus, Rightering, Hughes & Hosman, 2012)

## 2.2. Business Performance

In measuring business performance, subjective and self-reported measures by the owners/ managers is adopted which are consistent with previous studies (Covin & Slevin, 1989; Smart & Conant, 1994). According to Knight (2000), majority of earlier studies have adopted self-reported measures to gather business performance data which have proven to be reliable. In addition, Yang (2008) asserts that public information is unreliable as most of the firms are privately held and they have no legal obligation to disclose information. As suggested by Wiklund (1999), growth and financial performance is a common performance measurement. Hence, these performance measurements are adopted in this study.

## 2.3. Entrepreneurial Orientation and Business Performance

One of the main subjects of interest in the past literatures is to study the relationship between entrepreneurial orientation and business performance. The relationship between entrepreneurial orientation and business performance is context specific and introduces the integrative framework for exploring this relationship between entrepreneurial orientation and business performance (Lumpkin & Dess, 1996). Many studies have proven that there is a relationship between entrepreneurial orientation and business performance (Covin & Slevin, 1989; Lumpkin & Dess, 1996; Becherer & Maurern, 1997; Dess et al., 1997; Wiklund, 1999; Krieser, Marino & Weaver, 2002; Kraus et al., 2005; Al Swidi & Mahmood, 2011).

From the gap stated in the literature as well as the discussion earlier, the study of entrepreneurial orientation and business performance are needed especially in determining the effectiveness of the UiTM Tunas Mekar Programme which focuses on Bumiputera entrepreneurs. Figure 2 presents the theoretical framework used in the study. The business performance is the dependent variable while entrepreneurial orientation dimensions; innovativeness, proactiveness and risk-taking is the independent variable.

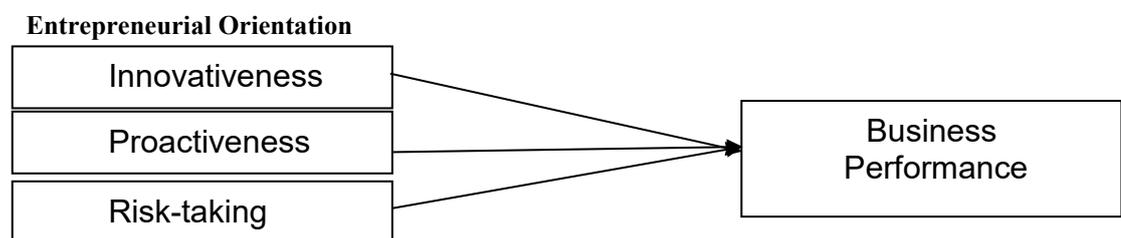


Figure 2: Theoretical Framework of the study

Therefore, the researcher hypothesises are:

H1: Innovativeness is positively associated with business performance

H2: Pro-activeness is positively associated with business performance

H3: Risk taking is positively associated with business performance

### 3. METHODOLOGY

This study adopts a quantitative method approach using survey questionnaire. This study used SMEs under UiTM Tunas Mekar participants as its sample population. The database of the participants who have participated in the Tunas Mekar Programme was obtained from Malaysian Academy of SME and Entrepreneur Development (MASMED), Universiti Teknologi MARA. Simple random sampling using Excel was used to identify the respondents of the study. Online survey as well as mail survey was used. This is because the first wave of survey using the mail for data collection generated very low response rates. Hence, the second wave of the data collection was done through online survey to increase the response rate. In total from 370 questionnaires distributed 150 participants responded and only 104 responses were deemed to be usable. The respondents of the survey questionnaires were the business owners (mentor) who participated in the Tunas Mekar Programme. These respondents were chosen due to their expertise, knowledge and involvement in the setting up and managing the direction of their firms. In addition, they are the most informed individuals about the firms' overall operational activities. The questionnaires were adopted from Covin and Slevin (1989). There were three sections to the questionnaire. First section identifies the profile of the respondents and the business followed by the second section on the dimensions of entrepreneurial orientation (innovation, proactiveness and risk-taking). The last sections are questions on the business performance. Statistical Package for Social Science (SPSS) version 23 was used to analyse the data. The data analyses used are descriptive, reliability, correlation and regressions.

### 4. RESULTS

The profile of the respondents of the study is shown in Table 2. From a total of 104 respondents who took part in the survey, 64.5% were female respondents and the balance of 35.6% was male respondents. Many of the respondents were relatively young, aged between 26-30 representing 47.1% and 28.8% aged between 20 and 25 years old. The third largest age group was between 31-35 representing 17.3% of the sample and only 6.7% are within the range 36-40 years old. Regarding their education levels, the majority had at least a Diploma followed by 59% with a Bachelor's Degree, a Master's degree and secondary education at 32.7%, 5.8% and 4.8% respectively. These respondents were from Kelantan with a 19.2% majority, Selangor with 15.2%, Perak and Pahang with 14.4% respectively for the business sector, a majority of the respondents were from the service sector representing 54.8%. This is followed with the manufacturing sector and the agriculture sector of 23.1% and 22.1%. The majority of the sample have less than 5 employees at 72.1%. Only 15.4% of respondents stated that they have between 6 to 19 employees while the balance of 12.5% have more than 20 employees. For the sales turnover, it is seen that only 35.6% of the respondents have less than RM10,000 worth of sales

annually followed by 27.9% have sales between RM10,000 to RM15,000 while 16.3% have sales between RM15,001 to RM20,000. A total of 20.2% have sales more than RM20,000 annually.

Table 2: Profile of respondents

		Frequency	Percentage
Sex	Male	37	35.6
	Female	67	64.4
Age	20-25 years old	30	28.8
	26-30 years old	49	47.1
	31-35 years old	18	17.3
	36-40 years old	7	6.7
Education	SPM and below	5	4.8
	Diploma	59	56.7
	Degree	34	32.7
Location	Master	6	5.8
	Kelantan	20	19.2
	Terengganu	7	6.7
	Pahang	15	14.4
	Kedah	8	7.7
	Pulau Pinang	8	7.7
	Selangor	16	15.4
	Perak	15	14.4
	Perlis	6	5.8
	Negeri Sembilan	4	3.8
Business Sectors	Kuala Lumpur	5	4.8
	Agriculture	23	22.1
	Manufacturing	24	23.1
Employees	Service	57	54.8
	Less than 5	75	72.1
	6-19	16	15.4
Sales Turnover	More than 20	13	12.5
	Less than RM10,000	37	35.6
	RM10,001- RM15,000	29	27.9
	RM15,001-RM20,000	17	16.3
	More than RM20,000	21	20.2

The results of the reliability test are shown in Table 3. The Cronbach Alpha values shows all the measures are greater than 0.6 which indicates that the variables were internally consistent, and the scales deemed reliable for further analyses (Hair, Black, Babin, Anderson & Tatham, 2006).

Table 3: Reliability test results

Measures	Items	Cronbach's Alpha
Innovation	4	0.728
Pro-activeness	4	0.701
Risk taking	4	0.818
Business performance	12	0.836

Table 4 shows the correlation analysis between the three entrepreneurial orientation dimensions which are risk taking, innovation and pro-activeness with business performance. It

is evidenced that Pearson correlation between business performance and risk taking, there is strongly significant at 0.644, followed by proactiveness at 0.594 and risk taking at 0.506.

Table 4: Pearson correlation analysis

Variables	Business performance
Risk taking	0.506**
Innovation	0.644**
Pro-activeness	0.594**

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

A multiple regression analysis was done to investigate the relationships between the entrepreneurial orientation and business performance. The results of multiple regression analysis on the five dimensions of entrepreneurial orientation with business performance are shown in Table 5. The R square value is 0.515 which means that 51.54% of variance in business performance of Tunas Mekar participants has been significantly explained by all three entrepreneurial orientation dimensions. The value of R<sup>2</sup> is 0.529 and adjusted R<sup>2</sup> is 0.471. It indicates that only 52.9 percent of dependent variables has been explained by all three independent variables which are risk taking, innovation and proactiveness. The remaining portion of 47.1 percent of variation is explained by other variables.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square
Entrepreneurial orientation	0.529	0.515	0.471

Table 6 depicts the results regarding the strength of each entrepreneurial orientation dimensions against business performance of Tunas Mekar participants. The coefficients show which among the three independent variables influences most the variance in business performance. The column Beta under Standardized Coefficients shows that the highest number in the beta is 1.046 for innovativeness followed with proactiveness with beta 0.720 and risk-taking with beta 0.404. Hence, Hypothesis 1, 2 and 3 are supported.

Table 6: Multiple Regressions Analysis

Model	Unstandardized Coefficient B	T	Sig.
(Constant)	17.850	7.379	0.000*
Innovation	1.046	4.641	0.000*
Pro-activeness	0.720	3.465	0.001*
Risk taking	0.404	2.246	0.014**

\*\* significant at 0.05 level

\* significant at 0.01 level

## 5. CONCLUSION

The aim of this study is twofold; to determine entrepreneurial orientation dimensions towards business performance and to identify the most significant dimensions that affect business performance. It was found that the study on Tunas Mekar can provide some insights

in understanding the entrepreneurial orientations of Bumiputera entrepreneurs. The results of the study found that innovativeness, proactiveness and risk-taking are dimensions of entrepreneurial orientation. All the three dimensions do have an influence towards business performance. However, innovativeness has the strongest correlation compared to proactiveness and risk-taking. This finding is consistent with earlier studies (Arshad, Rasli, Arshad & Zain, 2014, Belgacem, 2015). This study has provided some insights on entrepreneurial orientation in Malaysia especially the Bumiputeras.

Regardless of various incentives channelled to the Bumiputeras especially the Malays, the objective of having 30% Bumiputera equity stake is still far and away from the targets although we are reaching the Vision 2020. Nevertheless, this study found that Bumiputera entrepreneurs are all entrepreneurial oriented which shows a good sign and this study is consistent with earlier studies (Covin & Slevin, 1991; Lumpkin & Dess, 1996; Kraus et al., 2005; Al Swidi & Mahmood, 2011). This study also discovered Tunas Mekar Programme is an avenue to boost performance of the Bumiputera entrepreneurs by providing entrepreneurship training to those interested in the business field. This program will help young entrepreneurs in managing their own business after they have graduated. Furthermore, the findings of the study indicated that among the three entrepreneurial orientation dimensions, innovation is the most important factor affecting Tunas Mekar participants' business performance. Hence, the Malaysian government should have more initiatives in identifying ways to encourage innovation among the Bumiputera entrepreneurs. With innovation, new products and services can be developed and businesses can be more competitive in both domestic as well as the international market.

As this study is only confined to the participants of Tunas Mekar Programme, future research is recommended to study other programmes by different agencies offered for Bumiputera entrepreneurs. A study on entrepreneurial orientation of other races could also be undertaken and comparative studies can be made later. Future researchers can also study the relationship between entrepreneurial orientation and business performance by integrating mediating or moderating variables to explain further the relationship.

## REFERENCES

- 30% Bumi equity target can be achieved. (2017, April 3). The Malaysian Reserve. Retrieved from <https://themalaysianreserve.com/2017/04/03/30-bumi-equity-target-can-be-achieved/>
- Abd Aziz, S. & Mahmood, R. (2011). The relationship between business model and performance of manufacturing small and medium enterprises in Malaysia. *African Journal of Business Management*, 5(22), 8918-8932.

- Al Swidi, A.K. & Mahmood, R. (2011). How does organizational culture shape the relationship between entrepreneurial orientation and the organizational performance of banks? *European Journal of Social Sciences*, 20(1), 28-46.
- Antoncic, B. & Hisrich, R.D. (2001), Entrepreneurship: Construct refinement and cross-cultural validation. *Journal Business Venture*, 16 (5), 495-527.
- Covin, J., & Slevin, D. (1991). A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory and Practice*, 16(1), 7–25.
- Cunningham, L.X. & Rowley, C. (2007). Human resource management in Chinese small and medium enterprises. *Personnel Review*, 36(3), 415-439.
- Dess, G.G., Lumpkin, G.T., & Covin, J. G., (1997). Entrepreneurial strategy making and firm performance: tests of contingency and configurationally models. *Strategic Management Journal*, 18(9), 677–695.
- Hair, J.F.Jr., Black W.C., Babin, B.J., Anderson, R.E., & Tathnam R.L. (2006). *Multivariate data analysis* (6th Edition). Upper Saddle River, NJ: Prentice Hall.
- Hughes, M. & Morgan, R.E. (2007). Deconstructing the relationship between entrepreneurial orientation and business performance at the embryonic stage of firm growth. *Industrial Marketing Management*, 36, 651-661.
- Jalil, H. (2015 November 24). Increase in equity ownership of Bumiputera and Indians, The Sun Daily, Retrieved from <http://www.thesundaily.my/news/1619531>
- Jutla, D., Bodorik, P. & Dhaliwal, J. (2002). Government support for the readiness of small and medium sized enterprises. 35th Annual Hawaii International Conference on Systems Sciences, Hawaii.
- Knight, G.A. (2000). Entrepreneurship and Marketing Strategy: The SME under Globalisation. *Journal of International Marketing*, 8(2), 12–32.
- Kocak, A and Abimbola, T. (2009). The effects of entrepreneurial marketing on born global performance, *International Marketing Review* 26(4/5), 439–452. <https://doi.org/10.1108/02651330910971977>
- Kraus, S.I., Frese, M., Freidrich, C & Unger J.M. (2005). Entrepreneurial orientation. A psychological model of success among southern Africa small business owners. *European Journal of Work and Organizational Psychology*, 14(3), 315-344.
- Kreiser, P.M., Marino, L.D. & Weaver, K.M. (2002). Assessing the psychometric properties of the entrepreneurial scale: a multi –country analysis. *Entrepreneurship Theory and Practice*, 26, 71-92.
- Kumar, N., Al Mamun, A., Ibrahim, M.D. & Yusoff, M.N.H. (2018). Entrepreneurial orientation and antecedents of low-income household heads in Kelantan, Malaysia. *Journal of International Studies*, 11(1), 140-151. doi:10.14254/2071-8330.2017/11-1/10

- Kuratko, D.F. & Hodgetts, R.M. (2007). *Entrepreneurship: theory/process/practice: (7th Edition)*. Thompson South-Western, Thomson Corporation, Canada.
- Lumpkin, G.T. & Dess, G.G. (1996). Clarify the EO Construct and Linking it to Performance. *Academy of Management Review*, 2(1), 135-172.
- Lumpkin, G.T., Brigham, K.H. & Moss, T.W., (2010). Entrepreneurship & Regional Development, 22(3-4), 241–264.
- Miller, D. & Friesen, P. (1983). Strategy making and environment: The third link. *Strategic Management Journal*, 4,221-235.
- Morris, M. (1998). *Entrepreneurial Intensity: Sustainable Advantages for Individuals, Organizations and Societies*. Westport, CT: Greenwood Publishing Group Inc.
- Quince, T. & Whittaker, H. (2003). Entrepreneurial orientation and entrepreneurs' intentions and objectives. The Working Paper Forms Part of CBR Research Programme On Small And Medium-Sized Enterprises, 1-26.
- Rauch, A., Wiklund, J., Frese, M & Lumpkin, G.T. (2004). Entrepreneurial orientation and business performance: cumulative empirical evidence. *Frontiers of Entrepreneurial Research*. Babson Park, MS: Babson College
- Smart, D.T. & Conant, J.S. (1994). Entrepreneurial Orientation, Distinctive Marketing Competencies and Organizational Performance. *Journal of Applied Business Research*, 10(3), 28–38
- Tarabishy. A., Solomon. G., Fernald. L. & Saghkin. M.,(2005).The entrepreneurial leader's impact on the organization's performance in dynamics markets. *Journal of Private Equity*, (Fall), 20-29.
- Wiklund, J. (1999). The Sustainability of the Entrepreneurial Orientation-performance Relationship. *Entrepreneurship Theory and Practice*, 24(1), 37-48.
- Yang, C.W. (2008). The relationships among leadership styles, entrepreneurial orientation and business performance, *Managing Global Transitions*, 6, 257-275.
- Zhai, Y.M., Sun, W.Q., Tsai, S.B., Wang, Z., Zhao, Y., & Chen, Q. (2018). An Empirical Study on Entrepreneurial Orientation, Absorptive Capacity, and SMEs' Innovation Performance: A Sustainable Perspective. *Sustainability*, 10(2), 314.