

**STRATEGIC ENTREPRENEURSHIP MODEL FOR MALAYSIAN ECONOMIC  
TRANSFORMATION PROGRAMME**



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## 1. Letter of Report Submission

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ERGS Committee  
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Assalamualaikum,

### **SUBMISSION OF ERGS 2012 REPORT – STRATEGIC ENTREPRENEURSHIP MODEL FOR MALAYSIAN ECONOMIC TRANSFORMATION PROGRAMME**

Referring to the matter as mentioned above.

We are hereby very glad to enclose a copy of research report under ERGS for your perusal and safe keeping.

Your relentless support and cooperation in the completion of the project is highly appreciated.

Thank you and kindest regards.

Amran Awang, AMP, PhD.  
Principal Investigator

## **b. Enhanced Executive Summary**

The study examines IPO model of strategic entrepreneurship among the Malaysian SMEs entrepreneurs. The study justified resource inputs (environment, organizational and individual) are important resources for firms' output. The study examines 221 entrepreneurs in the community in cross-sectional analysis. The results indicate that the model uphold the resource-based view (RBV) theory that environmental, organizational and individual resources determine better SMEs' economic performance and transformation in Malaysia. Research limitations, common method bias and future studies are also discussed.

Strategic entrepreneurship (SE) involves both opportunity seeking behavior and advantage seeking behavior that are concerned with creating value and wealth. SE was first coined in 2001. However, SE remains elusive when most of the efforts remain focused on model development. This study is aimed to establish SE as part and parcel of Malaysian entrepreneurs' behavioral domain in helping to bring the country economic development to a greater height. The study applies IPO model among the Malaysian SMEs.

The methodology utilizes the quantitative approach. There were four phases implemented, first phase observes accumulation of secondary data to verify the variables that forms IPO model. Second phase focuses on population and sampling strategy. The third phase observes the formulation of the construct into items operationalizing all the studied variables. The fourth phase witnesses quantitative approach of data collection and analysis.

The model showed that resource orchestration determines the value creation and CA, and consequently, CA predicts wealth creation, job creation and nation's ETP.

This paper aims to verify Hitt, Ireland, Sirmon and Trahms (2011a) IPO model's variables within Malaysia. The preliminary analysis of 221 small and medium firms help in strengthening the instruments for full scale data collection in 2014. The study contributes in enhancing SMEs value creation and CA in the presence of environment, organization and individual resources. Besides verifying the model's direct relationship the study proved that RO mediates the relationship between SE inputs factors, value creation and CA. Moreover, RO predicts higher ETP, wealth and job creation dimensions in the presence of value creation and CA.

## **c. Introduction**

### **Background of the study**

Studies in strategic entrepreneurship have been steadily investigated since early 2000 when Hitt et al. (2003) proposed a conceptual framework in their textbook. However, much still unknown in capitalizing SE as a body of knowledge in entrepreneurship literatures. Most of the studies (e.g. Shepherd & Wilklund, 2009; Schindehutte & Morris, 2009; Hitt et al., 2011ab) however believe that SE has considerable impact on firms' growth, CA, opportunity advantage, value and wealth creation.

SE is an integrative model of strategic management and entrepreneurship whereby they capitalize on firms' behavioral aspect that will transform their internal resources (transforming its product, markets, internal processes and so on) to better future and higher industrial standard. SE can be explained by any one of the five forms, strategic renewal, sustained regeneration, domain redefinition, organizational rejuvenation, and business model reconstruction (Covin & Miles, 1999).

Works in SE show a steady increments but wide gap still wide open, more ground works in concept and model development are still under develop. Among others a model of Ireland, Hitt and Sirmon (2003) proposed four dimensions (1) the entrepreneurial mindset, culture and leadership, (2) the strategic management of organizational resources, (3) application of creativity, and (4) development of innovation. Kyrgidou and Hughes (2010) criticized the model as lacking in robustness as required in capturing the gestalt of SE. Supporting the argument were studies that suggested the model should uphold SE as broader in scope, multilevel and more dynamic compared to original conceptualization (Chiles, Bluedorn & Gupta, 2007; Hitt, Beamish, Jackson & Mathieu, 2007; Rindova, Barry & Ketchen, 2009). Recently, Hitt, et al. (2011) proposed input-processes-output model of SE that incorporate multilevel and broader domain, environmental influences, RO and three levels of outcome.

The study inculcates mixed mode of qualitative and quantitative approach in verifying all variables. Verification of variables and model shall utilize qualitative approach of focus group discussion through semi structured interviews and observations. In testing the relationship between variables quantitative method will be employed.

This paper aims to verify Hitt et al. (2011) IPO model's variables within Malaysia. The analysis on 221 small and medium firms help in strengthening the instruments for verifying the proposed model. The study verifies to contribute in enhancing our SMEs job, wealth creation and nation's ETP. Besides verifying the model the study suggests more dimensions pertaining to Malaysian economic development and culture.

### **Research Problem**

Studies of strategic factors among Malaysian SMEs has been lacking and do not indicate adequate signals that they contribute to the SMEs performance. To date Malaysian SMEs contribute less than 30 percent in Malaysian economic wealth and growth (Malaysia, 2010). Hence, strategic entrepreneurship factors may help in enhancing Malaysian SMEs performance.