

UNIVERSITI TEKNOLOGI MARA

**LINKING ENTREPRENEURIAL
ORIENTATION TO FIRM
PERFORMANCE OF SMALL AND
MEDIUM-SIZED MANUFACTURING
FIRMS IN SABAH: MODERATING
EFFECT OF THE GOVERNMENT'S
ROLE**

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Dissertation submitted in partial fulfillment
of the requirements for the degree of
Doctor of Business Administration

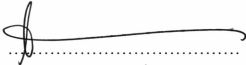
Faculty of Business and Management

July 2016

AUTHOR'S DECLARATION

I declare that the work of this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Entrepreneurial Orientation (EO) has been defined as the strategic orientation employed by firms that deal with identifying ways and creating a specific set of methods with the help of various styles of making decision, where numerous ways and practices of entrepreneurial aspects can be eventually realized. Hence, this study was conducted based on the phenomenon experienced by a number of manufacturing firms in the State of Sabah, Malaysia within the context of Small and Medium-Sized Enterprises (SMEs). The EO, moreover, was deemed as a multidimensional construct encompassing five dimensions (i.e. autonomy, competitive aggressiveness, innovativeness, proactiveness, and risk taking). The manufacturing sector in Sabah vitally contributes to the growth of the economy in Sabah, but the sales growth performance was found to be inconsistent based on the eleventh position in the ranking, especially among SMEs involved in the manufacturing sector in Sabah compared to those from the other states in Malaysia; albeit there was more help from the government side, challenges were still faced in improving their sales growth performance. With that, the objectives of this study were to determine the relationship between EO and firm performance (i.e. sales growth), as well as to determine the moderating influence factor of the government's role in the relationship between EO and firm performance. The method applied in this study had been the quantitative method. In this study, proportionate stratified random sampling, as well as the drop-off and collecting technique was applied. The location of this study involved five divisions (i.e. Kudat Division, West Coast Division, Interior Division, Sandakan Division, and Tawau Division) in the State of Sabah. Meanwhile, the samples consisted of 278 responses among owners and managers of small and medium-sized manufacturing firms. The data analysis was carried out via Statistical Package of Social Science (SPSS) Version 21.0 and Partial Least Squares-Structural Equation Modeling (PLS-SEM) techniques by using the SmartPLS 2.0 M3 software. The results demonstrated that the attributes of EO (i.e. competitive aggressiveness, innovativeness, proactiveness, and risk-taking) displayed statistically significant relationships with firm performance. Nonetheless, an insignificant relationship was discovered between autonomy and firm performance. Furthermore, the factor of government's role, as the moderator, was proven significant in the relationship between autonomy and performance, but otherwise, insignificant and non-influential in strengthening the relationships between other EO dimensions (i.e. competitive aggressiveness, innovativeness, proactiveness, and risk-taking) and firm performance. In addition, the implementation of the SMEs policies was not very encouraging as there was an insignificant relationship of the government's role factor, which was supposed to boost EO and firm performance. Other than that, the literature of EO has been expanded through this study via two other principal ways. First, it minimizes the gaps concerning the limited studies regarding how EO affects firm performance. Second, since previous studies pertaining to EO and the performance of firms have mainly concentrated on how the dimensions directly affected firm performance, this study bridges that literature gap by investigating the impact of EO, as well as the manner in which the government's role factor had an effect on the relationship between EO and firm performance. Hence, this study contributes to the literature, particularly concerning entrepreneurship and strategy research, by investigating the impact of EO on its sales growth performance and by the operationalization of the EO concept.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In relation to economies that have developed and those that are still developing, Small and Medium-Sized Enterprises (SMEs), particularly in the manufacturing industries, have a vital role in the present business system. For instance, Kruger (2012) posited that in a national system, with respect to the developed economies and more to the entrepreneurship concept, it is supposed to offer an emphasis on the menace, as well as the chances to allow for the achievement of racy entrepreneurial operations and competitiveness. Thus, SMEs ought to be watchful over the entrepreneurial practices, while stressing on their effect upon the production of the firms, as well as how the direction of the firms can be realized excellently (Wiklund & Shepherd, 2003).

Furthermore, SMEs in the manufacturing sectors are often a limelight in discussions regarding the Malaysian context. Globalization and liberalization of trade in Malaysia are some of the issues that affect a number of serious and important challenges faced by SMEs in the manufacturing sectors, especially in the State of Sabah, which has been reported to have lower rates in terms of establishment compared to the other states in the Peninsular. These manufacturers must always be ready to be in competition with firms at both national and international levels. Hence, this state can provide a chance for the SMEs to participate in the foreign markets. Viewing it from the perspective of the economic standpoint, SMEs possess a vital task where they can enhance their performances by expounding on the sectors of both the state and the national levels. In fact, in the mid-1980s, the manufacturing industry was attributed to the substantial change in SMEs where Malaysia turned into a region aimed at producing products for export; aiming to become a commodity producer. With that, the export businesses increased the revenue to more than 8.0 percent for annual economic, which could eventually move Malaysia closer to its vision of being fully industrialized by the year 2020. With respect to growth, the economy of Malaysia, over the past eight years, had highly and rapidly motivated the economic