Malaysian women entrepreneurial characteristics, strategic orientation and firm performance: The moderator role of government support programs

Norzalizah Bahari *, Juhaini Jabar, Ahmad Rozelan Yunus

Faculty of Technology Management and Technopreneurship, Universiti Teknikal Malaysia, Melaka, Malaysia

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A B S T R A C T

This paper aims to identify critical factors associated with women entrepreneurship using the Malaysian small and medium enterprises (SMEs) as a base. The study also examines the government support program (GSP) as a mediator between the influencing factors and performance of women entrepreneurs. More publications on specific issues regarding women entrepreneurship are now available in the literature due to the increasing awareness on women entrepreneurs of different backgrounds. Despite the significance of this subject, only minimal data can be found on the business practices and strategies for growth and survival of these women entrepreneurs. In addition, the entrepreneurs’ perceptions towards careers in the area and many other questions still remain unexplored. To that end, this research intends to examine some of these questions in effort to address the gap in the literature with focus on the women entrepreneurs in Malaysia. Its main objective is to study the personal characteristics of these women entrepreneurs and the impact of GSP on firm performance.

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1. Introduction

The economic success of Malaysia’s post-independence has been explained by various studies. Some researchers have attributed that success to the governance and public policy but others concurred that entrepreneurs played a vital role towards the economic growth of the country. The entrepreneurs play a vital role in the economy nowadays but some entrepreneurs are more successful than the others. Several characteristics can differentiate the successful entrepreneurs from the less successful ones. Furthermore, Ariff and Abubakar (2003) explained that the development of entrepreneurial activity and concept has been given high emphasis in the Malaysian context of entrepreneurship. This is demonstrated by a number of supporting policies and programs that are available in the country to assist entrepreneurs in terms of funding, consultancy services and physical infrastructure.

Additionally, Ahmad and Xavier (2012) revealed that inadequate financial support, lack of entrepreneurial education, inconsistency in government policies, bureaucracy and inadequate entrepreneurial training are the major obstacles hindering the success and growth of SMEs in Malaysia. To enable this, according to Jabar et al. (2015), various human resource development programs such as skills development initiatives, profit-sharing schemes or incentives can be implemented to ensure that technological knowledge is accumulated continuously into human resources involved in production activities. To that end, several studies sought to identify the critical factors of business success. Notably, it is essential for business owners and policy makers to understand the factors that influence the success of businesses. The policy makers can then use the information regarding the failure and success of businesses in the country to develop and maintain a stable economy (Gaskill et al., 1993).

2. Women entrepreneurs

Entrepreneurial competencies are an essential part of all SMEs, regardless whether they are led by women or men. Nevertheless, understanding of these competencies from the perspective of women entrepreneurs is fundamental and need to be explored further. Brinckmann (2008) claimed that the literature on entrepreneurial competencies is still underdeveloped despite its significance towards
the growth and success of businesses. Moreover, the literature suggested that women and men entrepreneurs react differently to the same environment due to the characteristics attributed to gender dissimilarities (Croson and Gneezy, 2004). These differences explain the dissimilar strategies adopted by men and women entrepreneurs in approaching the same issues, trends, opportunities and threats.

Only few past studies attempted to analyze the competencies and skills of entrepreneurs (Chandler and Jansen, 1992; Markman and Baron, 2003). Nonetheless, these studies were reliant on their context to an extent. Notably, merely one or two studies featured the businesses owned by women in particular (Lerner et al., 1997).

Apart from that, a study by WDR (2012) revealed that women owners of Malaysian SME (9.7%) had the lowest representation in terms of the annual average growth rate between 2000 and 2008 as compared to male SME owners (16.5%). Furthermore, between 2004 and 2007, self-employed Malaysian women only constituted a minuscule proportion of 1.3% compared to the self-employed men at 4.6% (UN, 2010). Overall, the number of male entrepreneurs was twice larger than the number of female entrepreneurs.

In terms of size, a majority of women-owned SMEs in Malaysia were micro (88.0%), followed by small (11.3%) and medium (0.8%). These establishments were mainly based at home and notably, the percentage of women ownership declined with the firm size (Jones, 2010). As clarified by Underhill (2000), women entrepreneurs were disproportionately represented in the micro-SME and informal SME sectors. Similarly across the OECD countries, the women business enterprises were significantly small in addition to having low growth expectations.

3. Issues surrounding Malaysian women entrepreneurs

3.1. Strategic orientation choices

Researchers had uncovered a host of personal characteristics that are critical antecedents to firm performance. Nevertheless, Dobbs and Hamilton (2007) observed that knowledge about the relationship among the characteristics of entrepreneurs, their strategic decisions and the performance of their firms is still fragmented. Plus, no research has successfully produced a coherent theory to date.

The two important dimensions of strategic orientation are the market orientation (MO) and the entrepreneurial orientation (EO) which is emphasized in the present research. Firms may adopt the combination of various strategic orientations (Atuahene and Ko, 2001), but some firms place their emphasis entirely on either EO or MO. These two strategic orientations have unique and significant positive influences on firm performance via different paths (Tang et al., 2007). In addition, prior studies demonstrated the positive impacts of these dimensions on the firm performance in different countries including Malaysia (Awang et al., 2009; Kraus et al., 2005; Kreiser et al., 2002). This present research will investigate the mediating role of these strategic orientations in the relationship between the personal characteristics of the entrepreneurs and the firm performance in the context of Malaysian SMEs.

MO refers to the principles of a firm that promotes the essential behaviors to generate a greater value for its customers which results into an outstanding business performance (Narver and Slater, 1990). It consists of three elements, namely competition orientation, customer orientation and inter-functional coordination. Meanwhile, EO is generally related to the strategy-making process and it is considered as one of the important types of strategic orientation. EO enables the entrepreneurs to develop and implement highly successful strategies in order to gain the desired outcomes in the long run.

EO is present in every type of business but it plays greater significance in small-sized and medium-sized businesses because these types of business usually operate in an unpredictable and uncertain environment. This environment requires a prudent strategy-making process in order to produce outstanding results in the future. Accordingly, the implementation of this process enables the entrepreneurs to focus on the ways and approaches to deal with the uncertainties presented by the external business environment and to meet the needs and wants of their customers.

3.2. Entrepreneurial characteristics of women entrepreneurs

Insufficient research is available on the entrepreneurship field in Malaysia. Most of the existing studies on entrepreneurship in the country were concerned with the general research of the field and the critical success factors of entrepreneurs. Research on the characteristics of entrepreneurs that are related to business performance is still uncommon (Ahmad and Xavier, 2012; Mohd and Jamal, 2005; Othman et al., 2005). Notably, many studies depicted that the personal characteristics of entrepreneurs such as need for achievement, internal locus of control and need for cognition have positive impact on the business success in different contexts (Lee and Tsang, 2001; Leone and Dalton, 1988; Miner et al., 1994).

3.2.1. Need for achievement (NFA)

Individual factors like persistence and need for achievement vary according to gender. Benedetto et al. (2006) found no difference in the achievement orientation of women entrepreneurs against men non-entrepreneurs. On the contrary, men...
entrepreneurs possessed a higher need for achievement than men non-entrepreneurs. Their reasons for perseverance in the pursuit of starting a business also differed with women persisting for internal attributions while men aimed for external attributions (Gatewood et al., 1995).

As explained by Zhang and Bruning (2011), a consensus of previous studies proved a positive relationship between the manager’s need for achievement and firm performance. A number of other studies also researched the effect of this construct on firm strategies. For instance, Miller et al. (1988) discovered that the achievement motivation of a CEO impacts the process of strategic decision-making by increasing the integration and formalization within the organization. Plus, high level of need for achievement enabled the CEO to be proactive and adopt strategies with broader focus (Miller and Toulouse, 1986).

Another study by Miller and Toulouse (1986) also examined the impact of need for achievement on EO and established a positive relationship among the two variables. This indicated that people with higher need for achievement (i) adopt broad approaches, (ii) favor more market-oriented strategies, (iii) prefer more formal structures and (iv) desire proactive decision-making process.

3.2.2. Need for cognition (NFC)

The need for cognition contributes a lot in the quality decision-making process of an individual (Cacioppo and Petty, 1982). Individuals who engage in and enjoy thinking are more willing to make cognitive effort to solve a complex task by searching extensive information and through an accurate and elaborated cognitive processing. Prior studies indicated that individuals with high need for cognition have better abilities for logical reasoning and performance and are more effective in tasks related to processing information in order to solve problematic issues (Cacioppo et al., 1996).

Generally, individuals with high need for cognition elaborate on the more complex conceptual representation of a task and spend more time in effort to strive to handle the task successfully. As a result, these individuals also have better performance (Baugh and Mason, 1986; Leone and Dalton, 1988). Furthermore, the findings of Bailey (1997) depicted that managers with high need for cognition are more active in searching for information and seeking and evaluating the alternatives in effort to make the best decision. The evidences also revealed that entrepreneurs and managers with high level of need for cognition are more successful at adaptive decision-making (Levin et al., 2000). Nonetheless, the need for cognition has not been examined extensively in the fields of entrepreneurship and strategic management (Zhang and Bruning, 2011; Levin et al., 2000).

As people with high level of need for cognition behave in particular pattern, Zhang and Bruning (2011) assumed that entrepreneurs with high level of need for cognition also behave similarly. Accordingly, entrepreneurs with high level of need for cognition will put more emphasis on logical arguments and will be more likely to make strategic decisions on the basis of extensive market research rather than by using their intuition.

3.3. The moderating effect of GSP

The world is witnessing a boom in women entrepreneurship where 25% of the businesses at present are owned by women. Malaysian women entrepreneurs are becoming more influential, particularly in the recent years as they are acknowledged as the key contributor to the economic growth of the country. Compared to men, women entrepreneurs encounter more barriers to become successful (WDR, 2012). For instance, they are faced with challenges in accessing credit and bank loans (Teoh and Chong, 2008).

According to Jabar et al. (2011), for Malaysian firms to enhance their technological competencies, public investment and industry support must increase the number of programs and incentives such as rebates, tax relief and technology grants. The Asia-Pacific Human Development Report by Rajivan (2010) revealed that Malaysian women can only access to 0.2 bank loans (within the scales of 0 as full to 1 as impossible) in comparison to other East Asian countries like Japan, Korea, Thailand, Philippines and Myanmar where women have access to full bank loans. Hence, the schemes and support facilities provided by the various ministries and government agencies in Malaysia seek to facilitate and benefit these women entrepreneurs.

Although, Malaysian government has provided a huge financial assistance to develop SMEs in the country but its effort is becoming useless because of insignificant impact of SMEs’ business activities (Hung et al., 2010). This happens when such assistance programs are provided by the government or private agencies without proper observation. Abdullah et al. (2001) have stated that the government support programs are ineffective because only limited number of SMEs get full assistance, resources are allocated with inefficiency and the programs focus more only on the new businesses.

Beside, many SMEs do not know how to apply for government assistance, just having confidence on their proposal and seek someone else to help them in getting government assistance (Ling, 1990). Furthermore, many previous studies have pointed out that SMEs are still unaware regarding the available training programs by government for their management training (Hashim et al., 2007a) and also have lack of knowledge regarding the financial assistance programs offered by the government to promote and help SMEs in Malaysia (Hashim et al., 2007b). According to Hung et al. (2010), the government supporting programs in Malaysia can improve the SMEs performance and can be most effective factors for their success.
As there is inconsistency in the prior literature regarding the positive relationship of entrepreneur’s personal characteristics and firm performance and many scholars have argued to have indirect impact of personal characteristics of entrepreneurs on firm’s performance, therefore this study also considers a mediator between the independent variable and dependent variable; and argues that in the context of Malaysia, the strategic orientations may mediate the influence of entrepreneur personal characteristics and firm’s performance because of uncertainty of its external environment. Thus, entrepreneurial orientations may act as a mechanism through which the entrepreneur’s personal characteristics impact the firm performance.

According to Hung et al. (2010), the government supporting programs in Malaysia can improve the SMEs performance and can be most effective factors for their success. While recent discussions highlight the importance of how government assistance programs helps entrepreneurs to stimulate their venture performance, lack of empirical evidence in proving the effectiveness of government assistance programs towards performance is demanding in entrepreneurship research (Yusoff et al., 2010).

To that end, this study holds that the GSPs have major contribution towards the success of Malaysian SMEs. Additionally, adoption of GSP as a moderator may improve the relationship among the entrepreneurial characteristics of these women, strategic orientation choices and firm performance as shown in Fig. 1. The expectation of this research is outlined below.

H1-The effects of women entrepreneur personal characteristics, strategic orientation, and firm performance are highly moderated by GSP.

4. Methodology

4.1 Sampling the population

The target respondents consisted of female top-level management, owner or manager and senior management or middle-level management with significant amount of experience in running business as an entrepreneur (Kumar et al., 1993). These respondents must also have the greatest insight into the practices of these organisations (Lee et al., 2003) and have the most influence on organisational outcomes. The population of SMEs was drawn from a sample obtained through a database owned by the Malaysian Statistical Department. These SMEs were operating in the manufacturing industry and were selected at random. Subsequently, questionnaires were sent to a total of 300 respondents who were the chosen final pool of SMEs.

The respondents were contacted via online survey and face-to-face interview. These processes gathered 206 responses that constituted 68% of the total percentage of respondents. No significant difference was found in the comparison between early and late responses on a number of characteristics and this suggested that the sample was free from response bias.

4.2. Statistical analysis

In general, a moderating effects rests on the occurrence of a third variable (Hair et al., 2010) and brings along a contingent effect on the independent-dependent variable relationships (Sekaran and Bougie 2010) that leads to the various impacts according to the level or value of the moderator (Holmbeck, 1997). In this research, government support program (GSP) in terms of received the assistance in GSP or not received the assistance has been employed to measure the moderating effects between need for cognition and need for achievement support on entrepreneurial orientation and market orientation as well as firm performance. First, the sample was divided into two groups; received or not received.

The new approach utilized Stat Wiki in evaluating the presence of moderating effects by integrating two computer programs, namely AMOS software and Excel spread sheet. The core ideas of this approach were modelled after the techniques of Sharma et al. (1981) in utilizing Z values to determine the moderating variables. Accordingly, this research followed the steps provided in Stat Wiki website http://statwiki.kolobcreations.com/wiki/Main_Page and downloaded the stat tools package to measure the AMOS outputs. As mentioned in the procedure, three vital outputs from AMOS need to be transferred into Excel spread sheet (stat tools package) to generate Z values. Notably, this technique has superior time efficiency as it reduces the time taken to calculate the difference of chi-square for each unconstraint path and it minimizes the mistakes made during the calculation process.

5. Results of hypothesis test (moderating effect) and discussion

Table 1 shows the Z-score data from the stat tools packages of entrepreneurs who received GSP (N = 114) and those who did not received any GSP (N = 92). Results from the analysis concluded that the relationships between NFC and EO, NFC and MO and NFA and FP are moderated by GSP because the Z-score values are significant at 1.693*, 1.936* and 2.482**. Furthermore, the GOF indicators such as GFI
= 0.74, TLI = 0.91, NFI = 0.90, CFI = 0.93, and RMSEA = 0.09 provided acceptable values for model fit.

### Table 1: Results of hypothesis test for moderating variables

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Estimate</th>
<th>P</th>
<th>Estimate</th>
<th>P</th>
<th>Z-score</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO &lt;-- NFC</td>
<td>-0.017</td>
<td>0.675</td>
<td>0.088</td>
<td>0.062</td>
<td>1.693*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO &lt;-- NFC</td>
<td>0.671</td>
<td>0.000</td>
<td>0.066</td>
<td>0.000</td>
<td>-0.462</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO &lt;-- NFC</td>
<td>-0.033</td>
<td>0.478</td>
<td>0.098</td>
<td>0.046</td>
<td>1.936*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO &lt;-- NFC</td>
<td>0.543</td>
<td>0.000</td>
<td>0.309</td>
<td>0.002</td>
<td>-1.572</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP &lt;-- NFC</td>
<td>0.103</td>
<td>0.061</td>
<td>0.046</td>
<td>0.496</td>
<td>-0.654</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP &lt;-- NFC</td>
<td>0.347</td>
<td>0.036</td>
<td>-0.230</td>
<td>0.159</td>
<td>-2.482**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP &lt;-- EO</td>
<td>0.268</td>
<td>0.049</td>
<td>0.295</td>
<td>0.054</td>
<td>0.133</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP &lt;-- MO</td>
<td>0.039</td>
<td>0.736</td>
<td>0.179</td>
<td>0.218</td>
<td>0.759</td>
<td></td>
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</tr>
</tbody>
</table>

### 6. Conclusion

In short, the Malaysian government has provided financial supports, skill trainings and entrepreneurship programs in effort to produce more quality and productive women entrepreneurs. These initiatives serve two main purposes, namely to reduce poverty and to increase employment opportunities for women. Additionally, they have also been introducing to rural women entrepreneurs to assist them to be capable of running, sustaining, and improving their businesses in an efficient way.

Nevertheless, the aim to increase the number of Malaysian women in businesses from 8% to 35% by the year 2020 remains a challenge. Notably, numerous efforts have been initiated by the Malaysian government and related agencies to produce qualified and professional women entrepreneurs. Despite of these efforts, certain issues and factors have influence on firm performance. This research proved that the personal characteristics of these women entrepreneurs such as need for achievement and need for cognition play vital roles in encouraging them to choose the best strategic orientation for their business to achieve superior performance. Apart from that, this achievement is also influenced by the GSP received by women entrepreneurs.

In the meantime, continuous observation by the government will help these entrepreneurs to overcome any issues or problems concerning firm performance. Finally, GSP will lead the women entrepreneurs with high level of need for cognition and need for achievement to achieve superior firm performance in line with MO and EO choices.

### References


