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IMPACT OF BUREAUCRACY ON THE ENTREPRENEURIAL

INCLINATION AMONG EDUCATORS IN THE

HADIAH

HIGHER INSTITUTION IN

KOTA KINABALU



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DECLARATION

The materials in this thesis are original except for quotation, excerpts, summaries and references, which have been duly acknowledged.

Kevin Kong Yit Hau

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ABSTRACT

This study aims to examine the perceived bureaucracy's homogeneity between private and public higher institutes in Kota Kinabalu, Sabah, Malaysia. This study also aims to examine the relationship between perceived bureaucracy and entrepreneurial inclination among educators in these higher institutions. A survey was conducted surveying 15 institutions from March 2006 to June 2006. A total of 158 usable questionnaires were collected for this study. The method of analysis was linear regression, multiple regression and hierarchical regression with independent sample test. It was found that the private and public institutes were homogenous. Divisions of Labor, Procedural Specification and Promotions based on Technical Competence have a significant relationship with entrepreneurial inclination. Division of Labor has a negative and most significant relationship with entrepreneurial inclination as well as each of its dimensions that are innovativeness, risk taking and proactiveness. The moderator; age, gender, working experience and education have no moderating effect between perceived bureaucracy and entrepreneurial inclination.

ABSTRACT

KESAN BIROKRASI TERHADAP KECENDERUNGAN KEUSAHAWANAN TENAGA PENGAJAR DALAM INSTITUSI PENGAJIAN TINGGI DI KOTA KINABALU

Tesis ini dijalankan untuk mengkaji homogeneity persepsi birokrasi antara institusi pengajian tinggi kerajaan dan swasta di Kota Kinabalu, Sabah, Malaysia. Tesis ini juga dijalankan untuk mengkaji hubungan di antara persepsi birokrasi dengan kecenderungan keusahawanan tenaga pengajar dalam institusi pengajiau tinggi. Satu kajian telah dijalankan kepada 15 institusi tinggi dari Mac 2006 hingga Jun 2006. Sejumlah 158 kertas soalan selidik yang boleh digunakan berjaya dikumpul balik untuk tujuan analisa data. Kaedah linear regression, multiple regression dan hierarchical regression serta independent sample test digunakan untuk menganalisa data. Adalah didapati bahawa institusi pengajian tinggi kerajaan dan swasta adalah homogeneous. Selain itu, kajian mendapati divisi tenaga pekerja, spesifikasi prosedur dan promosi mengikut kemahiran teknikal mempunyai perbezaan ketara dengan kecenderungan keusahawanan. Divisi tenaga pekerja juga didapati mempunyai perbezaan negatif dan ketara dengan kecenderungan keusahawanan serta dimensinya iaitu inovasi, pengambilan risiko dan kecenderungan menjadi proaktif. Umur, jantina, pengalaman kerja serta tahan pendidikan tidak mempunyai kesan yang ketara kepada hubungan persepsi bureaukreasi dengan kecenderungan keusahawanan.

CHAPTER 1

INTRODUCTION

1.0. Overview of the Study

The purpose of this study was to investigate the relationship between entrepreneurship and perceived bureaucracy. In depth details of these terms would be discussed as the study examines their relationship and their significance. Previous studies on the related area that were done by previous researchers would be examined on their consistencies. Most literature review concluded that entrepreneurial inclination and bureaucracy has a negative relationship. These empirical studies have significant practical value that can be applied in the teaching environment as well as its management.

Many researchers have done some research on the area of entrepreneurship, the social study of bureaucracy, as well as the relationship between entrepreneurship and bureaucracy. Each of the area of studies has a significant contribution towards the body of knowledge. In this study, the objective was to examine whether entrepreneurship within educators in Kota Kinabalu was a positive or negative correlation towards bureaucracy. This can be done by examining the level of bureaucracy within existing organization is it in the public higher learning institution or private higher learning institution.

1.1. Statement of Problem

There are two types of higher educational options for high school leavers. They are separated into private and public sector. It is known; those in the private sectors are often self-financed as compared with public higher learning institution. These private colleges are often small as compared with public universities. Another fact worth mentioning is that these colleges are less bureaucratic as compared with public universities.

Kuratko & Hodgetts (2004) said that in today's competitive market, organization should be entrepreneurial in order to survive. According to a number of researches, it has been evidently supported that bureaucracy and entrepreneurship has negative relationship.

In general a teaching profession is somewhat entrepreneurial because an educator often lectures differently under different circumstances and this is a sign of creativity and innovation. If indeed educators are more entrepreneurially inclined, Cooke *et al.*, (1995) and Nunn & Nunn (1993) said that learners are able to learn better under other educational strategies; it would mean that entrepreneurial educators would be able to better educate these learners as being entrepreneurial implies being creative and innovative.

As more entrepreneurially inclined educators would have higher tendency to boldly quit their job and start a new venture, this implies that more bureaucratic organizations would have lesser turnover as compared with more entrepreneurial organizations. Being entrepreneurial would also indirectly affect the staff turnover rate of a college. Another aspect that should be considered as well is whether a bureaucratic college suppressing the entrepreneurial growth of its employees?

1.2. Research Objectives

There are limited empirical researches on the topic of entrepreneurial inclination among educators and its effects. Many papers had been published in supporting the concept of negatively relatedness of bureaucracy and entrepreneurship. This research would further solidify that notion. The purposes of this study were to examine:

- 1) The perceived bureaucratic level of both public and private institutions.
- 2) The perceived bureaucratic dimension that has significant effect on educators' entrepreneurial inclination.
- 3) The moderation effect of personal characteristic on the relationship between perceived bureaucracy and entrepreneurial inclination.

1.3. Significance of Studies

Reimers-Hild *et al.* (2005) mentioned institutions of higher education, including administrators and instructors, might have the potential to impact the areas of recruitment, student's success and learner's retention by encouraging distance students to be more entrepreneurial. Furthermore, encouraging and teaching students to become more entrepreneurial may help them in both the personal and professional lives because individuals must be increasingly entrepreneurial in the coming era.

Cooke *et al.*, (1995) and Nunn & Nunn (1993) had shown that it could be possible to increase students' internal locus of control and need for achievement through various educational development strategies, such as confidence building exercises and goal setting. These exercises may be developed and delivered as either stand-alone distance courses or as activities within existing classes. Learners will also benefit from being able to examine their own strengths, which would help

them better understand themselves and their ability to succeed in the distance environment.

Kuratko & Hodgetts (2004) said that entrepreneurial firms play a major role nowadays in the innovation that lead to technological changes and productivity growth. This is applicable in the competing arena of education, with an increasing number of private colleges; a definite determining factor is within the quality of teaching staff. More in depth to that, a probable factor worth mentioning would be how entrepreneurial these teaching staff is.

1.4. Scope of Studies

The study will be conducted in the Kota Kinabalu district. The study will be carried out amongst any higher learning institutions within the vicinity. The reason as to why the study is limited to this geographic area is because of time constraint.

For the purpose of this study, higher learning institutions with similar names such as college, academy, institute and university would be considered as higher learning institutes. Since these institutes are organizations; terms such as firms, organizations and institutes would be used interchangeably.

The unit of analysis of this study would be carried out on the individual sampling level. Criteria for educators are subjective, as qualification and experience requirement varies from institute to institute. Higher institution would also be considered as institution aimed at students above the Sijil Menengah Rendah (SPM) level. In other words, any teaching academic staff in any colleges, academies, institutes and universities would be included.

1.5. Definition

Following are definitions gathered from various sources along with the author's own understanding and perception of the terms and jargons used. These terms and jargons are widely used in the literature review and within the discussion of this paper.

1.5.1. Entrepreneurship

The word itself originated from French in the early 17th century from the word *entreprendre* which means to undertake.

According to Oxford Dictionary, entrepreneurship is the setting up of a business or taking on greater than normal financial risk in order to do so. Whilst this would be the common definition to most people, a more applicable definition is by Stevenson and also Schumpeter.

Stevenson *et al.* (1989) mentioned that "entrepreneurship is the process of creating value by bringing together a unique set of resources to exploit an opportunity". This is consistent with Schumpeter's definition of entrepreneurship.

Schumpeter (1950) mentioned that entrepreneurship is the process of innovation by bringing together new products, new production methods, new markets and new forms of organization. Wealth is created as a result of the innovation that results in new demand.

For Knight (1967) and Drucker (1970) entrepreneurship is about taking risk. The entrepreneur is the kind of person that is willing to put his career and financial as well as his personal future's security on the line for an idea or concept, spending his time and capital in an uncertain venture.

1.5.2. Entrepreneurial Inclination (EI)

Morris & Sexton (1996) mentioned that Entrepreneurial Inclination is defined by two dimensions; frequency of entrepreneurship and degree of entrepreneurship. Degree of entrepreneurship has three key underlying dimensions that are innovativeness, calculated risk-taking, and proactiveness.

Lumpkin & Dess (1996) mentioned 5 dimensions in entrepreneurial orientation. Entrepreneurial orientation is defined as the beliefs, behavioral intentions, and self-reported behaviors that suggest a person's proclivity to instigate new market-entry activities. In other words, it is synonymous to entrepreneurial inclination. The 5 dimensions of entrepreneurial orientation are willingness to take risks (risk-taking), innovate (innovativeness), proactive behaviors designed to find and act upon marketplace opportunities (proactiveness), propensity to be autonomous (autonomy), aggressive tendency toward the competition (competitive aggressiveness).

1.5.2.1. Innovativeness

Agarwal and Prasad (1999) said that innovativeness is a trait that reflects the willingness of an individual to try out anything new. Morris & Kuratko (2002) defines innovativeness as relative emphasis on concepts that represent a departure from what is currently available. For the purpose of this research, innovativeness is defined as propensity to willingly try out something new.

1.5.2.2. Risk Taking

Kuratko (2005) mentioned risk involves uncertain outcomes or events. Risk is associated with reward, the higher the risk, the greater the reward. Morris & Kuratko (2002) defines risk taking as willingness to pursue opportunities that have a

reasonable likelihood of producing losses or significant gain. For the purpose of this research, risk taking is defined as the propensity to take risk involving uncertain outcomes.

1.5.2.3. Proactiveness

Morris & Kuratko (2002) defines proactiveness as the implementation, with taking responsibility and doing whatever that is necessary to bring an entrepreneurial concept to fruition. Venkatraman (1989) uses the term to refer to a continuous search for opportunities and experimentation with potential responses that change an existing trend. For the purpose of this study, proactiveness is defined as propensity to actually commit physically to realize an idea or concept.

1.5.3. Perceived Bureaucracy

According to common definition of bureaucracy, it refers to a system of management or administration that has hierarchical authority which enforces numerous fixed procedures and decision making.

According to Karl Marx (1977), bureaucracy rarely creates new wealth by itself. It is usually creating wealth through the controls, coordination, the government of production, distribution and consumption of wealth. Quoted from Marx, "The bureaucracy is a circle from which one cannot escape. Its hierarchy is a hierarchy of knowledge. The top entrusts the understanding of detail to the lower levels, whilst the lower levels credit the top with understanding of the general, and so all are mutually deceived".

Max Weber described bureaucracy in a positive manner, considering it to be a more rational and efficient form of organization. Weber also mentioned that bureaucracy is part of legal domination. According to the encyclopedia of Wikipedia,

legal domination is "a form of leadership in which the authority of an organization or a ruling regime is largely tied to legal rationality, legal legitimacy and bureaucracy". According to Weber, bureaucracies are goal-oriented organizations designed according to rational principles in order to efficiently attain their goals. Offices are ranked in a hierarchical order, with information flowing up the chain of command, directives flowing down. Weber (1960) said bureaucracy is described "as technically superior to all other forms of organization and hence indispensable to large, complex enterprises".

Hall (1961) was the first to develop a survey instrument to measure the degree of bureaucratization in organizations. After an extensive literature review, he identified six dimensions of bureaucracy: hierarchy of authority, division of labor, rules and regulations, procedural specifications, impersonality, and technical competence. His instrument (Organizational Inventory) has 62 items. All dimensions have 10 items except for hierarchy of authority, which has 12 items. Modified versions of his instrument have been used in educational settings to assess school bureaucratization; these settings are done to curtail the length of the survey as it is incorporated with another measure of entrepreneurship.

1.5.3.1. Hierarchy of Authority

Hall (1968) said that hierarchy of authority is "the extent to which the locus of decision making is pre structured by the organization". It also refers to a state of always having a chain of command and that each subordinate is powerless to make decision prior to superior's empowerment. For the purpose of this study, hierarchy of authority is defined as the propensity to seek a decision by chain or hierarchy of command in an organization.

1.5.3.2. Division of Labor

Division of labor or specialization is "the extent to which work tasks are subdivided by functional specialization within the organization" (Hall, 1968). It refers to how specialize or expert an individual could be in performing a job that is limited in variety within a certain organization. For the purpose of this study, division of labour is defined as the propensity to assign task according to specialization of a particular educator.

1.5.3.3. Rules and Regulations

Rule enforcement or rules and regulations is "the degree to which the behaviors of organizational members are subject to organizational control" (Hall, 1968). Rules determine the acceptable behaviors within the working environment and it is an enforced guideline to be followed. For the purpose of this study, rules and regulations is defined as the propensity for the employee to follow and obey rules that has been imposed to them.

1.5.3.4. Procedural Specification

Procedural specification is "the extent to which organizational members must follow organizationally defined techniques in dealing with situations they encounter" (Hall, 1968). There is a written and known policy that has been established within the organization for the employees to follow. For the purpose of this study, procedural specification is defined as the propensity of employees to follow an established method or routine in accomplishing a particular duty.

1.5.3.5. Impersonality

Impersonality is "the extent to which both organizational members and outsiders are treated without regard to individual qualities" (Hall, 1968). It also includes the impartial treatment regardless of positions of any formality. For the purpose of this study, impersonality is defined as the extend of formality within the work place.

1.5.3.6. Promotions Based on Technical Competence

Promotions based on technical competence is "the extent to which organizationally defined "universalistic" or whole standards are utilized in the personnel selection and advancement (Hall, 1968). It refers to a strict standard to be followed during a promotion review without personal judgment. For the purpose of this study, promotions based on technical competence is defined as the propensity to get a promotion purely based on one self's competence.

1.5.4. Personal Characteristics

Rosa (1993) that said background factors affecting entrepreneurship are age, sex, education, work experience and role models. Especially role models have been considered to have a great impact on entrepreneurship. Children of entrepreneurs are more likely to become entrepreneurs themselves.

1.5.4.1. Gender

Gender has sometimes been conceived as a psychological state (Hofstede, 1991; Oakley, 1972), this study conforms with prior research that models gender as biological sex (Gefen and Straub, 1997; Venkatesh and Morris, 2000; Webster and Martocchio, 1992).

1.5.4.2. Age

Wikipedia defined age is the length of time that a person has lived, this definition would be used for the purpose of this study.

1.5.4.3. Work Experience

For the purpose of this study, work experience is defined as the number of years a person spent working. Total working experience refers to the summed of years spent in the working world.

1.5.4.5. Education

According to Wikipedia, education is defined as a social science that incorporates teaching and learning of specific knowledge, beliefs and skills. The minimum general education or training required for an individual to be employed in that position or career. For the purpose of this study, education is defined as the years spent in formal education.

1.6. Research Design

The study focuses on bureaucracy as the independent or predictor variables and entrepreneurial inclination that has three dimensions that are innovativeness, calculated risk-taking and proactiveness as the dependent variable. Traits and characteristics of the educators are the moderating variables. The unit of analysis for this study would be at the individual level as each individual differs from others. Even within the same department, the perceived level of bureaucracy may vary between individuals.

The study is conducted by distributing questionnaires to selected sample of individuals within known institutes. Careful selection of the institutes and

organization has been great consideration as different organizations tend to have different level of bureaucracy as theory applies public institutes tend to be more bureaucratic as compared with private ones. The homogeneity can be tested using Levene's T-Test.

The relationships of the variables are statistically tested using multiple regression and hierarchical regression analysis.

1.7. Expected Finding

According to a number of theories and empirical researches done in this area, the expected result should be a negative relationship between perceived bureaucracy and entrepreneurial inclination.

A public institute would be more bureaucratic as compared with a private institute. An institute that has been established longer would be more bureaucratic as compared with a younger institute. The perceived level of bureaucracy even within the same department may vary slightly between individuals. This can be contributed by the traits and characteristic of that particular individual; as such this variable would be the moderator.

CHAPTER 2

LITERATURE REVIEW

2.0. Introduction

Following are literatures review from a number of academic journals, books and other sources that is relevant to the purpose of this study. The discussion would progress to describe each of the vital terms such as entrepreneurship, entrepreneurial inclination, bureaucracy and relationship between entrepreneurship and bureaucracy.

2.1. Entrepreneurship

The concept of entrepreneurship has been around for a very long time, but its resurgent popularity implies a sudden discovery, as if society had stumbled onto a new direction for business concept. One of the reasons for the resurgent of this concept is that it has proven to be effective method to prolong a venture's or product's life. Nation is able to rise up to economic power through entrepreneurial activity. These entrepreneurial ventures are founded by creative individuals. They are inspired people, often adventurers, who can at once disrupt a society and instigate progress. They are risk takers who seize opportunities to harness and use resources in unusual ways. These unusual ways are products of their creativity, it is also known as innovation.