

**CULTURE AND ENTREPRENEURIAL INTENTION
AMONG STUDENTS OF
UNIVERSITI MALAYSIA SABAH**

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**THESIS SUBMITTED IN FULFILLMENT FOR THE
DEGREE OF MASTER OF BUSINESS
ADMINISTRATION**



**SCHOOL OF BUSINESS AND ECONOMICS
2011**

UNIVERSITI MALAYSIA SABAH

BORANG PENGESAHAN STATUS DISERTASI

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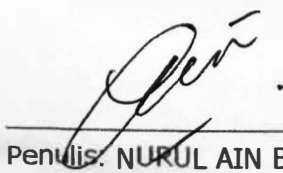
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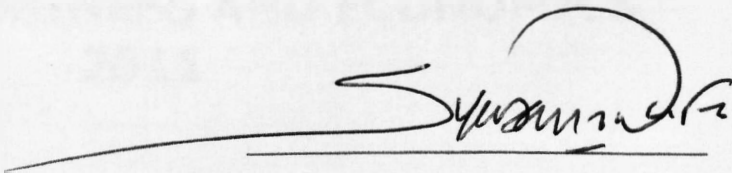
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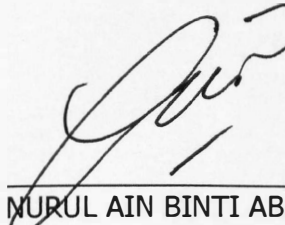
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CERTIFICATION

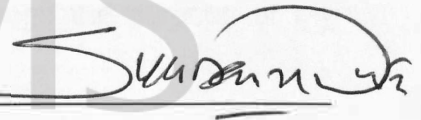
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ACKNOWLEDGMENT

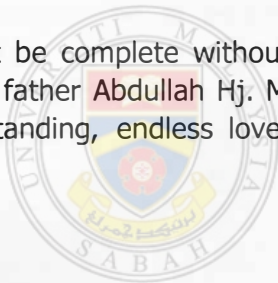
This research project would not have been possible without the support of many people. I wish to express my gratitude to my supervisor, Professor Dr. Syed Azizi Wafa and co-supervisor, Puan Ramraini Ali Hassan who were abundantly helpful and offered invaluable assistance, support and guidance.

I would also like to thank all MBA lecturers and other lecturers in guiding and helping me especially Professor Dr. Hjh. Arsiah Hj. Bahron (Dean of School of Business and Economics, University Malaysia Sabah), Dr Hj. Amran Harun, Dr. Stephen Laison Sondoh Jr. and Encik Mat Salleh Ayub. Their efforts had eventually culminated into completion and submission of this research report in partial fulfillment of the requirement for the degree of Master of Business Administration.

Special thanks to my fellow friends, Nuh, Alddyrinne and Lionel for such a great help in distributing the questionnaires and to the University Malaysia Sabah students for taking their time to help me to collect data so that I obtain tenable result.

It would not be complete without expressing my love and gratitude to my beloved families; my father Abdullah Hj. Mohd Said and my mother Nurah Awang Bungsu for their understanding, endless love, and encouragement through the duration of my studies.

Thank You.



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ABSTRACT

CULTURE AND ENTREPRENEURIAL INTENTION AMONG STUDENTS OF UNIVERSITY MALAYSIA SABAH

Issue of imbalance growth economics between ethnics in Malaysia has long been a central development issue. Rate of emergence of entrepreneurs between ethnicities in the country is one of the best predictor to the issue. This gap could be influenced by the ethnics' culture. Hence, this study is conducted to determine the students' ethnics' cultural difference on the entrepreneurial intention. The elements of culture included are based on the five Hofstede's cultural dimensions; uncertainty avoidance, power distance, collectivism, masculinity, and long term orientation. Survey methods by Yoo, Donthu, and Lenartowicz (2011) (CVScale) and by Linan and Chen (2006) (Entrepreneurial Intention Questionnaire) were used on a population of potential entrepreneurs such as students. By employing convenient sampling, the data was gathered from the respondents studying in University Malaysia Sabah. The study has used SPSS 17 to investigate data and to test developed hypotheses. It was found that uncertainty avoidance, masculinity and long-term orientation are effecting on the growth of entrepreneurial intention in the context of the students of University Malaysia Sabah. Findings of this study would be beneficial to policy makers, practitioners and researchers.



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ABSTRAK

BUDAYA DAN NIAT UNTUK MENJADI USAHAWAN DI KALANGAN PELAJAR UNIVERSITI MALAYSIA SABAH

Isu ketidakseimbangan pertumbuhan ekonomi antara kaum di Malaysia telah lama menjadi isu yang diperkatakan. Kadar kemunculan usahawan-usahawan antara kaum-kaum di negara ini adalah pengukur kepada isu ini. Masalah ini diramal berpunca daripada budaya setiap etnik. Oleh sebab itu, kajian ini di jalankan untuk menentukan perbezaan budaya pelajar dan niat keusahawanan mereka. Antara unsur-unsur budaya yang termasuk dalam lima dimensi budaya Hofstede; mengelakkan kepastian, jarak kuasa, kolektivisme, kejantanan dan orientasi jangka panjang. Kaedah kaji selidik yang digunakan pada responden yang berpotensi untuk menjadi usahawan iaitu pelajar adalah daripada Kim, Donthu, dan Lenartowicz (2011)(CVscale) dan Linan dan Chen (2006) (Niat Soal Keusahawanan). Dengan menggunakan pensampelan mudah, data dikumpulkan daripada pelajar Universiti Malaysia Sabah. Kajian ini telah menggunakan SPSS 7 untuk menyiasat data serta menguji hipotesis yang di bangunkan. Didapati bahawa sifat ketidakpastian, sifat kejantanan dan sifat jangka panjang adalah mempengaruhi orientasi pertumbuhan niat keusahawanan dalam kontek pelajar Universiti Malaysia Sabah. Penemuan kajian ini akan member manfaat kepada penggubal dasar, pengamal dan penyelidik.



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CHAPTER 1

INTRODUCTION

1.1 Introduction

Malaysia is a multi-racial country consisting of the Bumiputera (Malays and the other indigenous groups) as the major ethnic group, and the Non-Bumiputeras (Chinese, Indians as well as other minority ethnic groups) (Ismail *et al.*, 2009). Inequality between the major ethnic groups – the *Bumiputera and non-Bumiputera* has long been a central development issue.

Teik (2005) mentioned in his paper that multiethnic society of Malaysia has been burdened by different ethnic imbalances as portraits by its political economy. He explained that it was basically between the Bumiputeras or the “indigenous community” and the non-Bumiputeras or the “immigrant communities” that created formidable barriers to non-divisive interethnic relation. The major difference between the Bumiputera and non-Bumiputeras which has been persisted after decolonization was politically unstable since their disparities especially the MalayChinese were embedded in a division of labour that was structured by colonial capitalism.

In 2006, Mahadevan include a table of corporate equity ownership from Malaysia (1991a, 2001a and 2003) in his paper. It shows that in 2002 the bumiputeras share in corporate equity ownership is 18.7 percent while the non-bumiputeras share in corporate equity ownership is 43.2 percent. While in 2008, Malaysia Midterm Review of The Ninth Malaysian Plan has reported that bumiputera equity ownership in the corporate sector has increased from 18.9 percent to 19.4 percent in 2006. The non-bumiputera equity ownership has risen from 40.6 percent in 2004 to 43.9 percent in 2006. It shows that equity ownership has not been equally owned by both bumiputeras and non-bumiputeras. Yet both reports have shown that the corporate equity ownership for both bumiputeras and non-

bumiputeras have increased. However, the difference still exist in corporate equity ownership between the bumiputeras and non-bumiputeras.

The Malaysian government has been putting efforts in developing more Bumiputera entrepreneurs as to reduce inter-ethnic, regional and urban-rural economic divides (Malaysia, 2008). It is all included in the eighth and ninth Malaysian Plan of which one of them is to increase the Bumiputera equity ownership and control of companies. As mentioned in Malaysia (2008), to enable Bumiputera to be more resilient and sustain their ownership and control of companies, the focus will be towards inculcating positive values and attitudes as well as strengthening management capabilities. Culture would play an important role inculcating positive values and important role to enhance the management capabilities and thus developing more Bumiputera entrepreneurs. It is important to Indigenous people or in this study is the Bumiputeras (Anderson 1999; Anderson et al., 2004; Foley 2003; Hindle and Lansdowne, 2005). In relation to that, a lot of programmes have been organized by various governments and government bodies to help the indigenous entrepreneurs which include the launching of political reforms and economic development and entrepreneurship programs, training and educational activities (Morrison et al, 2006; Manyara and Jones, 2007). Besides that, the programmes have been supported by the establishment of state institutions, training centres, as well as private consultancy firms that enhances the development of human resource management and entrepreneurial activities (Zainol and Wan Daud, 2011).

University students can be said to predict the emergence of business because they may choose being self-employed as the career (Basu and Virick, 2008). Thus, their intention to be self-employed can be the predictor of the rate of emergence of business in Malaysia. Regarding ethnicities, universities in Malaysia consist of multi-ethnicities population. Thus, it would be able to predict the entrepreneurial intention between ethnicities. However, the ethnicities itself could lead to different cultures (Lrongs, 1998) which then it can be said that entrepreneurial intention between ethnics' cultures could be different too (Lindsay, 2005).

In Malaysia, besides ethnicities entrepreneurial intention between genders is different too. According to Idris (2008), only 1.2% of female in Malaysia were categorised as employers which means employers are dominated by men which this indicate that there are more females entrepreneurs than males. It is predicted that male students could have higher entrepreneurial intention compared to female students.

1.2 Research Problem

Initially, the Chinese dominates the industry (Julian & Ahmed, 2009). Thus, it has been years that imbalance rate of business start-ups between races emerged (Julian & Ahmed, 2009). Mahadevan (2006) shows the 43.9 percent of company equity owned by non-Bumiputera while the Bumiputera only own 19.4 percent. The gap between the Bumiputera and non-Bumiputera corporate equity ownership is one of the challenges faced by the government in eliminating inequalities between ethnics.

Based on Idris (2008), there is a significant difference in the number of entrepreneurs between males and females. Although it is not a major issue faced by the country, yet this finding would be a contribution to the body of knowledge and hence can be utilized for other research. It would be interesting to know if there is any difference in the intention to become entrepreneurs between females students and males students as to support the statement by Idris (2008).

Becoming an entrepreneur could be a choice to be pursued by universities students after graduating as it is well known as a career that could offer worthy opportunities for individuals to achieve financial independence and benefit the economy by contributing to job creation, innovation, and economic growth (Basu & Virick, 2008).

The issues of inequalities between ethnics in contributing to the countries' economic development especially in the rate of emergence of entrepreneurs

between ethnics in Malaysia has come to realization on how important it is to study the differences of culture in ethnicities which may influence in entrepreneurial intention.

1.3 Research Question (s)

This study to be conducted as to address the gap in entrepreneurship research by answering the following research questions:

1. Is there a significant difference between the demographic variables (gender and ethnic) of UMS students on Hofstede's cultural dimensions?
2. Is there a significant difference between the demographic variables (gender and ethnic) of UMS students on entrepreneurial intention?
3. Is there any relationship between Hofstede's cultural dimensions and entrepreneurial intention among UMS students?

1.4 Research Objective/ Purpose

This study intends to investigate the UMS undergraduates' ethnics' cultural difference and the entrepreneurial intention by the Hofstede's cultural dimension of Collectivism, Uncertainty Avoidance, Power Distance, Masculinity and Long-Term Orientation. It is hope to answer the following research objectives. Below are the research objectives that must to be achieved in order to complete this research.

1. To determine the difference in Hofstede's cultural dimensions between demographic variables (genders and ethnicities) among UMS students.
2. To examine the difference in entrepreneurial intention between the demographic factors (genders and ethnicities) among UMS students.
3. To study the relationship between Hofstede's cultural dimensions and entrepreneurial intention among UMS students.

1.5 Scope of Study

As mentioned previously, this research determine the level of entrepreneurial intention among University Malaysia Sabah undergraduates of which may different between cultures that influenced by demographic variables. Besides that, this study

analyzes the relationship between demographic variable and entrepreneurial intention.

This study will be done on University Malaysia Sabah students only as they are the right sample of respondents who were close enough to graduation to contemplate important career choices and also to better understand students' decisions to become self-employed or work for others. Those students are from different genders, ranges of age and different ethnicities. Individual culture of the students can be categorized according to their demographic variables and thus various level entrepreneurial intentions could reveal the categories of cultures.

1.6 Significance of the Study

There are few studies on students' entrepreneurial intention been done in Malaysia (Pihie, 2009; Zain *et al.*, 2010). However, students' entrepreneurial intentions between cultural dimensions have not been done yet. This study will contribute to a new finding in entrepreneurship on students' entrepreneurial intention which then can be used widely to evaluate other universities' undergraduates on their intention to become entrepreneurs based on their culture differences.

This study can be applied to major population of all universities in Malaysia. Thus, by knowing the entrepreneurial intention of the population, prediction of the rate of growth of new business can be made at national level. Therefore, this study would be beneficial to the census department of a country. Besides knowing their entrepreneurial intention, this study would enable the result to be described among genders and ethnicities. The depth of this finding would enable more information to be achieved instead of just knowing the students entrepreneurial intention. Thus, it can be used to identify the imbalance entrepreneurial intention between cultures and ethnicities that would enable prediction on ethnicities of future entrepreneurs. This can be said as the significant of study since cultural or ethnicities issues have been a very sensitive issue.

1.7 Definition of Terms

There are few keywords that will be used throughout the study; entrepreneurial intention, culture, power distance, uncertainty avoidance, masculinity vs femininity, individualist vs collectivist and long term orientation.

1.7.1 Entrepreneurial Intention

Entrepreneurial intention is a decision to form a new business venture that is planned rather than being conditioned. An individual may have the potential of being entrepreneur because own competency and self-efficacy but may not make the transition into entrepreneurship because of a lack of intention (Krueger *et al.*, 2000).

1.7.2 Culture

Inglehart (1997) defines culture as the set of basic common values which contributes to shaping people's behaviour in a society. Hofstede (1981) defines culture is not a characteristic of individuals but as the collective mental programming of the people in an environment as it encompasses a number of people who were conditioned by the same education and life experience. Below are the definitions for all Hofstede's cultural dimension included in this study.

1.7.2.1 Power distance

"the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede, 1981).

1.7.2.2 Uncertainty avoidance

"the extent to which the members of a culture feel threatened by uncertain or unknown situations" (Hofstede, 1981).

1.7.2.3 Masculinity/Femininity

Masculinity versus femininity ranges from "societies in which social gender roles are clearly distinct" to "societies in which social gender roles overlap" (Hofstede, 1981).

1.7.2.4 Individualism/ Collectivism

Individualism versus collectivism ranges from “societies in which the ties between individuals are loose” to “societies in which people from birth onwards are integrated into strong, cohesive in-groups” (Hofstede, 1981).

1.7.2.5 Long-term Orientation

Long-term orientation dimension describe cultures that range from short-term values with respect for tradition and reciprocity in social relations to long-term values with persistence and ordering relationships by status (Hofstede and Bond, 2001). It is referred as dedicated, motivated, responsible, and educated individuals with a sense of commitment and organizational identity and loyalty.

1.7.3 Other terms

University Malaysia Sabah (UMS) is the setting of the study. The respondents of this study are the students of University Malaysia Sabah.

1.8 Summary of Organization of Remaining Chapters

The chapter started with the discussion about initiating the whole idea of this study which includes the overview of the study, problem statements, scope of study, significant of study and definition of terms.

Chapter two of this paper discussing about the literature review. This chapter contain several findings of the previous studies pertaining to the variables that to be used through the whole study includes the entrepreneurial intention, the culture attributes, and the relationship between those variables and demographic variables.

Chapter three then will be discussing on the research methodology of this study. This includes theoretical framework presentation and discussion, statement of research hypotheses, research design, unit of analysis, sampling design, measurement design, data analysis and data collection.

Chapter four is mainly discussing the research findings based on the statistical results. It consists of few sub-sections; chapter introduction, profile of respondents, reliability of measures, description of variables, hypotheses testing and summary of findings.

The final chapter is Chapter five which is the chapter that wraps the whole research and thus discussing on the recapitulation of study, the whole findings, implications of the study, limitations of the study, future research directions and lastly is the conclusion.



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CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter is divided into few sections; culture, entrepreneurial intentions, demography and culture, demography and entrepreneurial intention, culture and entrepreneurial intention. Culture itself is divided into four sub-sections that consists of its dimensions; power distance, uncertainty avoidance, masculinity, collectivism and long-term orientation. The literature of every variable is further discussed in every sub-section.

2.2 Entrepreneurial Intention

Self-employment or business ownership rate is the most important static indicator of entrepreneurship (EIM/ENSR, 1995). Self-employment refers to people who provide employment for themselves as business owners. Two categories of self-employment and business ownership can be identified (Wennekers *et al.*, 2002)

According to Liñán (2008), starting a new venture is, in the first place, an individual's personal decision yet it has been quite often forgotten. He stated that most research in entrepreneurship concentrates on analyzing the firm-creation process once the decision to create has already been taken, completely overlooking the internal process that leads people to that decision which it can be said that the important thing is not which particular individuals will create a new firm. It is understood that at least some of them will take that decision and start their ventures (Liñán, 2008).

Investigating entrepreneurial intention among undergraduates is relevant because some may have not chosen career path, while some may suffering from indecisive goal. Thus, they may choose to be entrepreneurs which according to

Drnovsek and Erikson (2004) intention to become entrepreneur can be defined as the *willingness* to become self-employed as opposed to organisational employment.

Throughout the years, there is growing number of intention models (Fishbein and Ajzen, 1975) that contributed to the body of knowledge. Intention is an accurate predictor of planned behavior, especially in cases where the behavior is difficult to observe, rare, or involves unpredictable time lags (Basu and Virick, 2008). Krueger et al (2000) said that entrepreneurial activity can be predicted more accurately by studying intention. Whereby, intention according to Bandura (2001) is a representation of a future course of action to be performed.

According to Boyd and Vozikis (1994), individuals can be predisposed to entrepreneurial intentions based on a combination of personal and contextual factors. Personal factors such as prior experience as an entrepreneur and contextual factors such as job displacement have limited applicability to entrepreneurial propensity among youth. Other personal and contextual factors attributable to entrepreneurs have generally been categorized as demographic characteristics and psychological attributes (Rasheed, 2001).

The development of several models of entrepreneurial intentions have been contributing to the body of knowledge that serves researchers in understanding the factors and influences that shape individuals' intention to start a business (Autio *et al*, 1997; Bird, 1988; Davidsson, 1995; Shapero, 1985; Shapero and Sokol, 1982). The advantage of focusing on intention is that it is a purely psychological state; it is not dependent on the circumstance, skill, persistence and other factors required bringing a new venture into existence (Pillis and Reardon, 2001).

If occupational choice equated with "intention to act", the main occupational choices are the intentions of potential entrepreneurs (such as wage earners, students, housewives and unemployed) to set up shop. Thus, the rate of nascent entrepreneurship reflects the proportion of the adult population that seriously intends to start a business and actively explores the possibilities to do so (Wennekers *et al*, 2002).