

**EFFECTS OF ENTREPRENEURIAL  
ORIENTATION, LEARNING ORIENTATION  
AND GOVERNMENT SUPPORT  
ON EXPORT PERFORMANCE: A STUDY OF  
EXPORTING COMPANIES IN SABAH**



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UNIVERSITI MALAYSIA SABAH

PERPUSTAKAAN  
UNIVERSITI MALAYSIA SABAH

**SCHOOL OF BUSINESS AND ECONOMICS  
UNIVERSITI MALAYSIA SABAH  
2013**

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PERPUSTAKAAN  
UNIVERSITI MALAYSIA SABAH

**THESIS SUBMITTED IN FULFILLMENT FOR  
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**SCHOOL OF BUSINESS AND ECONOMICS  
UNIVERSITI MALAYSIA SABAH  
2013**

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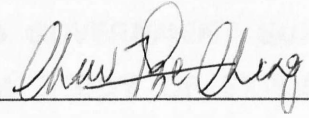
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## CERTIFICATION

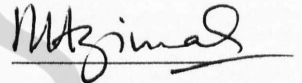
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DEGREE : **MASTER OF BUSINESS (INTERNATIONAL BUSINESS)**  
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Puan Sidah Idris



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## ABSTRACT

Exporting companies in Sabah still faced problems in improving their export performance. Profits from export sales were still relatively low, indicating the lack of competitive advantage of these companies in the international market. According to the Statistics Department of Malaysia, Malaysia's exports for the first four months of 2013 contracted 2.7 percent compared to a 2.3 percent drop in exports during the fourth quarter of 2012. The decrease in exports may be related to the lack of competitiveness of Malaysia's exports in the world market. Based on previous studies conducted in developed countries, competitive advantage of companies can be enhanced through entrepreneurial behaviour and organizational learning. Specifically, these studies have shown that entrepreneurial orientation and learning orientation in companies have been associated with high firm performance. However in the context of Malaysia, to date, very few studies have been done on entrepreneurial orientation and learning orientation among Malaysian companies. Western theories on internationalisation have also overlooked the role played by the government to support local firms going international whereas in Malaysia, the government has provided many supports but studies on this issue is still very limited. Therefore, this study aims to investigate the extent to which factors such as entrepreneurial orientation, learning orientation and government support affect the export performance of Sabah exporting companies. Data for this study were obtained from a cross-sectional study of Sabah manufacturing companies exporting to foreign markets using a self-administered survey questionnaire. Based on a sample of 69 survey respondents with 59.48% of response rate, a structural equation model was developed and Partial Least Squares (PLS) was employed to assess the relationships between constructs and to determine the predictive power of the research model. Results of the analyses showed that the level of export performance of exporting companies in the sample is moderate. The influence of entrepreneurial orientation, learning orientation and government support on export performance is found to be significant and positive while the moderating effects of government support on the entrepreneurial orientation-export performance relationship and learning orientation-export performance relationship are not

significant. Implications of this study to managers, researchers and policy-makers are discussed. These findings may help managers to realise and to practice more in entrepreneurial and organisational learning activities in order to enhance their export performance. This study also provided empirical evidence to the limited research of export in developing countries and guides policy-makers in the process of developing and implementing the suitable export programmes and policies to the exporting companies. Suggestions for future research are provided.



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## **ABSTRAK**

### ***Kesan Orientasi Keusahawanan, Orientasi Pembelajaran dan Sokongan Kerajaan Terhadap Prestasi Eksport: Satu Kajian Terhadap Syarikat Pengeksport Di Sabah.***

*Syarikat pengeksport di Malaysia masih menghadapi masalah dalam meningkatkan keuntungan melalui eksport. Keuntungan daripada hasil jualan eksport adalah masih rendah, menunjukkan kekurangan kelebihan daya saing syarikat-syarikat ini di pasaran antarabangsa. Menurut Jabatan Perangkaan Malaysia, eksport Malaysia bagi sukuan pertama 2013 menurun 2.7 peratus berbanding dengan penurunan 2.3 peratus dalam eksport pada sukuan keempat tahun 2012. Penurunan dalam eksport dapat dikaitkan dengan kekurangan daya saing eksport Malaysia di pasaran antarabangsa. Berdasarkan kajian terdahulu yang dijalankan di negara-negara maju, kelebihan daya saing syarikat-syarikat boleh dipertingkatkan melalui sifat keusahawanan dan pembelajaran dalam organisasi. Khususnya, kajian terdahulu telah menunjukkan bahawa orientasi keusahawanan dan orientasi pembelajaran dalam syarikat-syarikat telah dikaitkan dengan prestasi firma yang tinggi. Namun dalam konteks Malaysia sehingga kini, hanya sedikit kajian telah dilakukan ke atas orientasi keusahawanan dan orientasi pembelajaran dalam kalangan syarikat Malaysia. Teori Barat di peringkat antarabangsa juga telah mengabaikan peranan yang dimainkan oleh kerajaan untuk menyokong syarikat-syarikat tempatan untuk bersaing di peringkat antarabangsa manakala di Malaysia, kerajaan telah memberikan banyak sokongan kepada pengeksport tempatan tetapi kajian mengenai isu ini adalah masih sangat. Oleh yang demikian, kajian ini bertujuan untuk mengkaji sejauh mana faktor-faktor orientasi keusahawanan, orientasi pembelajaran dan sokongan kerajaan dalam mempengaruhi prestasi syarikat-syarikat yang berasaskan eksport di Sabah. Data daripada kajian ini diperoleh daripada kajian merentasi syarikat-syarikat pembuatan di Sabah dalam pelbagai sektor yang menjalani aktiviti eksport. Kajian ini dilakukan dengan kaedah soal selidik yang dipantau. Berdasarkan kepada saiz sampel sebanyak 69 responden (59.48% peratus respon), model kajian berasaskan 'structural equation model'*

*dibina dan teknik analisis 'Partial Least Square (PLS)' digunakan untuk menganalisis hubungan antara pembolehubah-pembolehubah yang terdapat dalam kajian dan sejauh manakah hubungan antara pembolehubah tersebut terhadap antara satu sama lain. Hasil daripada kajian menunjukkan bahwa tahap prestasi eksport syarikat-syarikat di dalam sampel adalah sederhana. Pengaruh orientasi keusahawanan, orientasi pembelajaran dan sokongan kerajaan adalah positif dan signifikan, sementara sokongan kerajaan adalah tidak signifikan dan tidak mempunyai penyederhanaan untuk menguatkan hubungan di antara orientasi keusahawanan dengan prestasi eksport dan orientasi pembelajaran dengan prestasi eksport. Implikasi kajian terhadap syarikat, akademik dan kerajaan dibincangkan dan cadangan untuk kajian seterusnya dicadangkan. Implikasi kajian ini kepada pengurus, penyelidik dan penggubal dasar akan dibincangkan. Penemuan ini boleh membantu pengurus untuk menyedari dan mempraktiskan aktiviti keusahawanan dan organisasi pembelajaran untuk meningkatkan prestasi eksport mereka. Kajian ini juga memberikan bukti empirikal untuk penyelidikan ekports yang terhad di negara-negara membangun dan juga sebagai panduan dasar dalam pembentukan program sokongan kepada syarikat-syarikat pengeksporth eksport. Cadangan untuk kajian akan datang disediakan.*

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

Malaysia's export sector has evolved significantly over the past five decades (Ninth Malaysia Plan, 2006-2010). Export-oriented industrialisation initiatives which were undertaken since the early 1970s have brought significant changes in Malaysia's exports with manufacturers playing an increasingly important role (Ahmed Zafar, Craig and Abdul Jumaat, 2006).

In line with the nation's economic industrialisation, the composition of exports has gradually shifted from agricultural and mining products in the 1960s to manufactured goods in the 1980s. The development and growth of the manufacturing sector was so rapid; such that by the late 1990s, this sector accounted for more than 80 percent of total exports and until 2013, manufactured goods was still the largest component of total exports (Central Bank of Malaysia, 2011).

International trade has always been important for the Malaysian economy and export has been one of the primary sources of national income (New Straits Times, 2009). Based on Malaysia's 2012 trade figures, total trade for 2012 surpassed the one trillion ringgit mark with a value of RM1.31 trillion compared to RM1.27 trillion recorded in 2011. Exports grew by 0.60 percent to RM702.19 billion while imports expanded by 5.90 percent to RM607.36 billion, resulting in a trade surplus of RM94.82 billion. Consequently, the country enjoyed the 15th consecutive year of trade surplus since 1998 (MATRADE, 2013). Among the top five trading partners, expansion in trade was recorded with ASEAN, an increase of 8.2 percent; the People's Republic of China (PRC), 8 percent the European Union (EU), 2.4 percent; and the United States of America (USA), 2.8 percent while trade with Japan decreased by 1 percent only. This remarkable performance has shown the competitiveness of Malaysian exports.

The Malaysian government in recognising the importance of exports to the country's economic growth has provided various support programmes to assist exporters in developing their exporting skills and to achieve greater export performance. For example, to ensure continued growth in exports, the Ministry of International Trade and Industry (MITI) through its agencies have introduced programmes that include the provision of start-up grants, expert advice in certification, quality control and brand development and overseas trade missions (INTRADE Press Release, 2012).

As a result of this concerted effort, many Malaysian companies have successfully exported their products to overseas markets. One example of a successful company was Malaysia's number one home grown biscuit producer, Munchy's. Internationally, Munchy's has entered around 60 countries worldwide and its key export markets in Asia included Indonesia, Thailand, Singapore, Taiwan and Japan (Munchy's Official Website, 2012).

## **1.2 Problem Statement**

Exporting companies in Malaysia still face problems in improving their profit from export sales. Even though Malaysia has been blessed with abundant of natural resources and strategic location within South East Asia, a number of key challenges continue to impact overall competitiveness of Malaysia's export. According to Datuk Raymond Tan Shu Kiah, the Deputy Chief Minister and Minister of Industrial Development Sabah, these challenges include poor infrastructure, high shipping cost, and lack of knowledgeable, skilled and innovative manpower (Speech given at "Transforming SMEs into SME Exporters" Course on 11 March 2013 at Kota Kinabalu).

Statistics have also revealed that Malaysia has recorded lower trade with its main markets such as Japan, Indonesia, Qatar, Saudi Arabia and Singapore (The Star Online, 18<sup>th</sup> July 2013, page1). In the first four months of 2013, Malaysia's exports contracted 2.7 percent compared to a 2.3 percent drop in the fourth quarter in 2012. The decrease in export was due to the poor demand towards the Malaysia's products and decrease in the competitiveness of local products in foreign

markets (Malaysia Statistics Department, 2013). The low contribution of exports in Malaysia may hamper the process in achieving rapid export growth of the nation.

Over the years, academicians and government institutions have paid increased attention to identify the potential drivers of export performance. This aims were not only at advancing the literature but also at providing useful support to practitioners. Based on the literature review of export performance researches, a significant body of research into the development of export performance has focused on factors relating to export marketing strategy factors (e.g., Cadogan, Cui and Li, 2003; Cavusgil and Zou, 1994) and it has been shown that marketing strategy has a positive significant relationship with export performance whether it acts individually or as an interaction with other variables.

Previous studies have also shown that entrepreneurial orientation has been associated with higher firm performance, hence suggesting that firms with entrepreneurial attributes tend to be more successful. In the international context, studies have shown that small medium enterprises (SMEs), despite them being relatively smaller in size, they have entered the global market, exporting highly innovative and cutting-edge products (Knight and Cavusgil, 2004).

Entering a new market especially a foreign market can be very difficult and risky due to differences in the economic, social, political and cultural environments between the host and home countries. Competing in diverse foreign markets and cultures would expose firms to different competitors and to a diverse set of institutional rules, norms and regulations. In order to cope with these potential risks, researchers in international business have suggested that firms possess a learning orientation (Calantone et al., 2002). Companies that have a learning orientation tend to exhibit characteristics such as a shared vision, commitment and open-mindedness (Baker and Sinkula, 1999). Studies have also shown that companies with high learning orientation have been associated with high firm performance (Baker, Sinkula and Noordewier, 1997). In the context of international business, most companies would need to have a learning orientation in their business agenda as the lack of knowledge could be a major barrier to

internationalisation. For SMEs, knowledge has been one of the most critical resources for the internationalisation process (Md Daud, 2011; Forsgren, 2002; Saarenketo, Puumalainen, Kylaheiko and Kuivalainen, 2008). In a study of Malaysian companies, Md Daud (2011) asserted that the ability to master knowledge has been critical for competitive advantage and firm performance.

Most of the studies on entrepreneurial orientation and learning orientation have been conducted on companies in developed countries. In an empirical review of 10 years of export research, Zou and Stan (1998) found that more than 90 percent of the studies were conducted in firms based on developed economies. Likewise, in a review by Singh (2009) on export research published in the top four international business journals (i.e., *Journal of International Business Studies*, *International Business Review*, *Management International Review*, and *Journal of World Business*), he found that majority of the work was based on firms from developed economies. Except for a study by Poon, Raja Azimah and Saodah (2006) on entrepreneurial orientation in Malaysian SMEs operating locally, studies using the concept of entrepreneurial orientation and learning orientation in Malaysian companies entering foreign markets is non-existent. Therefore, it is very important that a study is conducted to examine whether entrepreneurial orientation and/or learning orientation prevails in Malaysian companies that compete in the world market and whether any of these orientations can be associated with their firm performance.

In the context of developing and emerging countries like Malaysia, the government often played an important role in business. Western theories on internationalisation have often overlooked the active role played by the government and neglected the institutional or contextual perspective in the internationalisation of Asian companies (Yeung, 1998; Zutshi and Gibbons, 1998; Shamsuddoha, Ali and Ndubisi, 2009). Yeung (1998) explained that the government often plays a direct and active role in the internationalisation of its companies. Hence, it is essential to include the role of government in supporting and moderating the company's strengths toward achieving better export performance. Nevertheless, taking into consideration the differences between the companies in developed and



developing countries, it can be assumed that the internationalisation performance of companies from developing countries will be different from the experience of developed countries.

It has been proposed that this study would be conducted in the state of Sabah. A state in East Malaysia, Sabah is located on the island of Borneo. Sabah is rich in natural resources, fertile land and skilled labour; making the state a land of promising investment opportunities. Sabah's economy is predominantly export-oriented and dominated largely by primary commodities such as agriculture, forestry and petroleum. Additionally, it is one of Malaysia's major states in producing and exporting palm oil and palm oil products as well as wood and wood products. However, the number of studies that have been conducted in Sabah companies has been very limited. Therefore, it is imperative that this study will fill the gap with the proposed study that examined the export performance of companies in Sabah and its exporting activities.

### **1.3 Research Questions**

Based on the research problems identified in this study, the following research questions are posed:

- a) What is the export performance of the exporting companies in Sabah?
- b) What is the level of entrepreneurial orientation and learning orientation of the exporting companies in Sabah?
- c) What is the extent to which entrepreneurial orientation and learning orientation influence export performance in Sabah?
- d) What is the role of the government in affecting export performance and does the role of government moderate the entrepreneurial orientation-export performance relationship and the learning orientation-export performance relationship?

## **1.4 Research Objectives**

In general, this study sought to provide empirical evidence on the issues of entrepreneurial orientation, learning orientation, government support and export performance of manufacturing exporters in Sabah. Specifically, the objectives of the study are as follow:

- a) To determine the export performance of Sabah exporters.
- b) To assess the level of entrepreneurial orientation among exporting companies and the influence of entrepreneurial orientation on their export performance.
- c) To assess the level of learning orientation and the influence of learning orientation on the performance of Sabah exporters.
- d) To investigate the perceptions towards government support among Sabah exporters, whether government support have any influence on their export performance and whether government support moderate the entrepreneurial orientation-export performance relationship and the learning orientation-export performance relationship.

## **1.5 Scope of Study**

From the extant literature on internationalisation, some of the factors that have been identified to influence export performance include market orientation, networking capabilities, learning orientation, entrepreneurial orientation and the role of government. While many empirical studies have already been conducted to examine the influence of market orientation and networking capabilities on export performance, this study attempts to examine the influence of learning orientation, entrepreneurial orientation and government support on export performance.

In terms of coverage, this study focuses on the manufacturing companies in Sabah that have been involved in exporting, irrespective of whether they are small and medium enterprises (SMEs) or large companies. Sabah is one of the states in Malaysia that is highly export oriented whereby many Sabah companies in the plantation industries, wood industries, food industries, and fishery industries exported a significant percentage of their products. In this study, a sample of these

exporting companies were examined in terms of their export performance and the extent to which factors such as entrepreneurial orientation and learning orientation influence their export performance. The role of the Malaysian government in supporting these companies to achieve high performance was also examined.

### **1.6 Significance of Study**

The findings in this study will add to the existing literature on internationalisation, specifically on exporting. It will try to explain the important factors that influence and support Sabah manufacturers to export since the research of this issue in developing countries is still lacking compared to the research in developed countries. This study will be a platform for further research by scholars and researchers in this area, particularly those who are concerned in examining factors on export performance and internationalisation.

Furthermore, this study will also provide a better understanding of the internationalisation theory by adding to the existing literature on the Uppsala Model as well as born global perspectives. These theories have been an interesting ground in explaining the internationalisation process in two different ways which is whether the company follows sequential stages to internationalise or they internationalise as early as their inception.

In terms of the practical perspective, this study was expected to provide a better understanding to the managers on the strategies that Sabah exporting companies should adopt in order to further enhance their export performance.

For policy makers, this study would be able to identify company's capabilities that are closely associated with high levels of export performance. An understanding of these capabilities would inform the national and local government on how these agencies can facilitate improvements in the export performance of local firms.