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**THE RELATIONSHIP BETWEEN INTERNAL ENVIRONEMNT OF CORPORATE
ENTREPRENEURSHIP AND INNOVATION IN PRIVATE COLLEGES
IN PERAK**

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**DISSERTATION SUBMITTED IN FULFILLMENT OF THE REQUIREMENT FOR
THE DEGREE OF MASTER OF EDUCATION (BUSINESS MANAGEMENT)
(MASTER BY MIXED MODE)**

**FACULTY OF MANAGEMENT AND ECONOMICS
UNIVERSITI PENDIDIKAN SULTAN IDRIS**

2018



05-4506832



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ABSTRACT

The propose of this study were to investigate the relationship between internal corporate entrepreneurial environment (ICEE) indicators i.e. management support, work discretion, time availability and innovation (INV); and the influence of each indicator of ICEE towards INV. Data were collected from 150 middle managers of 19 private colleges in Perak using systematic random sampling. Descriptive and inferential statistics were applied to analyze the data. The result showed that there was a significant relationship between ICEE (management support, $r=.554$, $p<.01$, work discretion, $r=.496$, $p<.01$, time availability, $r=.462$, $p<.01$) and INV the regression analysis showed that management support ($\beta=.590$, $p<.01$) and work discretion ($\beta=.269$, $p<.01$) contributed the highest than time availability ($\beta=.076$, $p<.01$) toward INV. The regression model indicated 58.8% of the variance in INV can be explained by the above three indicators. In conclusion, the middle managers perceived their management support, work discretion, time availability for corporate entrepreneurship to be positively supportive for innovation activities. The implication of the study will help middle managers and policy makers to get a better understanding of the entrepreneurial process of colleges and design their business strategies towards more entrepreneurial and innovative behaviors.





HUBUNGAN ANTARA PERSEKITARAN DALAMAN KEUSAHAWANAN KORPORAT DENGAN INOVASI DI KOLEJ SWASTA DI PERAK

ABSTRAK

Tujuan penyelidikan ini adalah untuk mengkaji mengenai hubungan antara persekitaran keusahawanan dalaman (ICEE) iaitu sokongan pengurusan, pertimbangan tugas dan ketersediaan masa dengan inovasi (INV), pengaruh setiap indikator ICEE terhadap INV. Data dikumpul secara rawak sistematis dalam kalangan pengurus pertengahan 19 buah kolej swasta di Perak. Statistik deskriptif and inferen telah digunakan untuk menganalisis data tersebut. Dapatan analisis menunjukkan bahawa terdapat hubungan yang signifikan antara ICEE iaitu sokongan pengurusan, $r=.554$, $p<.01$; pertimbangan tugas, $r=.496$, $p<.01$; ketersediaan masa, $r=.462$, $p<.01$ dengan inovasi (INV). Analisis regresi menunjukkan bahawa sokongan pengurusan ($\beta=.590$, $p<.01$) dan pertimbangan tugas ($\beta=.269$, $p<.01$) menyumbang tertinggi berbanding dengan ketersediaan masa ($\beta=.076$, $p<.01$) terhadap inovasi (INV). Model regresi menerangkan 58.8% daripada varian dalam inovasi diterangkan oleh tiga indikator tersebut. Kesimpulannya, pengurusan pertengahan beranggapan bahawa ketiga-tiga indikator untuk keusahawanan korporat tersebut menyokong secara positif terhadap aktiviti inovasi. Implikasi kajian ini boleh digunakan oleh pengurus pertengahan dan pembuat dasar untuk memahami dengan lebih jelas proses keusahawanan sesebuah kolej swasta dalam merangka strategi perniagaan mereka bagi meningkatkan gelagat keusahawanan terhadap inovasi.





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LIST OF ABBREVIATIONS

ICEE Internal Corporate Entrepreneurial Environment

INV Innovation

SPSS Statistical Packages For The Social Science

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A Survey Questionnaire

B Letter to Expert



CHAPTER 1

INTRODUCTION



1.1 Introduction

Nowadays, in the fiercely competitive business environment, adopting corporate entrepreneurship and innovation in organization are considered as reliable means of developing the sustainable competitive advantage. Corporate entrepreneurship is a supportive process of innovation which enables business to innovate sustainably and allows organizations to be competitive and dynamic in the competing word market (Kuratko, Hornsby, & Covin, 2014). Some scholars, such as Walker, Damanpour & Devece, also have indicated that innovations are adopted by organizations to improve the services delivered to users and citizens (2010). In order to enhance the





organizational competitiveness, an organization needs to take both corporate entrepreneurship and innovation seriously.

The aim of the study was to conduct a quantitative assessment and cross-sectional survey of private colleges in Perak, Malaysia, through the lens of two constructs of the corporate entrepreneurship process. These are the internal environment for corporate entrepreneurship (Kuratko et al., 2014) and innovation (Hughes & Morgan, 2007). The assessment was done at individual level cause middle managers in private colleges play such a key role in the entrepreneurial process, so the relationship between the two constructs could be explored (Kuratko & Audretsch, 2013).



Although this article will, by no means, provide a clear direction for colleges, it will provide some improvement measures that can be implemented on any colleges to enhance competitiveness. Ideally, this article will also inspire a dialogue about the corporate entrepreneurship and innovation of private colleges across the country.

The file follows a research-based approach (Suanders & Lewis, 2012) and consists of five chapters which include, a literature review, methodology, analysis and findings, discussion, conclusions and recommendations.





1.2 Background of the Study

Nowadays, we are in the midst of a growing transformation of education. Technology, social change and the growing trend of cost to us for decades left many unresolved issues, multiple challenges and, of course, there is no doubt that today's educational environment is putting more pressure on private college leaders to think differently about how to manage their institutions, and there is a need to be highly innovative in a changing education culture (Caruth, G & Caruth, D, 2013).

4-year colleges cater mainly to students who graduate from high school and go to college. Public universities have also taken over the market. But those who went to college after the age of 25 were considered to be non-traditional students and often began their education at local community colleges. These students usually work full time and often take on family obligations. While community colleges have historically served these populations, private for-profit colleges are enthusiastically seeing this market as a way to compensate for the decline in the number of traditional-aged student. To reach this new student market that is not served by the traditional mode, some colleges in developed countries have used "business lines" as the entrepreneurial branch of the college. (Caruth, G & Caruth, D, 2013). So private colleges in Perak needs to attract more students through good use of corporate entrepreneurship and innovation.



Such like this, the private colleges in Perak is facing tough times to compete with public universities and local community colleges. Due to this high competition, management of organization should think how to deal with today challenges with new strategies. Organization's innovation is a process that can increase organizations' capacity to thrive in challenging times (Ashbaugh, 2013).

Innovation is creating an increasingly attractive alternative to the existing education system. Colleges must change to maximize their impact on society, too, at a pace unfamiliar to higher education. While we retain the core mission of education generation and new forms of knowledge, colleges must also accept our growing role in promoting innovation and promoting economic development.

It also seems that no matter what field they study, students will go to college and try to change society through entrepreneurship and other things they create. And this energy and excitement also happens in young faculty as they are now looking to participate in entrepreneurship, which is part of their academic career.

And to survive through today's educational environment, the cultivation of corporate entrepreneurship culture is also one of the most powerful ways for colleges to act as economic accelerators, this will require private colleges to think and act more like a business (Kalman, 2014). In business, many products have a life cycle. In other words, the product must be updated or phased out because consumers are no longer interested. This is a field that has plagued private colleges for decades. Private



colleges tend to have programs that live-on forever. However, sometimes branches must be trimmed to ensure the survival of the tree, which means private colleges need to change.

As the pace of discovery quickens and global competition intensifies, colleges are making entrepreneurship a part of academic experience, creating a culture that inspires and fosters innovative thinking. As of 2017, more than 200 colleges and universities in the world have set up centers for innovation or entrepreneurship and become members of the Global Consortium of Entrepreneurship Centers (Global Consortium of Entrepreneurship Centers, 2017).



However, it is not that easy to play a role in corporate entrepreneurship and innovation for private colleges. It becoming more widely accepted that it is even more complex to adopt innovations by the organizations than by the individuals, which is largely a marketing effort that informs and persuades individual students of an ideal new courses and new services. Yet, a majority of practitioners and management seem to use in organizing their thoughts, behaviors and actions to adopt innovations into the organizations, which is on the basis of a model of individual innovation adoption. Hence, it is unsurprising that most organizations fail to adopt innovations.

Such failure means organizational innovation is not that easy as we thought before, meaning not only new courses and services, but also the process improvement of selling these new courses and services, or the improvement of the ways we





supervise and manage the people who do the things mentioned above. Hence, organizational innovation ought to be encouraged and supported to continue in future, in order that the private colleges in Perak will be more efficient, sustainable and impactful (Hillman, Tendberg & Gross, 2014).

In the Global Innovation Index 2017, Malaysia ranks 37 out of 127 countries (Global Innovation Index, 2017), which is a still in good position. Nevertheless, an effort to increase the innovation needs to be improved in organization so that a ranking will increased in the future. While, in Malaysia through the National Innovation Agency, Malaysia is mandated by the government to execute the National Corporate Innovation Index (NCII) to stimulate innovation among organizations.



1.3 Problem Statements

Private college faces more challenges today than ever before. The challenge for private colleges is to provide a variety of students with learning opportunities, from those who are academically gifted to those who are under-prepared for college-level work. They are challenged by economic pressures such as keep college costs low, minimize tuition fees and student debt as much as possible. Another challenge that private colleges face is to think strategically and act boldly. These challenges are hitting private college all the time. Private colleges need to make changes to surviving through these, like re-design the teachers' working methods, leadership skills and



student recruitment and guidance. They work to re-think how industry integrates with education, technology promotes learning, and institutions learn from each other (Marshal, 2010). When they do so, they are associated with governments, industry, faculty and students. Some scholars believe that the strategic thinking behind these actions is entrepreneurial spirit (Thorp & Goldstein, 2010). The change-making institutions are core innovators and private colleges in Perak all needs to innovate.

Innovation in the organization is very important in ensuring the survival of a business in the long term especially for private college sector and the private colleges are leading the process of global roots and branch innovation because unlike other public education institutes have stable source of students, private colleges can only attract students by their own strength, which means their circumstances have made them more resourceful than the public institutions. Private colleges less dependent on the country's funding for day-to-day running, and less bureaucracy. They have to sustain themselves through their own leadership, management, sponsorship, faculties and governance. They also have to face the challenges of the market more directly, so those who are not prepared and unwilling to stand at the forefront of innovation will be in a very difficult position.

Moreover, today's digital information networks enable people to make access to data and professional fields everywhere, especially in the scientific fields. Therefore, researchers no longer need to collaborate in the same physical location. This change will reduce the attractiveness of many colleges for expert faculty. For example, a

faculty member may choose to teach in a small institution in rural areas and collaborate with faculty in a large urban environment to conduct research. In the same way, students can choose private colleges anywhere in the world as their preferred school without ever setting foot on campus.

This mobility may completely change the college market. For example, Asian colleges are very interested in competing with American colleges for international students. Technological changes may allow more international students to enter colleges from more countries, and these colleges have never participated in the international student market before. This mobility also means that students can choose to attend classes from more than one college during their studies. In the same way, faculty can also choose to teach at several colleges. This trend will have a huge impact on the recruitment of faculty and will affect the collegial interactions of faculty including many committees, course discussions, and research on the college campus. The market is really changing.

The present scenario indicates that private colleges in Perak are facing an unprecedented higher education climate to attract students and faculty to compete with other forms of educational institutions. It is an unusual climate in which elected leaders want to solve problems (especially economic issues) through private colleges while punishing those institutions that are inefficient, costly, and unwilling to change. It is a very stressful environment to improve student retention rate and graduation rate while maintaining costs. It is a climate that promotes continuous improvement and



innovation while also strengthening regulation. This is an environment full of challenges and opportunities for those who are creative and visionary for the future (Global Innovation Index, 2017).

Therefore, to cope with a business environment that is rapidly changing and hyper competitive, it is important for local private colleges to take risks, by adopting innovative and creative approaches that require the internal reform as an overall solution to handle a dynamic business environment (Kassa & Raju, 2014).

Corporate entrepreneurship is regarded as an instrument for providing an organization with a sustainable competitive advantage (Kassa & Raju, 2014). The corporate entrepreneurship needs a certain series of external and internal variables to be present to enable employees to be creative and innovative. Organizations are facing ever-changing environments, like private college, organizational innovation is critical. Therefore, the organization should encourage and supports appropriate corporate entrepreneurial environment climate to create innovation in organization. Colleges, however, are complex organisms, and innovation needs to be expended through every part of the system.

Previous scholars show interest in corporate entrepreneurship in research and academic concept area. However, they concentrate more on specific areas, such as the measure of relationship between the strategic management and corporate entrepreneurship (Barringer & Bluedorn, 1999), development and refinement of an





instrument (Tasika,2006; Kuratko et al,1990; Adonisi,2003; Morris et al,2001; Hornsby, Kuratko & Zahra, 2002), and the definition in the corporate entrepreneurship area (Sharma & Chrisman,1999).

One organization needs encouraging and supportive environment to ensure the appropriate position of a proper corporate entrepreneurial environment. The corporate entrepreneurial environment of private colleges comprises two different levels, internal environment and external environment, the former includes the special variables in college and the latter includes the variables that are external to college. Even though conducting an analysis on external environment for the corporate success is necessary, unless it is supported by one comprehensive analysis on internal environment within an organization, it is not enough. Otherwise, the internal environment is possible and much easier for employees to measure and control compare with external environment.

Thus, for the creation of innovation, there should be an internal environment that provides support for entrepreneurship in business. Hornsby et al. (2002) identified three dimensions of internal environment for the corporate entrepreneurship, i.e. time availability, work discretion, as well as management support.

There are few investigations about the internal environment for the corporate entrepreneurship and the relationship between internal environment and innovation. Thus, this study investigates the functional relationship between the variables of



corporate entrepreneurship with the innovation within organization. Moreover, this study analyzes the contribution of internal environment for corporate entrepreneurship towards innovation in Perak private colleges.

1.4 Objective of the Study

In general, the research attempts to measure the relationship between internal environment of corporate entrepreneurship and innovation in private colleges.

Specifically, this research aims:

- i. To identify the relationship between management support for corporate entrepreneurship and innovation in private colleges.
- ii. To identify the relationship between work discretion for corporate entrepreneurship and innovation in private colleges.
- iii. To identify the relationship between time availability for corporate entrepreneurship and innovation in private colleges.
- iv. To determine the contribution of internal environment for corporate entrepreneurship towards innovation in private colleges.



1.5 Research Question

Accordance with the research problem were discussed, the following four (4) research questions are suggested:

- i. Is there any relationship between management support for corporate entrepreneurship and innovation in private colleges?
- ii. Is there any relationship between work discretion for corporate entrepreneurship and innovation in private colleges?
- iii. Is there any relationship between time availability for corporate entrepreneurship and innovation in private colleges?
- iv. To what extent does internal environment for corporate entrepreneurship contribute to innovation in private colleges?

1.6 Research Hypothesis

Hypothesis developed for the study are:

H₀₁: There is no significant relationship between management support for corporate entrepreneurship and innovation in private colleges.

H₀₂: There is no significant relationship between work discretion for corporate entrepreneurship and innovation in private colleges.



H₀₃: There is no significant relationship between time availability for corporate entrepreneurship and innovation in private colleges.

H₀₄: There is no significant contribution of internal environment for corporate entrepreneurship towards innovation in private colleges.

1.7 Conceptual Framework of Research

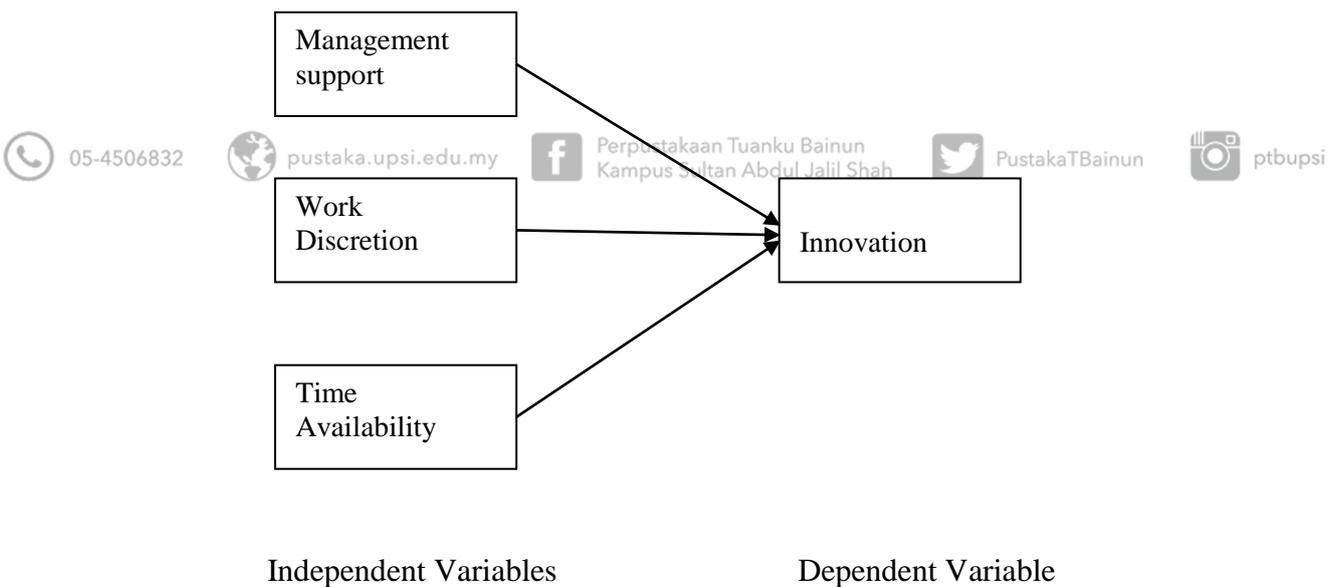


Figure 1.1. Conceptual Framework of the Research. Adapted from Hornsby, 2002.