

## Entrepreneurial Orientation and Firm Performance: The Role of Personality Traits in Malay Family Firms in Malaysia

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### **Abstract**

*The research examines entrepreneurial orientation (EO) in Malay family firms by taking personality traits as the antecedent. This construct is used to explain the influence of entrepreneurial orientation (EO) and its consequence towards firm performance. The impact of personality traits towards firm performance observed in Malay family firms is unique to the paper. In Malay firms, the relationship between personality traits with firm performance was not mediated by entrepreneurial orientation (EO). However, the construct is significant as predictor towards firm performance. Our studies provided the empirical test in understanding indigenous entrepreneurship in Malay family firms in Malaysia towards developing a more holistic entrepreneurship theory.*

**Keywords:** Entrepreneurial Orientation (EO), Personality Traits, Firm Performances, Family Firms, Indigenous Entrepreneurship

### **Background of the Study**

Entrepreneurial Orientation (EO) has recently been recognized as one of the most important factors for a firm's growth and profitability. Research has shown that high growth correlates with a firm's entrepreneurial orientation (Stevenson & Jarillo, 1990). Hence, growth can be associated with innovativeness, pro-activeness and risk-taking behavior of the firm, which refers to an entrepreneurial orientation (EO) dimension. The correlation between the entrepreneurial orientation (EO) of the firm and its performance has been widely discussed, conceptually (Covin & Slevin, 1991); Lumpkin & Dess, 1996) and empirically (Wiklund & Shepherd, 2005; Covin & Slevin, 1989; Lumpkin & Dess, 2001). However, a lot of questions remain unresolved (Moreno & Cassilas, 2008). Given the competitive conditions faced by firms in today's global economy, EO-performance relationship is multidimensional constructs as suggested by Lumpkin and Dess (1996).

Further research to redefined measurements, exploring the underlying processes related with entrepreneurial activity and recognizing multidimensional nature of entrepreneurial orientation (EO) will contribute to the greater understandings of entrepreneurial orientation (EO) and its relationship towards firms' performances. Family firms play a significant role in a country's economic growth through new business venture creation and expansion of existing firm. Some statistics show that these types of businesses contribute up to 64% of the U.S gross domestic products (GDP) and occupy 62% of its' workforce (Astrachan & Shanker, 2003). Globally, half of the world's workforce and over half the world's GDP are contributed by family businesses (Morck & Yeung, 2003; Heck & Stafford, 1999). For instance, family businesses construe 84.4% of all manufacturing companies in Germany in 2002 (Kayser & Wallau, 2002).

Furthermore, a report by Anderson and Reeb (2003) stated that family businesses represent 34% of the companies listed on the Standard & Poor's 500. Specifically, 18% of the outstanding equity in those firms is owned by the founding family. A majority of the firms are extremely big. These include large firms such as Walmart, Sainsbury, Parmalat, Fiat, BMW, Betchel, Samsung, Carrefour, and Gallo. Besides identifying the influence of culture on entrepreneurial orientation (EO), Lindsay (2005) described research on "indigenous entrepreneurship" as being at a developing stage. "Indigenous" can be defined as the original owners of a country's resources. This suggests another perspective of looking at what is offered by mainstream entrepreneurship theory and further study is needed to understand it. Most research into entrepreneurial attitude focuses on non-indigenous entrepreneurs even though there are more than 500 million indigenous people in the world (McCline, Bhat, and Baj 2000). Indigenous entrepreneurship is increasing rapidly as indigenous people attempt to improve their socioeconomic status and personal lives. Culture is important to Indigenous people (Anderson 1999; Anderson et al., 2004; Foley 2003; Hindle and Lansdowne, 2005) and culture affects attitude (Baskerville, 2003) including their tendencies toward new venture creations.

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. Although the study of entrepreneurial orientation (EO) on family firms has been a growing concern in recent years, gaps in the canon of literature still remain. Therefore, this research aims to fill this research gap by analyzing the antecedent and consequence of entrepreneurial orientation (EO) in Malay family firms in Malaysia. This research examines entrepreneurial orientation (EO) in Indigenous entrepreneurs (Malay family firms) by taking personality traits as an antecedent. This construct is used to explain the antecedent that influences the entrepreneurial orientation (EO) of the firms and its consequence towards firm performance.

### ***Problem Statement***

Entrepreneurial orientation (EO) has been a topic of much debate in management and entrepreneurship literature for years. Entrepreneurial orientation (EO) of a firm is defined as firm that involves in technological innovation (i.e innovativeness), undertakes risky ventures (i.e risk taking), and pursue opportunities proactively (i.e proactiveness) (Miller, 1983). Furthermore, a firm should consistently be taking risks, be innovative and be proactive in order to be labeled as "entrepreneurial" (Miller, 1983). Past literatures have shown a direct correlation between entrepreneurial orientation (EO) and firm performance (e.g Keh, Nguyen, and Ng, 2007; Lee, Lee, and Penning, 2001; Lumpkin and Dess, 1996; Zahra and Covin, 1995). However, to date, the main debate remains within the area of entrepreneurial orientation (EO) research (Covin, Green, and Slevin, 2006).

Lumpkin and Dess (1996) have drawn attention to the complexity of entrepreneurial orientation (EO) on performance relationship and suggest that the relationship between entrepreneurial orientation (EO) and performance relationship is context specific. In other words, the degree of the relationship between entrepreneurial orientation (EO) and firm performance is influenced by external environment as well as internal organizational processes. To date, entrepreneurial orientation (EO) research has been conducted mostly in the context of the United States or other developed countries and has rarely been conducted in emerging economies. Looking at the Malaysian context, the promotion of Indigenous or Bumiputeras (Malay) into trade and industry is often seen as a socioeconomic initiative engineered by the Malaysian government.

The respective policies under the New Economic Policy (NEP) and National Development Policy (NDP) sought to enhance and intensify the participation of Indigenous or Bumiputera economic and business ventures. The NDP and its predecessor, the NEP, are public policy instruments formulated to promote Indigenous or Bumiputera general economic well-being which was incorporated in the Malaysian government's five yearly economic plans since 1970. The NEP which lasted for twenty years, however, did not meet its objective of managing 30% economic equity shareholding by Indigenous or Bumiputera. According to the Outline Perspective Plan II (OPP II), 1991-2000, Indigenous or Bumiputera ownership of share capital, which was 2.4% in 1970, had increased to only 20.3% in 1990 (Seventh Malaysia Plan, 1996).

There is a shortfall of the target by almost 10%. However, non-Indigenous or non-Bumiputera (mainly Chinese) ownership of share capital had increased from 32.3% in 1970 to 46.2%. In 1995, the Indigenous or Bumiputera equity ownership has marginally increased to 20.6%. The NEP, expired in 1990, was replaced by the NDP which continued the main policies of the NEP. Although called by a different name the NDP seek to provide continuity of policies espoused by the NEP (with two primary agenda of eradication of poverty and restructuring the society so that no particular race is identified with economic function). The NDP however, is more specific in providing emphasis for the creation of an Indigenous or Bumiputera Commercial and Industrial Community (BCIC) which promotes Indigenous or Bumiputera involvement in business and commercial sector. However, it was widely acknowledged by the government and the Indigenous or Bumiputera Business leaders and intellectuals that the policies have not succeeded as targeted. There were even fears among the community that, whatever little that has been achieved, after more than 20 years, may be lost again. Facts and figures from the Seventh Malaysia Plan seemed to suggest that the Indigenous or Bumiputera economic achievement is not a lasting proposition based on current policies.

It can probably be argued that more than public instruments are required to help overcome Indigenous or Bumiputera economic malaise, and for funds spent, for results that do not compensate the efforts of the government policies in increasing Indigenous or Bumiputera economic status. It was reported that from 1966 to 1990, MARA (Council of Trust for the Indigenous or Bumiputera of Malaysia) provided about RM600 million loans to an estimated 108,000 small and medium-sized business enterprises Omar (2006). Further information revealed that only 10% of the borrowers were seriously committed to repaying back their soft loans while the rest were in arrears or avoided paying back altogether. Inevitably, public policies that have been set in place to foster Indigenous or Bumiputera business participation in the Malaysian context have seen a limited success. Could it be a problem of the Indigenous or Bumiputera community does not have the economic and cultural structures required for business? The issue of entrepreneurial orientation (EO) in Indigenous or Bumiputera family firms is a relevant and under-researched topic and the antecedent of the entrepreneurial orientation (EO) have an effect on the firms' performance. As entrepreneurial orientation (EO) contributes to innovation in the firms, there is reason to suggest that there could be a positive relationship with firm performance.

### ***Literature Review***

Entrepreneurial Orientation (EO) has been acknowledged as a determinant for a firm's growth and profitability. Certain studies relate high growth with a firm's entrepreneurial orientation (Brown et al., 2001; Stevenson and Jarillo, 1990). High growth would be a result of innovativeness, pro-activeness and risk-taking orientation by the firm, the scopes which refer to an entrepreneurial orientation (EO). In current business environments, where product and business model life cycles are shortened such characteristics are positively associated with better performance, (Hamel, 2000). Thus, entrepreneurial orientation (EO) would be taken into consideration as a key ingredient for the success of a firm. While a firm's entrepreneurial processes might help the chase of new entries opportunities that enhance its performance, the adoption of a strong entrepreneurial orientation (EO) is considered necessary but insufficient for wealth creation by new ventures (Covin & Slevin, 1989; Ireland, Hitt, & Simmon, 2003; Lumpkin & Dess, 1996). In order to understand the conditions under which an entrepreneurial orientation (EO) enhances firm performance, a contingency perspective that emphasizes the importance of fit among a firm's strategic posture and other constructs of interest is needed (Lumpkin & Dess, 1996).

In fact since the work of Miller (1983), previous entrepreneurship literatures have instead focused on the impact of environmental, strategic, and organizational contingencies on firm level entrepreneurship (Zahra, Jennings & Kuratko, 1999). Miller (1983) suggests the researchers, as they study firm-level entrepreneurship, to consider unique characteristics of different types of firms. A growing literature argues that family firms are very different from other firms due to the unique characteristics among individual family members, the family systems and the business system (Tagiuri & Davis, 1996). Hence, recognizing the factors that enhance or constrain entrepreneurial orientation (EO) and performance represents an important research agenda (Lee, Lee, & Pennings, 2001). In this way, Kellermanns et. al (2008) in their concluding remark highlighted the importance of entrepreneurial orientation (EO) study of family firms in order to understand why some family firms grow and some others are making no growth at all. Their study suggests that the entrepreneurial orientation (EO) of entrepreneurs is a key determinant of employment growth in family firms.

Despite being recognized as the vital contributor of economic development, family firms still remain under-researched (Goffee, 1996). Since the 1980s one of the major weaknesses of many studies of small businesses is their “global” nature, i.e seeing all firms alike, even though obvious differences existed among them. In addition, during that time, the family firm was observed as inherently flawed; its survival depends on the replacement of family members by “professional management as quickly as possible” (Levinson, 1971). In the organizations literature, it was treated as an aberration (Davis & Stern, 1980). Family business became a field of study in its own right only recently (Lansberg et al., 1988). Today, the study of family businesses has become a major area of investigation among researchers. Besides identifying the influence of culture on entrepreneurial orientation (EO), Lindsay (2005) described research on indigenous entrepreneurship as at a developing stage. Indigenous can be defined as the original owners of a country’s resources and this would offer something different with mainstream entrepreneurship theory and further study is needed to understand it. Although there are more than 500 million Indigenous people in the world, most research into entrepreneurial attitude focuses on non-Indigenous entrepreneurs (e.g McCline, Bhat, and Baj 2000; Robinson et al., 1991). Indigenous entrepreneurship, however, is increasing as Indigenous people attempt to achieve self-determination and improve their socioeconomic circumstances.

Culture is important to Indigenous people (Anderson 1999; Anderson et al., 2004; Foley 2003; Hindle and Lansdowne, 2005) and culture affects attitude (Baskerville, 2003) including attitude toward new venture creation and development. In relation to that, a lot of programs have been organized by the various governments to help the indigenous entrepreneurs. In Malaysia context, the study by (Ong and Ismail, 2008) confirmed that the significance of relationship between personality traits and competitive advantage in Malaysian SMEs did exist. Due to its important, they suggest for policy makers to strengthen efforts on developing personality traits of future entrepreneurs particularly for the Malaysian students. Besides that, personality traits also can be used as assessing criteria for granting financial assistance of new business start-up or expansion of existing business. The finding is supported by Chong, Kuppusamy and Jusoh (2005) who did the study on entrepreneurial careers among business graduates in Malaysia. They found that the traits such as innovative and risk taking deemed necessary in the pursuits of entrepreneurial intention among the students under study. On the other hand, Abd Moen, Abd Rahman and Md Salleh (2004) found that there was no significant relationship among age, sex, race, religion and respondents’ state of origin with the entrepreneurial orientation (EO) when they did the study on entrepreneurial attitudes among youth in Malaysia. However, the difference of residential areas has a positive association with entrepreneurial orientation (EO) which justifies the arguments in earlier literatures that entrepreneurial orientation is context specific.

The relationship between entrepreneurial orientation (EO) and firm performance has become the main subject of interest in past literatures which are concerned with the positive implications that entrepreneurial processes have on firm growth and performance (Lumpkin & Dess, 1996; Wiklund, 1999; Zahra, Jennings, & Kuratko, 1999). Entrepreneurial orientation (EO) is regarded as inevitable for firms that want to prosper in competitive business environment. However, Lumpkin & Dess (1996) suggest that the positive implications of the entrepreneurial orientation (EO) on firm performance are context specific and may vary independently of each other in a given organizational context. Although past literatures have discussed entrepreneurial orientation (EO) and family firms from various angle, as far as the social sciences as concerned there are still gaps in the literature. In fact, most of the works presented discuss the antecedents of the entrepreneurial orientation (EO) or the consequence of entrepreneurial orientation (EO) on firm growth/performance. The antecedents and consequences of entrepreneurial orientation (EO) have rarely been discussed. This research therefore, approaches the question of the nature of Indigenous entrepreneurship from the perspective of entrepreneur’s cultural background. This construct is used to explain how it influences entrepreneur orientation (EO) and associated firm performance.

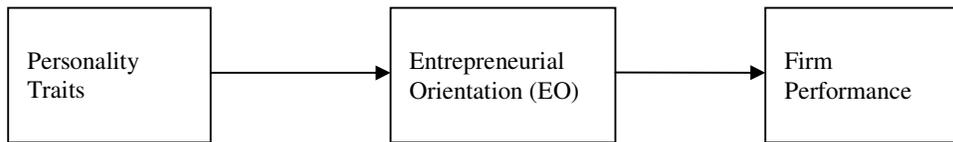
### ***Theoretical Framework, Research Question and Hypothesis***

#### ***Theoretical Framework***

Due to mixed results produced from the past literatures discussed above, it is the basic premise of this research to examine possible antecedent of entrepreneurial orientation (EO) and its consequence in Malay family firms in Malaysia. The conceptual framework depicted in Figure 1 below will fill the gaps from the previous works done by earlier researchers in this area:

**Figure 1: Theoretical Framework**

The independent variable of this study is personality traits. And the firm performance is the dependent variable.



**Figure1: Theoretical Framework**

**Research Question**

Based on the gaps and unresolved questions in the past literatures, this research examines the antecedent of entrepreneurial orientation in Malay family firms and its consequence on the firm performance by answering the following research question:

*“Does the relationship personality traits of the entrepreneur and firm performance is mediated by entrepreneurial orientation (EO)?”*

**Hypothesis**

Since the discussion on past literatures showed mixed results, this study posits the hypothesis to be:

**H1: The relationship between personality traits of the entrepreneur and firm performance is mediated by entrepreneurial orientation (EO)**

**H2: Entrepreneurial orientation (EO) of the Malay family firm will be positively related to the firm performance**

**Research Design and Methodology****The Population and Sample**

An enterprise is considered an SME in each of the respective sectors based on the Annual Sales Turnover or Number of Full-Time Employees as shown in the table below.

**Table 1: SME Category**

SME Category	Micro-enterprise (Mic)	Small enterprise (Sml)	Medium enterprise (Med)
Manufacturing, Manufacturing-Related Services and Agro-based industries	Sales turnover of less than RM250,000 OR full time employees less than 5	Sales turnover between RM250,000 and less than RM10 million OR full time employees between 5 and 50	Sales turnover between RM10 million and RM25 million OR full time employees between 51 and 150
Services, Primary Agriculture and Information & Communication Technology (ICT)	Sales turnover of less than RM200,000 OR full time employees less than 5	Sales turnover between RM200,000 and less than RM1 million OR full time employees between 5 and 19	Sales turnover between RM1 million and RM5 million OR full time employees between 20 and 50

The population and sample that have been used for hypothesis testing were the founder/owner/manager of the small and medium enterprises (SMEs) which drawn from the services and manufacturing sectors in Kuala Lumpur/Selangor (Klang Valley) through a postal survey. The surveyed firms were selected from the current available list given by MARA (the government agency for Indigenous or Bumiputera SMEs ) as at August 2009.

The clients must meet the following criteria: The contact person is the founder/owner/CEO/BOD /manager of the Malay family firm as a unit of analysis in this study. The firms must meet the criteria of the definition of SMEs in Malaysia for both sectors. The definitions of SMEs by SMIDEC (Small Medium Industries Development Corporation), a government agency were adopted for this study as follows (SMIDEC, 2009): The firm must have been in operation at least for 1 to 3 years to make sure that performance comparisons can be made within the firms as well as between the competitors. This study will be based on data for SMEs, active during 2007/2008, 2006/2007 and 2005/2006 financial years which provided complete responses to the variables examined.

Besides that, the family firm criteria was identified via questions on whether the ownership and management control are dominated by one family as well as whether they consider the business as a family business. This has been achieved when respondent indicated “yes” or “no” response to the above two conditions. Stratified proportionate random sampling technique was used to get the amount of samples in this study. Sekaran (2005) postulated that this technique is under probability sampling whereby population is first divided into meaningful segments, thereafter subject are drawn in proportion to their original numbers in the population. The advantages of using this technique are most efficient among all probability designs and all groups are adequately sampled and comparisons among groups are possible.

### ***Data Collection***

The basic research design utilized for this study was a survey design. This study will stress on data obtained through primary data collection. The collection of primary data was accomplished through the use of a mail survey instrument. This instrument was used to collect information from questionnaires answered by the founder/owner/manager of the firms who are qualified to answer all the questions given. To maximize the data accuracy and reliability, the study used Huber and Power’s (1985) guidelines on how to get quality data from single informants. Entrepreneurial orientation (EO) is normally viewed from the perspective of the CEO (Covin and Slevin, 1989; Wiklund and Shepherd, 2003), and CEOs are typically the well-versed persons regarding their overall business strategies and situations (Zahra and Covin, 1995). Likert scales were used to minimize executive response time and effort (Knight and Cavusgil, 2004). A five-point scale has been adopted because research indicates that a five-point scale is as good as any, and that an increase from five to seven or nine points on rating scale does not improve the reliability of the ratings (Elmore and Beggs, 1975). Using mail survey as a methodology instrument is not only cost effective but it is also appropriate for a relatively large sample. The questionnaires were mailed to the respondents and we managed to get 162 responses from 520 questionnaires sent out, which made up 31.15% response rate.

## **Results**

### ***Descriptive Analysis***

A descriptive analysis was performed to provide the general background of respondents and companies that have participated in this study. Most of the respondents represented mainly by female constituted 60.4% compared to 39.6% male respondents. Respondent’s level of education primarily represented by 63% secondary school level (SPM/STPM) and the rest were 18.5% diploma level, 10.5% degree level, 1.9% master level and 6.2% professional qualification level. Age bracket of respondents comprised of 13.6% below 30 years old, 29.6% below 40 years old and 56.8% above 40 years old (40 years old – 65 years old). Most of the respondents were founder/owner/CEO/BOD of the firm i.e. 79.6% and only 20.4% were managers.

Firm’s type of SMEs sectors, 78.4% were services, 6.2% were Information & Communication Technology (ICT), 5.6% were manufacturing, 4.9% primary agriculture, 4.3% manufacturing related services and 0.6% agro-based. Most of the firms operated between 1 to 3 years, i.e. 59.3% and 40.7% operated more than 3 years. Majority ownership, 98.1% was Malay Bumiputeras (Indigenous) and 1.9% was other Bumiputeras (Indigenous). Majority of the firms i.e. 96% described their firms as family business where ownership and management control by one family. Annual Sales Turnover (RM) comprises of 54.3% less than RM250,000, 24.1% RM250,001 – RM1,000,000 and 21.6% above RM1,000,000.00. Number of full time employees employed by the firms indicated 84.5% have employees less than 5 employees, 11.7% 6-19 employees, 3.1% 20-50 employees and 0.7% 51-150 employees.

**Factor Analysis**

A factor analysis was conducted on 19 items according to the variables grouping proposed in the theoretical framework. The results of the principal components analysis are presented in Table 2-4 below and, according to the 'eigenvalue > 1' rule, all factors are significant and it explains 59% - 71% of the total variance in the three items. The results shows that the Kaiser – Meyer – Olkin (KMO) measure of sampling adequacy at the range of 0.79 – 0.89, indicated that the items were interrelated and shared common factors.

**Table 2:Factor Analysis for Cultural Background**

	Component		
	1	2	3
My life is mostly determined by own actions	.839		
When I get what I want, it is usually because I worked hard for it	.836		
I can pretty much control what will happen in my life	.715		
Even though people tell me "it cannot be done", I will persist		.831	
I look upon my work as a simply a way to achieve my goals		.698	
I will not be satisfied unless I have reached the desired level of results		.696	
I have leadership skills that are needed to be an entrepreneur			.829
I have mental maturity to succeed as an entrepreneur			.825
<b>Eigenvalues</b>	<b>2.33</b>	<b>1.64</b>	<b>1.28</b>
<b>Cumulative Variances Explained (%)</b>	<b>29.1</b>	<b>49.6</b>	<b>65.6</b>
<b>KMO</b>	<b>.62</b>		
<b>Bartlett's Test of Sphericity:</b>			
<b>Approx. Chi-Square</b>	<b>250.43</b>		
<b>Sig. (p)</b>	<b>.0001</b>		

**Table 3:Factor Analysis for Entrepreneurial Orientation (EO)**

	Component 1
In dealing with competitors, my company typically responds to actions which competitor's initiate	.819
In general, the top managers of my company have a strong tendency for low risk projects (with normal and certain rates of return)	.812
In dealing with competitors, my company typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture	.805
My company has marketed no new lines of products or services in the past three years	.753
In general, the top managers of my company believe that owing to the nature of environment, it is best to explore it (what is it referring to) gradually via cautious, incremental behavior.	.753
In dealing with competitors, my company is very seldom the first business to introduce new products or services, administrative techniques, operating technologies etc.	.747
Changes in product or service lines in my company have been mostly a minor nature in the past three years	.742
The top managers of my company favour a strong emphasis on the tried and true products or services instead of on R&D, technological leadership and innovations	.718
<b>Eigenvalues</b>	<b>4.73</b>
<b>Cumulative Variances Explained (%)</b>	<b>59.18</b>
<b>KMO</b>	<b>.890</b>
<b>Bartlett's Test of Sphericity:</b>	
<b>Approx. Chi-Square</b>	<b>682.35</b>
<b>Sig. (p)</b>	<b>.0001</b>

**Table 4: Factor Analysis for Firm Performance**

	Component1
Profit growth before tax	.867
Sales growth rates	.852
Market Share	.825
Overall performance	.823
<b>Eigenvalues</b>	<b>2.84</b>
<b>Cumulative Variances Explained (%)</b>	<b>70.89</b>
<b>KMO</b>	<b>0.825</b>
<b>Bartlett's Test of Sphericity:</b>	
<b>Approx. Chi-Square</b>	<b>289.76</b>
<b>Sig. (p)</b>	<b>0.0001</b>

**Reliability Analysis**

The reliability test was conducted on the variables to check for the internal consistency of the measurement instrument. The Cronbach's alphas for all variables scales were in the range of 0.65 to 0.90, which was well above the minimum accepted reliability of 0.60 as suggested by Sekaran (2003) (Table 5). At this stage, all variables were kept for further analysis.

**Table 5: Reliability Analysis for all variables**

Variables	Number of Items	Cronbach's Alpha
Personality Traits	8	.65
Entrepreneurial Orientation (EO)	8	.90
Firm Performance	4	.86

**Multiple Linear Regression (MLR) Analysis**

A multiple linear regression (MLR) analysis was conducted to test H1 and H2 simultaneously. The results of the analysis are as shown in Table 5. A test on normality or randomness of residuals through the histogram of regression standardized residuals and normal p-plot of standardized residuals seems to indicate a non-violation of the assumption and appropriateness of using MLR as the method of analysis.

**Table 6: MLR Results matrix**

Component	Firm Performance	Entrepreneurial orientation (EO)	Firm Performance
	Model 1 ( <i>p-value</i> )	Model 2 ( <i>p-value</i> )	Model 3 ( <i>p-value</i> )
1- Personality Traits		.67	.038
2- Entrepreneurial orientation (EO)	.01		
<i>R square</i>	.08	.001	.027
<i>Adjusted R square</i>	.08	-.005	.02
<i>F</i>	14.52	.184	4.36
<i>t</i>	3.81	.429	2.088
<i>b</i>	.23	.069	.261
<i>Beta</i>	.29	.034	.163
<i>Std Error</i>	.06	.161	.125

In order to test mediation effects of the hypothesized relationship, we tested three models. According to Kenny and colleagues (Baron & Kenny, 1986), mediation effects can be claimed if three conditions are met: (1) the independent variable significantly predicts the dependent variable; (2) the independent variable significantly predicts the mediator variable; and (3) when the dependent variable is regressed on both the mediator and the independent variable, the mediator significantly predicts the dependent variable, while the predictive utility of the independent variable is reduced.

The correlation between the mediator and the dependent variable is not sufficient evidence of mediation because both may be caused by the independent variable. According to Kenny et al. (1998), only Condition 2 and Condition 3 are essential for demonstrating mediation effects. In Model 1, we regressed entrepreneurial orientation (EO) onto firm performance. There is a significant positive relationship between entrepreneurial orientation (EO) and firm performance, hence supporting  $H2$  ( $t = 3.81$ ;  $p < .05$ ;  $b = .23$ ), thus providing initial partial support for hypothesis 1. To assess full or partial mediation of the hypothesized relationships, we tested two more models. First, we regressed independent variables and dependent variable. The relationship between personality traits and firm performance (Model 3) indicates significant relationship ( $t = 2.088$ ;  $p < 0.05$ ;  $b = .261$ ). The relationships met the Condition 1 of mediation effects as suggested by Kenny et al. (1998). In addition, the beta value estimates seem to indicate the personality traits as an important predictor of firm performance (beta of 0.163). Secondly, we regressed personality traits (Model 2) onto entrepreneurial orientation (EO). The relationship between personality traits and entrepreneurial orientation (EO) found to be insignificant ( $t = .429$ ;  $p > 0.05$ ;  $b = .069$ ). Thus, this condition suggested that there is inexistence of mediation effect on the hypothesized relationship under this study since Condition 2 was not met (Kenny et al., 1998). In other words, entrepreneurial orientation (EO) in this study did not mediate the relationship between independent variable (personality traits) with dependent variable (firm performance). Hence, the test for Condition 3 is not needed for further analysis.

### **Discussion**

Our study provided the empirical test in understanding indigenous entrepreneurship in Malay family firms in Malaysia towards developing a more holistic entrepreneurship theory as suggested by Lindsay (2005). It also inculcated multidimensional constructs of entrepreneurial orientation (EO) – performance relationship as proposed by Lumpkin and Dess (1996). They suggested alternative models such as moderating effects, mediating effects, independent effects as well as interaction effects for testing the entrepreneurial orientation (EO) – performance relationship. In this study, personality traits do not have any relationship with entrepreneurial orientation (EO) although some researchers (Aloulou and Fayolle, 2005; Lumpkin and Dess, 1996; Krauss et al., 2005) suggest that personality traits might influence entrepreneurial orientation (EO). It is revealed that personality trait is a volatile measurement to predict an individual's entrepreneurial orientation (EO). Even though there is relationship between personality trait and entrepreneurial orientation (EO), the strength of this relationship is weak.

Therefore, it can be concluded that it is difficult to measure entrepreneurial orientation (EO) through personality trait due to the many aspects involved in a personality. For instance, previous personality trait studies found that entrepreneurs had a higher tolerance of ambiguity than non-entrepreneurs (Koh, 1996), a higher levels of self-efficacy (Chen et al, 1998), a more proactive personality (Becherer and Maurer, 1999), an internal locus of control (Vecchio, 2003), and a stronger need for achievement (Collins et al., 2004). It is possible that this could be a unique finding for the Indigenous or Bumiputera Malay family firms in Malaysia. In some cases, the Malay's resignation to fate had consequently, made them risk averse. They do not see any benefit in going for something that is not guaranteed or in working to one's utmost ability and capacity (Mohamad, 1970). They consign the struggle for achievement and worldly things to a low priority. As such, they are stereotyped as conservative and resistant to take up new or extra work (Abd Rahman, 2002). Many other negative stereotypical labels such as being "lazy", "lacking in initiatives" and "afraid to take risks" are often used to describe the Malays.

The colonial rulers often see them as being useless to the British colonial economy. It explains why the British brought in the immigrant Chinese who were favorably labeled as "hard working" and "industrious" (Gullick, 1981). Furthermore, the Malay's attitude towards money is still considered by many writers as unproductive and underdeveloped (Mohamad, 1970; Md Said, 1974). In this respect, the Malays are often being criticized for not being able to regard money as a capital for investment. Rather than productively investing their money, the Malays have the propensity to use it for consumption and pleasure as well as to meet their traditional "adat" or customs obligations (Md. Said, 1974). This usually involves giving a big "kenduri" or feast during ceremonies such as weddings, births and even deaths (Sloane, 1999). The inability to appreciate the potential of money has also been cited as a reason for why the Malays are poor in business. In particular, Malay businessmen are seen as not being able to invest and reinvest their money prudently for higher returns (Mohamad, 1970). They have also been said as lacking in knowledge of financial management (Mahmud, 1981).

The Malay's attitudes towards property or wealth have also been suggested as factors which contribute to their slow economic development (Mohamad, 1970). Traditionally, the Malays were peasant farmers and as such have long considered land as the most sought property (Gullick, 1981). Similar to their attitudes towards money, the Malays do not regard property as a capital asset for investment. To the Malays, property is either acquired or inherited. This is especially significant as the Malays have very little else that they can regard as property besides land. The Malays also believe in the principle of "takdir" or destiny. In this respect, the Malays believe that God has full knowledge and control over all that occurs, whether it is for good or evil, life has been preordained and nothing can happen unless permitted by God. Misconceptions about this principle of destiny or faith have led some Malays to lack initiatives and to not being able to strive for betterment in life (Abd Rahman, 2002). They reason that as everything has been preordained by God, there is nothing that they can do to change their life. In other words, they believe it is useless to strive for a better life unless fate allows it (Mohammad, 1970).

Recognizing the severe repercussions of these misconceptions among the Malays towards the concept of destiny, a call was made for them to revolutionize their mindset in order to change their negative attitudes towards life and work (Abd Rahman, 2002). In particular, the Malays were encouraged to work towards a better life and to avail themselves of the many opportunities awaiting them. They were also encouraged to understand that Islam does not condone passivity and are urged not to be complacent and not to accept everything as fated. The Malays have also been encouraged to work hard and to change their perceptions that worldly things are bad (Mohammad, 1970). They are asked to open their minds to see that the bounties of Allah (God) are plentiful and can be found everywhere (Abdul Rahman, 2002). Our hypothesis relating to entrepreneurial orientation (EO) and firm performance received significant result. This is parallel with previous studies that indicated entrepreneurial orientation (EO) has a direct or indirect impact towards firm performance in various contexts (Zahra, 2008; Kellermanns et al., 2008). Indeed, our findings show that cultural background is the predictor of firm performance. As any other research, a few limitations of our study should be noted. First, the study only examined a single service and manufacturing of SMEs family firm in Klang Valley only.

While most of the Malay population is located outside the Klang Valley and the potential moderation by urban modernization as well as highly competitive environment, are factors that may limit the generalization of the results. The main sources of the study are perceptual data provided by one person from each organization, particularly the business owner, founder, CEO, company president / chairman or general manager of the family business. In viewing their organization and environment, there are tendencies that individual managers have their perceptual biases and cognitive limitations. Normally, the family business owners see their businesses as an extension of his/her personality intricately bound with family needs, relationships, and desires (d'Amboise and Muldowney, 1988). Since objective data is difficult to acquire from small family businesses (Covin and Slevin, 1989), future research should consider to design or use objective data to increase reliability and validity in the analysis. Another limitation could be in the dependent variable measurement of the firm's performance. The measures used are related to the areas of sales growth rates, market share, profits after taxes and overall performance. There may be other measures or dimensions that are more suited to measure a firm's performance.

### **Conclusion**

It shows that an entrepreneurial orientation—the propensity for a firm to be innovative, risk-taking and proactive—has a direct relationship with the firm performance of a firm. Business owners / managers must seriously think about implementing policies and procedures to promote an entrepreneurial orientation (EO). Porter (1996) proposes that innovation, risk taking, and proactiveness are important mechanisms to ensure a firm's survival and performance. The findings of the study disclose that bumiputera or indigenous Malay entrepreneurship differs slightly from the conventional Western concepts of entrepreneurship. The differences are contributed by the background of the Malays as a communitarian society of Muslims. In addition, it is a well-known fact that the Malays are still divided along class lines and status conscious (Hamidon, 2009).

It is doubtful if Western models of entrepreneurship are totally suitable for the development of Malay entrepreneurship in Malaysia. By the way, there should be efforts to promote ideologies that are culturally inclined to the Malays and by which appropriate success indicator can be measured. The study also reveals that to develop an entrepreneurship culture on a historically agrarian society, like the Malays, is a challenging and demanding task that requires time and relentless efforts.

Thus, current efforts and initiatives by the government in developing the Malay entrepreneurs must be allowed to continue. The conclusion reached by this study demonstrate that Malay entrepreneurs are not hindered by Malay entrepreneurial developments but by misconceptions (i.e of faith, money etc) as well as lack of knowledge in financial management. Finally, Malay entrepreneurship is still lacking behind the Chinese whose domination of the country's entrepreneurial activities keeps improving. The possible explanation here is that a "dependency" mentality that inhibits initiatives has been cultured in community that receives government aided programs / assistances. On the other hand, a community who does not receive government aided programs / assistances such as the Chinese, are more likely to act more cohesively and proactively, and are likely to be successful in the entrepreneurial venture. It also argued that government privileges and assistance to promote Malay entrepreneurship do not contribute much in terms of enhancing entrepreneurship culture and business competitiveness. In fact, these relative privileges and assistance have conversely made the Chinese more determined to fight these perceived injustices and focus on growing their businesses competitively.

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