An Examination of Government Support, Level of Education and Entrepreneurial Orientation with regards to Cooperatives Performance: A Dynamic Capability Approach

A thesis submitted for the degree of Doctor of Philosophy

by

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Declaration

I hereby declare that the thesis is based on my original work, except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Brunel University or other institutions.

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Abstract

Cooperatives have been recognised for their contributions to the national economy. Nevertheless, despite their positive contributions to the social economy, to date, only a few researchers have studied on how to increase firm performance. Notwithstanding their outstanding performances, Malaysian cooperatives are facing challenges associated with a lack of awareness about the need to react to environmental factors and mismanagement. In addition, the review of the previous literature shows very limited theoretical and empirical contribution in the field of cooperatives, particularly in the Malaysian context. Hence, this research investigates the role of government support, level of education, entrepreneurial orientation and dynamic capabilities as contingent factors in increasing cooperative performance. A total of 523 cooperative firms under the category small to medium enterprises participated in this research, which consists of 200 CEOs, 92 managers and 231 executives. In addition, structural equation modelling using AMOS version 23 was employed to analyse the direct and mediating effects of the hypotheses. Fitness indexes statistics established that the overall model fits. However, the paths in the model show mixed results, and seven out of the 20 hypotheses that emphasise the direct relationship are not significant. This research specifically finds that there is a direct relationship between entrepreneurial orientation and dynamic capabilities on firm performance. Conversely, all of the elements of entrepreneurial orientation exert no mediation between education level and firm performance although some of entrepreneurial orientation elements do mediate the relationship between government support and firm performance. Regardless, dynamic capabilities elements play their roles as mediation in the relationship between government support and firm performance as well as level of education and firm performance. In brief, this research contributes to the social entrepreneurship and strategic management research through conducting comprehensive empirical research. From the practical perspective, this research offers policymakers a frame of reference for understanding the influence of external factors (government support) and internal factors (level of education, entrepreneurial orientation and dynamic capabilities) in contributing to firm performance.

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List of Abbreviations

NCP:	National Cooperative Policy
GDP:	Gross Domestic Product
ANGKASA:	Malaysian National Co-operative Movement
SKM:	Malaysia Co-operative Societies Commission
SME:	Small Medium Enterprises
CCM:	Cooperative College of Malaysia
BCCA:	British Columbia Co-operative Association
ICA:	International Co-operative Alliance
DKN:	National Cooperative Policy
SROI:	Social Return on Investment
REDF:	Roberts Enterprise Development Fund
NEP:	New Economic Policy
MBA:	Master of Business Administration
NPO:	Non-profit organisations
SEM:	Structural Equation Model
SPM:	Malaysian Certificate of Education
SPTM:	Malaysian Higher School Certificate

Chapter 1 : Background of the study

1.1 Introduction

Global awareness on social entrepreneurship is gradually increasing to solve uncontrollable international issues ranging from poverty in developing countries to the negative effects of climate change. Whether working for-profit, non-profit, or hybrid organisations, these entrepreneurs are applying the same business principles and attempting to reach the greatest number of people. In other words, these organisations need to reach as many people as they can in order to obtain help and profit. However, social enterprises need to come out with a model to replicate and spend on helping as many people as possible. Usually, they do not employ the commonly used business principles such as becoming a great leader, developing a successful business plan, offering a great product or service, surrounding yourself with great people, creating a great marketing plan, generating great numbers, employing great managers, perfecting a great sales process, creating a great customer experience, and living a great life. The popularity and trendiness of social entrepreneurship are attributed to the rise of the millennial generation, many of whom want businesses to prioritise social innovation and concern for people rather than profit. However, social entrepreneurs experience a strong risk of failure, and serious challenges remain which encompass understanding environmental change to improve performance and maintain focus on the social mission and impact as a venture grows. This research will focus on this issue and the context of this research on social entrepreneurship will focus on Malaysian cooperatives (for-profit). Malaysian cooperatives represent Asian countries and their mission that are for profit to support the organisation and their members (Ma & Abdulai, 2017; Souisa et al., 2019). The term “profit” is defined differently for cooperative and other firms as they do not focus on maximisation of the profit, but to make profit and not just depend on support from other organisations such as NGOs or the government.

The economic stability of cooperatives since the early stage of their establishment has encouraged cooepratives to have a longer life compared with other types of enterprise (Sanchez Bajo, 2011). A report by the UK Office for National Statistics (Co-operatives

UK Research Report, 2019) showed that the rate of survival of cooperatives in the UK after five years was 80 percent compared to only 41% for other enterprises. The European Confederation of Cooperatives and Worker-owned Enterprises Active in Industry and Services (CECOP-CICOPA Europe, 2012) showed that worker cooperatives in France and Spain have more resilience compared to conventional enterprises during an economic crisis. In the United States, the 5-year survival rate of cooperative was 90% rather than only 3-5% for traditional businesses (World Credit Union Council, 2007). In Canada, the Ministry of Economic Development, Innovation and Export in Québec (2010) identified that 5-year survival rate and 10-year survival rate in Québec for cooperatives were 62% and 44% respectively from 35% and 20% respectively for conventional firms. This endurance is linked to how cooperatives share risks and rewards among their members, how they leverage on many ideas, and how members have a significant ownership interest in the business.

Even though the economic stability of cooperatives appears to be very impressive, particularly global cooperative, their growth still lags behind compared with conventional firms (Othman et al., 2014). Malaysian cooperatives have existed since 1922, thus, they need government support in order to play a main role in the economy (Othman & Kari, 2008). In reality, the contribution of cooperatives is only slightly more than one percent of Malaysian GDP and the Cooperative Societies Commission's target by 2020 is to increase this to five percent (Othman & Kari, 2008). Cooperatives from all corner of the world are currently facing the same global challenge as it is related to management issue (Cemal, 2019). Hence, cooperatives need to focus on firms' strategy in order to address to this issue.

Many studies In the strategy literature has investigated the role of entrepreneurial orientation in improving firm performance (Zehir et al., 2015). Furthermore, as asserted by Bamiatzi & Kirchmaier (2014), the relationship between firm strategy and growth can be properly identified only in context. According to Zahra et al. (2014), contextualisation is currently considered to be one of the leading forces of advancement in the entrepreneurship field. Previous research has shown that firms' strategies are dependent on the environment, especially with regard to the different resources and business opportunities that can be explored and exploited (Rosenbusch et al., 2011).

The strategy shifted from the industry level to firm level 20 years ago and focuses on firm capabilities as a source of competitive advantage (Zaidi & Othman, 2014). Hence, in a volatile environment, a firm remains competitive in the marketplace by constantly building new capabilities that must parallel the process and skills and be unique and difficult to imitate by rivals. To achieve this, many scholars have suggested dynamic capability (Inigo et al., 2017; Mikalef & Pateli, 2017; Zaidi & Othman, 2014). The area of dynamic capabilities discussion is normally related to the environment, assets and resources, processes and activities, learning process and specificity and commonality (Zaidi & Othman, 2014). However, all of the outcomes of the discussion are normally related to competitive advantage, sustainability, and firm performance (Aminu & Mahmood, 2015; Erden et al., 2014; Lee et al., 2011).

1.2 Problem Statement

Social entrepreneurship is considered a component of Small Medium Enterprises (SMEs), because social entrepreneurship is an extension of the entrepreneurial for-profit business model (Gandy, 2012; Helm, 2007). Social entrepreneurship can be defined as entrepreneurial activity embedded with a social purpose (Austin et al., 2006). However, social entrepreneurship can also be referred to as a firm having hybrid organisation for both profit and social aims (Dees, 2001). Based on survey by the European Commission, approximately 50 % of the 2,575 cooperatives can be defined as small and medium-sized enterprises (SMEs) due to their yearly turnover (up to €50 million).

Cooperatives are autonomy associations of people who aspire to achieve their goals through a joint-owned and democratically controlled company. International organisations such as the United Nations and the European Union (EU) recognise the role of cooperatives for society and economy development. There are 3 million cooperatives worldwide; together, they provide jobs for 280 million people, equivalent to 10% of the working population in the world (Cemal, 2019). The world's largest 300 cooperatives and cooperatives have a total turnover of USD 2.018 trillion in 2016. In the EU, there are about 131 000 cooperatives, with more than 4.3 million employees and an annual turnover of €992 billion (Cemal, 2019). In Malaysia the number of

Bumiputra businesses operating in 2011 amounted to 934,885 companies (Yaacob & Abdul Ghani Azmi, 2012; Malaysian Statistic, 2010). Of this number, almost 20 per cent or 186,977 do not renew their business license and go out of business. The amount is considered large, thus, emphasising the need to address the issue.

Furthermore, the rapidly growing trend of cooperatives in the country in recent years has not been thoroughly examined since limited studies have partly show co-operative instability in the long run. In this case, Bernard et al. (2013) and Mojo et al. (2015) show that cooperative services that are not distinguishable to members and non-members, low member participation, and long-standing government in cooperative development, have caused great concern over the existence of cooperatives in the long run if the government stops its support. However, the limited number of studies on the environmental impact of the cooperative is less important. For example, Stellmacher & Grote (2011) and Mojo et al. (2017) focus on the negative effects of agricultural cooperatives in Ethiopia.

Although cooperatives have become important for the economy (social) over the last four decades, they face new and old challenges not only due to globalisation and presence of various national laws, but also from organisational and governance issues. Furthermore, cooperatives seek wider recognition and better integration of their business model. Furthermore, cooperative movements have long been burdened with serious weaknesses and problems locally and globally (Bretos & Marcuello, 2017). The three basic weaknesses are: the economic viability of key activities implemented, co-operative leadership and management capabilities, and lack of democratic control by members (Basterretxea & Martínez, 2012). According to this, cooperatives possess low engagement with external environment and internal capability in increasing their performance, particularly for Social Return on Investment (SROI). The identified environmental factors suggested by the literature that influence business growth are governmental role, financial support, education, economy, energy, competition, and location (Guy, 2016). Therefore, organisational capabilities and strategies are considered the elements that could increase cooperative's ability to enhance their SROI performance. In line with Cools & Van den Broeck (2007/2008), this study refers organisational capabilities as dynamic capabilities while organisational strategies refer to entrepreneurial orientation.

The importance of dynamic capabilities and entrepreneurial orientation in increasing a particular firm's performance have been discussed extensively in the literature (Andriana Roseli et al., 2016; Aminu & Mahmood, 2015; Sharma & Dave, 2011). The combination of organisational capabilities and strategies will increase the degree of social entrepreneurial competency in the volatile market. Therefore, social entrepreneurs need to be aware of the government regulations, policy, tax and other opportunities such as training and courses offered by the government, particularly in Malaysia (Asada et al., 2017; Dukic et al., 2015; Georghiou et al., 2014; Akkerman et al., 2012; Lawwless et al., 2000). The education level of social entrepreneurs is another essential factor that may contribute to a particular firm's performance (Wu et al., 2012). As mentioned in the 11th Malaysian Plan (2016-2020), the Malaysian government highlighted the importance of increasing the level of education of Malaysian entrepreneurs (Hidekatsu et al., 2017). Social entrepreneurs with a high level of education will tend to be more aware of the changing nature of the business environment. They will quickly react by sensing, seizing, and reconfiguring (creating, extending and modifying opportunities) changes (Aminu & Mahmood, 2015; Wilden et al., 2013). This will help to increase the performance of the cooperatives and improves market sustainability.

The question of how we propose this awareness and their utilisation on the external environment and internal capabilities as the vital antecedents for increasing cooperative performance remains. The implementation of these factors may contribute to improving the understanding interrelated between government roles, education level, entrepreneurial orientation, and dynamic capabilities in influencing cooperative performance, particularly in SROI. Hence, the essential lesson learned from the history of the cooperative is that democratic governance within firms can significantly contribute to socioeconomic well-being (Ma & Abdulai, 2017).

As aforementioned above the reason, the obstacles or challenge by cooperatives is not limited to Malaysian as it is a global challenge. Furthermore, the research approach seems to be theoretically promising and practically relevant. This leads to the research interest in the influence of external environment and internal capabilities in improving cooperative performance. In conclusion, there are some rampant problems faced by the cooperatives that are related to environment issues and

management capabilities. In attempt to address these shortcomings, the cooperative movement has been involved in the process of implementing a comprehensive strategy for reforms and development for many years (Carvalho, 2012). Derived from this situation, this research empirically investigates the relationship between government support, level of education, and entrepreneurial orientation in influencing cooperative performance in the light of dynamic capability approach in contributing to social entrepreneurship. The combination of these two factors in influencing cooperative performance remains unclear. The motivation of this study is to determine the effectiveness of this combination in influencing firm performance, particularly social benefit (SROI) as cooperatives seek wider recognition and better integration of their business model. Furthermore, the reason of Malaysia was selected is due to their representative as an Asian country and the cooperatives in Malaysia are facing the same challenge (Bretos & Marcuello, 2017). These include some hypotheses and strategies to test factors that are important to assess the role of cooperatives in economic locally and globally, and provide an overview of the key areas for future investigations that can provide a better understanding of the complexities surrounding the relationship between government engagement, education level, entrepreneurial orientation, and dynamic capabilities in influencing cooperative performance. The empirical result will enable many relevant stakeholders to tackle both positive and negative issues in improving firm perforance. Future researchers are also able further investigate this issue from different perspectives and this research can be based or lead to other investigations about cooperatives locally and globally.

1.3 Aim

The aim of this research is to ascertain the relationship of government support, level of education, entrepreneurial orientation, and dynamic capability towards cooperatives performance. Additionally, the research examined the roles of entrepreneurial orientation and dynamic capabities as mediating variables. The assumption of this study is that the external and internal environment are learnable and can be controlled, depending on the situation and they will positively influence cooperative performance, particularly related to SROI (Watson et al., 2016; Bello, 2005).

1.4 Objectives

This study formulated the following research objectives:

1. To elucidate the relationship between government support and education level (external factor) in influencing cooperative performance (SROI).
2. To examine the relationship between dynamic capabilities and entrepreneurial orientation (internal factors) in influencing cooperative performance (SROI).
3. To evaluate the mediation roles of dynamic capability in the relationship of government support and level of education on social entrepreneurship performance.
4. To evaluate the mediation roles of entrepreneurial orientation in the relationship of government support and level of education on social entrepreneurship performance.
5. To develop a conceptual model for the antecedent of social entrepreneurship performance (SROI).

1.5 Research Questions

1. Do government support, level of education, dynamic capabilities and entrepreneurial orientation directly affect firm performance?
2. What are the relationship between government support, level of education, and firm performance mediated by dynamic capabilities and entrepreneurial orientation?

1.6 Gap and Significance of the study

The Malaysian co-operative was introduced in the 1920s and is recognised for its social and economic contribution to the national economy (Othman et al., 2016). A review of the previous literature shows limited theoretical and empirical contributions in the field of cooperatives, particularly in the Malaysian context (Hashim & Fawzi, 2015). Hence, this research will focus on the critical success factors of social entrepreneurship (cooperative) associated with the relationship between government

support, level of education, entrepreneurial orientation, dynamic capabilities, and firm performance.

This research will also evaluate and seek to understand how government support and level of education are related to firm performance among Malaysian social entrepreneurs. After studying the relationship between government support, level of education and firm performance, the mediating role of entrepreneurial orientation and dynamic capabilities is evaluated. Profitability is a key issue for business growth (Patel & D'Souza, 2009). Hence, irrespective of the size of the firm, the management focuses on earning a high return on investment in the long run. Entrepreneurial orientation is a strategy that helps the firm to improve its performance, especially those firms that are based on sole entrepreneurship. Studies have highlighted that small firms in Malaysia positively influeces growth by adopting entrepreneurial orientation. It is their business growth that has impacted the overall economic condition of the country by boosting the economy. Specifically, entrepreneurial orientation was positively related to a firm's sales performance (Spillecke & Brettel, 2014), profitability in both the short and the long run (Gupta & Gupta, 2015), speed to the market (Clausen & Korneliussen, 2012), and growth pace, thereby creating better chances to mitigate the repercussions of the economic recession (Soininen et al., 2012). However, there are unresolved issues regarding social entrepreneurs, government support, level of education, entrepreneurial orientation, and dynamic capabilities (Inigo et al., 2017; Mohamad et al., 2013). In line with this, there is a gap in their relationship to firm performance. This research aims to provide a new model based on empirical evidence to bridge the gap.

Despite the fact that there are many available theories and knowledge in the areas of management such as finance, leadership, marketing, production, organisational behaviour and strategic management, few of these have been employed in the literature to investigate cooperatives. Additionally, theories such as dynamic capabilities can be used to explain and predict the behaviour of organisations like cooperatives yet minimal studies have applied this theory when examining these organisations, particularly in the Malaysian context as most of them are related to private firms rather than social enterprises (Lazim et al., 2016; Faizal & Zaidi, 2011).

Hence, this research will focus on this theory in directly and indirectly contributing to firm performance.

Social entrepreneurs and commercial firms share the same capabilities or resources of the firms but have different goals. Level of education is considered as one of the intangible resources belonging to the firm. There is a mixed pattern of relationship between the level of education and firm performance. Some studies suggest that a positive relationship exists between level of education and firm performance (Block et al., 2013; Parker, 2011, 2018), while other studies argue that there is no relationship between them (Van der Sluis et al., 2005, 2008). Interestingly, very limited studies discuss the relationship between education level and social entrepreneurship performance, especially among cooperative firms (Estrin et al., 2016). To address this gap, this research will investigate these relationships and the results will contribute to the social entrepreneurship literature.

The measurements for social enterprises are regularly based on commercial business industry which is profit-based (Speckbacher, 2003). Thus, quantitative research is the most suitable for measuring profit as it is easy to understand in a traditional business sense (Chmelik et al., 2016). In line with this, quantitative method was employed in this study to show the relationship between the independent variables (government support, level of education, entrepreneurial orientation and dynamic capabilities), and the dependent variable (firm performance).

Thus, it can be deduced that the relationship between competitive advantage particularly related to firm performance and the environment has been rarely studied before. Thus, the findings from this study will represent a new contribution to the literature and add knowledge to our current understanding of government support, level of education, entrepreneurial orientation, dynamic capabilities, and firm performance.

This study may also provide significant knowledge regarding the culture of firms that wish to improve their firm performance through enhancing their awareness of the opportunities in the external environment (government support). This study looked into how government support influences entrepreneurial orientation and dynamic

capabilities to meet the current and future customer demands, leading to improved firm performance.

This research provides valuable insights for practitioners and scholars alike as well as supporting managers and owners to adopt better decision strategies regarding the utilisation of the firm's resources both externally or internally in developing countries especially Asian countries like Malaysia as voluminous research on these areas has already been undertaken in the USA, Europe, Australia, and Asia-Pacific.

Hence, the environment, strategy, and capability are important concepts in the strategic management context. Furthermore, the area of social entrepreneurship, especially within cooperatives, warrants further research, especially in developing countries like Malaysia (Hashim & Fawzi, 2015). The main objective of this study is to identify the determinants of firm performance in utilising environmental factors together with the firm's strategy and capabilities to effectively increase firm performance (Bendickson et al., 2016; Gamble & Beer, 2015; Ogliastri et al., 2015). As a result of the gap in the current literature on these perspectives, the present research result is expected to fill this gap. To reflect the great need for new, promising ideas on the topic, this research has purposely selected a broad mix of contributions.

1.7 Scope and Limitations of the Study

This study aims to answer the research questions using a sample of decision-makers (CEOs/managers/executives) from social entrepreneur firms, focusing on Malaysia's cooperative. This study notes the significant impact of social entrepreneurship firms, especially cooperatives, on the Malaysian society and economy. The number of cooperatives continues to grow every year. For instance, up until July 2014, there were 11,519 cooperatives compared with 10,914 in 2013 (Manap & Tehrani 2014; Bernama, 2014). Recently, the number of cooperative firms has reached 12,493, with a total membership of 7,418,019 (Cooperative data as of 30th June 2015, SKM). The primary goal of cooperatives is to improve the living standards of their members, but they also play a role in eradicating poverty and promote fairer wealth distribution. The sample for this study is based on cooperatives in Peninsular Malaysia and the firms

listed in the Malaysia Co-operative Societies Commission (SKM). Likewise, the relationship between government support, level of education and firm performance, as well as the mediating effect of entrepreneurial orientation and dynamic capabilities and firm performance was determined. Accordingly, this research omitted other factors which are may occur during the process. Undeniably, other important factors may also contribute to firm performance. If such circumstances exist, these are then considered a limitation of this research.

1.8 Thesis Structure

The thesis is organised into seven chapters, namely, introduction (Chapter 1), literature review (Chapter 2), hypothesis development and theoretical model (Chapter 3), methodology (Chapter 4), results and findings (Chapter 5), discussion (Chapter 6), and Conclusion (Chapter 7). In Chapter 1, the introduction, the researcher will introduce the topic. After presenting a brief background about the topic, the researcher outlined the aim, research objective and questions, the problem statement, significance of the study, and an overview of the thesis.

The next chapter is the literature review, where the researcher will study journals, books, and academic publications to collect and collate information on the particular topic. Studying other research work published on a similar topic will help to present an in-depth analysis of the subject.

The third chapter elaborates on the development process of the hypothesis and theoretical model based on an intensive review of literature. The fourth chapter explains the methodology where the research approaches and data collection methods are selected and justified. Next, this chapter lists the respective steps that are taken in order to collect and collate the data. This chapter also describes the philosophy of the research and determine the data collection technique. The fifth chapter also explains the primary method used in understanding the present scenario of entrepreneurial orientation and performance among Malaysian social entrepreneurs where the secondary method will also include studying various books and journals published by research scholars previously.

This fifth chapter reports and interpretes the results and findings where the collected data were analysed. The sixth and the final chapter are the discussion and conclusion, respectively. In this final chapters of the thesis, the primary task of the researcher is to write an overall conclusion that is a critical analysis of the overall findings after completing the research work.

Chapter 2 : Literature Review

2.1 Introduction

This chapter will further discuss the need for this research based on the relevant literature related to the topic being investigated. The discussion in this chapter is more closely related to social entrepreneurship, particularly co-operative firms. This chapter will also offer more explanation and argument related to the contingent factors of social entrepreneurship firm performance together with the associated theory. The factors consist of government role, level of education, entrepreneurial orientation and dynamic capabilities. This research is based on the theory of dynamic capabilities as formulated by Teece (2007).

2.2 Social Entrepreneurship

Social entrepreneurship has become a popular topic for discussion and some scholars argue that the process is changing the world (Jiao, 2011; Chell, 2007). The term “Social Entrepreneurship” has recently been coined by social philosophers and economists who used the idea to explain a combination of passion for the social mission with an image of business-like discipline where attributes like innovation and determination play a significant role. The term ‘social entrepreneurship’ was first introduced by William Drayton (Rahim & Mohtar, 2015; Dees, 2007).

Social entrepreneurship has already existed in human society for a long time ago in various patterns. A century ago, Joseph Schumpeter identified the principles of social entrepreneurship, which are related to the willingness of individuals to contribute towards development beyond the everyday routine and the traditional methods (Said et al., 2015). However, the current situation regarding social entrepreneurship tends to be related to a new approach for business (Estrin et al., 2013).

Social entrepreneurship is defined as *“a passion to tackle a local social need and to act as a catalyst for change, combined with an ability to attack the issue with ‘business-*

like' discipline, tenacity and innovation towards a community goal" (Anderson & White, 2011: p. 53).

In the present day, social entrepreneurship has become more popular and vital as it has significantly impacted people's lives by solving social issues (Sandler, 2010). The principle aim of social entrepreneurship is to help people rather than maximising the profit of the company (Said et al., 2015).

In the previous literature, social entrepreneurship is identified as the features of corporate social responsibility in which, specifically, a business makes a decision to 'give back' to the community from which it usually obtains a business benefit (Anderson & White, 2011; Mertkan, 2011; Brown, 2010).

Social entrepreneurship is not only related to the relationship with other groups, other actors' activity and or political (Dufays & Huybrechts, 2014). However, the success of social entrepreneurship also depends on skills and networking (Hoogendoorn et al., 2010). Furthermore, networking skills and total dedication are also necessary conditions for successful social entrepreneurship (Marshall, 2011; Sharir & Lerner, 2006).

The essence of social entrepreneurship is the "*capability to connect with social and community values, and through adept networking to realise their potential"* (Chell, 2007: p. 17). Besides, social entrepreneurship forms a higher consciousness of social needs and social opportunities created which are attributed to better connections (Dufays & Huybrechts, 2014).

Based on the previous literature, social entrepreneurship can be categorised into three different approaches (Corner & Kearins, 2013; Erturgut & Soysekerci, 2012). Firstly, it focuses on not-for profit organisations and considers their initiatives to generate income to increase traditional funding from grants and donations (Austin et al., 2006; Mort et al., 2003; Weerawardena & Mort, 2001). Not-for-profits can be divided into two categories, namely, charities and community groups (controlled by a committee of volunteers) and social enterprises (controlled by people who invest in the firm). The second category is social entrepreneurship which focuses on profit. This kind of social

enterprise will concurrently pursue economic and social objectives (Dacin et al., 2010). The third category is social entrepreneurship which aims at addressing social problems and assisting disadvantaged or marginalised groups (Zahra et al., 2009; Martin & Osberg, 2007; Alvord et al., 2004). This kind of social entrepreneurship involves non-governmental organisations (NGOs) (often funded by governments). This research falls under the second category, which aims to generate a profit, but the benefits are shared among the community or co-operative members. Given this dissimilarity, it is surprising that, to date, there has been no consensus on a definition of social entrepreneurship.

Table 2.1 lists a variety of definitions of social entrepreneurship identified in the literature. This research utilises the definition of Hibbert et al. (2005) that focuses on entrepreneurial behaviour, as it is the objective of the organisations to utilise the profit for social needs or disadvantaged people rather than for commercial purposes.

Table 2.1: Review of Social Entrepreneurship

Author (Year)	**View**
Waddock & Post (1991)	An individual who brings about changes in the perception of social issues….They play critical roles in bringing about "catalytic changes" in the public sector agenda and the perception of certain social issues (p. 393).
Shane & Venkataraman (2000)	Entrepreneurship as the process by which "opportunities to create future goods and services are discovered, evaluated, and exploited" (p. 218).
Dees (2001)	Social entrepreneurship can include social purpose business ventures, such as for-profit community development banks, and hybrid organisations mixing not-for-profit and for-profit elements.
Mort et al. (2003)	A multidimensional construct involving the expression of entrepreneurially virtuous behaviour to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognise social value-creating opportunities and key decision-making characteristics of innovativeness, proactiveness, and risk-taking (p. 76).

Lasprogata & Cotten (2003)	Social entrepreneurship means nonprofit organisations that apply entrepreneurial strategies to sustain themselves financially while having a greater impact on their social mission (p. 69).
Hibbert et al. (2005)	Social entrepreneurship can be loosely defined as the use of entrepreneurial behaviour for social ends rather than for profit objectives, or alternatively, that the profits generated are used for the benefit of a specific disadvantaged group (p. 159).
Roberts & Woods (2005)	Social entrepreneurship is the construction, evaluation, and pursuit of opportunities for transformative social change carried out by visionary, passionately dedicated individuals (p. 49).
Seelos & Mair (2005)	Social entrepreneurship combines the resourcefulness of traditional entrepreneurship with a mission to change society (p. 241).
Robinson (2006)	Social entrepreneurship as a process that includes: the identification of a specific social problem and a specific solution . . . to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues the double (or triple) bottom line (p. 95).
Peredo & McLean (2006)	Social entrepreneurship is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognise and take advantage of opportunities to create that value ("envision"); (3) employ(s) innovation, ranging from outright invention to adapting someone else's novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture (p. 64).
Perrini & Vurro (2006)	Social entrepreneurship as a dynamic process created and managed by an individual or team (the innovative social entrepreneur), which strives to exploit social innovation with an entrepreneurial mindset and a strong need for achievement, in order to create new social value in the market and community at large (Ch. 1, p. 4).
Austin et al. (2006)	Social entrepreneurship as innovative, social value creating activity that can occur within or across the non-profit, business, or government sectors (p. 2).

Tracey & Jarvis (2007)	The notion of trading for a social purpose is at the core of social entrepreneurship, requiring that social entrepreneurs identify and exploit market opportunities, and assemble the necessary resources, in order to develop products and/or services that allow them to generate “entrepreneurial profit” for a given social project (p. 671).
Martin & Osberg (2007)	Social entrepreneurship as having the following three components: (1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state’s hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large (p. 35).
Mustapha et al. (2007)	Social entrepreneurs seek to alter the “status quo” of mainly rural, marginalised, disadvantaged and poor citizens’ (p. 27).
Yunus (2008)	Any innovative initiative to help people may be described as social entrepreneurship. The initiative may be economic or non-economic, for-profit or not-for-profit (p. 32).
Mair & Marti (2009)	Social entrepreneurship as closely related to institutional entrepreneurship; an extend argument by stressing that the informal institutions built by the “social bricoleurs”.
Zahra et al. (2009)	Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organisations in an innovative manner (p. 5).
Goldstein et al. (2009)	Social entrepreneurship is defined not so much by what it is, but by what it can be (p. 26).
Corner & Ho (2010)	Social entrepreneurship activity is embedded in the social context “in which these opportunities surface, get recognised, and get exploited” (p. 636).
Terjesen et al. (2011)	The definition of social entrepreneurship should include the hybrid organisation while they are the major player in social missions.
Baker et al. (2011)	Social entrepreneurship as a dynamic within networks.

Gandy (2012)	Social entrepreneurship is a part of entrepreneurship and in many ways, social entrepreneurship is just an extension of the entrepreneurial model used in the for-profit sector.
Anderson & White (2011)	Social entrepreneurship as “a passion to tackle a local social need and to act as a catalyst for change, combined with an ability to attack the issue with ‘business-like’ discipline, tenacity and innovation towards a community goal” (p. 53).

Based on the definitions of social entrepreneurship found in the literature (Table 2.1), four key factors are identified which are individual entrepreneurs’ characteristics, the operating sectors, the resources process being used, and the principle of the mission and outcomes affiliated with the entrepreneurs (Dacin et al., 2010).

2.2.1 Why Cooperative Represent Social Entrepreneurship or Social Enterprise

Justification of cooperative are similar to the proposed social entreprise (Defourny & Nyssens, 2013) (much more than US-based schools of thought, Europe's main concept of social enterprise is in keeping with the cooperative tradition, and more precisely, "the world standard of social co-operatives" as formulated by the International Organisation of Industrial and Service Cooperatives (CICOPA).

Cooperatives are organisations that aim to raise the interest of its members (Cemal, 2019). Usually, a cooperative carrying on a business activity is to generate additional income for its members only. The profits from the business will be distributed to the members in the form of annual dividends. In addition to dividends, cooperative members also enjoy lower prices from the market and special amenities such as loans and rebates on children's education (Carvalho, 2012). In other words, cooperatives are organisations that carry on business activities aimed at helping and alleviating the burdens of its members. Cooperatives are economic organisations. Although a cooperative is an economic organisation, it is social. Cooperative is called an organisation because it meets the criteria of an organisation, that is, a group of people to achieve a common goal, there is a division of tasks, power, decision making, structure etc. Organisation is the foundation of strength. it is called Economic Organisation because it aims to improve member of the economies. It is also called

Social Attraction because it is not profitable or profit. Cooperatives take priority over the welfare of members. Cooperatives have to obtain profit in order to grow their business. In addition, the cooperative will solve their problem or issue without relying on others. Cooperative also divides the benefits and the problems together with their members because its foundations are based on the concept of mutual cooperation and family.

Essentially, cooperatives are regulated social enterprises (Galera & Borzaga, 2009). Social enterprises can be structured as for-profit (Hudon et al., 2018; Oliński & Burchart, 2013) or non profit (Cheah et al., 2019; Haeffele & Storr, 2019; Hudon et al., 2018). A cooperative focus on building a sustainable business that makes profit, while operating with a social cause that benefits its members. A cooperative, or co-op, is an organisation owned and controlled by the people who use the products or services the business produces. People typically join a cooperative business to enjoy the benefits of group purchasing, pooled risk, and the empowerment of owning and controlling the company. Hence, this concept is also used to refer to economic activities performed occasionally when aimed to pursue social goals. Furthermore, individual models of entrepreneurship in addition to collective ones are regarded as important (Spear, 2006).

In Sweden, the first workers' cooperative was instituted following the reform of the Psychiatric Care 1989 (which abolished the large mental health institution of a closed environment) by carers in the field of mental health: care personal, patients and formal patients (Stryjan, 2004). As the Swedish childcare sector slowed down in the 1980s, parent cooperatives experienced rapid growth in the search for a new pedagogical model (Pestoff, 2004). With the emergence of this new form of cooperatives, the cooperative sector, traditionally identified as part of the business sector, has emerged in the welfare-generating landscape. Countries like Spain and Italy are also characterised by strong cooperative traditions (Defourny & Nyssens, 2013)

In this context, it is not surprising that, in the late 1980s, new cooperative initiatives emerged in Italy to respond to unmet needs, especially in the field of job integration, as some groups were increasingly excluded from the labor market, and in the field of personal services, in the context of rapid population growth and family structure

changes. In contrast to traditional cooperatives that are member-oriented, these initiatives serve the wider community and place greater emphasis on public interest dimensions. They are also different from traditional cooperatives because they often combine multiple stakeholders into their membership (paid workers, volunteers and other support members, etc.), whereas traditional cooperatives are usually single-stakeholder organisations.

Canadian social enterprises are deeply rooted in the long history of cooperatives and community initiatives. Community economic development corporation is an example of this trend. They were set up in the early 1980s in Quebec's urban neighborhood to address the social exclusion of new groups emerging in the context of the economic crisis. They develop new socio-economic approaches to local development through the process of "institutionalised cooperation between the private sector, community organisations, labor and social movements" (Mendell, 2010; Favreau, 1998).

Some authors have even begun considering various activities undertaken by profit firms to assert their corporate social responsibility as part of various initiatives that shape the social entrepreneurship spectrum (Siqueira et al., 2018; Defourny & Nyssens, 2013; Austin, 2000; Boschee, 1995). Of course, this raises some fundamental conceptual issues as follows: are any social value-raising activities regarded as expressions of social entrepreneurship, even though these activities remain small in the overall strategy of the firm?

The close relationship between cooperative and social entrepreneurship can be seen based on the research by Huda et al. (2019). Their finding suggested that attracting increasing number of cooperatives and competitive competition needs to be strengthened to gain feedback and insights on the value of performance in social entrepreneurship where it is ultimately integrated with entrepreneurship in a value-based way to conduct potential business. At this point of view, the relationship between cooperative and social entrepreneurship refers to the techniques used by the companies to start-up their production process widely set out to develop by addressing social, cultural, and environmental issues in order to solve the solutions related to their own members (Fish & Wood, 2017). Hence, this research used a combination of

variables such as government roles, education, entrepreneurial orientation, and dynamic capabilities as antecedents in improving cooperative's social performance.

In general, the concept of social entrepreneurship aligned with social business' concept as promoted by Yunus (2009, 2017) can also be attributed to the "mission-driven business approach", though it also involves a stronger situation. A social business is a company that is not a loss, not a dividend designed to handle social objectives (Yunus, 2007, 2010). The concept was primarily developed to illustrate a business model that focuses on providing goods or services to (extremely) poor, new market segments (often referred to as "the bottom of the pyramid") in developing countries. The most frequently cited case is the Grameen-Danone affiliate, which provides, at a very low price, yoghurt that is extremely nutritious to the exposed population of Bangladesh. Such social business should cover all its costs through market sources; it is owned by (often large) investors who, do not receive any dividends, whose profits are even fully reinvested in support of the social mission.

As mentioned above, cooperatives in this context are similar to social entrepreneurship or social enterprise with the same objective which is to create profit and giving back to customer the benefit (social return).

2.3 Global Cooperative

Cooperatives are autonomous associations of people who aspire to achieve their goals through democratically owned and controlled enterprises. International organisations such as the United Nations and the European Union (EU) recognise that cooperatives play a role in society, economy, and (international) development. The important contribution of cooperative in social economic has been globally recognised (Cemal, 2019). The next section discusses the history of the cooperative movement globally and their principles.

2.3.1 Cooperative Movement

In the first half of the nineteenth century, cooperative organisational forms emerged through a series of entrepreneurial experiments in the United States, Canada, and England (Nelson et al., 2016). In the nineteenth century, there are a few other types of economic co-operatives that exist across Europe, comprising the labour co-operative in France (1831), the credit co-operative in Germany, and the farmers' co-operative in Denmark (1882) (Zamagni & Zamagni, 2010). Different types of cooperatives were build to provide different services. In 1884, "the Rochdale Equitable Pioneers' Society" was founded to counter the poverty induced by the Industrial Revolution that has been recognised as the precursor to the modern co-operative movement. Cooperatives belong to and are controlled by consumer enterprises that benefit their members based on their usage (Zeuli & Cropp, 2004). Their principles include "self-help, equality, democracy, solidarity and equity" (United Nations Launches 2012 International Year of Cooperatives, 2011). They contribute towards the reduction of poverty, enhance the process of social integration, and create employment opportunities. Based on this principle, they comply with their traditional values of honesty, social responsibility, openness and community caring (United Nations Launches 2012 International Year of Cooperatives, 2011). Properly conducted and based on this principle, cooperatives play an invaluable role in developing fair economic objectives.

Cooperatives have been recognised as having an over 150-year history of succeeding in progressing the United Nations' development agenda together with realising the "Millennium Development Goals" (United Nations Launches 2012 International Year of Cooperatives, 2011). In 2012, cooperatives received an award at "the International Year of Cooperatives by the United Nations". The nature of this award encouraged the government to establish policies and increase opportunities to promote public awareness of co-operatives together with promoting their formation. They prove their ability to reduce poverty with dignity and to compete with other business enterprises and also the world economy internationally (Manap & Tehrani, 2014). In a speech by the President of the United Nations General Assembly, Nassir Abdulaziz Al Nasser, at the launch of the 2012 International Year of Cooperatives, he stressed the need for

people to change before the country can change in order for cooperative firms to build a better world (United Nations Launches 2012 International Year of Cooperatives, 2011).

In 1895, the Co-operative Alliance (ICA) was founded, who defined a co-operative as:

> *an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enter- prise …. (Co-operatives are …) based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of co-operative founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others (Co-operative Identity Statement, International Co-operative Alliance [2014]).*

Table 2.2 shows the evolution of the global co-operative principles which include seven principles suggested by the ICA.

Table 2.2: Global Co-operative Principles

Adopted from (Nelson et al., 2016)

Rochdale Pioneers principles (1844)	**ICA 4 principles (1937)**	**ICA 6 principles (1966)**	**ICA 7 principles (1995)**
Ideological neutrality and Open membership tolerance	Open membership	Voluntary membership	Voluntary and open membership
Democratic government (one person, one vote) women too could be voting members	Democratic control	Democracy	Democratic control
End-year rebate proportional to purchases	Dividend paid according to business done	Distribution of surplus	Member economic participation
Minimum interest on loans	Limited interest on capital	Limited interest on share capital	Autonomy and independence

Freedom of purchasing outside the co-op		Provision for education	Education, training information
Sale for cash at fixed prices		Cooperation among co-operatives	Cooperation among co-operatives
			Concern for community

Co-operative firms share the value among their members (consumers, producers, workers) based on the sector of activity, like agriculture, technology production credit, social welfare, retail, provision, and housing. However, higher concentrations of cooperatives are found in the Québec region (Malo & Vézina, 2004), Northern Italy (Borzaga & Santuari, 2001) and Spanish regions such as Almeria and the Basque country (Giagnocavo, 2012). It shows that they are sharing platforms and encourage cooperative firms to respond, oppose, morph, and reconcile their normative business practice over time (Paranque & Willmott, 2014). Conversely, as shown in Table 2.3, the majority of cooperative firms are located in Asia, including Malaysia. Even though the percentage of co-operatives compared with business organisations is small, it still contributes around 5% of the total 75% of world's GDP (Bajo et al., 2013). Thus, and more attention should be paid to cooperatives to increasing firm performance and the amount of cooperative firms together with their members.

Table 2.3: World Co-operatives Statistics

Source: Global Census on Co-operatives, United Nation's Secretariat 2014

Region	Co-operatives
Africa-Sub Sahara	85,260
Asia	1,933,299
Caribbean	1,049
Europe	356,380
Latin America	42,765
MENA	162,779
North America	31,078
Oceania	1,988
Worldwide Totals	**2,614,598**

2.3.2 The Cooperative Sector

There are several types of firm that conduct business activities in the market such as government and private-owned firms (Mohd. Nusi, 2007). However, this study focuses on private-owned firms in the cooperative sector. Generally Soboh et al. (2009) stated that cooperative firms are owned by their customers or the users of their products or services themselves.

According to the Co-operative College of Malaysia (CCM, 2010), the term *cooperative* originates from the word *"co-operation"* and is borrowed from the Latin word *"co-operari"*. The term *co-operative* means cooperation, mutual assistance and helping each other. The International Co-operative Alliance (ICA), as the entity comprising all cooperative bodies in the world, defines cooperative firms as autonomous organisations supported by the public (ICA, 2011). Members of a cooperative are voluntarily united to meet the needs and aspirations of the economy, society, and culture through collective ownership and democratic control (ICA, 2011). O'Sullivan & Steven (2003) further define cooperative firms as businesses that are collectively owned and governed by the people who use their service or who work with them. The entity is socially formed and owned by the public and aims to improve the living standards and welfare of its members (Tchami, 2007). Carson (1977) opines that a cooperative follows the functions of the said cooperative. He states that a producer cooperative is a business that is managed at least partly by the workers through representative election whereas consumer cooperative described as a firm being managed, at least partly, by retail consumers through representative elections (Carson, 1977).

However, there is a consensus in the literature on the assessment of cooperatives to define the true meaning of a cooperative firm. According to Sexton & Iskow (1988), cooperative firms are expressed as a type of ownership and are controlled by consumers that aim to benefit them as members. Members of a cooperative firm are entitled to control any asset that is not outsourced or restricted by law (Chaddad & Cook, 2004). Generally, members receive benefits in terms of the use of the products

or services provided by the cooperative (Barton, 2004) and net income resulting from business activities other than the firm's risk borne by them (Sexton & Iskow, 1988).

Discussions about the purpose of cooperatives clearly indicate that a cooperative is a firm founded on the spirit of cooperation and consensus among its members. Cooperatives are set up to achieve a goal together. Ownership of a cooperative firm is jointly held by all members with control according to the principles of democracy. The goal of its existence is to carry out the activities that will benefit the members. The benefits can be seen in several forms such as the products and services offered to members or a dividend from the profits of the business carried out.

The uniqueness of cooperation firms is that they can also be viewed through the existence of its establishment. Compared to other businesses, cooperative firms differ in matters such as registration requirements and the control of the firm. In terms of the conditions of registration, the members of a cooperative firm shall comprise at least fifty individuals (the Co-operative Societies Act, 1993). It is different for the registration of companies that only requires a minimum number of two members (Companies Act, 1965). Control of the firm, on the other hand, as stated in the *Votes of Members* section of the Cooperative Societies Act 1993, is "no member or delegate of members of any registered society shall have more than one vote in the conduct of the affairs of the society, and in the case of an equality of votes the chairman shall not have a casting vote" (Co-operative Societies Act, 1993, p.23). In terms of the shares of its members, the Co-operative Societies Act (1993), Part IV (Article 33) explains that each member cannot have more than a fifth of the shared capital shares of a cooperative.

The British Columbia Co-operative Association (BCCA) explains the differences between cooperative firms and other business entities in three aspects which are the purpose, the control structure, and the allocation of profits (BCCA, 2012). An explanation given by BCCA (2012) can be referred in Table 2.4.

Table 2.4: The Differences between Cooperative Firms and Other Business Entities
Source: British Columbia Co-operative Association - BCCA (2012)

Aspect	**Explanation**
Difference in purpose	The basic purpose of a cooperative is to meet the existing requirements of its members and it is different from the basic purpose of an investor-owned business is to maximise profits for its shareholders.
Difference in control structure	Cooperative firms use a system whereby each member has one vote, which is different from most business firms, which use a one-vote-per-share system. This will ensure the control of the organisation from the voice of general members compared to the voice of individuals who possess large shares.
Difference in allocation of profit	Profit from the cooperative is also enjoyed through the use of the products/services provided to members and not only by the number of shares held. Cooperative firms also tend to invest profits to improve the quality of the services to its members.

Table 2.4 revealed three differences between cooperative firms and other investor-owned businesses which are explained in terms of the firm's purpose, control structure and allocation of profits. BCCA (2012) concluded that the purpose of the establishment of cooperatives is to meet the requirements of the current problems of its members compared to other businesses, which are more inclined to acquire maximum profit. In terms of control structure, the cooperative firm practises democratic principles, with each member having one vote in order to guarantee the practice of the majority of the voting members. As for the allocation of profits, other than allocation based on the number of shares held as in other businesses, cooperative members also benefit from the quality of the products and services offered to them (BCCA, 2012).

Thus, it can be concluded that the cooperative firm is an association that is owned and controlled by the people together. It is different from other businesses that are owned and controlled by a single or a small number of shareholders. Business activities carried out are based on the concept of mutual assistance and cooperation among the members. Its existence is the result of a group of people working together to undertake economic activities to solve the problems faced. In addition, cooperative activities are also said to generate social development. This is because its operation is based on the interests of the members of the community. The cooperative concept is unique and is not found in any other business firms

2.3.3 History and Development of the Cooperative Sector

The history of the modern cooperative movement can be traced in the 1800s. The movement began in 1844 in England, with the establishment of the first cooperative named 'Rochdale Pioneers' (ICA, 2012). The establishment of this cooperative marked the foundation of the cooperative movement worldwide. Its establishment was initiated through the cooperation of a group of twenty-eight cotton-factory workers in Rochdale in North England (ICA, 2012). They formed the first modern cooperative business under the name ‘Rochdale Equitable Pioneers Society’. Their business activities were created through the merging of limited resources to provide basic goods at low prices. This was due to the pressure created by low wages and high prices at the time. Each customer supported the cooperative through membership with rights ensured through democracy in the business (ICA, 2012). The establishment of the cooperative was recognised worldwide on the side lines of grass-root organisations that operated on a small scale in Western Europe, North America. and Japan in the mid-18th century (ICA, 2012).

In Malaysia, the cooperative movement began during the British colonial era in the early 1900s. The idea of its establishment was introduced by Sir Arthur Young in 1907 (SKM, 2013) with the introduction of the concept of borrowing and lending. The first cooperatives established were *Syarikat Bersama-Sama Jimat Cermat*, *Pinjam Wang Pekerja-Pekerja Jabatan Pos* and *Telekom Berhad* (SKM, 2013). This cooperative, rebranded as *Koperasi Telekom*, was established on July 21, 1922, with its initial

service being to provide credit services (Mohamed Khaled, 2007). According to Mohamed Khaled (2007), in 1922, the first cooperative law, the 'Co-operative Societies Enactment 1922', was passed. Since then, the cooperative movement has flourished among the owners of small farms (Rosmimah & Herwina, 2012).

In East Malaysia, the cooperative movement began in 1949 in Sarawak with an emphasis on the cultivation of sago (Jamilah et al., 2008). Owing to that, the cooperative movement has developed in our country. Cooperative firms in Malaysia tried out various economic fields including services, manufacturing, and agriculture (SKM, 2013). Diversity in the business activities of cooperatives has contributed to national income and has become the main agenda of the government of Malaysia in an effort to become a developed nation by the year 2020 (Mangsor, 2010).

The number of cooperative firms in Malaysia has grown by leaps and bounds. These developments can be seen through the increase in the number of cooperatives registered under SKM every year. In 1990, the number of cooperative firms registered a total of 3,028, which increased three-fold to 10,087 in 2012 (SKM, 2013). In fact, the cooperative movement has contributed greatly to the growth of the world economy. According to the ICA (2012), in 2006, the cooperative sector contributed to the Gross Domestic Product (GDP) of Finland (16.1%), New Zealand (13.9%), Switzerland (11.0%), the Netherlands (10.2%) and Norway (9.0%). In Malaysia, cooperative businesses have contributed to the development of the economy of the country, with the statistics in 2012 recording a total membership of 7.03 million people, capital shares of RM11.71 billion, and revenue of RM31.10 billion (SKM, 2013).

With regards to the seven principles suggested by ICA, Malaysian cooperatives also employ these seven principles. In implementing these principles, it is important for the cooperative firms to have a clear organisational structure. This is necessary as the parties to the cooperative can play their role well through the structure and roles taken. As stated by CCM (2010), the organisational structure may clarify and distinguish the hierarchy and the structure of authority in a cooperative firm. The structure relates each component in the cooperative, which encompasses the members which encompass cooperative board members, external auditors, advisors, the internal audit

committee, subcommittee, executive committee, and operations maintenance (MKM, 2010).

The organisational structure of the cooperative can be observed using the organisational charts that exist in the cooperative. As a unique structure in and of itself, the organisational structure of a cooperative differs from other organisations. The basic structure is displayed by CCM in Figure 2.1.

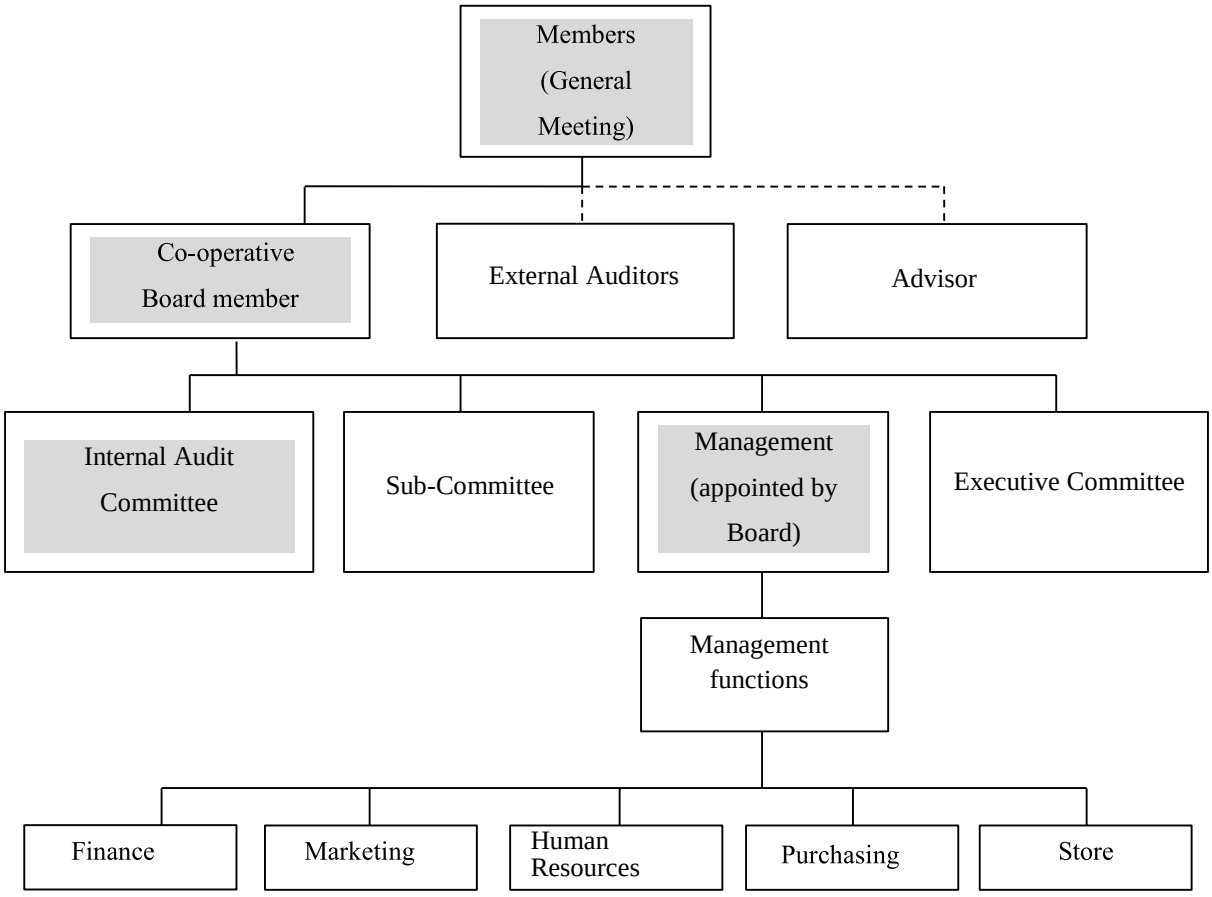

Figure 2.1: Cooperative Organisation Chart

Source: Co-operative College of Malaysia (2010)

Based on the figure above, the structure of the management of a cooperative firm is comprised of four main components (marked in bold) including members, board members, the internal audit committee, and cooperative maintenance; that is, the staff of a cooperative (CCM, 2010). According to the CCM (2010), members elect the board members to represent them in the administration of the cooperative through a grand meeting that is held on an annual basis. The board members are responsible for

forming policies, administration and managing the commercial operations of the cooperative. Moreover, the internal audit committee, appointed by the board members, is also responsible for auditing and forwarding reports to the board members. The management is responsible for enforcing the policies that have been decided on by the board members through a board meeting.

2.4 Forms of Cooperatives

Various forms of cooperatives can be seen nowadays but, in general, cooperative firms can be identified and separated into three forms according to the objective, size and function of commerce. Underlying the different forms, the main focus of a cooperative firm is to provide steady conditions and optimum development to all members (Helmberger & Hoss, 1962). The forms of cooperatives are discussed in the next sub-sections.

2.4.1 The Forms of Cooperatives according to their Objectives

According to Le Vay (1983), the form of a cooperative firms can be viewed through the objectives of its establishment. This form of cooperative, based on objectives, is divided into three types which are vertical integration, independent firms, and affiliates. According to Soboh et al. (2009), the form of vertical integration is an autonomous firm with the basic objective of implementing optimal marketing programmes among its members. On the other hand, independent firms are independent businesses with the objective of maximising the benefits for their owners. As for affiliates, this form is a combination of the firms that are involved (Soboh et al., 2009).

On a different note, cooperatives are divided into three types based on a vertical integration relationship starting from the primary form to secondary and tertiary forms (Norwatim, 2011; CCM, 2010). Primary cooperatives are cooperative firms whose members are comprised of individuals and they are also newly established firms. According to the CCM (2010), cooperatives of this type provide services to their members directly. Secondary cooperatives are firms with members comprised of a combination of primary cooperative. Membership for secondary cooperatives is not

open to individual members (CCM, 2010). According to the CCM (2010), for tertiary cooperatives, membership is comprised of the combination of primary cooperatives as well as secondary cooperatives. In the Malaysian context, tertiary cooperatives are cooperatives such as the Malaysian National Co-operative Movement (ANGKASA). This is based on ANGKASA, which is a combination of existing primary and secondary cooperatives (ANGKASA, 2012; CCM, 2010).

2.4.2 The Forms of Cooperatives according to Size

The classification of cooperatives by size or cluster further divides cooperative firms in Malaysia using a single indicator, which is annual revenue. According to SKM (2010), the size of the cooperative firm is classified based on the difference in the annual revenue of the cooperative which includes a cluster of large, medium, small, and micro cooperatives. The details of the definitions of the four clusters are shown in Table 2.5.

Size or Cluster of Cooperative	**Covering All Industry Categories (Service, Manufacturing and Agriculture)**
Large Cooperatives	The cost of annual income of more than RM5 million.
Medium-Size Cooperatives	The cost of annual income of between RM1 million to RM5 million.
Small Cooperatives	The cost of annual income of between RM200,000 and RM999,999.
Micro-Cooperatives	The cost of annual turnover of less than RM200,000.

Table 2.5: Definitions of Cooperative Firms by Size or Cluster
Source: Malaysia Co-operative Societies Commission (2010)

Even so, the definitions differ from the classifications created for business firms in the private sector. This is based on definitions offered by the SME Corp. (2013) for small and medium enterprises (except for large firms) based on annual revenue and the

number of full-time employees. The definitions outlined also differ based on the two sectors (industries) which are; a) manufacturing, and b) other services.

SME Corp. (2013) defines medium-sized firms (enterprises) in the manufacturing sector as having an annual revenue between RM15 million and RM50 million or 75-200 full-time employees. As for the service sector and other sectors, they are defined as having an annual revenue between RM3 million and RM20 million and 30-75 full-time employees (SME Corp, 2013).

Furthermore, small-sized firms in the manufacturing sector are defined as having an annual revenue between RM300,000 and RM15 million or 5-75 full-time employees (SME Corp, 2013). As for the service and other sectors, the SME Corp. (2013) defines small firms as having an annual revenue between RM300,000 and RM3 million or 5-30 full-time employees.

Finally, micro firms, including those in the manufacturing or service and other sectors, are defined by the SME Corp. (2013) as having an annual revenue of less than RM300,000 or fewer than 5 full-time employees.

Due to the differences among these definitions, this study adopted the existing definitions provided by the Malaysia Co-operative Societies Commission, which is to examine business firms in the cooperative sector. A list of micro, small, and medium-sized cooperative firms was also obtained from the Malaysia Co-operative Societies Commission. A breakdown of the number of cooperatives in Malaysia by size or cluster is listed in Table 2.6.

Size (Cluster)	**Number of Cooperatives**
Large	179
Medium	436
Small	1,122
Micro	8,350
Total	10,087

Table 2.6: General Statistics of Cooperatives by Size (Cluster)
Source: Malaysia Co-operative Societies Commission (2013)

Until the end of 2012, a total of **10,087** cooperative firms had registered with the MGS. The breakdown by size covers a large cluster of 179 cooperatives, 436 medium, 1,122 small, and 8,350 micro clusters.

2.4.3 The Forms of Cooperatives according to Business Functions

In general, micro-sized firms, and small and medium enterprises in Malaysia are divided into three major sectors. The three sectors include general business, production (manufacturing), and agriculture (Hashim, 2000). In contrast, cooperative firms are classified by a type or function. The Malaysia Co-operative Societies Commission classifies firms into nine cooperative business functions, including banking, credit, agricultural, residential, industrial, consumer, construction, transport, and services (SKM, 2013). In the report released on December 2012, the numbers of firms that are classified according to their cooperative business functions are shown in Table 2.7.

Function of Business	**Number of Cooperatives**
Banking	2
Credit	588
Agriculture	2,148
Adult (2,124)	
School (6)	
Housing	159
Industry	201
Consumer	4,416
Adult (2,172)	
School (2,244)	
Construction	163
Transportation	435
Service	1,975
Total	**10,097**

Table 2.7: Number of Cooperative Firms by Business Function
Source: Malaysia Co-operative Societies Commission (2013)

Table 2.7 illustrates that user functions dominate the underlying business form of cooperatives with a total of 4,416 units, representing 43.8% of the total number of firms in Malaysian society. The second function is farming, with a total of 2,148 firms (21.3%), followed by service functions, with 1,975 firms (19.6%).

In conclusion, this study focuses on the cooperative's size (cluster) as micro, small, and medium (excluding large firms). This is because the number of firms of all three sizes surveyed accounted for almost the entire number of cooperatives in Malaysia, namely 98% (SKM, 2013). In addition, the size of the firm plays a role in innovation within the initial stages of a product (Zimmerer & Scarborough, 2005). This study involves all of the business functions that a firm is involved in except for cooperative banking functions that are only operated by large cooperatives including Bank Rakyat and Bank Persatuan (SKM, 2013).

2.5 Development of the Cooperative Sector in Malaysia

The cooperative sector in Malaysia has expanded its activities to involve various areas of business, including banking and finance, agriculture, consumer, services, and others (SKM, 2013). In addition to these categories, there are also cooperatives that carry out various types of activities that are categorised as multi-purpose cooperatives (SKM, 2010). Development in the sector can be seen through their achievements to date.

The figures obtained from the Malaysia Co-operative Societies Commission (2013), depicted that the trend is steady and demonstrated strong growth according to the achievements in a five-year time span from 2008 to 2012. Growth occurred in all aspects including an increase in the number of cooperatives, membership numbers, share capital, assets, and turnover. A case is shown in Table 2.8.

Year	2008	2009	2010	2011	2012
Number of Cooperatives	6,084	7,215	8,146	9,074	10,087
Number of Members (Millions)	6.51	6.78	6.60	7.04	7.03
Share Capital (RM Billions)	8.42	8.97	9.55	10.49	11.71
Assets (RM Billions)	55.73	64.92	71.78	92.80	100.41
Turnover (RM Billions)	7.75	8.92	9.50	23.09*	31.10

Table 2.8: Cooperative Firm Growth, Expertise, Capital, Assets and Earnings for 2008 to 2012

Note: *Year SKM began to consider the earnings of a subsidiary of the cooperative

Source: Malaysia Co-operative Societies Commission (2013)

Based on the Table 2.8, the growth in the number of firms became positive when the cooperative increased from 6.084 units in 2008 to 10,087 units in 2012. The membership statistics have also increased from a total of 6.51 million members in 2008 to 7.03 million people in 2012. The number of cooperatives faced a decline in 2010 and 2012 due to the closure of a relatively large firm due to bankruptcy (SKM, 2013), while the share capital increased from RM8.42 billion in 2008 to RM11.71 billion in 2012. The increase in assets was also recorded as almost double the total, from RM55.73 billion in 2008 to RM100.41 billion in 2012. Moreover, for acquisitions, a substantial increase was generated by a cooperative firm of more than four-fold, to RM31.10 billion in 2012 compared to RM7.75 billion in 2008.

Concerning the growth of cooperative firms by function or type of business, a positive improvement was also recorded for most of the business functions. Only banking functions remained and did not experience an increase in this period. Detailed data are shown in Table 2.9.

No	Function of Business	Number of Cooperatives			
		2009	**2010**	**2011**	**2012**
1	Banking	2	2	2	2
2	Credit	575	613	589	588
3	Agriculture	1,362	1,441	1,798	2,148
4	Housing	107	118	134	159
5	Industry	117	137	162	201
6	Consumer – Adult – School	1,681 2,115	1,731 2,135	1,920 2,216	2,172 2,244
7	Construction	117	134	151	163
8	Transportation	346	429	418	435
9	Service	793	1,406	1,684	1,975
	Total	**7,215**	**8,146**	**9,074**	**10,087**

Table 2.9: Number of Cooperative Firms by Business Function for the Year 2009 to 2012
Source: Malaysia Co-operative Societies Commission (2013)

Table 2.9 clearly illustrates the dominance of big business over user functions that include adult consumers and schools. Affiliates showed an increase, with a total of 3,796 units in 2009, 3,866 units in 2010, 4,136 units in 2011 and 4,416 units in 2012. The farms have also increased significantly from 1,362 units (2009), 1,441 units (2010) and 1,798 pieces (2011) to 2,148 units in 2012. The third function is services, which also increased from 793 units in 2009 to 1,406 units in 2010, 1,684 units in 2011 and 1,975 units in 2012. Despite this increase, there are three functions which have not increased or decreased. For banking functions, no increase was recorded while the credit/finance decreased to 588 units in 2012.

In addition, the development of the cooperative sector is also reflected by the growing number of firms and turnover achieved by the firm size categories. A comparison of two years (2011 and 2012), as shown in Table 2.10 below, highlights the contribution of each size of cooperative firm to the national economy.

Size	**Co-operatives**				**Acquisition**			
	Nos **(2011)**	% **(2011)**	Nos **(2012)**	% **(2012)**	Total (RM bilion) **(2011)**	% **(2011)**	Total (RM bilion) **(2012)**	% **(2012)**
Large	158	1.7%	179	1.8%	21.5	93.1%	29.5	94.5%
Medium Size	425	4.7%	436	4.3%	0.9	3.9%	0.9	2.9%
Small	1,027	11.3%	1,122	11.1%	0.4	1.7%	0.5	1.6%
Micro	7,464	82.3%	8,350	82.8%	0.3	1.3%	0.3	1.0%
Total	9,074	100%	10,087	100%	23.1	100%	31.2	100%

Table 2.10: Number of Cooperatives Firms and Acquisition by Category Size for 2011 and 2012

Source: Malaysia Co-operative Societies Commission (2013)

In terms of the size or cluster of cooperative firms, Table 2.10 shows an increase in the number of firm's cooperative size, from 158 in 2011 to 179 in 2012. The number of medium-sized cooperatives increased from 425 (2011) to 436 (2012), a cooperative of small size from 1,027 units (2011) to 1,122 units (2012) and a cooperative of micro size from 7.464 units in 2011 to 8,350 units in 2012.

Regarding acquisitions, the above table shows that the cooperative firm size increased significantly from RM21.5 billion or 93.1% in 2011 to RM29.5 billion or 94.5% in 2012. In contrast, medium-sized and micro cooperatives remained unchanged in number, and the acquisitions by each were RM0.9 billion and RM0.4 billion. However, the percentage of turnover decreased from 3.9% to 2.9% (medium size) and 1.3% to 1.0% (micro size). In addition, cooperatives of small size also showed a slight increase in revenue to RM0.5 billion recorded in 2012 from RM0.4 billion in 2011.

In Malaysia, the participation of the members of cooperatives is demonstrated through detailed statistics Malaysia Co-operative Societies Commission according to business functions, as shown in Table 2.11.

No	Function of Business	No of Cooperatives	Total of Membership	Total Share Capital (RM)
1	Banking	2	1,008,631	3,063,844,590
2	Credit	588	1,736,078	5,051,821,274
3	Agriculture	2,148	448,424	493,450,186
4	Housing	159	128,076	183,913,359
5	Industry	201	17,044	7,032,773
6	Consumer – Adult	2,172	573,029	250,205,426
	– School	2,244	2,125,379	20,994,825
7	Construction	163	123,960	38,008,343
8	Transportation	435	147,479	61,712,094
9	Service	1,975	720,615	2,541,087,720
	Total	10,087	7,028,715	11,712,070,590

Table 2.11: Number of Firms Cooperative Membership and Total Share Capital by Business Function up until December 31, 2012
Source: Malaysia Co-operative Societies Commission (2013)

Generally, the development of the cooperative sector in Malaysia has been enhanced through the role undertaken by the government, including through the provision of assistance in the form of grants and soft loans. However, the main financing activity of cooperatives is internally generated through the collection of fees and shares of members (Narayanasamy et al., 2012). According to Narayanasamy et al. (2012), some of the benefits of cooperation are collected in the form of funds for training programmes and the development of cooperatives operated by SKM, CCM and ANGKASA. All plans and activities which are governed by the cooperative firm are intended to benefit its own members. Accordingly, the participation and strong support of every member is essential in order to create the best facilities and services for them. The participation of members of the public was able to strengthen the position of cooperatives in terms of ideas, manpower, and finance. Thus, power can be built, subsequently driving it towards high performance in the future.

2.6 Issues and Challenges in the Cooperative Sector

There are several key issues surrounding the cooperative movement in Malaysia. The issue experienced by many cooperative firms is to compete in the business

environment. Rosmimah & Herwina (2012), in their study of the firm's strategic decision-making cooperatives, have found that cooperative firms face challenges regarding competing with the private sector due to the dynamic business environment. The main issues that constrain the cooperative movement are linked to business performance (Mahazril et al., 2012; Othman & Kari, 2008), the practice of entrepreneurship (Narayanasamy et al., 2012; Norwatim, 2011), the business market (Narayanasamy et al., 2012; Rahim et al., 2011), and the participation of its members (Ernita, 2012; Rosmimah & Herwina, 2012).

The first issue is the involvement of business performance. These performance issues can demonstrate the effectiveness of the management of the cooperative firm (Couderc & Marchini, 2011). Generally, the business performance of cooperatives should be made stable and resilient to sustain during an economic crisis by following business activities that are supported by its members. This is supported by ICA (2009), who found that the resilience of cooperatives arises from their main activities carried out in the real economy through the involvement of their members. In addition, the firm also mentioned cooperative resistance to the economic crisis as its main source of funding is generated through the internal funds of the shared capital of its members (Halim, 2004).

In the Malaysian context, the cooperative sector has been successful and should hold in a high position in the economy after having gone through challenges since the establishment of the first cooperative in 1922. Cooperative personality, Royal Professor Dr. Ungku Aziz, stressed that cooperative business activities need to have an important position in a country that follows a philosophy that emphasises the practice of working with members, including economic, welfare, and social factors (ICA, 2006).

Compared to Malaysia, cooperatives in other countries have shown that, through business activities, they are able to achieve high performance and be a significant contributor to the national economy. For example, statistics released by ICA (2012) list cooperative pharmacies in Belgium that have managed to capture 19.5% of the market share in that country. In France, the retail banking sector had a market share of 60%, agriculture and food production have gained control of 40% and retail sales

have also gained control of 25% of the market. In New Zealand, the market share of cooperatives in the dairy market is up to 95%, the meat market to 70%, and the grocery market to 62% while, in Singapore, the consumer cooperatives managed to capture 55% of the supermarket market (ICA, 2012).

Moreover, it is surprising that, to date, the position of the cooperative sector in the Malaysian economy remains very low, only accounting for almost 2% of GDP in 2012 (Ministry, 2012). This is different from the contribution of cooperatives to GDP in other countries such as Kenya, which accounted for 45%, Vietnam for 8.6%, and Iran for as much as 6% (ICA, 2012). In addition, the management expenses allocated by the government to the cooperative sector were huge, with an allocation of RM77.61 million in 2009 and RM76.50 million in 2012 (SKM, 2013).

The second issue involves the behaviour and practice of entrepreneurship within the firm. Through the various types of assistance provided by the government, cooperative firms should be able to focus on their own aspects of power through good entrepreneurial practices and benefits. According to Othman & Kari (2008), cooperatives such as Bank Kerjasama Rakyat Malaysia (Bank Rakyat) and Koperasi Permodalan FELDA Malaysia Berhad (KPFB) have been well-managed and gained competitiveness through their professional management teams. Moreover, via engaging in entrepreneurial practice, the cooperative will be more aggressive, innovative, creative and business-like, with a good standing among the competition (Othman & Kari, 2008).

Norwatim (2011) examined one-dimensional orientation of entrepreneurial risk-taking behaviour and discovered that low-performance was associated with the practice. Most of the cooperative firms examined the level of risk-taking practice in a simple and very careful manner in order to avoid business problems (Norwatim, 2011). However, although the firm had the potential and ability to cooperate in business, various problems arose and in turn affected their business performance. Othman & Kari (2008) found that a serious problem faced by the cooperative firm is incompetence in the practice of management and entrepreneurship.

The third issue involves the business market. This issue constantly interrupts cooperative movements, as cooperatives tend to operate in a limited geographical environment. Manfredo & Richards (2007) argue that limited geographical environments make their limited business market work with small profit margins tied to specific products, due to the lack of diversity compared to other types of business. Rahim et al. (2011), in his study of agricultural cooperatives in Malaysia, also found that limited market products and economies led to small markets and a lack of market competitiveness in the market. Furthermore, the case of unprofitable cooperatives in the wider market was caused by the stability of retail margins or product processing (Manfredo & Richards, 2007).

In addition, the focus of the firm on a customer-oriented market strategy is important (Brik et al., 2011). Through a strong focus on customers, the establishment of marketing outlets is one of the main things that firms can implement to improve their customers' access to product market firms. The case facilitates cooperatives to market their products to their customers (Rahim et al., 2011).

Furthermore, a high dependence on wholesale channels has led to lower product market prices (Rahim et al., 2011). These indirectly produce low yields for the cooperative itself. Therefore, it is suggested that cooperatives need to change their firm's strategy and operation in order to cater to the fast-moving market and evolution of the firm (Chaddad & Cook, 2004; Cook, 1995). Cook & Plunkett (2006) also suggested that cooperatives need to change from traditional management to market-oriented management. They recommend that co-operative governance should focus on strategies as opposed to the distribution of over-value surplus to the members.

The fourth issue is the level of participation of the members in the activities carried out by the cooperative. Few studies have found a positive correlation between parallel and level with the participation of members of a cooperative performance (Amini & Ramezani, 2008; Laursen et al., 2008). This illustration shows the relationship between participation in cooperative activities in a country and improvement in the cooperation and contribution to the economic growth of the country. This can be seen in statistics released by ICA (2012), with countries such as Kenya involving the participation of 20% of the population (accounting for 45% of the GDP of the country),

New Zealand (40% of the population, contributing 22% to GDP), and Vietnam (with a contribution of 8.6% of GDP).

However, in Malaysia, even though the level of participation as cooperative members continues to increase (26% in 2008 and 27% in 2009), this did not lead to a significant increase in the annual performance of the cooperative (ICA, 2012). The sector's contribution to GDP was very small, at just 1% in 2009 and almost 2% in 2012 (SKM, 2013).

Some of the issues discussed were also raised regarding the effective implementation of DKN 2002-2010 including a lack of focus and attention to the market, low entrepreneurial-oriented practices, lack of understanding on cooperation, and a lack of professional management (SKM, 2010). These issues pose a challenge to cooperative firms who wish to continuously strive to improve their business performance. Conversely, cooperative firms will be more effective and efficient in the future if they can tackle these issues.

Like other businesses, cooperative firms also face new internal and external pressures in order to increase their firm performance (SKM, 2010). The challenges faced by cooperative can be in the form of changes in economic, political and environmental issues such as the global economic recession, the liberalisation of markets, the emergence of new technologies and developments in information and communication technology (ICT) which require them to strengthen their position and increase the competitiveness in the market.

To face these challenges, SKM (2010) suggested that cooperative firms need to become more productive, creative, innovative and efficient, in line with the private sector, while government involvement in the economy, particularly in high value-added activities, can generate wealth for society and benefit the members, thus contributing to the achievement of the national development goals (SKM, 2010). Successful collaboration between government and cooperative firms is crucial in ensuring that their objectives can be achieved through the fulfilment of the needs of the members. In regard to such cooperation, cooperative firms should also enhance their strategies and capability to improve the firm’s performance and benefits to its members.

2.7 Entrepreneurial Orientation

Entrepreneurial orientation is defined as a firm's tactical position that reveals entrepreneurial practices and behaviour (Zahra et al., 2014; Anderson et al., 2009). Entrepreneurial orientation is embedded in the concept that specific management beliefs and strategy decisions denote an organising structure, whereby the relevant information is embodied in new products, processes, and operational activities (Wiklund & Shepherd, 2005). Entrepreneurial orientation assists firms to gather information and knowledge that are available within and outside the firm to undertake new endeavours, by taking calculative risk and innovatively obtaining superiority (Gupta & Batra, 2015).

The study of entrepreneurial orientation has its roots in the field of strategy research, especially the work of Mintzberg (1973) and Miles et al. (1978). Mintzberg identified three strategy types (entrepreneurial, planning, and adaptive), while Miles et al. (1978) wrote about "prospector firms" and the role that an entrepreneurial approach to strategy plays when firms are faced with decisions such as over what products to offer or which markets to enter. Building on these early references to an entrepreneurial approach to strategy, Miller (1983) was one of the first to describe the components of this approach. He defined an entrepreneurial firm as one that ''engages in product marketing innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations" (Miller, 1983: p. 771). Later, Morris & Paul (1987) refined this definition: entrepreneurial orientation is the *"inclination of top management to take calculated risks, to be innovative, and to demonstrate pro-activeness"* (Morris & Paul, 1987: p. 41).

The research on how entrepreneurial orientation affects firm performance can be classified into two groups using five dimensions (Hussain et al., 2015; Cruz & Nordqvist, 2012; Casillas et al., 2010; Frank et al., 2010; Tang et al., 2008; Kellermanns & Eddleston, 2006; Dickson, 2004) or three dimensions (Li et al., 2009; Hughes & Morgan, 2007; Lee & Peterson, 2001).

The entrepreneurial orientation framework that was originally introduced by Miller (1983) used three dimensions consisting of innovativeness, proactiveness, and risk-taking. Subsequently, several studies adopted the same measurement of entrepreneurial orientation (Tarabishy et al., 2005; Kreiser et al., 2002; Lee & Peterson, 2001; Lumpkin & Dess, 1996; Covin & Slevin, 1989). Covin & Slevin (1989) further discussed entrepreneurial orientation as an entrepreneurial strategic posture (ESP) for measuring small manufacturing firms that is vital for increasing the firm performance. Kreiser et al. (2002) later, with their psychometric properties of entrepreneurial orientation, also support this dimension of entrepreneurial orientation, and Tarabishy et al. (2005) also used the dimension of entrepreneurial orientation implemented by Miller in order to measure ESP.

Miller (1983) states that entrepreneurial orientation comprises of three dimensions: risk-taking, proactiveness, and innovativeness. Miller's work comprehensively posits that "the entrepreneurial orientation of a firm is demonstrated by the extent to which top managers are motivated to take business-related risks (the risk-taking dimension), to support change and improvement in order to acquire a competitive advantage for their firm (the innovation dimension), and to compete aggressively with other firms (the proactiveness dimension)". Lumpkin & Dess (1996) include two other dimensions of the entrepreneurial orientation construct which are competitive aggressiveness and autonomy. They consider that these five dimensions define the entrepreneurial orientation construct comprehensively. Furthermore, the authors state that entrepreneurial orientation is defined as the processes, practices, and decision-making activities that lead to new entry.

However, Lumpkin & Dess (1996) designated entrepreneurial orientation as a process, practice, and decision-making activities and delineated five dimensions of it (with the addition of autonomy and competitive aggressiveness), which leads to new entry. In the same vein, Lee & Peterson (2001) also characterised entrepreneurial orientation as having five dimensions related to the entrepreneurial process. The entrepreneurial process includes the entrepreneurship activities related to the method, practices, and decision making regarding new market entry. Lee et al. (2011) also adopted these five dimensions of entrepreneurial orientation among university

students in different countries (with different cultures) to identify the role of culture in examining the differences among selected nations.

Lumpkin & Dess (1996) highlighted that the role of the environment and organisational variables in improving firm performance which needs to be further investigated. Therefore, Lee et al. (2011) researched culture, education, and government role or support using the philosophy of Lumpkin & Dess (1996) to investigate the relationship with firm performance. Recently, firms have been using the term 'entrepreneurial orientation' to refer to the strategy-making process and its styles that are closely related to entrepreneurial activities (Lumpkin & Dess, 2001). A popular model of entrepreneurial orientation related to risk-taking, pro-activeness, innovativeness, competitive aggressiveness, and autonomy was suggested by Lumpkin & Dess (1996).

The five dimensions of entrepreneurial orientation are categorised by Rauch et al. (2009) to lie within the context of entrepreneurial behaviour in a firm. The first dimension, risk-taking, is associated with the firm's capability to participate in relevant decisions and engagement to partake in new ventures and pledge significant funding for the venture. The second dimension, innovativeness, involves developing and testing new processes, products, or services. The third dimension, proactiveness, focuses on establishing instant opportunities and tactical projection to secure a competitive market advantage in terms of new products and services in the relevant industry. The fourth dimension, competitive aggressiveness, denotes the firm's ability to participate in aggressive action, and high levels of energy and efforts to surpass and exclude its opponents. The final dimension, autonomy, relates to the facilitation of independent action by entrepreneurial teams and leaders to generate new, fruitful ventures. This also denotes entrepreneurial independence when developing and conveying new concepts.

Thus, entrepreneurial orientation incorporates those policies and practices that provide a foundation for entrepreneurial decisions and actions and includes strategy-making practices and processes intended to develop venture opportunities for the firm (Muchiri & McMurray, 2015; Wales et al., 2011; Rauch et al., 2009). A summary of entrepreneurial orientation is provided in Table 2.12.

Table 2.12: Definition of Entrepreneurial Orientation

Author	Year	Definition
Miller	1983	An entrepreneurial firm involves in product-market innovation, accepts uncertain undertakings, and to devise 'proactive' innovations the punch.
Covin & Slevin	1998	Entrepreneurial firms consist of decision makers with entrepreneurial management styles, as demonstrated by the firms' strategic decisions and operating management beliefs. Non-entrepreneurial or conservative firms are those in which the top management style is distinctly risk-averse, non-innovative, and unreceptive or reactive (p. 218).
Merz & Sauber	1995	Entrepreneurial orientation is defined as the firm's degree of proactiveness (aggressiveness) in its chosen product-market unit (PMU) and its readiness to invent and produce new contributions (p. 554).
Lumpkin & Dess	1996	Entrepreneurial orientation refers to the processes, practices, and decision-making activities that lead to new entry" as categorised by one or more of the following dimensions: "a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities (p. 136–137).
Zahra & Neubaum	1998	Entrepreneurial orientation is defined as a firm's fundamental innovation, proactive tactical action, and risk-taking activities displayed in support of projects with ambiguous outcomes (p. 124).
Voss et al.	2005	Entrepreneurial orientation is defined as a firm-level outlook to employ behaviours [reflecting risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness] that cause change in the organisation or marketplace (p. 1134).
Avlonitis & Salavou	2007	Entrepreneurial orientation is defined as an organisational occurrence that shadows a managerial competence by which firms embark on proactive and aggressive initiatives to adjust the competitive scene to their advantage (p. 567).
Cools & Van den Broeck	2007	Entrepreneurial orientation denotes to the top management's strategy in relation to innovativeness, proactiveness, and risk taking (p. 27).

Pearce et al.	2010	An entrepreneurial orientation is conceptualized as a set of distinct but associated behaviours with qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy (p. 219).
Dai et al.	2014	Entrepreneurial orientation as behaviours (innovativeness, proactiveness, and risk-taking), which effect international learning, speed of entry, and performance.
Bisbe & Malagueno	2015	Entrepreneurial orientation denotes a firm-level general and lasting course of thought, disposition or outlook that leads to change in an organisation or the marketplace (p. 359).

2.7.1 Innovativeness

Innovativeness refers to the tendency of the firm to support or create new or creative ideas to produce new products, services, or processes (Lumpkin & Dess, 1996). Innovativeness denotes a common inclination to advance from the confirmed practices or inclinations of a firm to involve and support new ideas, innovation, research, and innovative processes that may produce new products, services, or technological processes (Lumpkin & Dess, 1996). Innovativeness reinforces the resourcefulness and preparedness of research and testing in the technical system for the expansion of new products through research and development (Rauch et al., 2009). According to Lumpkin & Dess (2001), innovation can be defined as inventiveness and investigation in introducing new products/services, and novelty, technological leadership and research and development in emerging new processes. The innovative approach of a firm distinguishes it from its opponents in the industry and provides a distinctive setting (Hughes & Morgan, 2007). Innovativeness, in fact, denotes the creativity and open-mindedness of an organisation to venture away from the traditional norms of business. Creativity and innovation by employees are appreciated for their ability to reflect beyond the domain of their profession that create new knowledge (Wang, 2008).

Organisations introduce innovativeness into their products, services and processes due to the rapid changes in the markets and behaviour of customers (Arzubiaga et al., 2012). According to Zellweger et al. (2010), innovation is categorised into two diverse categories: internal and external innovation. Internal innovation emphasises innovative development and value creation in the organisation, while external

innovation focuses on the progress of new products, services, or processes. Innovativeness provides the organisation with a competitive advantage, as the innovative ability is intensely developed within the organisation and it is challenging to emulate these competencies (Barney, 1991). The innovativeness of organisations is the basis for developing core capabilities that assist the organisations to restock their processes and develop the performance in financial terms (Zahra & Garvis, 2000).

Zahra & Garvis (2000) further state that organisations that innovate constantly attempt to develop new products that influence their performance. Nevertheless, radical innovations may result in customers feeling disinterested about purchasing products. The purchasing habit of consumers may be changed in order to encourage them to purchase new products. This may interrupt the current purchasing patterns of the clients. Consequently, the likelihood of procuring these new products may be reduced significantly (Szymanski et al., 2007). Hence, the organisation should devote more resources to expanding an effective communication system (Tang et al., 2008). Consumers should be informed of the new features of the products and the functions of these features, which would be beneficial to them. Thus, to be competitive in the market, there is a need for organisations to invest relevant resources in the new technologies and promotional activities to attract customers to make future purchases. This will raise the cost of organisations and so is likely to decrease the profitability (Chen & Hsu, 2013). As a result, organisations must dedicate more resources to collaborating with customers (Tang et al., 2008) and encourage consumers to use these new products, which can lower the level of performance.

Covin & Miles (1999) mention that the notion of entrepreneurship cannot be established without the presence of innovation in the organisational processes, products or services. The organisation must display such conduct and accomplish such engagement, that are the essence of innovation. The innovation must occur irrespective of the presence of any of the other dimensions of entrepreneurial orientation.

2.7.2 Proactiveness

Proactiveness is defined as *"acting in anticipation of future problems, needs or changes"* (Lumpkin & Dess, 1996: p. 146). This is the forward looking characteristic accompanied by venturing and innovative activity with the aim of producing new products or services and competitiveness compared with the competitors (Brettel et al., 2015). Proactiveness can also refer to the capability of moulding the environment by inducing trends, fostering demand, and leading new opportunities among competitors (Craig et al., 2014; Lumpkin & Dess, 1996). In a rapidly transforming environment, firms must constantly look for new opportunities to create substantial profit from their existing operations for long-term sustenance. Proactive measures are vital to ensure that entrepreneurial firms remain relevant among the competitors and in the market (Craig et al., 2014; Jalali et al., 2013; Miller, 1983). Bullinger (1999) categorises this action as strategic swiftness that is akin to the dynamic ability notion proposed by Teece (2007). Thus, appropriate entrepreneurial investments are introduced into the market. Craig et al. (2014) further state that active small firms can cultivate a viable advantage by initiating and creating innovative demands by charging higher prices. Thus, a proactiveness strategy positively influences performance (Avalonitis & Salavou, 2007).

Likewise, proactiveness is the capability to take the initiative, specifically at an appropriate moment (Kwak et al., 2013). It denotes a forward-looking perception and a firm's inclination to take initiative by anticipating and pursuing new opportunities and by participating in the emerging markets (Lumpkin & Dess, 1996). Venkatramann (1989), on the other hand, defines proactiveness as pursuing new opportunities pertaining to the present line of operations, the introduction of new products and brands ahead of the competition, and strategically eliminating operations, which are in the mature or declining stages of the life cycle. Organisations with practical performance have a progressive approach and the aptitude to modify the environment (Covin & Slevin, 1989). These organisations constantly observe their internal as well external environments and attempt to become the forerunner in the market by presenting new product lines and exploiting the market opportunities (Hughes & Morgan, 2007). These firms are likely to acquire greater earnings in contrast to their

competitors because of their timely reactions to market indications (Lumpkin & Dess, 2001). Usually, this responsiveness is observable in the context of introduction of new products and services in the market. Therefore, the proactiveness dimension is closely associated with innovativeness (Lumpkin & Dess, 1996).

A proactive firm often anticipates changes in operations (Dess & Lumpkin, 2005). Thus, to be more proactive, firms use a greater variety of knowledge to capture opportunities and boost their competitiveness (Dess & Lumpkin, 2005), by prompting the environment to be advantageous to them (Zahra & Covin, 1995). Accordingly, firms achieve higher profits or attain greater brand recognition (Dess & Lumpkin, 2005). Entrepreneurial proactiveness is an important feature of competitive advantage and innovation yield (Jalali et al., 2014; Brendle, 2001). Proactive firms have the upper hand in attaining more opportunities compared to their competitors, constructing initiatives that provide benefits in the market, and possessing the ability to charge higher prices (Craig et al., 2014; Zahra and Covin, 1995). Therefore, such businesses can administer the market by capturing the privileged channel and forming brand recognition (Wiklund & Shepherd, 2005).

Vora et al. (2012) state that firms distinguished by proactiveness attempt to discover future opportunities through their own innovation. Proactive entrepreneurs are distinguished by always remaining ahead of their competitors (Chen & Hsu, 2013). A proactive firm continuously seeks development in its operations through the constant attainment of information that empowers the firm to develop its operational competence and to sense the developing prospects in the market before its competitors (Dess & Lumpkin, 2005). Subsequently, firms that are in an effective position in the market, by attaining the acknowledgement of their brand ahead of their opponents, can generate high profits (Dess & Lumpkin, 2005). Conversely, occasionally, a highly proactive approach of a firm may influence the growth of products that are not in line with the image of the firm (Richard et al., 2004). Focusing on penetrating new markets causes the existing markets to be often neglected at the expense of investing more resources. Moreover, the investment of resources in a specific product or market may escalate the costs of the company. Thus, a vastly proactive approach may not be beneficial for the firm and may result in undesirable consequences (Chen & Hsu, 2013).

Some researchers have serious doubts regarding the proactive behaviour of organisations (Hussain et al., 2015). The effectiveness and proactiveness of the organisations are questioned. The ambiguity linked with the results is aggravated by the rapid variations in the technological environment. The competitive advantage, associated with the innovation of products, cannot be sustained for a more extended period because of the rapid innovations in the markets (Zellweger et al., 2012). However, the need for a firm's ability to evaluate the project can be more beneficial to the firm even though with high-risk status in order to improve the firm performance put the firm ahead of its competitors and enable it to survive in the market.

2.7.3 Risk-taking

Risk-taking refers to the firm's ability to create a risky resources commitment in endeavours with volatile environments in the process of produce new products or services (Lumpkin & Dess, 1996). Further, risk-taking can also be defined as the preparedness to be brave and aggressive in pursuing opportunities, and the preference for high-risk projects with the likelihood of very high returns over low-risk projects (Jalali et al., 2013; Katz & Brockhaus, 1993). March (1991) and McGrath (2001) indicate that firms with effective strategies denote extraordinary performance, while uncertain endeavours may lead to low performance, whereby such projects may either be unsuccessful or thrive over the long term, respectively. Kraus & Harms (2011) identified that family firms are non-risk-takers. Consequently, in a study conducted by Craig et al. (2014) and Naldi et al. (2007), there is a negative relationship between risk-taking and performance among Finnish family firms. Miller & Friesen (1978: p. 923) define risk-taking as *"the readiness level of the managers to commit to huge resources and risk while facing a reasonable chance of costly failure"*. Thus, risk is closely associated with unreliable capital opportunities and the commitment to the anticipated return on resources (Lumpkin & Dess, 1996; Miller,1983).

In addition, risk-taking also denotes the inclination of the organisation's top management to take valiant decisions. These decisions include initiating a new product, penetrating a new market, engaging additional staff, and financing a huge volume of resources in a risky venture (Rauch et al., 2009). Risk-taking is the

readiness of the top management to venture and pledge to engage in opportunities with uncertainty to gain success (Lumpkin & Dess, 1996). Hussain et al. (2015) indicate that risk-taking is often attributed to the ability of the manager to engage in new opportunities and ventures with lingering uncertainties posed by the surroundings (Hughes & Morgan, 2007). The organisation is inclined to acquire the advantage of market opportunities in the pursuit of earning high returns (Rauch et al., 2009; Tang et al., 2008; Lumpkin & Dess, 1996).

Chen & Hsu (2013) mention that the risk-taking dimensions of the entrepreneurial orientation construct represent innovation and proactiveness. Proactiveness nurtures the organisation to acquire relevant market opportunities. This characteristic is denoted in the form of introducing new products or services and entering into a new market (Tang et al., 2008). By incorporating the risk-taking approach, creative and innovative ideas are generated for growth and sustenance in the market (Wagener et al., 2010), thus, providing a high return on investment (Wiklund & Shepherd, 2005). Furthermore, large-scale operations that encompass a substantial risk necessitate the constant venturing of resources and an attentive risk management system. The inability to do so may result in a decline in the performance of the organisation (Chen & Hsu, 2013). Therefore, engaging in high-risk activities denotes that a created environment (Naranjo-Valencia et al., 2011) will be undesirably linked with business success (Rauch & Frese, 2007). In spite of the negative relationship between risk-taking and performance, entrepreneurs normally agree that entrepreneurship comprises risk-taking and, thus, being prepared to take risks in return for prospective rewards (Gebreegziabher & Tadesse, 2014; Jalali et al., 2014; Segal et al., 2005).

2.7.4 Autonomy

The autonomy refers to the liberty of individual likes in introducing , acquiring, and deciding a idea (Hussain et al., 2015) while Lumpkin & Dess (1996) refer to autonomy as a form of independence that an individual appreciates in presenting an idea and implementing a decision as well to follow the market opportunities. It also includes the ability and willingness of an entrepreneur, in particular, a social entrepreneur to comply

with the market opportunities and follow up of the vision till its accomplishment (Lumpkin & Dess, 1996).

Autonomy plays a significant role in quickly recognising the evolving prospects in the market and efficiently exploiting the organisational resources to attain these opportunities (Lechner & Gudmundsson, 2014). Autonomy displays the trust of the organisation in the abilities of the employees and encourages them to participate in the long-term development of the organisation by utilising their competencies beyond the established practices within the organisation.

Besides that, the autonomy is the notion closely related to flexibility which allows firm to respond rapidly with the changes of environment (Arzubiaga et al., 2012). The responsiveness of the organisation needed flexibility and coordination from organisations to enhance the effectiveness of receptiveness resulting from autonomy and flexibility. Flexibility permits the firm to respond quickly to environmental changes. The approachability of the organisation to the indicator is generated by the market increase and has the required level of flexibility. However, financial constraints will affect the scope of entrepreneurial activities if an institute is obsessed with the participatory process of decision-making and seeks to develop a consensus at all organisational level (Covin et al., 2006). Hence, the autonomy demonstrates to a locomotive of the change of entrepreneurial process and activity in the organisation (Hughes & Morgan, 2007). This autonomy assists the firm in producing new ventures and improve business processes (Kanter, 1983). Autonomy can be said to be a precondition for bringing innovation, increases organisational effectiveness, and improve firm performance (Hussain et al., 2015).

2.7.5 Competitive Aggressiveness

Bornstein & Davis (2010) state that competitive aggressiveness pertains to the firm's capability to openly as well as powerfully combat competitors and experience an enriched position by performing better than the competitors and warranting a better position in the marketplace. Competitive aggressiveness assists the firm to attain a competitive advantage over competitors in the market and improves performance to

sustain in the market. Furthermore, competitive aggressiveness also influences the firm's performance, particularly sustainability (Nadkarni et al., 2015). Hussain et al. (2015) further denote that competitive aggressiveness is reflected by introducing innovative products with competitive prices, manipulating information, and offering unusual surprises to the market.

Chen et al. (2015) further state that recent studies have proposed that this consequence depends on the environment, whereby a fast-changing environment has a stronger influence compared to slow-changing environments. The aggressiveness of the firm secures a better advantage by proactively influencing opportunities in the market ahead of the competitors, responds to rivals' actions and safeguards their market position enthusiastically and constantly (Nadkarni et al., 2015). The competitiveness notions also inspire the organisation to be the forerunner in the market and be ahead of its competitors (Arzubiaga et al., 2012). According to Lechner & Gudmundsson (2014), competitive aggressiveness is negatively associated with differentiation and cost leadership strategy, which is related to firm performance, particularly sustainability. Therefore, these strategies should be formulated to strengthen the firm's market positioning against the efforts exerted by rivals. These strategies are also developed to regulate the firm regarding the varying tendencies of the marketplace (Short et al., 2010). Additionally, competitive aggressiveness shows the organisation's aspiration to use innovative and new means rather than traditional means of opposing the market (Lumpkin & Dess, 1996).

Competitive aggressiveness occurs differently in an organisation. It may occur in the form of price competition, the introduction of innovative products in the market with greater structures compared to competitors' products giving the unconventional disbeliefs to the market and manipulating the information. All of these approaches and strategies are aimed at amassing the market share of the firm and attracting customers by focusing on the weaknesses of the competitors and undermining the ability of the competitors to compete in the market (Hughes & Morgan, 2007). Competitive aggressiveness has a close correspondence to the proactiveness dimension of the entrepreneurial orientation construct. Occasionally, the difference between the two dimensions is unclear. Proactiveness is referred to as the ability of a firm to foresee the upcoming changes in the market as well as consumers' behaviour by responding

to the trials posed by the environment. The new products and services are introduced in the market prior to the competitors' decision (Lumpkin & Dess, 2001).

2.8 Theories and Justification

This research adopts the dynamic capabilities theory to underpin the theoretical model on the antecedents of cooperative performance. The next section explains the notion of dynamic capabilities and justifies using this theory.

2.8.1 Dynamic Capabilities

Dynamic capabilities theories emphasise the benefits of firms in keeping their organisational structures aligned to the market demands in a volatile environment (Girod & Whittington, 2017). Dynamic capabilities theory was introduced by Teece et al. (1997), to explain how firms fulfil two seemingly contradictory imperatives. The firms must be capable enough to deliver value in their own unique way and also resilient and flexible to change and adapt to meet the current demands. Teece et al. (1997: p. 515) emphasised that organisations need to create a capacity to renew competencies to achieve congruence with the changing business environment; certain innovative responses are required when time-to-market and timing are critical, the rate of technological change is rapid, and the nature of future competition and markets difficult to determine. Conversely, Zollo & Winter (2002: p. 340) extended this view by stressing that firms do integrate, build, and reconfigure their competencies even in environments subject to lower rates of change, while Eisenhardt & Martin (2000) designate the relationship between the complexity of a firm's dynamic capability and dynamic environment.

The concept of dynamic capabilities originated from the work of Schumpeter (1934) (Aminu & Mahmood, 2016). The Schumpeterian view theorised that the fundamental structure of the firm and evolutionary are related to its routine and capabilities that fit between the environment and influence firm performance (Makkonen et al., 2014). However, the notion of dynamic capabilities was interpreted by previous scholars according to their research.

There are many different definitions of dynamic capabilities. The subset of competences and capabilities to create new product (Teece & Pisano, 1994); the firm's ability to integrate, build, and reconfigure internal and external competences (Teece et al., 1997); the firm's ability to sense and seize opportunities (Teece, 1998); the processes to integrate, reconfigure, gain, and release resources (Eisenhardt & Martin, 2000); the ability to sense and then seize opportunities quickly and proficiently (Teece, 2000); those (capabilities) that operate to extend, modify, or create ordinary capabilities (Winter, 2003); the abilities to reconfigure a firm's resources and routines (Zahra et al., 2006); the firm's capacity to create, extend, or modify its resource base (Helfat et al., 2007); firms' ability to sense and shape opportunities and threats, to seize opportunities, and to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring it (Teece, 2007); the firm's potential systematically to solve problems (Barreto, 2010); the firm's capabilities to sense the environment, learning, coordinating, and integrating (Pavlou & El Sawy, 2011); dynamic capabilities with "adaptive capabilities" (Day, 2011); managerial resource cognition (Hodgkinson & Healey, 2011); the firm's ability to adapt, integrate, and reconfigure resources (Argote & Ren, 2012); the firm's potential systematically to solve problems, by implementing strategic decisions and changes efficiently to ensure that the right direction is followed (Li & Liu, 2014). However, all of these definitions tend to be related to the nature of the concept, the specific role of dynamic capabilities, the environmental context relevant for dynamic capabilities, the creation and development mechanisms of dynamic capability and the relationship between dynamic capabilities and its performance outcomes. However, this research is based on the ideology of Teece (2007) whereby the dimension of dynamic capabilities consists of sensing, seizing, and reconfiguration.

2.8.2 Justification of Dynamic Capabilities Usage

Dynamic capability is an extension of the resource-based view and always related to how organisations utilise their capabilities to create competitive advantages relative to their competitors in a volatile environment (Barreto, 2010; Helfat et al., 2007; Teece, 2007). Teece & Pisano (1994), in their earlier publication, emphasise that the firm will perform well if it can denote on time, rapid and flexible innovation parallel with the

management capabilities in order to efficiently coordinate and redeploy internal and external competencies. A firm with strong dynamic capability will be able to build the profitability via renewing their resources, ordinary capabilities and assets, and consequently reconfiguring them as required to innovate and respond according to the changes in the market (Teece, 2017). The firms that aim to deliver great value to customers must be able to orchestrate their resources shrewdly and coordinate them in parallel with the activities of their partner firms.

The essence of competence and managerial processes, as postulated by the dynamic capability view of the firm, is shaped by the position of the assets of firms and moulded by their paths (Aminu & Mahmood, 2016). According to them, the managerial process can be categorised into three parts; firstly, the managerial process refers to the activity carried out by the firm; secondly, the position of the assets that belongs to the firm will shape the organisational and managerial process; finally, the specific history of the firm will mould this organisational and managerial process. In this sense, the previous investment or activities of the firms will shape the current or futures firm activities because learning activities are closely related to previous activities such as trial, feedback and assessment.

Firm capabilities enable small firms like cooperatives to enter the mainstream market and dynamic capabilities yet allow development and growth in such markets, as opposed by Woldesenbet et al. (2012). Helfat et al. (2009) suggested that dynamic capabilities will allow small firms to promote new products or services in a particular market in a potentially effective way but will not warrant their success. However, this research perceives that firms must be responsible for their actions in line with the firm's goals to increase firm performance and appear indivisible to its members.

Dynamic capabilities are a well-recognised phenomenon, which designate the firm's capacity for proactive self-renewal and efficacious adaptation in volatile markets (Koryak et al., 2015). Firms need dynamic capabilities to use their resources effectively (Eisenhardt & Martin, 2000; Teece et al., 1997). The dynamics refer to the aptitude to renovate the firms to better outfit in the changing environment; whereas the capabilities refer to the firm's ability to build and combine the internal and external

resources in order to achieve congruity with a volatile market (Chirico & Nordqvist, 2010).

The notion of dynamic capabilities, related to the firm's ability to modify its resources, has been discussed by previous scholars and is considered an essential concept in the management literature. Nevertheless, hitherto, most researchers have empirically investigated the function of dynamic capability in large and established firms (Corner & Wu, 2012; Newey & Zahra, 2009; Zahra et al., 2006) concerning how dynamic capabilities can be used to achieve competitive advantage (Barreto, 2010; Teece, 2007). Most of them discuss increasing the profit of the firm. However, differently, Corner & Kearins (2013) suggested the need to build and modify resources configurations to generate social value. Prasetyo & Khiew (2016) discuss the notion of dynamic capabilities in relation to the social value of the firm. Basically, the business model of social entrepreneurship and commercial entrepreneurship are similar in that they aim to gain profit for the firm. The only difference is that social entrepreneurs will contribute their profit to society. Hence, social entrepreneurs must increase their firm's capabilities in order to gain more profit and be sufficiently competitive to compete with their competitors. Because of that, the implementation or adoption of dynamic capabilities is needed in order to configure the firm's resources internally and externally, with the aim of increasing the firm performance and fulfilling the primary motive of social value creation.

Furthermore, dynamic capabilities are considered a first-order capability and comprise a process and routine for the identification, development and integration of the firm's resources (Woldesenbet et al., 2012). Dynamic capabilities are considered high-level activities that relate to the management's ability to sense and seize opportunities and threats together with combining and reconfiguring the external and internal resources to meet the changing customer demands (Teece, 2007). However, according to Teece (2007), firms who possess resources and operational capabilities but lack dynamic capabilities will "earn a living by producing and selling the same product, on the same scale and to the same customer population" (Winter, 2003: p. 992). Even firms that are strong in innovation but lack dynamic capability will be unable to adapt to the innovation of products parallel with the changing environment, as they "will likely fail to capitalise on its technological accomplishments" (Teece, 2007: p. 1345). The firms

need a dynamic capability for developing and revamping their resources and capabilities (Teece et al., 1997). Singh et al. (2013) suggested that dynamic capabilities are related to flexibility in the operation of the firm's resources. Woldesenbet et al. (2012) linked this type of dynamic capabilities with dynamic improvement in firms' activities in order to realise a new product market such as by supplying large purchasing organisations (LPOs). As proposed by Teece (2007), dynamic capability can be categorised as sensing, seizing, and reconfiguring.

Sensing capabilities refer to the firm's ability to discover opportunities or impulses that generate service innovation (Poeppelbuss & Malsbender, 2013). These opportunities can be sensed by both internal and external organisations (Kindström et al., 2013; Pöppelbuß et al., 2011). The ability of firms to sense markets allows them to anticipate new potential technologies and leads to the successful development of activities (Teece, 2010). Furthermore, the important component of dynamic capabilities refers sensing capability as important to the strategy of the firm (Teece, 2014). The firms with this capability will be able to gather and interpret knowledge from the markets including customers, suppliers, competitors and technological advances.

Seizing, meanwhile, refers to the awareness which includes the selection, development, expansion, and specifying potential answers to these opportunities and improving the resources routines, support system, and competences (Teece, 2007). The realisation of firms' seizing capabilities depends on the ability of the firm to sense opportunities and threats in multiple ways and be able to remove the dysfunctional fixations with existing strategies (bias, strategic persistence and inertia) (Hodgkinson & Healey, 2011). According to Lin & Wang (2015), seizing capabilities is related to the sensing of the market and affects the patent performance of commercialisation. In Teece's framework of dynamic capabilities, appropriability, and complementary assets are related to seizing decisions and the capabilities underlying firms' dynamic capability as key elements in selecting enterprise boundaries and eventually affecting firm performance (Teece, 2007). The framework of dynamic capabilities indicates that appropriability and complementary assets are related to seizing the capabilities and decisions underlying firms' dynamic capability. The market sensing capability enables firms to sense opportunities and threats from their business ecosystem, and thus implement superior seizing decisions under uncertainty. Seizing opportunities involve

the evaluation of existing and emerging capabilities, and possible investments in relevant designs and technologies that are most likely to achieve marketplace acceptance (O'Reilly & Tushman, 2008; Teece, 2007).

A business model must also exist that is capable of sustaining and exploiting new opportunities as they present themselves (Chesbrough, 2010; Teece, 2010). Similarly, Kohli & Jaworski (1990) and Atuahene-Gima (1996) call for 'responsiveness', by which they mean the readiness to disseminate market intelligence throughout the firm and duly take initiatives based upon it. The product-centric business model is inappropriate, in the sense that it may cause the loss of many previously sensed service opportunities in transit between the management levels or functions, or between resources for sensing and seizing. Firm decision-making processes geared towards products can miss service innovation opportunities that would be seized by a more service-oriented capability. Proficiency in service design and delivery is on organisational innovations as upon the development and implementation of particular service innovations. The reason is, at least partly, that many of the challenges entailed in changing from a product-orientation to a service-orientation and becoming more customer-centric are internal to the firm (Shah et al., 2006). Seizing involves selecting and developing opportunities by maintaining and improving resources, support systems, routines, and competences (Teece, 2007).

Reconfiguration refers to the competency of the firms in creating new products and technologies (Hisham Hamid, 2010). Firms employ reconfiguring capabilities in order to take action in response to opportunities or threats by modifying, extending and creating the firm's ordinary capabilities in achieving the first-order exchange (Winter, 2003). In other words, reconfiguration involves the deletion, retention and addition of resources and capabilities. There are two levels of reconfiguration (Kuo et al., 2011): to redefine its perceived value and to achieve a fit with the perceived value. Table 2.13 shows the activities and micro-foundations of the sensing, seizing, and reconfiguration capabilities.

Table 2.13: Dynamic Capability Areas

Adoption from Gebauer, 2011; Poeppelbuss and Malsbender, 2013

Capability Areas	Activities (Plattfaut et al., 2013; Pöppelbuß et al., 2011)	Microfoundations (Kindström et al., 2013)
Sensing (Recognizing and dealing with service opportunities and threats)	• Scanning • Evaluating • Detailing • Executing	• Customer-linked sensing • Service system sensing • Internal service sensing • Technology exploration
Seizing (Exploiting the sensed opportunities and fending off threats)	• Solution development • Solution evaluation and selection • Solution detailing	• Service interactions • Managing the service delivery process • Structuring the service development process • Adopting new revenue mechanisms
Reconfiguration/ Transformation (Modifying operational capabilities)	• Unfreezing • Changing • Freezing	• Orchestrating the service system • Balancing product and service- innovation related assets • Creating service-oriented mental model

All of these elements of dynamic capabilities are not only limited to the top management teams but also involve all level employees (Felin & Powell, 2016). Furthermore, the successful implementation of sensing, seizing and reconfiguration will lead to growth and profitability (Li et al., 2008).

According to Teece et al. (2016: p. 18), there are three clusters of dynamic capabilities:

i. Identification, development, co-development, and assessment of technological opportunities (and threats) in relation to customer needs (the “sensing” of unknown futures);
ii. Mobilization of resources to address needs and opportunities and capture value from doing so (“seizing”); and
iii. Continued renewal (“transforming” or “shifting”).

Higher order of dynamic capabilities influence firm performance stronger compared with low-order dynamic capabilities and these dynamic capabilities contribute more to firm performance in developing compared with developed countries (Fainshmidt et al., 2016). The characteristic of dynamic capabilities in simultaneous forces between cooperation and competition will lead to the success of firms like the Samsung Group (Song et al., 2016). As aforementioned, it has been proven that the implementation of dynamic capability by firms will increase firm performance.

2.9 Government Support

The government has tried to make the cooperative sector the dominant contributor to the national economy. According to Othman & Kari (2008), it is the role played by cooperatives in improving the socio-economic level of a country. The government's role is clearly demonstrated through the introduction of various strategies and policies related to the cooperative movement. Among them are the introduction of the National Cooperative Policy (DKN) First (DKN: 2002-2010) and the National Cooperative Policy (DKN) Both (SWF: 2011-2020).

In DKN first spanning from 2002 to 2010, the emphasis was given to the cooperative firm to be more active in developing countries (SKM, 2010). The strategy implementation in First DKN was enhanced by combining all cooperative firms under the supervision of a single SKM. According to SKM (2010), the formulation of previous policies caused several different groups of cooperative industrial firms to be placed under the supervision of different agencies. Examples are agro-based cooperatives under the supervision of the Farmers Organisation Authority (LPP), and fishery cooperatives under the supervision of the Fisheries Development Authority of Malaysia (LKIM) (SKM, 2010). Through DKN, the operating environment is conducive for cooperative firms, providing for a more orderly and steady growth (SKM, 2010). The programmes that have been implemented include business development, access to sources of financing, entrepreneurship training and legal compliance. Up until 2010, the impact of this policy can be seen through the increase in the number of firms in Malaysia and cooperative firms contributing to the national economy (SKM, 2010).

Next, the government introduced the Second National Cooperative Policy (DKN) (DKN: 2010 – 2020). The second DKN is a continuation of the first DKN, ranging from 2010 to 2020 (Mangsor, 2010). According to CCM (2010), this policy was formulated with the primary goal of improving the performance of the firm through cooperative guidance on contributions to the country's GDP. This policy focuses on the delivery of business entities, being a more competitive cooperative and adopting a proactive approach to the operating environment. The strategic thrust is to increase the capacity of the firm's internal human capital through creative, innovative thinking and entrepreneurial efforts (SKM, 2010).

In addition, Cooperative College of Malaysia (2010) illustrated a plan to formulate strategies and policies by employing four stages over a period of time. The year 1970 takes cooperatives through a restructuring of the cooperative movement by the government through the introduction of co-operative societies based on the type of activities that are in line with the New Economic Policy (NEP). In the 1980s, the government launched a New Era of Cooperation with the introduction of four types of cooperatives (Regional Development Cooperative, Bukit Industrial Cooperative, Cooperative Investment Labour and Cooperative Development Countries). In the 1990s, the government has made the standardisation of cooperative law. For the 21st century (the 2000s), the government had launched the National Cooperative Policy (NCP) and the Cooperatives Ethics. The restructuring of the Cooperative Development Department (JPK) as Malaysia Co-operative Societies Commission (SKM) by amending the Cooperatives Act 1993 came into effect from 1 January 2008 (CCM, 2010).

The role of the government in developing cooperatives is evident from the support of the establishment of agencies or bodies such as the Malaysia Co-operative Societies Commission (SKM) (formerly the Department of Cooperative Development [DSD]), Malaysian National Cooperative Movement (ANGKASA) and the Co-operative College of Malaysia (CCM) (Mohamed Khaled, 2007). The role of these agencies or bodies is to assist in promoting and strengthening the entrepreneurial activities of cooperatives in Malaysia. The effort is aimed at helping cooperative firms to be ready, in the face of global challenges, to conduct business in the open market. The role of the agencies or bodies comprising SKM, ANGKASA and CCM are discussed below.

In the Ninth Malaysia Plan (2006-2010), the government allocated RM 69.5 million for promotion and development cooperative activities (Othman & Kari, 2008). According to them, Malaysia has established CCM to promote and maintain the stability of the cooperatives, and is responsible for the observation, supervision and regulation of co-operatives, fostering cooperative value and principles, creating a conducive environment for cooperative societies, registering and withdrawing the registration of cooperative societies and advising the minister related to cooperative sectors and societies.

The financial support from the government improves the firm performance which is sourced in the form of grants and soft loans (Munoz et al., 2014). According to them, there are 40 government agencies and 12 ministries involved in the development of SMEs in Malaysia. These agencies and ministries provide extensive services with different target groups, such as the Industrial Linkage Program (ILP), to encourage SMEs to become competitive and reliable providers to MNCs, the Global Supplier Programme (GSP), to enhance the knowledge and capabilities of SMEs as a world class supplier of products or services, the Vendor Development Programme (VDP) to provide unremitting consultancy and technical assistance to the vendor, the Franchise Development Programme (FDP) that focuses on developing the commercialisation of SMEs, an Infrastructure Development programme to assist SMEs in operating their business, a Skills Upgrading Programme to increase workers' skills, Outreach and Promotional Programmes to inspire SMEs to participating in development programmes and financial assistance, an Information and Advisory Centre be responsible for provide the related information for SMEs (support programmes and financial support from the government), an SME Experts and Advisory Panel that provides industrial expert experience to SMEs to improve their technological capability and productivity, financial assistance schemes in the form of soft loans and grants and special assistance for women entrepreneurs. A previous study shows that these facilities are not fully utilised by entrepreneurs or SMEs due to their lack of awareness (Evans, 2016; Nadkarni et al., 2015). Kader et al. (2009), based on their research on One-District-One-Industry (ODOI), stress that the influences of the external environment are more dominant compared with internal factors in contributing to firm performance. The external factors tend to be related to the government's financial support, market support and training, and extension of services by the government

beside others likes market accessibility and networking with other actors in the market (customer, supplies, competitors or partners) and internal factors that are mostly related to entrepreneurial quality.

The government training assistance includes training in marketing, training in entrepreneurship, basic accounting, quality of management, and technical skills (Kader et al., 2009). Further, other government support includes business information, advisory services and technical knowledge. Awareness and ability to access such training and education is crucial to SMEs in order to improve their firm performance (Kader et al., 2009). The government is moving towards achieving competitive advantage as an industrialized hub parallel to the Malaysian vision 2020 via their financing plans and programmes (Wonglimpiyarat, 2011). In Malaysia, the National SME Development Council (NSDC) is responsible for policymaking and promoting SME development.

Cooperatives were given financial and non-financial support (related to management, auditing, and education) to enhance their development (Othman & Kari, 2008). The government allocated RM 114.2 million (2.23%) for cooperative development out of its total development expenditure of RM 51.3 billion in 2010 (MCSC, 2010). In fact, Malaysia's favourable public policy towards cooperatives resembled the accommodative public policy in the USA and Western European countries (Sexton & Iskow, 1993). The types of assistance provided by the government are as follows (Othman et al., 2014):

1. Basic support (maximum RM 30,000.00), which includes:
    i. Physical sub-assistance: This assistance involves the provision of basic infrastructure for the shop/business premises of co-operatives; and
    ii. New co-operative sub-assistance: This assistance is provided to start business activities.
2. Strengthening/stabilisation assistance (maximum RM 300,000.00)
    i. Cooperatives were given assistance in the form of a matching grant for the purpose of providing basic infrastructure, facilities, and/or capital contributions in order to enhance or expand existing activities.

ii. This assistance includes business premise renovations, purchase of business equipment, machinery and other facilities in line with the activities conducted according to the respective sectors.

3. Marketing assistance (maximum RM 300,000.00)
    i. Co-operatives are given assistance to promote or advertise co-operative products or goods, the collection and marketing of products in a systematic manner through branding, packaging, halal certification and also image building to enable co-operatives to penetrate a wider market.
4. Research and development aid (maximum RM 300,000.00)
    i. Co-operatives were given this assistance to conduct research and development activities on their products and services as recommended by the Malaysian Agricultural Research and Development Institute and universities acting as consultants.
5. Strengthening the knowledge and skills of human capital among co-operative members. Co-operative members and leaders undergo training and courses to learn co-operative principles, concepts and management.
6. The promotion of co-operatives' activities and business through expos, exhibitions and carnivals.
7. All grants or soft loans are charged at a low interest of 1-6% per annum, depending on the activities and size of the loan.

As mentioned above, there are a lot of programmes and incentives available in order to assist firms to enhance their performance. Hence, owners/mangers should be more aware of how to apply for government support and how to fulfil all of the necessary requirements to access and use this assistance efficiently.

2.10 Level of Education

Since the 1950s and 1960s, the level of education has been considered an important factor in improving growth and living standards (Ben-Porath, 1967; Mincer, 1958). Denison (1966) proved that the quality of human resources (referring to education) was more important than their quantity. In accordance with the theory of endogenous growth, firms that invest more in technological research, education, and professional

training will increase their employee quality and productivity, hence, strengthening their growth endogenously (Romer, 1994). Observation based on this theory has found that a higher education level among employees will facilitate technology adoption and is associated with a higher rate of growth (Magoutas et al., 2012).

In the current global market, with its highly competitive environment, the role of education is essential since it has been proven that people with a higher education level will determine the factors of the research and development in the innovation process, consequently facilitating improvements in productivity and competitiveness (Magoutas et al., 2012). Level of education plays a critical role as one of determinants of firm performance. As opined by Zabri et al. (2011), the education level is related to financing. Entrepreneurs with higher education level find it easier to get loan from bank institutions compared to those with a lower education level, who are more likely to obtain their financial support from external creditors such as family members, which is more risky to them and affects their firm performance (Zabri et al., 2011).

Meanwhile, Othman & Kari (2008) stress that the level of the peasantry in the country will influence the low acceptance rate of any government programmes. As the members of cooperatives are volunteers, low educated people like indigenous people, farmers, and fishermen will lag behind. As Abdul Jamak et al. (2010) found, indigenous people aborigines with a lower education level do not have a business mindset and are not motivated to grow their business. They just accept any outcome for their business and there is no pressure to maximise their business and compete with others. Their business is designed only to feed themselves and cover their current needs, so they do not have any future plans and simply try to survive (Abdul Jamak et al., 2010).

Education is linked with mortality risk as it is considered as a general measure of human capital (Thornhill & Amit, 2003). Education was deliberate categorised as ranging from low to high (lower than college, college, trade or technical school to non-university and university) (Lechner & Gudmundsson, 2014). The managers of firms with a higher education level, more business exposure and greater industrial and managerial experience will contribute more to the firm's success compared with those with a lower education level, minimum or no business exposure and limited industrial

and managerial experience (Lussiers & Pfeifer, 2001). Lower education level is related to a lack of managerial skills which is considered the main reason for the failure of start-up businesses (Munoz et al., 2014). Numerous small business owners lack education and training and are not motivated to grow their business, which contributes to failure in the long term (Shome, 2002; Fong, 1989). Lower education is mostly related to poor management, poor timing, less exposure to a knowledge of technology and poor market analysis (Munoz et al., 2014).

The level of education among the top management teams will reflect the cognitive ability, skills, receptivity to innovation and strategy change (Wincent et al., 2016). A higher education level will influence the ability of the top management teams to handle the ambiguity within the firms. Further, the networks of top management teams with a higher level of education will commonly be more open to innovative projects due to their confidence in their ability to solve any problems that may arise during the process of innovation regardless of the complexity.

Educated people have more intention of opening their own business and they can attract more educated workers to their business (Belas et al., 2015). This is because educated workers normally have a positive significant relationship with output and productivity of the business (Millan et al., 2014). Hence, with this characteristic, more cooperative firms will be open and generate more income, consequently benefitting their members.

2.11 Firm Performance

Continuously evaluating the firm performance and identifying the key performance indicators is considered the main aspects that need to be addressed (Sousa & Aspinwall, 2010). Performance can be considered as the main indicator in assessing the operation of an organisation (Musa et al., 2014). Many studies in the field of management have investigated the issue of performance, especially in the context of strategic management (Santos & Brito, 2012). Measuring performance is important as it provides a benchmark for examining the implementation of particular strategies in an organisation (Musa et al., 2014). According to Rozana & Abdul Hakim (2005), the

assessment of performance is beneficial in upgrading and improving a firm's existing programme and policy.

The attribute of performance is an extensively used notion in various contexts. Performance depicts the flow of a process or mechanism in attaining a specified purpose. In the entrepreneurship context, the performance of an organisation is defined by Wu (2009) as the efficiency of the management of an organisation, and the efficacy of delivering the perceived values of the organisation to customers and stakeholders. The effectiveness of performance is often determined by the ability to satisfy the requirements and interests of investors and stakeholders. Wu (2009) further posits that the anticipated objective of the organisation must be attained with superior competency and efficacy compared to its competitors in the industry to accomplish superior relative performance. Efficiency is measured by utilising relevant measures effectively, delivering the expected values and using the available multi-measures. Even though the measure of effective performance varies, the use of a financial indicator is deemed important. Wu (2009) further suggests five vital elements for assessing manufacturing performance. These dimensions are quality, delivery speed, delivery reliability, price (cost), and flexibility. The stockholders' importance is reflected by evaluating the aforementioned dimension to attain a holistic and multi-dimensional output.

The performance of a firm is measured by various parameters. Financial and non-financial indicators provide different performance measurements of a firm. Thus, Stam et al., (2014) mentioned that researchers differentiate those measurements as financial indicators that measure the economic aims of the firm, whilst non-financial indicators measure the operational efficacy of the firm. Both indicators are important and work together to achieve growth and sustain the required profitability of the firm, as both dimensions capture diverse aspects of the firm performance.

Similarly, Stam et al., (2014) conducted a study from the perspective of growth, profitability, and nonfinancial performance to measure firm performance. The growth of a firm is perceived by the growth in sales, profit, employment, and market share of the firm. The profitability of a firm is measured by using accounting-based indicators, such as return on assets (ROA), return on equity (ROE), and return on sales (ROS)

as well as a self-reported valuation of profitability. Meanwhile, indicators such as technical excellence, competitive capabilities, productivity, and export performance measure the non-financial performance of a firm.

The performance of firms is recorded by selecting relevant measures to specify the objectives of the firm, whereby the firm aims to trade for long term or short-term growth (Zahra, 1991). Wiklund & Shepherd (2005) propose that, during the organisational life cycle of a firm, the focus should be beyond financial measures for effective performance and output. Thus, performance is determined by adapting an instrument established by Gupta & Govindarajan (1984) in the context of entrepreneurship that is widely used by researchers in this domain (Tang & Tang, 2012). A 5-point Likert scale was employed to specify the relativeness to the following indicators based on financial and non-financial criteria: (1) sales; (2) sales growth; (3) market share; (4) growth in market share; (5) net profit; (6) cash flow; (7) return on investment; (8) customer satisfaction; (9) competitive capacity; and (10) feasibility of self-financed growth. The respondents are also required to indicate their satisfaction with the performance of the firm based on the aforementioned criteria using a 5-point Likert scale. A weighted average performance index is computed to reflect the relevancy and accuracy of the evaluation in relative to the achievement of the organisational gaols (Tang & Tang, 2012). Studies by Chandler & Hanks (1993) and Dess & Robinson (1984) posit that these measures provide relevant reliability and validity which are useful for assessing a comprehensive non-performance dimension of performance.

Jean et al. (2012) state that the effective and efficient performance of an organisation is an important dimension for managers and researchers in charting the path of the organisation. Boyd et al. (2006), in a review of articles published in leading management journals from 1998-2000, revealed that 38% of the dependent variables relate to organisational performance. Many scholars have defined organisational performance in different ways. However, Jean et al. (2012) identify a classical differentiation in many of these definitions. The financial and non-financial aspects of organisational performance are the most prevalent classifications in the organisational performance literature.

Measuring organisational performance assists the management to assess the effectiveness of past decisions, identify areas for improvement and determine employee rewards, strategy and so forth. Neely et al. (2005) define performance measures as a metric used to compute the competence and/or efficiency of an achievement. Skrinjar et al. (2008) outline organisational performance as encompassing of the definite output or results of an organisation measured based on the projected yield of the organisations; aims and objectives. On the other hand, Moullin (2003) describes the performance of an organisation as being based on how efficiently the organisation is managed and the importance on the delivery of the organisation to the customers and other stakeholders. Santos & Brito (2012) mentioned that performance measurement is usually used to facilitate the implementation of strategies and to enhance organisational performance. In the present day, the measurement of the existing performance dimension encompasses the practice of financial as well as non-financial performance methods associated with the organisation's business approach (Gathungu et al., 2014). The improvement in organisational performance is the main purpose of entrepreneurship and strategic management theory (Mthanti, 2012).

Based on previous studies, there is a lack of uniformity in the methods used to denote the concept of organisational performance in the Strategic Management or Entrepreneurship research (Carton, 2004). In addition, past research states that the performance construct comprises multiple dimensions such as growth, profitability, and nonfinancial performance (Stam et al., 2014) and some key dimensions of performance (quality, delivery speed, delivery reliability, price (cost), and flexibility) (Gathungu et al., 2014).

Furthermore, Gathungu et al. (2014) stated that some studies focus on the use of a limited measure of performance, and not substantially on the use of both financial and non-financial measures. Therefore, future studies should comprehensively examine performance. Performance should be operationalised parallel to six perspectives; financial or economic measures, customer satisfaction, learning and growth, business process, and social and environmental measures. Research on firm performance and corporate social responsibility conducted by Mackey et al. (2007) defined firm performance in the context of its market value since entrepreneurs are driven by profit.

Market value is defined as the price of firm's equity multiplied by the number of its shares outstanding (Mackey et al., 2007). The various dimensions for increasing the firm's value comprise the firm size, technology adaptations, innovation capacity, and customer satisfaction and employee commitment (Musa et al., 2011). Conversely, there is lack of agreement over the adequate and accurate measures of organisational performance.

However, cooperative firms are uncertain whether the focus should be on either the financial aspect or the social welfare of the members (Mayo, 2011; Davis, 2006). Cooperative firms related to membership compensation and their profit often results in a 'net zero surplus' because the gross income is disseminated to the members through a price reduction (Guzman & Arcas, 2008; Kyriakopoulos et al., 2004). This differs from the situation in the private sector as this sector witnessed an emphasis on the social welfare of the members due to the members' status as owners and consumers of the firm's service and products (Alfred, 1989). Nonetheless, it is vital for cooperatives to focus on their financial performance in order to ensure their survival, and only then to proceed to fulfil their social responsibility to their members (Musa et al., 2014).

The social enterprise performance measurement tools are normally based on a profit-based perspective, as implanted by commercial business industry (Speckbacher, 2003). While profit organisations ruminate on wealth creation as an approach for measuring value creation, cooperative firms see wealth creation as an approach to self-maintenance (Dees, 1998). Cooperatives should able to earn income in order to ensure their long-term survival and put aside money for further investment. As a result, the cooperative firm considers a 'double bottom line' and should be able to produce both economic and social value. In addition, social entrepreneurship cannot be measured by the traditional financial indicators or by market share as they are social value oriented. Hence, in order to measure the social effect as inherent to social entrepreneurship, the Roberts Enterprise Development Fund (REDF) and Social Impact Analysts Association (SIAA) suggested a single financial measure, Social Return on Investment (SROI) in order to perform social impact evaluation (Chmelik et al., 2016). Therefore, this research will use social return on investment as a measurement for firm performance.

2.11.1 Social Return on Investment (SROI)

In traditional entrepreneurship, a staple financial measurement was based on return on investment (ROI). However, in social entrepreneurship, the Roberts Enterprise Development Fund (REDF) suggested using SROI analysis.

Social Return on Investment was introduced by Jed Emerson in 1996 while he is at the Roberts Enterprise Development Foundation in the United States. Social Return on Investment originated and developed from the field of financial accounting.

Roberts Enterprise Development Foundation (Gair, 1996: p. 2) reveals that the motivation for the preliminary work on Social Return on Investment was:
Because we couldn't tell whether our work – and the work of our portfolio agencies – was improving the lives of the people we all intended to help. It seemed to be having good effects, but we had no way of assessing the impact of the resources. We wanted to answer a series of questions, including:

- How can we measure the success of our efforts?
- How do we – practitioners and philanthropist/investors – know whether we're accomplishing what we set out to do?
- How can we – practitioners and philanthropist/investors – make informed decisions about the on-going use of our resources?
- How can we test and convince others of what we believe to be true: that for each dollar invested in our portfolio agencies' efforts, there are impressive, quantifiable resulting benefits to individuals and to society?

Originally, REDF started their work with a cost benefit analysis (CBA). However, they argued that there was a limitation to answering those questions and so a new approach was needed to address them. Consequently, they introduced the Social Return on Investment. In line with this perspective, Scholten et al. (2006: p. 12) defined it as a process of understanding, measuring and reporting on the social, environmental and economic value created by an organisation.

Social Return on Investment is a relatively new approach to measuring the value generated by human activity (Nicholls, 2016). There are many definitions and approaches of Social Return on Investment. Nicholls et al. (2009) addressed the key aspects for the formulation of a Social Return on Investment definition:

1. Relationship between value and the financing perspective.
2. Social Return on Investment – measures how to evaluate the return on investment (exe; a ratio of 3:1 represents that a £1 investment will generate £3 - worth of social value).
3. Social Return on Investment – Value rather than money or more than just money.
4. Social Return on Investment can be analyse based on the entire organisation of only on certain of its projects.

As cooperatives measure performance related to social value, there are seven principle of social value which are stakeholders' involvement, understand change, do not over claim, only include what is material, value what matters, be transparent and verify of result (Social Value International, 2015). Hence, the implementation of those seven principle in SROI to monetise the outcomes from the valuation of the outcome uses financial proxies (Nicholls, 2016).

Rauch et al. (2009) used meta-analysis to confirm that firms with higher levels of entrepreneurial orientation will experience higher level performance, both financially and non-financially. The outcome of non-profit is related to the entrepreneurial orientation relationship. Some focus on customer care as in the research by Davis et al. (2011), while others focus on the benefits to their members like cooperative firms (the members are the customers) (Cooney & Lynch-Cerullo, 2014; Davis et al., 2011).

2.12 Chapter Summary

This chapter has endeavoured to introduce the background, characteristics, and nature of Malaysian cooperative firms (focusing on the SME category). The main body of the literature review concentrates on the dimensions of government support, education level, entrepreneurial orientation, dynamic capabilities, and firm

performance. The theory of dynamic capabilities and the justification of the selection of this theory have been explained.

After completing the review of the existing literature and the models on the topic of social entrepreneurship, particularly in relation to cooperative firm in Malaysia, the principle contribution of this study lies in improving the understanding of cooperative firms from an integrative perspective. The findings of the study are based on the evaluation of secondary sources. Studying various sources about business enhancement helped with learning that small businesses represent the largest portion of the industry. The key objective of the study was to evaluate the determinants of social entrepreneurship performance, which are related to the awareness of the firms of the external environment (government support). The theoretical model that illustrates the relationship between the factors in influencing firm performance and the development of the hypothesised relationship will be described in the following chapter.

Cooperative firms are unique organisations due to their differences from other business firms. A striking distinction can be seen in the form of ownership, which is based on the inclusion of public including customers and the users of the products, as well as the employees of the cooperative themselves. The objective of the establishment of a cooperative is to meet the needs of its members. The practice of management is based on democratic principles whereby one member may have only one vote. Besides that, benefits come not only through the allocation of dividends, but also through the improvement of the quality of the services.

In Malaysia, the government plays a considerable role in aiding the development of firms in the cooperative sector. This role is clearly illustrated through establishing several government agencies such as SKM and MKM. The role of both organisations is to help cooperative firms to develop the organisation, encompassing financial aid and grants, as well as management services and human resource training. Besides that, support is given to ANGKASA as the patron of all of the cooperative firms in Malaysia. All of the assistance and support given by the government is aimed at raising cooperative firms to a higher level and improve their performance. As a result,

economic development in the country also increases with the progress of the cooperative sector in Malaysia.

Chapter 3 : Hypothesis Development and the Theoretical Model

3.1 Introduction

The previous chapter reviewed the relevant literature on the subject under investigation. This chapter focuses on the model development based on a review of the literature. Thirty-two hypotheses were developed, and each hypothesis is examined in this chapter.

3.2 Conceptual Model

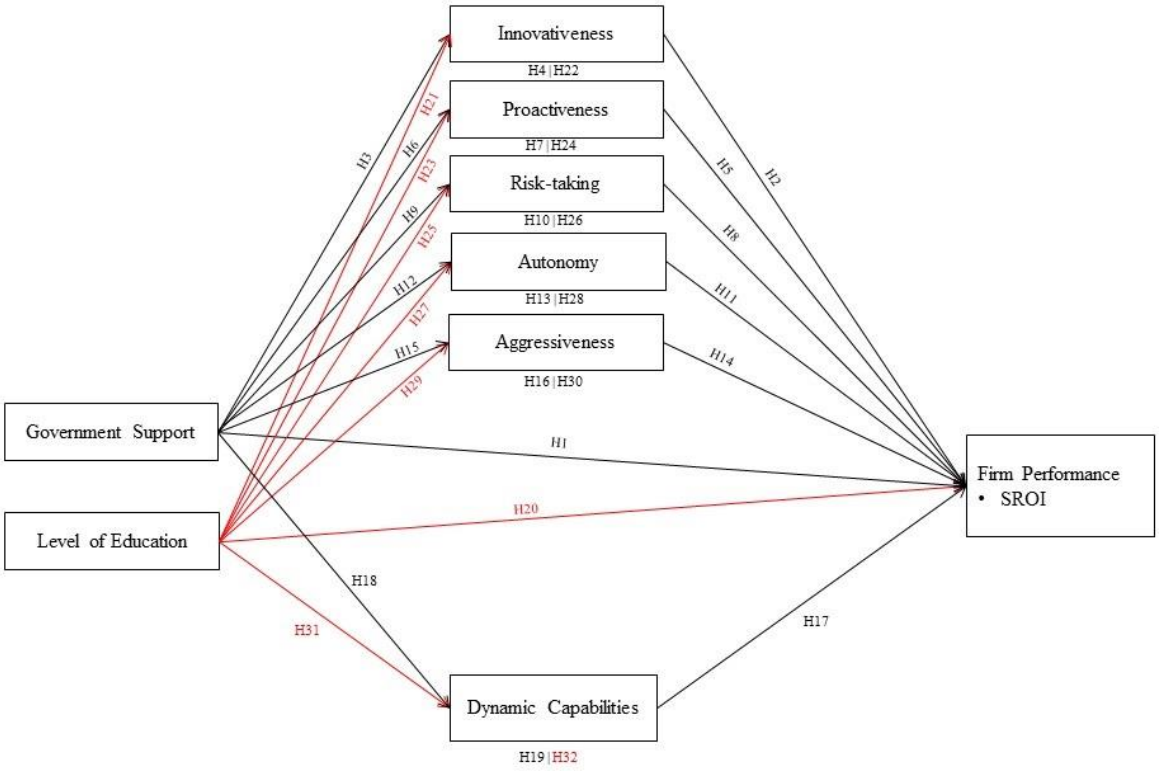

Figure 3.1: Conceptual Model

3.3 Government Support and Entrepreneurial Orientation

Figure 3.2: Relationship between government support and entrepreneurial orientation

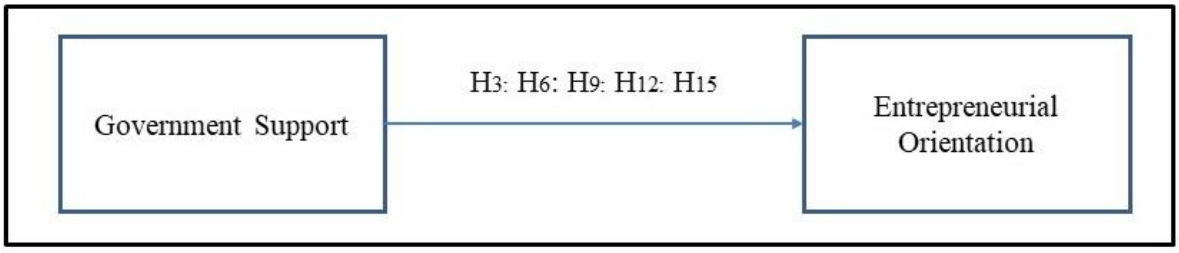

Figure 3.2 shows the relationship between government support and entrepreneurial orientation (innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness). A high degree of government support will be positively associated with firm proactiveness (Swann, 2017) while proactiveness is closely related to the vast knowledge of a company (De Clercq et al., 2013). Knowledge means considering intangible resources that can be very hard to imitate and allows firm to predict the external environment more accurately (Liu & Lee, 2015). The firm will be able to anticipate future trends of commercial potential and evaluate them accordingly with tactical action (Hoarau & Kline, 2014). Firms that lack such knowledge may not be able to utilise the resources gained from external sources and exploit opportunities in new markets. That knowledge becomes an important source of entrepreneurial orientation that drives firms to achieve better performance and allows them to respond to new opportunities in a changing environment (Wiklund & Shepherd, 2003).

According to Mthanti & Ojah (2017), the positive relationship between entrepreneurial orientation and economic development is entirely based on the level of development. They suggest that government support through their policy promotes entrepreneurship and is associated with economic growth. High firm performance will contribute to greater economic growth (Zhang et al., 2016). Audretsch & Keilbach (2005) support and propose the importance of knowledge based on the idea of Schumpeter (1942) about fostering the innovation of the firm and contributing to firm performance. In line with this idea, this research assumes that the knowledge gained by cooperative firms via the training provided by the government will lead to innovativeness, pro-

activeness, risk-taking, autonomy and competitive aggressiveness. These relationships will encourage knowledge spill-over, new arrangements and technological progress, and also contribute towards facilitating firm performance and, consequently, economic growth (Mthanti & Ojah, 2017).

However, some scholars argue that new or small firms do not offer novelty of products in the market but, instead, tend to offer existing products or services to an existing market (Hurst & Pugsley, 2011). They do not utilise the knowledge available in the environment and do not grow into big entities in the future, nor do they plan for that eventuality (Henrekson & Sanandaji, 2013).

The New Economic Policy (NEP) was implemented in 1970 due to the concern of the government regarding the inequalities between Bumiputera (Malaysians) and other races (mainly Chinese) who conquer the business activities (Ariff & Abu Bakar, 2003). The purpose of this programme was to increase the ownership of Bumiputera and their participation in the corporate sectors in order to increase their income and reduce the inequalities as well as eradicate poverty. For example, a policy was executed to create a Bumiputera Commercial and Industrial Community (BCIC) in order to foster middle-class Bumiputera that would nurture Bumiputera entrepreneurs and create professionals (Economic Planning Unit, 2001).

The efforts of the Malaysian government to promote indigenous or Bumiputera in the field of trade and industry is considered a socioeconomic initiative. For example, the NEP was replaced with the National Development Policy (NPD) in order to enhance the participation of Bumiputera in economic and business ventures.

In terms of financial support, from 1966 to 1990, MARA (the Council of Trust for the indigenous or Bumiputera of Malaysia) offered approximately RM600 million loans to an estimated 108,000 small businesses (Zainol, 2013). However, only 10 percent of the borrowers were seriously committed to repaying the loans while most of the others abused the facilities. This scenario contributes to the negative relationship between government support and entrepreneurial orientation which contributes to a reduction in firm performance. Zainol (2013) employed multiple linear regression (MLR) analysis and documented that government-aided programmes do not influence entrepreneurial

orientation. Majority of Malays lack the awareness, financial capabilities, and skills to seize the opportunities offered by the government via their policy.

The positive relationship between government support and entrepreneurial orientation is in line with Shu et al. (2019). Their study analysed multi-respondent data collected from 230 Chinese-based firm and demonstrated that government institutional support enhances entrepreneurial orientation and strategic renewal individually. Furthermore, even though government is viewed a mediator, it positively contributes to the relationship between entrepreneurial orientation and firm performance (Hogue, 2018). However, some scholars argue that government in the transition economy still controls a significant portion of scarce resources, which may limit the effectiveness of the firm's proactive practices (Sheng et al., 2011). Scarce resources related to limited availability of workers, raw materials, equipment, and organisers are used to produce scarce goods. As with the general shortage of a general society, the resources provided fall into the restricted category as it has limited availability in combination with greater (potentially unlimited) productivity (Etriya et al., 2019). In Vietnam, the existence of socialist and market-based capitalist systems, government control over resources, and financing and distribution of materials also created its own environment for the impact of the performance of proactive, innovative, or risk-taking strategies. However, the ability of the firm with their proactive, innovative, risk-taking, autonomy, and competitive aggressiveness allows firms to better approach government-controlled resources and overcome the limits of weak institutional infrastructures (Xin & Pearce, 1996). They can manage to sense and seize the opportunities and reconfigure if needed.

A number of scholars have debated on government programmes in the social sector and these programmes has rapidly become intertwined with the performance of non-for-profit organisations (Gamble & Moroz, 2013). Most of the non-for-profit firms have limited revenue generation capabilities and depend on funding and private donations by the government (Alter 2007). Hence,

H3: Government support has a significant positive relationship with innovativeness.
H6: Government support has a significant positive relationship with pro-activeness.
H9: Government support has a significant positive relationship with risk-taking.
H12: Government support has a significant positive relationship with autonomy.

H15: Government support has a significant positive relationship with aggressiveness.

3.4 Government Support and Firm Performance

Figure 3.3: Relationship between government support and firm performance

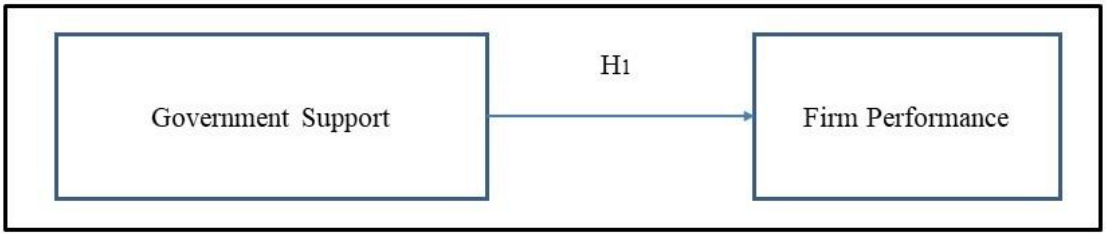

Figure 3.3 illustrates the relationship between government support and firm performance. The role of the government in helping companies to increase their income is constantly argued by scholars (Doh & Kim, 2014; Cumming & Fischer, 2012). Better interaction between firms and government to achieve superior performance has been a long debated topic, especially in the field of economic and management research (Wu & Cheng, 2011). The government can provide support to SMEs or cooperative firms through various means such as government funding, new technology and information support, government subsidies, tax reduction, establishment of a public service platform and industry access, as well as obtaining investment projects from the government (Dai & Liu, 2015). Wu & Cheng (2011) researched the impact of managerial political connections especially with regard to accessing government subsidies and revealed the importance of subsidies in enhancing firm performance.

Othman et al. (2014) identified that Malaysian cooperative firms are currently facing challenges that require instant attention. The Malaysian government should pay more attention to cooperative firms to enhance the firms' performance. There are few types of support provided by the Malaysian government to enhance the development of cooperatives, such as physical sub-assistance (the provision of a basic infrastructure to the business), new co-operative sub-assistance (activities related to starting a business), assistance with grants, business premise renovation, marketing

assistance, research and development aid (assistance with conducting research), strengthening knowledge and skills and soft loans with low interest rates (1-6% per annum) (Othman et al., 2014).

The government support for improving firm performance for SMEs, particularly for cooperative firms, is undeniable (Mohamad & Sidek, 2013; Sohn & Kim, 2012). The government policy has been improved in a way that is designed to help to increase the firm's performance and ensure lasting competitiveness in the market (Kraja et al., 2014). Furthermore, the programmes offered by the Malaysian government concerning cooperative firms will increase performance (Othman et al., 2015). The government policy nature of the overall economic development programmes are strong indicators of cooperative firms, especially regarding activities that the government is willing to support (Fogel et al., 2006; Rodrik, 2006). The government policy promotes certain types of behaviour and controls (Parboteeah et al., 2008). The policies will reduce the level of uncertainty, improve predictability, and reduce the costs associated with information search and rights and contracts enforcement (Roxas & Chadee, 2013). Consequently, they suggest that the institutional environment improves firm performance but is limited for several reasons. Wonglimpiyarat (2011) stressed the importance of government policy in countries like Malaysia and Thailand to promote technology development and firm innovation, which will enhance firm performance.

The positioning of knowledge management is related to the assistance offered by the government to cooperative firms to ensure that the skills, abilities, and learning capacity of the cooperative are in proper use (Mohamad & Sidek, 2013). The establishment of the National Cooperative Policy (NCP) was intended to address this issue. The business support offered by the government through their programmes will enable cooperative firms to access resources which they cannot access by themselves, and reduce the risk associated with starting or funding their business (Roxas & Chadee, 2013). Their research argues that government support is considered a critical element of the institutional environment which supports firm competitiveness.

Malik & Kotabe (2009) examined government policies among manufacturing firms in India and Pakistan and reported that a combination of organisation learning and government policies contributes to enhanced firm performance. Zainol (2013) conducted research related to a government aid programme (government supported activity) and suggested the importance of the programme in increasing firm performance. However, there is a problem associated with the implementation of government policies, especially in regard to the allocation of funds to help firms where borrowers are not seriously committed to the loan payment. This issue will impact future government budget in helping enterprises.

Cumming & Fischer (2012) investigated business advisory services (also referred to as coaching), which is one of the most omnipresent and persistent forms of government support, and found they positively impact firm growth. Doh & Kim (2014) looked into government support policies in Korea related to patents, trademarks, utility models and new design registration and reported the positive effect of fostering innovation performance in increasing firm performance. A variety of government support has been discussed, including the quality business support, immediate technical and managerial training programmes, support via engaging in joint activities with other actors to improve networks and knowledge, financial incentives, legal enforcement, and intellectual property (Doh & Kim, 2014).

However, the empirical results of Chinese SMEs from 120 cities by Cai et al. (2016) reported a negative relationship between government support or intervention in research and development activities and firm performance. They argue that, in order for SMEs to foster firm innovation and increase firm performance, policymakers should build a favourable institutional environment. According to them, the negative relationship accoutred can be attributed to China's law relating to corporate governance, investor-protection system and accounting standards, inefficient enforcement, absence or do not operate as intended due to the short history of China's market-oriented economy (Allen et al., 2005). This phenomenon makes it difficult for SMEs to secure property rights and enforce contracts, which will impact their motivation to search for new technology and produce new innovative products (Chen et al., 2011; Lin et al., 2010). Furthermore, the country's financial system is dominated by larger firms and most of the financial institutions prefer to deal with larger firms to

avoid higher risks. Thus, the role of the government has both positive and negative effects on companies. Overall, the government support is aimed to assist companies to improve their innovation capabilities. However, this research will determine the role of this relationship in contributing to social value as, from the profit of the firm, all of the members of the cooperatives will obtain social benefit through low prices, educational loans, and help with when something unexpected occurs. This leads to the following hypothesis:

H1: Government support has a significant positive relationship with firm performance.

3.5 Level of Education and Entrepreneurial Orientation

Figure 3.4: Relationship between level of education and entrepreneurial orientation

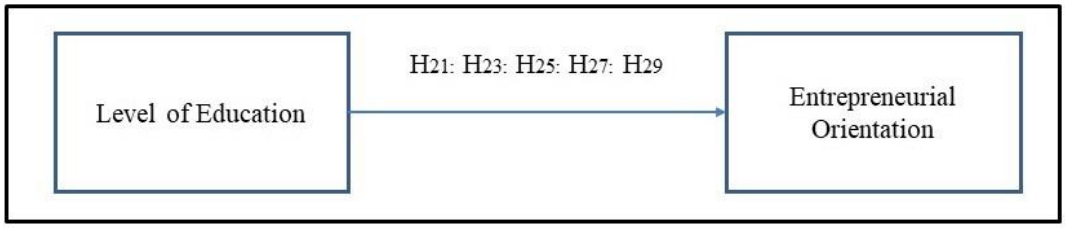

Figure 3.4 shows the relationship between level of education and entrepreneurial orientation. The choice of using entrepreneurial orientation as a contributor to firm performance has been broadly discussed (Saeed et al., 2014; Rauch et al., 2009). Subsequently, much research has been devoted to identifying the antecedents of entrepreneurial orientation (Wales et al., 2013). Engelen et al. (2014) argue that the characteristics of a CEO or leader of the firm drive entrepreneurial orientation which includes the level of education. Other than level of education, Tansley (2011) argues that there are other individual characteristics that are linked to successful firm performance which are related to the talents of individuals such as leadership behaviours, high levels of expertise, creativity, and initiative stemming from a 'can do attitude' based on self-belief.

A higher education level should create an ambidextrous leadership in order to influence a higher level of entrepreneurial orientation (Luu, 2017). Firms with higher level education will increase their learning capabilities and influence the firm's

entrepreneurial orientation as illustrated by these positive relationships (Altinay et al., 2016). A high level of education with high personal initiative related to innovative and proactive attitudes will overcome any weaknesses and increase the confidence level and motivation to become a risk-taker (Munoz et al., 2014). Kljucnikov et al. (2016), conducted a study in 2015 in Czech Republic and show that more educated managers are more intensively inclined to undertake riskier projects and initiatives and display aggressiveness against their rivals.

Many scholars claim that entrepreneurship can be learned and trained (Gibb, 2002). McGrath (1999) argue that through entrepreneurship education, students can learn the factors that lead to entrepreneurial failure and avoid the same mistakes. Entrepreneurial education can also reduce the negative image of entrepreneurship and business failure (Cho & Lee, 2018). Entrepreneurial education can prove entrepreneurship as a viable career choice and develop an entrepreneurial culture among students (Kirkley, 2017; Donckels, 1991; Johannisson, 1991). It can provide opportunities for students to meet well-known entrepreneurs and influence their attitude towards entrepreneurship. In other words, entrepreneurship courses can help students to emulate their role models in becoming entrepreneurs. According to Peterman & Kennedy (2003), after completing entrepreneurial education, participants showed a higher perception of their desire and the possibility of starting a business. Kuttim et al. (2014) confirmed that, based on an empirical study of 17 national students, participants in entrepreneurship education showed higher entrepreneurial orientation. Through an empirical investigation of science and engineering students, Souitaris et al. (2007) found that because of their psychological inspiration, the entrepreneurial programme generated overall entrepreneurial orientation and influence their intention. Noel (2001) also found that majority entrepreneurial students show a strong interest in starting their business as he argues that education affects students' effectiveness (Gist & Mitchell, 1992).

Education is always related to the knowledge. Knowledge of strategic postures and their drivers can lead to a better assessment of future success; it can also allow individuals to make the right choice about becoming an entrepreneur in the first place. Firm-level innovations (Avlonitis & Salavou, 2007) and individual-level concepts such as self-evaluation (Simsek et al., 2010), CEO of narcissism (Chatterjee & Hambrick,

2007), and overconfidence (Engelen et al., 2015) have been identified by the literature as guides to entrepreneurial orientation and their elements (innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness (Bernoster et al., 2018). Marques et al. (2018) also suggest that education has a greater impact on business and social sciences students which positively influence individual entrepreneurial orientation (EO). The level of education influences the ability of cooperative in strategy and decision-making and critical thinking. Due to the volatile market, organisations need to groom employees to possess high level strategy, good decision-making, and critical thinking. These abilities will help employees in becoming more innovative, proactive, risk-taking, autonomous, and competitive (Musa et al., 2014).

However, Cho & Lee (2018) suggested different perspective as they revealed there is no relationship between education and entrepreneurial orientation. Similarly, Kljucnikov et al. (2016) found that the level of education of entrepreneurs does not have a positive impact on the implication of a competitively aggressive strategy of firm management. Those with an MBA or higher level of education in the overall dimension of entrepreneurial orientation will be more uitable for the manager position compared to entrepreneurs (Kundu & Rani, 2016).

In their empirical research on university students from Malaysia, the US, India, Fiji and Korea, Lee et al. (2011) show that there is a significant relationship between entrepreneurial orientation and students (education). Entrepreneurial orientation behaviour among students will prepare them for business, as entrepreneurial orientation has been suggested as a vital attribute in increasing firm performance (Lee & Peterson, 2001; Wiklund, 1999; Dess et al., 1997; Becherer & Maurer, 1997; Lumpkin & Dess, 1996; Covin & Slevin, 1989). Accordingly, it is crucial to develop entrepreneurial orientation behaviour among students to encourage independence when doing business to boost the future economy.

While the entrepreneurial orientation of managers or social managers in the development of product and services is a critical factor, a higher level of education will also help to increase the level of entrepreneurial orientation (Beekman et al., 2012).

Overall, the above literature documented that education level leads to improved firm performance. Hence, this research posits that:

H21: Level of education has a significant positive relationship with innovativeness.

H23: Level of education has a significant positive relationship with proactiveness.

H25: Level of education has a significant positive relationship with risk-taking.

H27: Level of education has a significant positive relationship with autonomy.

H29: Level of education has a significant positive relationship with aggressiveness.

3.6 Level of Education and Firm Performance

Figure 3.5: Relationship between level of education and firm performance

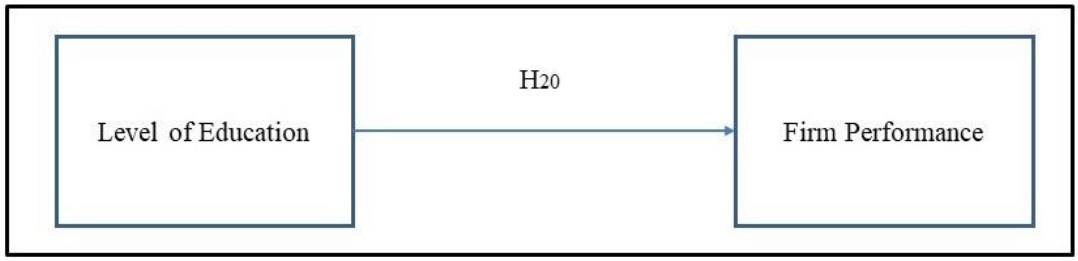

Figure 3.5 shows the relationship between the level of education and firm performance. Education is considered a critical factor that determines the success of a firm as it is a tool for attaining ideals (Lee, 2016; Boyer et al., 2008). Furthermore, training provided by the government is always related to education since entrepreneurs with a higher education level are more interested in knowledge compared to entrepreneurs who possess lower level of education as they tend to think about short-term planning (Mohd et al., 2016). In education, the infrastructure shows that educated and skilled people are a basic component for developing human capital (Varol, 2010). Therefore, this research argues for the importance of level of education in the development of firms, especially regarding resource managementr to avoid any wastage and misleading information regarding the utilisation of resources. If either the employers or owners of the firms have a high education level, this will lead to appropriate decisions being taken to address firm's issues. People with higher education are more rational and wiser when making decisions. However, De Mattos & Salciuviene (2017) reported a negative relationship between level of education and firm performance and showed that entrepreneurs with lower education (their context-

degree) are almost three times more likely to be associated with a firm that is attractive as a prospective alliance partner compared to higher educated (postgraduate) entrepreneurs. As postulated by De Mattos & Salciuviene (2017), the level of education improves the firm performance in accordance with their experience. Entrepreneurs with low education (degree) will be more experienced as they start working at an early age. In contrast, entrepreneurs with a higher level of education (Masters or PhD), invested most of their time in education anded start working slightly later which contributes to less experience. People with more experience are more mature to manage the firm. In general, the result indicates that there is a negative relationship between education level and firm performance. In other words, a higher level of education not necessarily influence firm performance

Some research relates education level with the experience gained by entrepreneurs (De Mattos & Salciuviene, 2017). Previous studies have linked entrepreneurs' experience with high firm performance (Staniewski, 2016; Bloodgood et al., 1996). People with lower education (degree or diploma) will gain more experience compared to those with a higher education level (PhD or Masters). Their experience will encourage them to make wise decisions in relation to any issue and become more matured. However, some studies argue that education level has negatively affect firm performance. This is because people with negative experience, such as a failure in business, will decrease or cancel out the positive effect of certain factors (e,g. the behaviour of sustainability) on their intention and confidence levels, thus, affecting their mindset (De Mattos & Salciuviene 2017; Morris et al., 2013; Ucbasaran et al., 2010). An empirical study by Storey (1994) highlights the importance of the educational achievement of entrepreneurs as this will influence the firm's performance. However, Estrin et al. (2016) suggest that social entrepreneurs with a higher education level tend to choose social rather than commercial firms.

Kaur & Sandhu (2014) argue that managers in nine out of ten cases have a minimum qualification of a diploma, while more well-educated owners or managers will have greater knowledge and capabilities, and consequently contribute towards boosting firm performance. Their research also stresses the positive relationship between industrial experience and firm performance, as they possess the familiarity and knowledge of the industry conditions, especially on products, customer needs, and

market conditions. Some scholars indicate that the level of education significantly influences the internationalisation initiation and is related to firm performance (Naude & Rossouw, 2010). Van der Sluis et al. (2008) affirmed a positive relationship between a higher level of education and a higher level of firm performance with regard to entrepreneurship. Salim & Sulaiman (2011), on the other hand, found that the level of education and entrepreneurs' past experience are significantly related to firms' growth due to a more opportunistic behaviour. However, some scholars indicate that a higher level of education did not help the process of start-up businesses, as the majority of entrepreneurs start their business at an early age of below 30 (Stuart & Abetti, 1990). Another study found that female entrepreneurs are better educated than the general population, provide the knowledge, and more alert to business opportunities (Shane, 2000).

Education, experience, and learning are categorised under one roof as agreed by most scholars (Santarelli & Tran, 2013; Parker & Van Praag, 2006; Van Praag, 2005). The experience of entrepreneurs can be distinguished into four types; namely, industry experience, labour force experience, occupational experience, and entrepreneurial experience (Santarelli & Tran, 2012). Industry experience will influence the firm's performance through their experience of dealing with customers and suppliers and the operational issues in their industry (Bosma et al., 2004; Lerner & Almor, 2002). However, there is little evidence regarding the positive relationship between overall labour force experience and firm performance (Bosma et al., 2004; Hamilton, 2000). In contrast, occupational experience, which is related to managerial experience, will improve the firm performance as entrepreneurship plays an important role in the organising function (Van Praag, 2005). Entrepreneurs will use their managerial experience and skills to manage the firm. Lastly, self-employment experience is also significantly related to firm performance. The knowledge and skills required to exploit business opportunities can only be acquired via education or managerial and industry experience. Therefore, a number of research provided supported the positive relationship between them (Santarelli & Tran, 2011; Santarelli et al., 2009; Bosma et al., 2004).

Learning is considered a continuous process of gaining knowledge via the observation of others in order to enhance the skills related to the exploitation of opportunities

(Shane, 2000). Educated people are more encouraging in the learning process (Sunduramurthy et al., 2016). According to Sunduramurthy et al. (2016), learning or the educational sector plays a dominant role in improving firm performance. In general, learning is considered central for small businesses and their firm performance (Zahra & George, 2002; Levinthal & March, 1993). Most scholars agree on the importance of learning throughout the process of exploring, ascertaining, and pursuing new business opportunities (Malerba, 2007; Minniti & Bygrave, 2001; Shane & Venkataraman, 2000; Kirzner, 1997; Schumpeter, 1934). Knowledge gained from the learning process is valuable for entrepreneurs in recognising and evaluating valuable business opportunities and developing initial ideas to produce new products or services with the aim of increasing a firm's performance (Ravasi & Turati, 2005). Therefore, this research suggests the following hypothesis:

H_{20}: Level of education has a significant positive relationship with firm performance.

3.7 Entrepreneurial Orientation and Firm Performance

Figure 3.6: Relationship between entrepreneurial orientation and firm performance

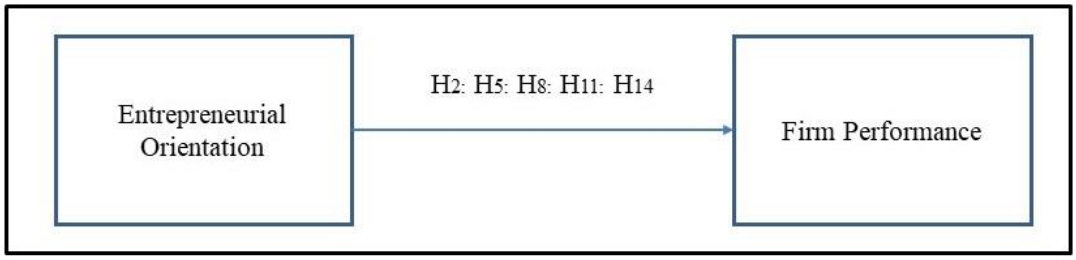

Figure 3.6 depicts the relationship between entrepreneurial orientation and firm performance. Entrepreneurial orientation refers to the extent that the firm emphasises risk-taking, pro-activeness, innovativeness, competitive aggressiveness, and autonomy (Lumpkin & Dess, 1996; Miller, 1993). According to the previous literature, entrepreneurial orientation and firm performance are a core subject of interest and have been actively discussed. However, the relationship between entrepreneurial orientation and firm performance does not always have a successful outcome in all conditions (Lumpkin & Dess, 2001). According to Rauch et al. (2009), firms that adopt entrepreneurial orientation will perform better compared to those that adopt a conservative orientation. The literature has described the positive relationship

between entrepreneurial orientation and firm performance (Núñez-Pomar et al., 2016; Alegre & Chiva, 2013; Chen & Hsu, 2013).

The importance of entrepreneurial orientation in firm performance and survival has been discussed in the entrepreneurship literature (Li et al., 2009). Firms with entrepreneurial orientation are capable of discovering and exploiting new market opportunities and respond to challenges in a volatile environment (Shane & Venkataraman, 2000; Lumpkin & Dess, 1996). Some studies have measured entrepreneurial orientation with financial measures (revenue, cash flow, return on asset, return on equity, and return on investment) and non-financial measures (market share, perceived sale growth, customer satisfaction, loyalty, and brand equity) (Haber & Reichel, 2005; Clark, 1999). The new venture firms together with five entrepreneurial orientation characteristics will gain competitive advantage and attain higher firm performance. An empirical research on 70 independent hotels by Vega-Vázquez et al. (2016) suggests that entrepreneurial orientation exert positive and negative effects on firm performance. However, Miller (2011) argues that the majority of entrepreneurial orientation research is related to firm performance. Gupta & Wales (2017), in their systematic analysis and synthesis of the entrepreneurial orientation and performance literature, show that there are two categories of measurement; measurement relative to competitors (comparative performance) and measurement that is independent of rivals (entire performance). Their result indicates that 98 out of the 182 studies reviewed involved measurement relative to competitors, 73 tested entire performance, and the remaining 12 cannot be classified due to insufficient information. Musa et al. (2014), based on their firm-level research involving 104 cooperatives in the Northern Peninsular Malaysia, show that only innovativeness and proactiveness have a positive relationship with performance while the other three dimensions of entrepreneurial orientation (risk-taking, competitive aggressiveness and autonomy) have a negative relationship with firm performance. Furthermore, firms with a proactive capability and forward-looking perspective can become first movers in the market and and position themselves to gain a competitive advantage which directly contribute to increased firm performance (Li et al., 2009). Hence, innovative and proactive behaviour significantly influence firm performance, therefore, a cooperative firm's management should encourage the staff to practise entrepreneurial orientation behaviour (Musa et al., 2014).

Risk-taking refers to the tendency to invest in ventures under uncertain situations and outcomes (Lumpkin & Dess, 1996). Risk-taking can also be defined as a firm's ability to invest resources in an inexperienced industry (Chen & Hsu, 2013) or the willingness of a firm to invest in unknown or uncertain industries without knowing the consequences (Lumpkin & Dess, 1996; Miller, 1983). Firms with a high-risk taking capability that face high risk situations will seize the market opportunities in order to make lucrative deals and obtain higher returns (Li et al., 2009). However, Coulthard (2007) found that risk-taking involves decision that are made by firms with strong planning and consideration in order to yield positive results and increase firm performance. Risk-taking would be beneficial for long-term performance (Madsen, 2007). For a firm that aims to continue to grow and sustain in the market, the need for risk-taking ability is crucial. Bigger firms have more challenges to face in an uncertain environment with respect to entering the market using a new approach and remaining ahead compared to their competitors. The dimension of risk-taking or the willingness to advance from tried-and-trusted routes and always find initiatives with uncertain outcomes are important in opposing new markets and increasing firm performance (Zainol et al., 2012). Such an approach can sometimes lead to more creative ideas and influence long-term performance (Wiklund & Shepherd, 2005). Firms with a high level of risk-taking orientation are always related to firms that become more optimistic (Neck & Manz, 1996) and can cause the firms to over-commit external resources. The investment engendered by high risk-taking will lead to greater profitability. An example is the ability of the firm to take risks in launching new products or services in the market while being unique and ready to face uncertain results yet assist in seeking solutions to increase firm performance (Semrau et al., 2016). However, engaging with high risk projects will involve more costs and is negatively associated with firm success (Rauch & Frese, 2007). Furthermore, the excessive involvement of resources in high-risk projects is associated with cost failure and decreased firm performance (Lumpkin & Dess, 1996).

Pro-activeness refers to the ability of a firm to take the initiative to compete and to achieve a first mover advantage, thus, becoming a pioneer in the market (Covin et al., 2006). Firms with higher pro-activeness are actively involved in changing the products or services that are inconsistent with the firm's image and may invest resources in engaging with new markets while neglecting the current ones (Chen & Hsu, 2013).

Hence, Chen & Hsu (2013) stated that firms that are too pro-active invest more resources in various forms of technology which leads to them failing to perform well and being unable to increase their firm performance. Innovativeness refers to the inclination to propose and produce new products (Lumpkin & Dess, 2001; Zahra & Covin, 1995). According to Bhaumik et al. (2016) risk-taking contributes to higher performance in business groups in comparison with independent firms while proactivity, on the other hand, enhances performance in independent firms in comparison with the business group. Kraus (2013) also claimed that risk-taking and innovativeness have a positive relationship with firm performance. Firms that lack entrepreneurial orientation find it more difficult to survive in the environment and are more vulnerable to changes in market structure, customer product preferences, and increased competition (Lechner & Gudmundson, 2014). Firms with high innovativeness, high risk tolerance, and willingness to use new technologies will be more successful in generating profit (Blackburn et al., 2013; Laforet, 2013). Soininen et al. (2012) argued that firms with higher entrepreneurial orientation find it easier to increase firm performance compared to lower entrepreneurial orientation firms since they are more balanced with regard to innovativeness, proactiveness, and risk-taking. It is encouraging to discover that younger SMEs with higher levels of entrepreneurial orientation and intangible resources are linked with higher growth compared to those with limited entrepreneurial orientation (Anderson & Eshima, 2013).

Competitive aggressiveness relates to the firm's ability to revise the rules of competition, achieve an entry advantage, redefine the industry boundaries, and improve the market position (Li et al., 2009). Competitive aggressiveness also refers to the degree of the firm's intense engagement with its competitors through its repertoire in the set of market actions (product line or services and price changes) used by the firm in order to compete with and overtake its rivals (Nadkarni et al., 2015). In other words, competitive aggressiveness can be defined as the efforts of firms to achieve the best result compared to their competitors (Lumpkin & Dess, 1996). Firms with strong competitive aggressiveness will devote efforts to outperform their competitors and are always related to an offensive posture or aggressive response to competitive pressure (Rauch et al., 2009). According to Porter (1991), the implementation of competitive aggressiveness by firms differs; redefining a product, service or market and spending a lot of money in order to compete with the main

competitors in the industry. Furthermore, the firm can take action by copying the business practice and techniques employed by its competitors in order to achieve a section of the market share (Venkatraman, 1989; Rumelt, 1984). According to Zahra & Covin (1995), those behaviours will enable firms to increase their performance. According to Nadkarni et al. (2015), there is a positive relationship between competitive aggressiveness and firm performance, especially in high-velocity industries.

Autonomy refers to the ability and willingness to take self-directed arrangements in pursuit of market prospects (Li et al., 2009). Autonomy can also be defined as the independent actions taken by firms in order to react in multiple situations with the aim of realising a firm's vision (Lumpkin & Dess, 2001). Furthermore, autonomy can be said to be a prerequisite acts as an impetus for start-ups' ventures (Hussain et al., 2015). The positive relationship between autonomy and firm performance is also supported by the previous literature (Gupta & Wales, 2017; Covin & Wales, 2012). In other words, autonomy can be defined as the independent actions that individuals or firms take in order to cultivate and support a new idea or vision until the accomplishment of the outcome (Lumpkin & Dess, 1996). An autonomous orientation will allow firms to make faster and more efficient decisions to produce novel products or services for the new market (Frese et al., 2002; Lumpkin & Dess, 1996). Based on the previous literature, autonomy can be classified into two types which are autocratic and generative (Musa et al., 2014). Autocratic autonomy relates to a higher-level position in the company with a leadership style and their decision become others' decisions (Mintzberg & Waters, 1985). Generative autonomy relates to ideas that are generated by the firm's members that need to be presented to the management before any decisions are finalized (Hart, 1992). This type of autonomy is related to lower level employees and not the decision-maker. Hence, this research focuses more on both higher and lower level positions. According to Basu et al. (2008), the development and new ventures of the firm, conducted by open-minded, independent individuals, will be more innovative. Such autonomy and freedom will encourage firms to thrive and produce new ideas. Firms with supportive management that appreciate staff ideas will encourage new and fresh ideas from the staff, which will improve firm performance and benefit firms (Musa et al., 2014). Autonomy behaviours have been recognised to contribute to firm performance as this characteristic shows independence in making

decisions and improves operational activities (Golini et al., 2014; Samson & Terziovski, 1999). In addition, firms that reflect autonomy will engage in the modification and improvement of their operational execution.

Prior studies indicate that firm performance is considered to be the most important dependent variable in the entrepreneurial orientation literature (Gupta & Wales, 2017). Many studies describe how firms with a high level of entrepreneurial orientation will perform better and Wang (2008: p. 635) mentioned that entrepreneurial orientation is a key ingredient for firm success. Miller (2011) indicates that the common consequences of entrepreneurial orientation tend to be related to firm performance. The relationship between entrepreneurial orientation and firms' performance in a volatile environment leads to market growth with a higher impact or will contribute more profit compared with low hostility and high market growth (Shirokova et al., 2016). However, in the social entrepreneurship area, particularly for cooperative firms, the performance of the firm will determine the social benefit because it can only share the benefits with its members from the profits gained (Abdul Halim et al., 2015). Altinay et al. (2016) also provided support on the positive relationship between entrepreneurial orientation sales and market share growth but not with employment growth.

Most studies discuss the contribution of entrepreneurial orientation's on firm success, enabling small firms to enhance their growth of fewer than ten years and having a significant effect on business success (Zulkifli & Rosli, 2013). Likewise, the impact of entrepreneurial orientation on firm performance will have varying effects based on different dimensions such as high innovativeness is related to sales growth, pro-activeness influences sales growth, sales level and gross profit, risk-taking has an inverted curvilinear relationship (U shape) with sales level and sales growth, and autonomous and competitive aggressiveness are also related to business success in different ways (Kreiser et al, 2002; Lumpkin & Dess, 1996, 2001; Miller & Friesen, 1982). However, several articles identified that innovativeness and pro-activeness are not critical contributors to firm performance (Kreiser et al., 2002). Sascha et al. (2011), on the other hand, argue that pro-activeness positively contributes towards enhanced firm performance, particularly during economic crises.

However, there is no doubt that there are other studies that demonstrate a negative relationship between entrepreneurial orientation and firm performance (Naldi et al., 2007; Morgan & Strong, 2003; Matsuno et al., 2002; Smart & Conant 1994; Hart, 1992). The different results are due to the influence of different factors or different situations where entrepreneurial orientation will have either a direct or indirect relationship with firm performance depending on the different environments (van Doorn et al., 2017; Gupta & Batra, 2015; Flak & Pyszka, 2013; Zahra, 2008; Lumpkin & Dess, 1996). Furthermore, few studies demonstrate an insignificant relationship between entrepreneurial orientation and firm performance (Rauch et al., 2009; Kaya & Seyrek, 2005).

In the present market, non-profit organisation, particularly social enterprises, should increase their competitiveness in order to deliver superior value to their target customers (Chen & Hsu, 2013). Social entrepreneurship involves innovativeness, proactiveness, risk-taking, autonomy, and competitive aggressiveness that are consistent with firms' entrepreneurial orientation. Drucker (1985) argues that non-profit organisations (NPO) should consider the business model of profit-driven organisations when pursuing the development of effective management. Entrepreneurial orientation specifies performance, particularly under poor economic circumstances (Chaston, 2011; Tang et al., 2008). Entrepreneurial orientation influences a firm's willingness to seize new opportunities and engage with innovation in an uncertain environment to stay ahead of its competitors (Miller, 1983).

Innovativeness replicates a firm's tendency to test, promote fresh ideas, and foster new products, techniques and technologies with the aim to increase a firm's performance (Cassiman & Golovko, 2011). Rowley et al. (2011) describes that innovativeness is closely related to product innovation as the firm utilises the new technology in new products or services. In order to compete, the firm should acquire more knowledge about the standard of products, customer needs, industry norms, and competitors' behaviours (Dai et al., 2014). A higher level of innovativeness will facilitate the alteration of products in multiple markets and allow the products to compete with other competitors and gain more profits. Conversely, a low level of innovativeness will make the product resources less intensive and the firm insufficiently competitive to compete with competitors and sustain in the market

(Ripollés-Meliá et al., 2007; Autio et al., 2000). Thus, firms must allocate more resources in communicating with their customers in order to meet their needs, which will lead firms to depart from the existing technologies and practices (Dess & Lumpkin, 2005). This scenario will incur higher costs and diminish firm performance (Chen & Hsu, 2013).

In order to establish and survive in a particular market, firms must be proactive in identifying opportunities and threats in the market (Knight & Cavusgil, 2004). Proactiveness is related to the willingness to become involved in adventurous moves, such as introducing new products or services and anticipating the future demand to create, renew and shape the environment (Keh et al., 2007). This characteristic enables highly proactive firms to 'scan' relevant markets and achieve more compared to their competitors (Pérez-Luño et al., 2011). According to Rowley et al. (2011), proactiveness is related to innovation in looking for opportunities to fulfil the customers' needs. Proactive firms plan their allocation of managerial or financial resources in advance and are aware of the changing market and opportunities that match their capabilities (Morris et al., 2011). Furthermore, proactive firms are sensitive to their customers, suppliers, competitors, and partners' behaviour. Being proactive helps firms to tackle any issue independently and maximise their profits. Firms with low proactivity only focus on taking care of their customers to reduce the costs of identifying and screening the development of new potential partnerships (Jiang et al., 2014; Rosenbusch et al., 2011).

Recently, the entrepreneurial orientation construct has been implemented in non-profit research (Tan & Yoo, 2014). Helm & Andersson (2010) argue that the scale of non-profit entrepreneurship can be developed using entrepreneurial orientation to measure social entrepreneurship. Davis et al. (2011) examined external factors associated with home nursing administrators and established that both profit and non-profit start-ups show no significant differences concerning the entrepreneurial orientation in these two sectors. This means that both non-profit and for-profit organisations can implement entrepreneurial orientation to improve their firm performance. According to Dees (1998), there are three dimensions of entrepreneurial orientation regarding social entrepreneurship which encompass recognising new opportunities with goals to create social value (proactiveness), constant engagement in innovation and alteration

(innovativeness), and taking audacious action (risk-taking) due to limited current resources. These elements of entrepreneurial orientation may help NPOs to create social enterprises with a mission to increase social values while developing business opportunities (Morris et al., 2007). Although there might be a conflict of interest between the social mission and the implementation of entrepreneurial orientation in NPOs, it is still considered an important implication. They also state*, "the achievement of a specific social mission can be compatible with, and complementary to, entrepreneurial behaviour"* (p. 16), adding that social stimulation and economic improvement can be achieved through the implementation of innovation and recognising the opportunities and threats, therefore, utilising their resources and remaining benefits for their stakeholders. Musa et al. (2014) use three dimensions of entrepreneurial orientation in a non-profit organisation with little modification to fit the nature of the business. According to them, the elements of entrepreneurial orientation are not only for the development of new products or services but also for pursuing both the social mission and commercial opportunities. Hence, this research assumes that there will be a positive relationship between entrepreneurial orientation and performance in cooperative firms.

As mentioned above, some research focuses on the different effects of each entrepreneurial orientation component (Kreiser & Davis 2010; Kreiser et al., 2002). Kraus et al. (2012) highlight that firms with a proactive capability will contribute more to firm performance during economic crises despite the fact that other studies failed to find any direct and significant effects of entrepreneurial orientation on firm performance (Covin et al., 1994; Covin & Slevin 1989). Furthermore, some studies suggest that firms with higher entrepreneurial orientation perform better than those firms that do not adopt entrepreneurial orientation (Hult et al., 2003; Wiklund & Shepherd, 2003; Lee et al., 2001). Other studies reported a lower correlation between entrepreneurial orientation and firm performance or no positive relationship between them (Rauch et al. 2009; George et al., 2001; Covin et al., 1994).

To conclude, entrepreneurial orientation refers to a set of behaviours, such as innovativeness, pro-activeness, risk-taking, competitive aggressiveness and autonomy, that tend to influence firm performance (Dai et al., 2014). The different dimensions of entrepreneurial orientation have the potential to produce significance

costs and influence firm performance due to their resource-intensive nature (Wales et al., 2013). For instance, innovativeness is related to the involvement of upfront investment (Kreiser et al., 2013), proactiveness requires extraordinary searching, learning and vengeance costs (achieving breakeven), and risk-taking refers to the ability to reduce losses. Competitive aggressiveness allows firms to achieve the best result and remain ahead of their competitors, while autonomy requires the power of independent decision-making (Dai et al., 2014).

The previous discussion of entrepreneurial orientation is mainly based on Western or non-indigenous orientation (Zainol et al., 2012). Hence, this Western-based theory needs to be modified in order to illuminate the behaviour and orientation of indigenous entrepreneurs when examining the non-western environment, particularly among cooperative firms (Dana, 2000).

Therefore, the research on entrepreneurial orientation, especially on its dimensions, by Lumpkin & Dess (1996) has proved that a positive relationship exists between entrepreneurial orientation and firm performance, particularly in the social entrepreneurship area. Hence, this study hypothesises that entrepreneurial orientation has a positive relationship with firm performance. The following relationships are anticipated:

H2: Innovativeness has a significant positive relationship with firm performance.
H5: Proactiveness has a significant positive relationship with firm performance.
H8: Risk-taking has a significant positive relationship with firm performance.
H11: Aggressiveness has a significant positive relationship with firm performance.
H14: Autonomy has a significant positive relationship with firm performance.

3.8 The Mediating Effect of Entrepreneurial Orientation

Figure 3.7: The mediating effect of entrepreneurial orientation on the relationship between government support, level of education, and firm performance

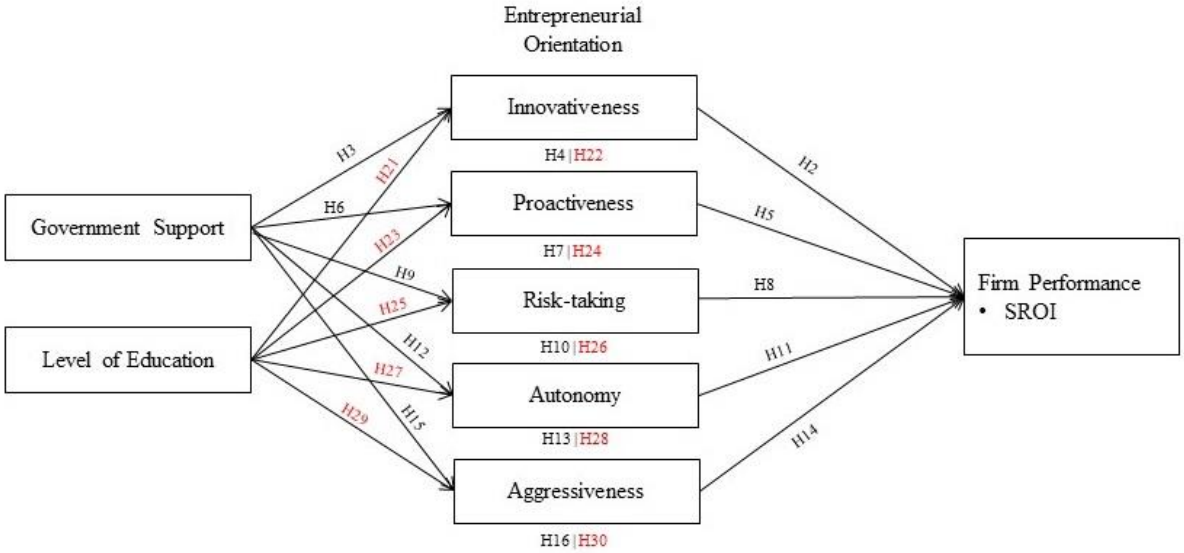

Figure 3.7 shows the mediating effect of entrepreneurial orientation on the relationship between government support, level of education, and firm performance. Entrepreneurial orientation - performance can be a direct or indirect effect and is an established concept within the entrepreneurship literature (Montiel Campos, 2017). Some researchers claim that there are other variables that can mediate or moderate the relationship between entrepreneurial orientation and performance (Sok et al., 2017). Therefore, other researchers discuss the function of entrepreneurial orientation as a mediator or moderator on the relationship between other variables and performance, which is related to the antecedents of firm performance (Yeniaras & Unver, 2016; Kollmann & Stöckmann, 2014). The influence of entrepreneurial orientation on the success of firm performance is undeniable (Bello et al., 2015). Hence, the use of entrepreneurial orientation as a mediator to improve the relationship between the independent variable and the dependent variables is reasonable. As suggested by Bello et al. (2015), an indirect operant role of entrepreneurial orientation will influence firms to exploit their external or internal resources and increase their financial performance. Dai et al. (2016) suggest that the mediating role of entrepreneurial orientation improves their relationship between transactive memory

systems and, in turn, firm performance. Mthanti & Ojah (2017) utilised the dimensions of entrepreneurial orientation to determine a positive relationship between entrepreneurial orientation and economic development through the entire level of development. Wang (2008) employed four dimensions of entrepreneurial orientation (innovativeness, proactiveness, risk-taking, and aggressiveness) and found a positive relationship between entrepreneurial orientation and firm performance. He also discussed the mediating role of organisational learning between entrepreneurial orientation and firm performance, and empirically proved that relationship.

Roxas & Chadee (2013) used structural equation modelling and large-scale data to evaluate the mediating role of entrepreneurial orientation on the relationship between the institutional environment and firm performance. They argue that entrepreneurial orientation (using three dimensions) strongly mediates the relationship between institutional environment and firm performance. This finding highlights the important role of the government in ensuring that the formal institutional environment promotes entrepreneurship which will in turn promote the increment of firm performance. This means that government role affects entrepreneurial orientation which in turn influences firm performance. According to Roxas & Chadee (2013), formal institutions are related to regulatory quality, rules of law, government policy, and business support. Previous studies confirm the positive relationship between government assistance and entrepreneurial endeavours in developing countries, which contributes to improved firm performance (Roxas & Chadee, 2013).

Government support contributes to firm performance (Gathungu et al., 2014), but a lack of awareness among entrepreneurship regarding the government's activities will lead to lower firm performance (Firth et al., 2013). Hence, the implementation of entrepreneurial orientation and combined with firms' characteristics of proactiveness, innovativeness, risk-taking, autonomy ,and competitive aggressiveness indicate that firms are able to exploit the external resources in parallel with customer needs to enhance overall firm performance (Musa et al., 2014). Roxas & Chadee (2013) suggest that the contribution of the institutional environment to firm performance is very limited and that the implementation of entrepreneurial orientation, as a mediator, improves firm performance. In other words, government support influences entrepreneurial orientation and their five elements in increasing firm performance.

The impact of external environment, particularly government rules and regulations, on firm performance is widely discussed in the management literature, both theoretically and empirically (Rosenbusch et al., 2011). Through the benefit of an external environment, firms need to be more aware, obtain those resources and convert them into new products or services, together with exploring and exploiting them in order to increase firm performance. Due to the complex relationship between the external environment and firm performance, entrepreneurial orientation is a critical factor as it influences resources allocation and strategic decisions (Atuahene-Gima & Ko, 2001). Hence, the implementation of entrepreneurial orientation will support opportunities exploration and exploitation and make it possible to transfer advantages form the external environment to higher level of performance (Rosenbusch et al., 2011; Miller, 1983). In other words, the implementation of entrepreneurial orientation will translate the opportunities and threats in the external environment into increased firm performance or external environment which affects entrepreneurial orientation, consequently, improve firm performance. The increase in firm performance, particularly among cooperative firms, will influence their social benefits (Othman et al., 2016). To explore and exploit their opportunities, firms need to adopt innovative and proactive strategies regarding new products or processes and gain competitive advantage and superior firm performance (Jiang et al., 2016; Lumpkin & Dess, 1996). Furthermore, exploration and exploitation situations always entail risks. Accordingly, risk-taking as a dimension of entrepreneurial orientation can be argued to have a significant mediating effect due to the firm being able to transfer those opportunities into competitive advantages and increase the firm performance (Rosenbusch et al., 2011).

De Mattos & Salciuviene (2017) studied the role of entrepreneurial orientation as a mediator on the relationship between entrepreneurs' characteristics and pre-alliance formations. Their research indicates that entrepreneurs with high practical experience are more likely to possess a high level of pro-activeness and innovativeness. According to them, a high degree of practical experience is positively related to lower educated labour as they have more experience because they are focused on working after their first degree rather than continuing their education. (Rosenbusch et al., 2011) argue that the adjustment by firms of their entrepreneurial orientation to the external environment will encourage above average performance levels. In 2015, research

conducted by Kljucnikov et al. (2016) in Czech Republic implemented two dimensions of entrepreneurial orientation, consisting of risk-taking and competitive aggressiveness and related the dimensions to entrepreneurs' genders, education, firm size, and age's contribution to firm performance. Choi & Williams (2016) investigated Korean SMEs and identified that entrepreneurial orientation has a direct effect and indirect effect on firm performance which is mediated by firm's technology and marketing action.

In terms of knowledge creation, new ventures with innovativeness may influence the firm to support new ideas and novelty that lead to enlarging its engagement in improving new processes, products, or services (Lumpkin & Dess, 1996). Those activities require extensive and intensive knowledge management which starts from socialisation. The socialisation process, related to a direct interaction, informal meetings, and brainstorming, helps entrepreneurs to share valuable knowledge. Firms with innovativeness capability will exploit tacit knowledge for the actualisation of new product or service innovation or improvements within the organisation (Li et al., 2009). Even though entrepreneurial orientation is a predictor of firm performance, Zainol (2013) confirmed that entrepreneurial orientation does not mediate the relationship between government-aided programmes and firm performance.

In conclusion, based on the previous literature, the function of entrepreneurial orientation as a mediator was established in a different context and has resulted in either positive or negative effect. In their meta-analysis of 53 samples comprising over 14,000 companies, Rauch et al. (2009) revealed that, besides having a direct and positive relationship with firm performance, there is a need to focus on the indirect relationship. In line with this notion, this study will investigate the mediating effect of entrepreneurial orientation in the relationship to government support and the level of education on firm performance in the social entrepreneurship context. Hence this research posits that:

H4: Innovativeness positively mediated the relationship between government support and firm performance

H7: Pro-activeness positively mediated the relationship between government support and firm performance.

H10: Risk-taking positively mediated the relationship between government support and firm performance.

H13: Autonomy positively mediated the relationship between government support and firm performance.

H16: Aggressiveness positively mediated the relationship between government support and firm performance.

H22: Aggressiveness positively mediated the relationship between government support and firm performance.

H24: Pro-activeness positively mediated the relationship between level of education and firm performance.

H26: Risk-taking positively mediated the relationship between level of education and firm performance.

H28: Autonomy positively mediated the relationship between level of education and firm performance.

H30: Aggressiveness positively mediated the relationship between level of education and firm performance.

3.9 Dynamic Capabilities and SE Firm Performance

Figure 3.8: Relationship between dynamic capabilities and firm performance

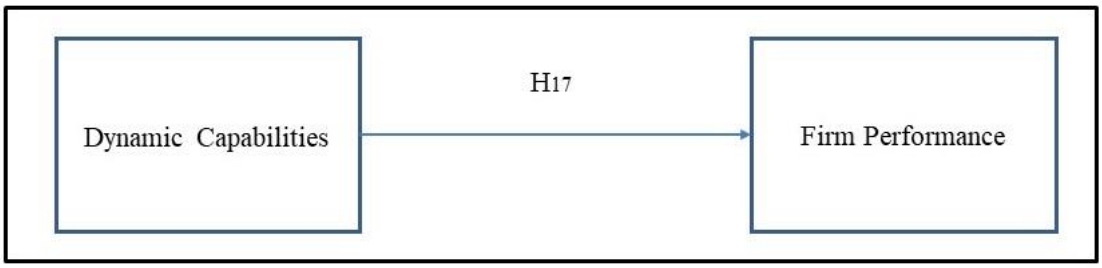

Figure 3.8 displays the relationship between dynamic capabilities and firm performance. In general, research on dynamic capabilities has attracted considerable attention from strategic management and has been an importing topic since the early 1990s (Zaidi & Othman, 2014). The design of dynamic capabilities aims to achieve sustainable competitive advantage, rent creation, and firm performance (Zaidi & Othman, 2014). Dynamic capabilities are all about the process and as long as a firm has a bundle set of resources and can utilise the resources effectively by creating

different or new resources, the firms will be able to respond to the market changes in a volatile market (Sirmon et al., 2007). Firms can to achieve sustainable competitive advantage if they can occupy valuable, inimitable, and non-substitutable resources and integrate and reconfigure those resources to create new resources and capabilities that will respond better to market changes (Dai & Liu, 2015).

Aminu & Mahmood (2016) reviewed the concept of dynamic capabilities and developed a model which hypothesised the possible relationships between numerous levels of dynamic capabilities (sensing, learning, coordinating and integrating capabilities) and also potential determinants of firm performance in proving a positive relationship exists between dynamic capabilities and firm performance. Lin & Wu (2014) examined the role of dynamic capabilities in the resource-based view framework and found that the relationships among different resources and different dynamic capabilities and performance are positive. Their result shows that dynamic capabilities have a direct relationship with performance and also an indirect one, which means that dynamics capabilities mediate the relationship between resource-based view and firm performance. Path analysis shows that valuable, rare, inimitable and non-substitute (VRIN) resources have a positive relationship with three types of dynamic capabilities (learning, integration and reconfiguration). However, among the three types of dynamic capabilities, learning capabilities have the most significant mediatory effect. Dai & Liu (2015) studied the mediation effect of dynamic capabilities on the relationship between embeddedness in institutional networks and firm performance and established that the mediation relationship exists.

On the other hand, Arend (2012) reported a significant positive relationship exists between dynamic capabilities and firm performance, but the differences in age and the size of entrepreneur ventures contribute to differences in how the dynamic capabilities affect firm performance. According to them, younger SMEs that have dynamic capabilities will influence firm performance more than older ones, and smaller SMEs will contribute less benefit to firm performance due to less dynamic capabilities compared to bigger ones. Najafi-Tavani et al. (2016) suggest that an absorptive capacity (element of dynamic capability) moderates the relationship between market orientation and the firms' new product performance. Their result strongly confirmed that organisational learning and dynamic capability perspective dictate the firm's

capacity to absorb and exploit the collected or received knowledge (Javalgi et al., 2014).

Wei & Lau (2010) discuss the function of adaptive capability as a mediator in the relationship between high-performance work systems and firm performance. The empirical results from Chinese firms specify that adaptive capability partially mediates those relationships. This study suggests that the adaptive capability of the firm, generated from its high-performance work systems, will enhance the financial performance and innovation of the firm. Griffith et al. (2006) indicate that the developing dynamic capability will lead to better firm performance. Similarly, Morgan et al. (2009) suggested that dynamic capabilities enable the growth of firm performance, while Roberts & Grover (2012) provide evidence that a positive relationship between dynamic capabilities and firm performance exists. Similarly, Breznik et al. (2019) suggested that firms must continue to exploit their capabilities consistently with dynamic capability view.

Furthermore, previous literature established the positive relationship between elements dynamic capabilities (sensing, seizing, and reconfiguration) and firm performance (Torres et al., 2018; Ringov, 2017). For organisation adaptation, sensing is necessary, but insufficient. Identified opportunities and threats must be seized by building consensus among stakeholders, making effective decisions, and investing in organisational resources (Teece, 2007). In order to initiate organisational change, consensus building is essential to overcome organisational inertia (Teece, 2007) and is a precursor to successful strategic action (Kor & Mesko, 2013). When mutual understanding is built, organisations must make strategic decisions about how to invest their resources. In doing so, firms undertake the task of assessing risk / reward scenarios related to actions rather than actions (Teece, 2007) and formulating action plans for adapting the organisational business models to capitalise on opportunities or to mitigate threats (Ambrosini et al., 2009). Therefore, the ability to adequately plan an organisation's business model is fundamental to its ability to seize (Teece, 2007). The firm’s ability to sense and seize the opportunities, consequently, reconfigure the resources if needed will influence firm performance (Ambrosini et al., 2009).

Protogerou et al. (2011) indicate that dynamic capabilities impinge on operational capabilities and positively impact firm performance. However, there is an insignificant relationship between dynamic capabilities and firm performance in order for a direct effect to exist. In addition, Wang et al. (2015) suggested a negative relationship between dynamic capabilities and firm performance in success traps of the firms. In other words, the success traps of the firms have a strong negative effect on the dynamic capabilities which weakens the relationship with firm performance. Furthermore, other studies found an insignificant impact of dynamic capabilities on firm performance (Schilke, 2014; Wilden and Gudergan, 2014; Wilden et al., 2013).

Similarly, Essex et al. (2015) who examined the capability of supply chain managers who focus on the dynamic capabilities perspective, indicated that there is no direct correlation with firm performance. In other words, managers are able to enhance firm performance in a volatile market if they affiliate their skills with other antecedents (motivation or incentives). Likewise, other researchers have argued that dynamic capabilities may not necessarily create a suitable configuration of resources (Ambrosini & Bowman, 2009; Eisenhardt & Martin, 2000) and are related to costs (Pablo et al., 2007; Lavie, 2006) which affect firm performance.

The effect of dynamic capabilities occurs in multiple ways and either the direct relationship or indirect relationship includes their function as a mediator or moderator. Overall, the association of the dimension of dynamic capabilities (sensing, seizing and reconfiguration) has a positive relationship with firm performance (Lee & Sung Rha, 2015). Dynamic capabilities lead to firm performance and the hypotheses are as follows:

H17: Dynamic capabilities has a significant positive relationship with firm performance.

3.10 The Relationship between Government Support, Level of Education and Dynamic Capabilities and the Mediating Effect of Dynamic Capabilities

Figure 3.9: The relationship between government support, level of education level and dynamic capabilities and the mediating effect of dynamic capabilities

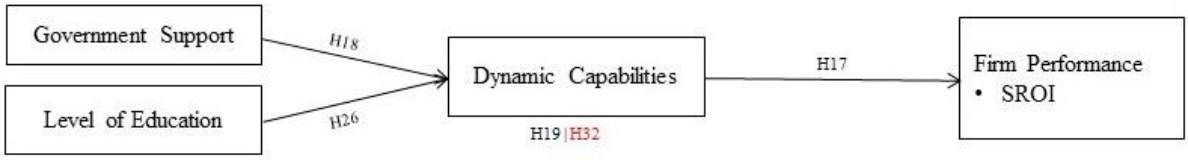

Figure 3.9 shows the relationship between government support, level of education, and dynamic capabilities and the mediating effect of dynamic capabilities. The relationship between dynamic capabilities and firm performance has been recognised in various fields (Pezeshkan et al., 2016; Yi et al., 2015; Wilden et al., 2013), so it is reasonable for other researchers to study the indirect relationship of dynamic capability as a moderator or a mediator (Najafi-Tavani et al., 2016; Dai & Liu, 2015). Lin & Wu (2014) employed a sample of 1000 Taiwanese firms and identified that dynamic capabilities can mediate the relationship between resources with the characteristics of being valuable, rare, inimitable, and non-substitute (VRIN) to improve firm performance. Dynamic capabilities are extended from resource-based view to cope with the fast-changing environment (Eisenhardt & Martin, 2000). In addition, dynamic capabilities are considered a transformer in converting the resources into improved firm performance (Lin & Wu, 2014). Wu (2007) also proved that the function of dynamic capabilities mediated the relationship between entrepreneurial resources and performance. In other words, the value of resourses affects dynamic capabilities and improves firm performance.

The resources of the firm can be external or internal. Internal resources commonly represent the resources belonging to the firm itself, whereas the external resources can be acquired through alliances and cooperation (Bantham et al., 2003; Johnson & Sohi, 2003). The internal resources are related to technological resources and human capital as the key drivers of new product success and increased firm performance (Zhang & Wu, 2017). The importance of human resources' contribution to firm success

is well-recognised (Henard & McFadyen, 2012). Human capital refers to the stock of skills and knowledge embodied in individuals which are related to education or learning and are important assets of the firm in increasing firm performance (Fu et al., 2015). The level of education is considered the process of receiving knowledge by individuals and is considered as human capital that belongs to the firms (Essex et al., 2015). The importance of the education and experience of the individuals within the firms has been recognised as an essential contributor to firm performance (Casanueva et al., 2015). According to them, the mobilisation of resources which are related to adaptive capabilities contribute to firm performance. In other words, firms with dynamic capabilities are able to utilise their resources (in this context, internal resources refer to education and experience) to increase firm performance. Furthermore Butler & Soontiens (2014) used education and dynamic capabilities of the firm to realise a competitive advantage from offshoring because education has a positive relationship or affects the firms' dynamic capabilities.

Feindt et al. (2005) stressed the importance of external success factors. Similarly, Rose et al. (2006) examined government support programmes as a critical success factor during the process. The combination of government support has also been recognised to contribute to increased firm performance (Malik & Kotabe, 2009). According to them, dynamic capabilities consist of organisational learning, reverse engineering, and manufacturing flexibility in combination with government policies that contribute toward enhancing firm performance. Government policies influence the overall economic development of the government and shows strong signals to SMEs, particularly cooperative firms engaged in business and entrepreneurial activities, that the government is enthusiastic about supporting them (Pezeshkan et al., 2016; Fogel et al., 2006; Rodrik, 2006). Government-initiated business support programmes provide cooperative firms with access to resources and enable them to utilise these resources with their dynamic capabilities (sensing, seizing, and reconfiguring) (Lee & Sung Rha, 2015). In other words, government support and education level affect the firm's dynamic capabilities and firm performance.

The mediating variables are considered a mechanism for transferring the effect between the independent variables on the dependent variable and aim to clarity the influence of those relationships (Hair et al., 2010). Strategic management argues that

a reconfiguring framework revealed that the relationship with the building of innovative capabilities and resources is crucial for overcoming the external environment with the firm's available capabilities which will achieve competitive benefits and affect the firm performance (Samson & Rosli, 2014; Teece et al., 1997). Since reconfiguring can be used to address changes in the firm's capabilities in a dynamic environment, with the purpose of achieving a competitive advantage, it is appropriate to explain their mediating roles in the relationship between government support and firm performance as well as education level and firm performance. This reconfiguring has been proven to improve firm performance (Huckman & Zinner, 2008). The role of reconfiguring as a mediator has been proved to increase firm performance (Samson & Rosli, 2014). Their research suggests that the combination of reconfiguring capabilities and entrepreneurship will improve firm performance because there is a positive relationship.

In conclusion, dynamic capabilities can efficiently extract the competitive combination between external resources (government support) and internal resources (individual characteristic-education level) or government support and education level which affect n dynamic capabilities, consequently, affect firm performance. Thus:

H19: Dynamic capabilities positively mediated the relationship between government support and firm performance.

H32: Dynamic capabilities positively mediated the relationship between level of education and firm performance.

3.11 Chapter Summary

This chapter explained the research need and the importance of doing this research. Consequently, the need to develop a conceptual model to evaluate the determinants of firm performance was justified. A theoretical model illustrating the factors that influence strategic decisions and the hypotheses' relationships are developed and presented in Figure 3.1. Based on the theoretical background, a conceptual model and thirty-two hypotheses were developed. The direct relationship consists of Government Support and Entrepreneurial Orientation, Government Support and Firm Performance, Level of Education and Entrepreneurial Orientation, Level of Education

and Firm Performance, Entrepreneurial Orientation and Firm Performance and Dynamic Capabilities and Firm Performance. While indirect relationship involves the mediation of Dynamic Capabilities and Entrepreneurial Orientation. All of the hypotheses were critically discussed and supported by previous literature. In addition, the sub-model for each hypothesis was introduced in order to provide a clear view and understanding. The next chapter will explain the methodology employed to validate these hypotheses.

Chapter 4 Methodology

4.1 Introduction

The models and theories mentioned in the previous chapter facilitated the identification of the dynamic capabilities of entrepreneurial orientation, highlighting the influence of the government's role, level of education, and entrepreneurial orientation on the performance of Malaysian social entrepreneurship. This chapter discusses the available research methodologies and the selected methodology for carrying out this research. This chapter presents an inclusive plan for conducting the experiential task and to attain compelling findings. Thus, this chapter will present the various available research philosophies, approaches, designs, strategies, and procedures. The research will also justify the selection of specific research methods.

This chapter aims to ensure that the method is designed efficiently. Firstly, this research selected positivism as its research philosophy and justified the selection. After that, the research illustrated the research approach and explained why the quantitative approach was selected to conduct the research. Next, this research designed its flow in accordance with the research approach. Survey was utilised as the research strategy to attain the key objectives and the aim of the research. The researcher explained the location, sample size and sampling technique, instrument, pilot testing, reliability and validity testing, data collection, and data analysis. The ethical considerations and a summary of the chapter are provided at the end of the chapter.

4.2 Research Philosophy

Research philosophy is considered as the growth of knowledge in formulating a new theory or answering a particular problem in a specific circumstance (Brannen, 2009). As stated by Lodico et al. (2010), a research philosophy is a conviction about the method in which information and data related to a particular incident are collected, analysed, and discussed. In other words, the philosophy of research refers to belief systems and assumptions about knowledge development (Saunders et al., 2019).

According to them, for every stage of research, several types of assumption are incorporated such as the assumption about the realities that we eccounter while doing research (ontology assumptions) that is related to human knowledge (epistemological assumption) and about the extent and ways our values influence the research process (axiological assumptions). The terms ‘epistemology’ and ‘doxology’ include the different philosophies underlying research approaches. In the view of Toloie-Eshlaghy et al. (2011), research philosophies vary depending on the objectives of the study and the way of attaining the goals.

Harrison & Reilly (2011) stated that the research philosophy enhances the researcher’s ability to identify and choose the most appropriate research strategy for a research. The two main assumptions used by researchers are the epistemological and ontological assumptions. According to Cameron (2009), the epistemological assumption concentrates on suitable knowledge for the research whereas the ontological assumption is focused on authenticity. However, the epistemological assumption helps the researcher by providing better guidance. It is considered the most important assumption that helps researchers to select suitable research methods and strategies for collecting pragmatic data for the research. Hair & Money (2011) stated that researchers use three types of epistemology which are interpretive, positivist and critical. The positivist epistemology can make legitimate knowledge claims by assuming the only “facts” derived from the scientific method (Saunders et al., 2016), while interpretivist researchers need to integrate human interests and interpret elements of the study. On the other hand, critical researchers tend to critically estimate and renovate the social actuality under exploration.

4.2.1 Positivism

Positivism relates to the philosophical stance of the natural scientific and entails working with an observable social reality to reduce law-like generations (Saunders et al., 2016: p. 135). The statistical analysis of positivism depends on quantifiable observations. Positivists believe that a social occurrence is assessable, so it is connected with the quantitative research method. It is premised on the analysis of quantitative data (Lutz & Knox, 2014). The purpose of positivism is to discover the

truth and develop it to make it more capable of controlling and predicting. Thus, positivist researchers rely on the stance set by the previous coalition in the incident. They massively test different theories related to the topic of research and analyse them to improve the prediction tolerance of events (Hair, 2015).

As a philosophy, positivism holds that only "factual" knowledge gained through observation (sensation) including measurement is reliable. In the study of positivism, the role of the researcher is limited to data collection and interpretation in an objective way (Saunders et al., 2019). In this type of study, research findings are usually observable and measurable. Positivism relies on measurable observations that lead to statistical analysis. It has been stated that "as a philosophy, positivism is in accordance with the empirical view that knowledge stems from human experience. It has an atomistic, ontological view of the world consisting of discrete, observable and interacting elements in observable, determinable and fixed" (Collins, 2010). In addition, positivism research is a form of independent research and there is no provision for human interest in this study. Crowther & Lancaster (2008) argue that as a general rule, positivist studies typically adopt a deductive approach, whereas inductive research approaches are often associated with phenomenological philosophy. Moreover, positivism is related to the view that researchers need to focus on facts, while phenomenology focuses on the meaning and provision of human interest.

This research is focused on identifying the determinants of cooperative performance which consist of government role, level of education, entrepreneurial orientation, and dynamic capabilities. In order to accomplish this, a model based on the literature was developed. Therefore, this research develops a conceptual model with thirty-two hypotheses based on the previous literature. Consequently, this research adopts a positivist approach and employs dynamic capability theory to develop the conceptual model. The proposed conceptual model to determine cooperative performance was tested to increase our understanding of the value of strategy and capability in businesses activity. Hence, the researcher has selected the positivist approach to conduct the research in a more effective manner and to attain a better outcome.

4.2.2 Interpretivism

Interpretive researchers presume that people make and correlate their own biased and inter-subjective connotations as they communicate with the world (Riege, 2005). Thus, interpretive researchers are working to identify the incident through the entry of the meaning assigned to the participants. Social realism becomes exaggerated by the act of examining it. The model is based on the assumption that a strategy is required to assess the variation between people and natural science substances (Lodico et al., 2010). The main purpose of this research is to realise the incident by explaining the meaning that the respondents attribute to it. Therefore, this approach is deemed not suitable for this research as it focuses on finding social inconvenience to achieve interpretation, which contrasts the positivist approach since it focuses on assessing social events to pragmatically validate abstract models. Furthermore, the main disadvantages associated with interpretivism are related to the subjective nature of this method and the large space for bias. Therefore, interpretivist researchers apply the qualitative method in order to examine social incidents.

4.2.3 Critical Realism

As opined by Toloie-Eshlaghy et al. (2011), the positivist approach is considered a scientific approach with techniques that are extremely structured and assessable, and are based on approaches derived by the scientific society concerned with researching activities in the natural world. Interpretive approach inclines towards the compilation of qualitative data and applies methods such as formless interviews and respondents' surveillance. According to Morgan (2007), the positivist approach is the most suitable approach for conducting a research. Critical researchers are inclined to analyse and convert critical social realism under research. It tends to analyse social systems that can be obtained and provide information about differences that may not exist in their arrangement. The critical perception supposes that social realism is formed and reformed by nation, even though people can deliberately transform their financial and social situations. Critical researchers identify that their aptitude to do so is forced by different factors such as cultural, social, and political control. Therefore, the critical

approach is inappropriate for this study. Hence, the positivism approach is considered suitable for this research.

4.3 Research Approach

There are two main categories of approach: (a) qualitative research and (b) quantitative research. The selection of the most suitable research approach is based on research aim, objectives, nature of topics, and research questions in identifying, collecting, and analysing information to enhance our understanding of an issue. The research process usually consists of several research stages which include defining research questions, collecting data, processing data, answering research questions, and presenting findings (Goertz & Mahoney, 2012).

4.3.1 Quantitative

The relationship among the key components is studied in order to examine the objectives and the theories that reflect the quantitative research approach (Freshwater, 2007). Deductive approach is the basis of quantitative research that highlights the significant role played by the theories in guiding the research. Quantification and evaluation of the data are essential factors in quantitative research. The adoption of deductive approach enables the study to gain knowledge from the theories and frame the research hypothesis. After completing this stage, the research concentrates on the data collection and the interpretations that guide our understanding of the acceptance or rejection of the research hypothesis. This research revises the theory and rejects the hypothesis if the outcome is negative. The quantitative approach deals with the positivism philosophy that focuses on testing and evaluating the theory that enables the researcher to examine the phenomenon (Morgan, 2007). Research methods that involve surveys and experimental data are categorised under quantitative research. Surveys are carried out with the use of questionnaires.

4.3.2 Qualitative

As opined by Hakim (2012), the statements are important to ensure appropriate data are collected and for qualitative data analysis. Inductive approach is considered a qualitative research method that enables the researcher to obtain the research outcome based on the theory. The researcher develops assumptions that are generated through the observation of the analysed data or the findings through the use of the inductive approach. Through this process, the researcher intends to develop a new theory. The philosophy of interpretivism is an approach that is appropriately used for qualitative research. The interpretive philosophy allows the researcher to gain an understanding of a topic by gaining information from the theories and the background of the topic. Different types of research strategies are applicable under the qualitative approach such as the grounded theory, ethnography, case study, and narrative research (Bryman et al., 2018).

Factors	**Qualitative**	**Quantitative**
Features	A new theory is developed by understanding the relationships between the participants that focus on the utilisation of different types of data collection methods.	The key components are calculated using numerical methods that are used to conduct the statistical analysis that focuses on the evaluation of the relationship between the components.
Function of theories	The development of new theories is obtained through the assumptions of the observations that highlight the inductive approach.	Deductive approach is used and allows the researcher to evaluate the research hypothesis that highlights the success or failure of the theories and the hypothesis.
Research philosophy	The interpretivist philosophy allows the researcher to understand the research topic by implementing a design that accumulates categories during the process.	The researcher is able to examine the research theories with the help of the positivist philosophy that helps in determining a phenomenon.

Research strategy	It uses grounded theory, case studies, ethnography, and narrative research.	Experimental data and surveys are involved.

Table 4.1: The differences between qualitative and quantitative research approaches

4.3.3 Justification using Quantitative Approach

Quantitative research usually involves systematic and empirical investigations of a phenomenon through statistics, mathematics, and numerical data processing (Saunders et al., 2019). The process of estimating numbers in quantitative research provides the basic relationship between empirical observation and the mathematical expression of quantitative relationships. In quantitative research, data are usually selected and analysed in numerical form (Goertz & Mahoney, 2012: Singh, 2006).

Several advantages of quantitative approaches mentioned in the literature include; (1) the results are numerical (quantitative) and therefore research may not be influenced by personal feelings or opinions, (2) facilitate data processing, (3) allow for easier data comparison, and (4) enables the development of quantitative indicators (Basias & Pollalis, 2018).

A large amount of data involving 523 respondents was used in this study. Quantitative approach was used since there is a need to analyse and process large quantities of data to validate the postulated hypotheses and conduct theory testing. Next, there are uncertainties related to the theories under consideration and research can be conducted effectively with a questionnaire. Furthermore, the data obtained can be calculated and compared. In quantitative research, data processing is usually done using its own statistical software (Martin & Bridgmon, 2012; Singh, 2006). Hence, this research selected the AMOS (Analysis of a Moment Structures) version 23 in order to employ Structural Equation Modelling to corroborate the theories and the presentation of the planned abstract model. In addition, this research is based on the positivist philosophy that measures the conceptual model. The questionnaire was developed after the theories were examined. Survey was employed in this study.

The basic characteristics of a quantitative research approach related to a particular research objective are: (a) research association with experimentation, (b) phenomenon investigation; (c) use of sophisticated statistical tools, (d) use of questionnaires (usually with closed questions), (e) calculation of relationships and characteristics, and (f) collection, procession, and presentation of quantitative data (Goertz & Mahoney, 2012; Singh, 2006: Newman, 1998). The main features of the quantitative research approach are shown in Table 4.2.

Quantitative Research	**Description**	**Literature**
Examines	Phenomenon: A fact or situation that is observed to exist or happen, particularly when the cause or explanation is in question.	Goertz & Mahoney, (2012); Singh, (2006); Kumar, (2005); Dawson, (2002); Kothari, (1985);
Interpretation	The quantitative research approach usually refers to the systematic investigation of a phenomenon through statistical and mathematical analyses and the processing and analysis of numerical data.	Bhattacherjee, (2012); Kumar, (2005).
Usually Selected When	• It is necessary to analyse and process a large amount of quantitative data to verify hypotheses and/or test the theory. • There is no uncertainty about the conceptions under consideration. • The research can be carried out with questionnaires that include simple questions and short answers that can easily be quantified and compared.	Bhattacherjee, (2012); Goertz & Mahoney, (2012); Singh, (2006); Kumar, (2005); Dawson, (2002); Kothari, (1985).
General Context	• Correlation with experiments • Testing of hypotheses related to a phenomenon. • Use of advanced statistical tools • Using questionnaires	Martin & Bridgmon, (2012); Balnaves & Caputi, (2001); Black, (1999).
Question Form	Closed-ended questions	Singh, (2006); Balnaves & Caputi, (2001).

Data Format	Numerical data (quantified) usually obtained by questionnaires.	Goertz & Mahoney, (2012); Miles & Huberman, (1994).
Advantages	• The result is numerical (quantitative) and is therefore often considered objectively (fact-based, measurable, and observable). • Facilitates the processing and analysis of large volumes of data. • Easier to highlight changes and differences. • Easier to compare numerical data. • Facilitates the development of quantitative valuation indicators	Martin & Bridgmon, (2012); Goertz & Mahoney, (2012); Singh, (2006); Balnaves & Caputi, (2001); Black, (1999); Newman, (1998).

Table 4.2: Main features of the quantitative research approach

4.4 Research Design

Research design is the process of developing a plan that helps the researcher to answer the research questions (Lutz & Knox, 2014). However,the importance of defining research questions cannot be overemphasised (Saunders et al., 2016). Punch (2000) states that research design is part of the basic plan for an experimental research that includes key ideas such as samples, approaches, and steps taken to collect and evaluate empirical data. Zhang (2000) argues that the purpose of research design is to show how the research question can be related to the data as well as the instruments and to illustrate steps to be used to answer it. Perry (1998) suggested that "there will usually be only one major methodology which suits the research problem and associated research gaps..." (p. 15). Therefore, research design must be derived from research questions and be able to adapt the data collected (Zhang, 2000). Kumar (2005) states that research design is a procedure plan used by researchers to answer questions objectively, precisely, economically, and with validity. Traditional research design is an action plan or a detailed plan of how a research study is completed; operational variables for measuring, selecting samples, collecting data and analyzing results of studies, and testing hypotheses (Thyer, 2009). Essentially, research design is a logical sequence that links empirical data, research questions, and conclusions (Yin, 2003). Bryman et al. (2018) emphasise that research design should provide the

overall structure and orientation of the investigation as well as the framework through which data can be collected and analysed.

The researcher studied the relevant literature to understand the problem of the topic which assist in the development of the theoretical model and thirty-two main research hypotheses. Based on the nature of the topic and the need for research, quantitative approach was selected and questionnaire was utilised to collect the necessary data. This research used a time horizon of 'snapshot' or cross-sectional study due to time constraints. Such studies often use surveys and interviews as research strategies, which justify reasons for choosing survey. The survey took the respondents only fifteen to twenty minutes to answer. During the second phase of data collection, the researcher conducted a pilot study and evaluated the reliability, validity, and strength of the questionnaire.

The researcher developed a detailed plan that highlights the research objectives derived from the research questions. It also comprises the data collection and analysis specifications that are used to obtain the research outcome. The researcher also included the ethical considerations to reduce the risks associated with the research. To conduct the survey, 1,000 respondents were selected. However, only 523 questionnaires were successfully completed. The respondents' profile includes four age groups (20-30 years, 31-40 years, 41-50 years and 51 and above), six categories of education level (SPM, STPM, Diploma, Degree, Master and PhD), and four company positions (owner, CEO, manager and Executive), and also seven types of industry (manufacturing, services and construction, forestry, (agriculture, fishery & livestock), education and others). The next stage of the research design shed light on the evaluation of the collected data. After that, the analysed data were interpreted using SPSS and AMOS. Using this research design enables the objectives of the research to be achieved. The processes involved in this research are depicted in Figure 4.1.

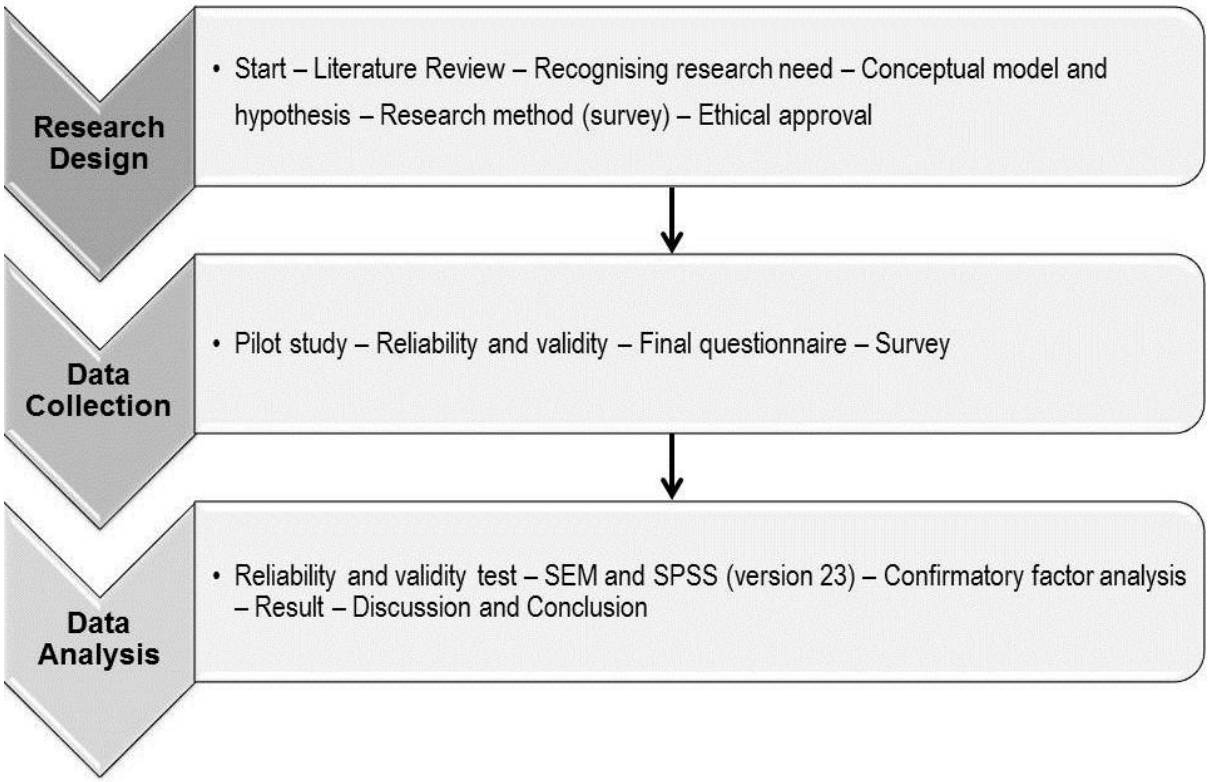

Figure 4.1: Research Design

Source: Cameron, 2009

4.4.1 Sample Size

A large sample size ensure that the data obtained from the samples reflect the population (Morgan, 2007). Sample size refers to the total number of participants who are selected from a huge population and are involved in the research work to provide answers to the survey questions (Serrant-Green, 2007). According to Freshwater (2007), a large sample size facilitates better outcomes and a large sample size is important in analysing different types of data from different aspects. As the population refers to the total number of participants who have been selected, it becomes difficult for the research to involve all the respondents due to time constraints. Thus, the research calculated an adequate sample size so that a better survey can be carried out (Bryman et al., 2018). One limitation associated with using a small sample size is that important information that would have been provided by respondents may be excluded and not arise which might reduce the quality of the research outcome. The research selected a population of 1000 participants for the survey. The research failed

to incorporate a huge population and considered using a sample size of 523 respondents. A higher number of respondents produces a high-quality research outcome and helps the researcher to collect different perspectives for data analysis (Truscott et al., 2010). This helps the researcher to analyse the data from numerous aspects. This research used Structural Equation Modelling (SEM) to analyse the proposed conceptual model which requires big data. The data using SEM can be categorised into several groups: (1) 100 and above being poor; (2) 200 and above being fair; (3) 300 and above being good, (4) 500 and above being very good, and (5) 1000 and above being excellent (Tabachnich & Fidell, 2001; Comrey & Lee 1992). This research fell under the category of being very good, as there were more than 500 respondents.

4.4.2 Pre-test

Cameron (2009) states a pre-test of the questionnaire must be performed before the questionnaire is circulated o ensure a better research outcome can be obtained. Pre-testing refers to measuring the questions based on their respective strength in terms of which questions are more effective than other questions. According to Crouch & Pearce (2013), pre-testing allows a researcher to check the questions and reject those that are inappropriate and do not reflect the research topic appropriately. This helps the researcher to decide which questions should replace the eliminated questions, so that the questionnaire becomes more effective. In addition, the questionnaire needs to be measured in terms of length since long questionnaires might not attract the respondents to answer the questions as the questionnaire are very time-consuming. As Gomm (2009) commented, pre-testing not only helps to determine the success or failure of the questions, but also allows researchers to understand whether the respondents might lose interest in the questions if the questions seem repetitive or because the overall questionnaire is too lengthy. In fact, another advantage of pre-test is that it helps the researcher to determine if the respondents are able to understand and answerthe questions. Thus, it is concluded that pre-testing the survey helps the researcher to understand the weaknesses and strengths of the questionnaire in terms of the question order, length, and format. According to Bryman et al. (2018), a survey questionnaire can be pre-tested in two different ways: undeclared or participating. In

the undeclared pre-testing process, the researcher needs to hand the questionnaire to a set of respondents who are not told anything about the pre-testing. In this process, the survey questionnaire is circulated among a few respondents and they are asked to answer the questions on the questionnaire. According to Vangen & Huxham (2012), pre-test using the undeclared method allows the researcher to examine the standardisation of the survey and the evaluation process. Again, Crouch & Pearce (2013) mentioned that conducting a participatory pre-test in the first stage is more effective, after which undeclared pre-testing is conducted to avail a better response to the survey. This helps to develop the questionnaire in a more appropriate manner. However, in this double step process, the researcher needs to possess a lot of resources for both stages to be conducted. In the participating pre-test, the researcher presented the survey questionnaire to the respondents who were informed about the pre-test (Bryman et al., 2018). In accordance with the recommendation by Crowther & Lancaster (2012), the respondents were asked to comment on the questionnaire in terms of the transparency of the questions, the difficulty of any words, and the order of the questions or structure of the questionnaire in the participating pre-test.

Pretesting a questionnaire is an important step in the survey development proccess. The ultimate goal is to increase the validity and reliability of our testimonial survey evidence. When it comes to pre-testing questionnaires, we focus on how people answer our questions because there are several different processes that respondents may experience when answering our questions. Finally, we want to ensure that respondents interpret and answer questions in the way that our research implies. Pretesting helps to determine if the respondents can understand the questions and. Pre-test also provides the most direct evidence to determine the validity of the questionnaire. Several general questions on the questionnaires were asked which include (Council of the Inspectors General on Integrity and Efficiency, 2009):

1. Was the questionnaire comprehensive? Did we adequately cover the topic (or how adequately was the topic covered)?
2. Are there any questions you expected that we would ask and that we didn’t?
3. Are there any questions you feel may be too sensitive or that may affect our response rate that we should consider deleting?

This process required the respondents to attend an interview where the researcher studied their reaction to the questionnaire. This enables the researcher to understand if the actual respondents of the research are able to easily answer the questionnaire or not. Johnson et al. (2007) stated that, in the pre-testing process using both methods, a researcher is able to measure the efficiency of the questionnaire by evaluating different factors such as the order, flow, timing, skipping of questions, patterns, and the overall response. These questions will allow the researcher to make changes and improve the quality of questionnaires.

Although the items were adapted from a comprehensive review of past studies, the consideration of selected items must be in accordance with the Malaysian cooperative perspective. Some items in the pre-test were viewed by the respondents as out of order. Therefore, the order of these items was restructured according to their relevance. Otherwise, irrelevant items may affect the motivation of the target respondent in answering the question (Razak et al., 2008).

Hence, the researcher conducted an undeclared pre-test for this research, which helped the researcher to gain an understanding of the respondents' viewpoints regarding the questionnaire. The pre-test enables the researcher to understand how the respondents reacted to the questions and observed their skipping pattern and any difficulties in answering the questions.

4.4.3 Pilot Test

As Ellis & Levy (2009) commented, the questionnaires that are distributed among the participants of the research need to be piloted before being circulated to collect the data. Through pilot testing, the researcher is able to remove questions that are unnecessary and replace them with ones that are more important. This helps the researcher to measure the validity and reliability of the questionnaire. Serrant-Green (2007) highlights that the researcher has to involve an expert or group of specialists who are responsible for analysing the suitability and representativeness of the questionnaire in the validation process. The reliability of the questionnaire is calculated through the uniformity of the reactions and replies to the questions (Riege, 2005)

involving several experts from the academia participated in the questionnaire validation process. The researcher strengthened the research validity by acquiring the opinions of the respondents regarding the transparency of the instructions, attractiveness, and simplicity of the layout of the questionnaire. After attending to the validity of the questionnaire, the researcher conducted a pilot test of the amended questionnaire. The researcher conducted a survey which involved 30 respondents and obtained their responses to measure the transparency and validity of the questionnaire. During this process, the researcher observed the respondents in terms of problems they experienced in understanding the questionnaire and any difficulties faced while answering the questions. After completing the pilot test to check the validity of the questionnaire, the researcher carried out a reliability test. In the reliability test, the internal consistency was used in examining the constructs comprising of the loaded items. According to Corbetta (2003), the uniformity of the questions needs to be measured before conducting the actual survey. Cronbach's alpha is considered the best method for measuring the internal consistency of the questionnaire and is also the most frequently used method (Gomm, 2009). Cronbach's alpha uses the rule of thumb method to calculate the internal consistency. Excellent reliability is demonstrated when the figure is higher than 0.90 whereas high reliability is expressed as values of between 0.70 and 0.90. However, a value between 0.50 and 0.70 is described as to have moderate reliability and low reliability is reflected when the value is ≤ 0.50 (Ellis & Levy, 2009). The reliability test of the survey obtained a Cronbach's alpha value of 0.95 which which indicated that the questionnaire possesses high reliability.

4.5 Research Strategies and Data Collection Procedure

A research strategy can be defined as a plan to answer the specified research questions (Saunders et al., 2019). This is the methodological connection between the philosophy and the selection for data collection and analysis (Denzin & Lincoln, 2011). According to the research onion by Saunders et al. (2019), a research strategy includes experiment, case study, ethnography, archival research, action research, grounded theory, narrative inquiry and survey. This research used survey as a research strategy.

4.5.1 Survey

According to Bergh & Ketchen (2009), surveys allow researchers to obtain relevant data from a particular sample which then makes it possible to evaluate the acquired data in statistical forms. Surveys are conducted based on the deductive approach that focuses on the theory and formalises the research hypothesis. Positivism is also associated with surveys. In the process of using surveys, different types of data collection techniques are available such as telephone interviews, face-to-face interviews, and postal and self-completion questionnaires via the Internet. In addition, there are two types of surveys which are the analytical survey and the descriptive survey. Morgan (2007) listed five stages of surveys that are used in a research process which are survey design, modification of the questionnaire and sample, pilot testing, data collection, and data analysis. In this research, a survey was adopted because it is a cost-effective way of collecting data, quick, and can be applied to a huge number of participants.

According to Crouch & Pearce (2013), questionnaires are considered the best technique as they can be easily designed by the researcher to acquire an enormous amount of data. Due to their cost-effective nature, questionnaires play a significant role as they can be distributed among different respondents from the huge population. The research did not incorporate interviews because they are time-consuming and are also difficult (Johnson et al., 2007). Thus, to enable respondents to answer questions comfortably and in a location of their choice, questionnaires are an efficient way of conducting the survey that also avoids the drawbacks of interviews, especially the time-consuming factor. According to Crowther & Lancaster (2012), to collect data from primary sources, questionnaire is the best possible method as they are able to reach the respondents within a short span of time and they can be easily answered by the respondents as the questions do not follow a descriptive pattern. According to Vangen & Huxham (2008), for researchers who wish to conduct quantitative analysis through surveys, the development of appropriate questionnaire is essential to obtain accurate in-depth information from the viewpoint of the respondents. The questionnaire design plays a significant role in understanding the rate at which the responses of the respondents can be achieved. The design is also important because it helps

researchers to understand the reliability and validity of the obtained data based on the perceptions of the respondents (Serrant-Green, 2007). Riege (2005) states that the method of distributing and obtaining the questionnaires reflects the different types of design based on which questionnaire can be developed by a researcher. The author also commented that a researcher can use either of the two different ways to acquire data from the respondents. The different ways generally applied by a researcher are completed by the interviewer and completed by themselves. In the surveys completed by the interviewer, the researcher has to record the respondents during an interview. This is carried out with each selected respondent which takes a lot of time to complete. However, with the self-completed method, a researcher needs to hand the questionnaire to the respondents and then collect them after the respondents have completed them. In this process, the researcher does not need to record the answers, as the replies are on the questionnaire (Bryman et al., 2018). In the interviewer-completed method, data can be collected through either telephonic interviews or structured interviews. However, the self-completed method includes different ways through which the researcher can reach out to a huge number of respondents, namely, intranet-mediated questionnaire, web-based questionnaires, face-to-face delivery, and mailed questionnaires (Freshwater, 2007).

The survey questionnaire for this research was prepared in the form of a booklet. The questionnaires were designed in two languages: Malay and English. This research used a back-translation method proposed by Brislin (1970). Specifically, this research applied the following translation procedures. First, the researcher translated the English version of the questionnaire into Malay (one-way translation). Second, the translated Malay questionnaire was then given to two professional bi-lingual translators to be translated back into English (back translation). Finally, both versions of the translated questionnaire were compared, revised, and re-produced in English and Malay versions of the questionnaires by a linguistics lecturer from the Islamic International University Malaysia (i.e. English-Malay-English). The objectives of the back-translation were to avoid translation-related problems and to ensure that the meaning of each question was consistent with the English version questionnaire, which is the original version.

Therefore, the researcher distributed web-based questionnaires due to several advantages. Web-based questionnaires provide the researcher with appropriate designs which paper-based questionnaires do not have. Lutz & Knox (2014) commented that web-based questionnaires offer tools that provide attractive features such as the drop-down menus, different colours that can be selected personally by the researcher, pop up boxes that offer instructions and, different font styles that is an important part of the questionnaire. In addition, the researcher used this mode of survey because it made it possible to reach a huge number of participants within a particular timeframe that was also very convenient for the researcher.

4.6 Research Procedures

This section discusses the major methods for measuring variables and collecting the data to test the formed hypotheses.

4.6.1 Research Location

The location for obtaining data plays an important role. The empirical work for this research was undertaken in Malaysia. Malaysia was selected as the research context as Thong (1999) stated that there are many differences between developing countries and developed countries, hence, it is interesting to compare the findings from them. To conduct this research, the research location of Malaysia was selected, focusing only on the Peninsular Malaysia (Terengganu, Kelantan, Pahang, Selangor, Wilayah Persekutuan, Negeri Sembilan, Pulau Pinang, Johor, Melaka, Perak, Kedah, and Perlis).

4.6.2 Sampling

Sample refers to the number of respondents chosen for the research topic. The chosen population is observed, and the findings are generalised. It is defined as a portion of the population. A population is explained as a complete set of cases and a sample is taken from that (Bryman et al., 2018). The sampling process involves any procedure using a small number of items or parts of an entire population to draw

conclusions about an entire population. A sample is a subset, or portions of a larger population. The purpose of sampling is to enable researchers to estimate the unknown features of their population. The sampling process is briefly described in the Figure 4.2.

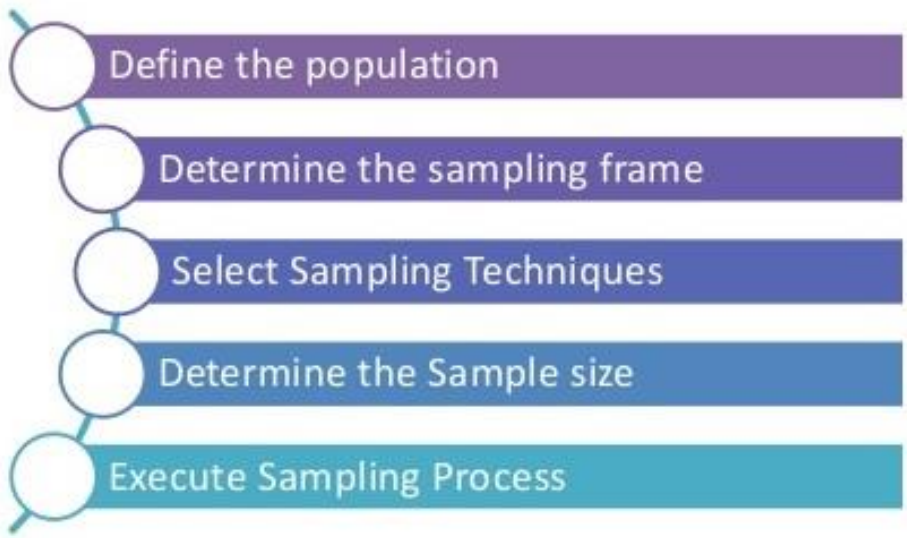

Figure 4.2: The Sampling Process

The research chose the population of Malaysians. It was impossible to interview the whole population due to a lack of time and budget. There are two categories of sampling technique which are probability or representative sampling and non-probability sampling (Saunders et al., 2016). Probability sampling is associated with experiments and survey research strategies that seek to fulfil the research objectives and must represent the target population. However, non-probability sampling is related to an unknown target population and provides a subjective judgement (Saunders et al., 2016). This sampling strategy always experience bias and is unable to meet the research objectives (Saunders et al., 2016; Buelens and Van den Brakel, 2015).

Several reseach suggested using a combination of probability and non-probability techniques (Tashakkori & Creswell, 2007; Teddlie & Yu, 2007). There are five main sampling techniques under probability sampling, namely, simple random, systematic, stratified and cluster (Johnson et al., 2007), while Saunders et al. (2016) divided non-probability sampling into four categories such as quota, purposive, volunteer (snowball

and self-selection), and haphazard (convenience). However this research espouses a mixed method of stratified and convenience sampling techniques to select the respondents (Tashakkori & Creswell, 2007; Teddlie & Yu, 2007). This research implemented a combination of probability and non-probability sampling techniques to select the sample as this is an appropriate sampling technique for making inferences. It also has a rich history and proven theoretical foundation (Brick, 2014).

This study chose convenience sampling since it is cost-effective and less time-consuming. It takes less effort and the data can be collected very easily through this sampling technique (Riege, 2005). Hair & Money (2011) opine that convenience sampling also involves attaining admittance to the most simply available subjects such as neighbours, students, and internet invitations in order to accomplish the research. The sample consisted of three sections: micro, small, and medium cooperative firms. The researcher used probability sampling to choose the decision-maker (owner, CEO, manager, supervisor, or executive) from the Malaysian cooperative firms.

Probability sampling is essential to build the sampling frame (Saunders et al., 2016). This research adopted the probability and convenience sampling techniques to select respondents for this research and applied a stratified random sampling technique (Tashakkori & Creswell, 2007; Teddlie & Yu, 2007). Thus, a sampling frame for this research was adopted from the Malaysia Co-operative Societies Commission directory as listed in Table 4.3.

State	Number of Cooperative
Johor	1,324
Kedah	961
Kelantan	818
Melaka	476
Negeri Sembilan	743
Pahang	1,066
Perak	1,449
Perlis	198
Pulau Pinang	725
Selangor	1,659
Terengganu	685
Wilayah Persekutuan	970
Total	11,074

Table 4.3: Number of Cooperatives by State 2016
Source: Malaysia Co-operative Societies Commission

4.7 Instrument

In this research, the measures that have been constructed were taken from the literature. The researcher adopted 46 measurements and employed four types of construct for this study which are government support, entrepreneurial orientation, dynamic capabilities, and firm performance. The questions were ranked using a Likert scale Accordingly, the five-point Likert scale offers different rating parameters that are useful for measuring perception. The ratings of the scale are as follows:

1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree

Table 4.4: Instrument Measurement

Construct	Item Code	Item Measurement	References
Government Support	GS1	The government provides technical assistance (promotion) to my company	Kuei et al. (2015); Mondejar & Zhao, (2013); Roxas & Chadee, (2013)
	GS2	The government helps to train the manpower for my company	
	GS3	Cultivating cooperative relationships with applicable government agencies by actively participating in various government-sponsored activities	
	GS4	Encouraging our functional areas to maintain cooperative relationships with related functional agencies of government through informal and formal interactions	
	GS5	The government provides financial support to my company	
	GS6	We always feel the need to obey many different and inconsistent rules and regulations	
	GS7	Policies imposed by the government are conducive for my business	
Entrepreneurial Orientation	EO1	Our company is known as an innovator in our industry	Boso et al. (2013)
	EO2	We promote new and innovative product/services in our company	
	EO3	Our company provides leadership in developing new products/services	
	EO4	Our company is constantly experimenting with new products/services	
	EO5	We have built a reputation for being the best in our industry to develop new methods and technologies	
	EO6	We seek to exploit anticipated changes in our target market ahead of our rivals	

	EO7	We seize initiatives whenever possible in our target market operations	
	EO8	We act opportunistically to shape the business environment in which we operate	
	EO9	Top managers of our company, in general, tend to invest in high-risk projects	
	EO10	This company shows a great deal of tolerance for high-risk projects	
	EO11	Our business strategy is characterised by a strong tendency to take risks	
	EO12	We typically adopt an “undo-the-competitor” posture in our target markets	
	EO13	We take hostile steps to achieve competitive goals in our target markets	
	EO14	Our actions toward competitors can be termed as aggressive	
	EO15	Personnel behave autonomously in our business operations	
	EO16	Personnel act independently to carry out their business ideas through to completion	
	EO17	Personnel are self-directed in pursuit of target market opportunities	
Dynamic Capabilities	DC1	Exploring opportunities and product solution options	Zhang & Wu (2017); Wilden et al. (2013).
	DC2	Identifying trends in customer needs	
	DC3	We use established processes to identify target market segments, changing customer needs and customer innovation	
	DC4	We observe best practices in our sector	
	DC5	We gather economic information on our operations and operational environment	

	DC6	We invest in finding solutions for our customers	
	DC7	We adopt the best practices in our sector	
	DC8	We respond to defects pointed out by employees	
	DC9	We change our practices when customer feedback gives us a reason to change	
	DC10	Implementation of new kinds of management methods	
	DC11	New or substantially changed marketing method or strategy	
	DC12	Substantial renewal of business processes	
	DC13	New or substantially changed ways of achieving our targets and objectives	
Firm Performance	PERF1	Net social benefits and business cash flow/philanthropic ringgit invested	Luke et al. (2013)
	PERF2	Project's net benefits compared to the investment required	
	PERF3	Income + net savings - grants/donations, calculated as present values	
	PERF4	Net social benefit from business operations	

4.8 Control Variables

A control variable is an unchanged element throughout the experiment as its consistency allowed the relationships among other variables to be tested for better understanding (Becker et al., 2016). Control variables may not be encouraged for theoretical understanding, and several articles have been written about the use of appropriate control variables. In organisational research, authors since the 2000s have suggested to avoid including control variables in regression equations because controls are available for analysis (Brannick, 2019). Control variables should have a clear theoretical role in the analysis.

Organisational researchers often use statistical controls in correlational studies, aiming to provide a more accurate estimate of the relationship between predictive variables and criteria by conducting more conservative tests of their hypotheses, or rejecting alternative explanations for empirical findings (Becker et al., 2016). However, including control variables in the analysis raises a number of important conceptual and analytical issues. Methodologists have shown that it is important to address these issues because failure to do so can result in the interpretation of parameters that cannot be interpreted which cause inferential errors, impede replication of results, and hinder scientific progress (Spector & Brannick, 2011; Meehl, 1970). Fortunately, authors have recently offered suggestions for using control variables in organisational research correctly (Atinc et al., 2012; Carlson & Wu, 2012; Spector & Brannick, 2011; Breaugh, 2008; Becker, 2005). These articles have been cited more than 700 times, and similar recommendations have been incorporated into the norms of the Academy of Journalism and Journal of Organisational Behavior (Bono & McNamara, 2011; Edwards, 2008). Despite this concern, there seems to be little improvement in how organisational researchers handle control variables. For example, Breaugh (2008) and Becker (2005) suggest that the author provides a clear reason for entering a control variable. However, Bernerth & Aquinis (2016) reviewed 580 articles containing control variables published in top management journals between 2003 and 2012 and found that in 2003, only 5% of articles included clear theoretical justifications for incorporating CVs. In 2012, the rate was 3%.

Beyond theoretical justification, there are measurement considerations for incorporating control variables. The control variables selected for the analysis should be well-measured and subject to the same standards of reliability and validity as the focal variables. One should refrain from using variables that are proxies to actual variables (e.g., participants' gender should be avoided as proxies for interests in typically masculine or feminine interests). When the control variables are included in the analysis, they should be included in the descriptive statistics summary table along with the focus variables. The results should be reported to include and exclude control variables. When control variables are used, care is needed to draw conclusions because statistical control holds things that may be relevant in ways that are not considered in the analysis such as the example of experience that leads to learning

process to achievement (Klarmann & Feurer, 2018). Hence, the measurement for control variables is not stated as this research does not use any control variables.

4.9 Back Translation

Back-translation refers to the procedure whereby an individual or team of professional translators interpret an original document, translate it into another language, then translate it back into the original language (Brislin, 1993). The importance of using back-translation to create a text in the target language (Malay) is equivalent to ensuring the "equal value" of the original source language version (English). A translation will be equivalent if it attains "the conveyance of identical meaning" (Hult et al., 2008: p. 1035) between the target and source language versions. Douglas & Craig (2007) analysed cross-language studies from 1993 to 2005 in the Journal of International Marketing and found that 75% of the papers used back-translation. According to them, this method is very popular and back-translation remains a primary method to check the accuracy of translations. Moreover, Chidlow et al. (2014: p. 569) found that back-translation is the most common technique mentioned in association with equivalence (or "consistency", which is used as a synonym). Cross-cultural studies tend to adopt the back-translation method (Brislin, 1970). In line with Brislin, this research employs the same method and uses a decentring process, whereby the original version of the questionnaire (the English version) is changed extensively to ensure that the items in both the foreign and back-translated versions are identical in meaning. Decentring refers to a process of translating from the original language to the target language, then translating back to the original language. This process is equally important during the translation procedure (Brislin, 1970: p. 186).

The procedure of back-translation (see Figure 4.3) was applied to the questionnaire, which we designed in both English and Malay. Firstly, the researcher translated the English version into the Malay version (one-way translation). Secondly, the translated Malay version was given to professional bi-lingual translators for back translation (to be translated back into English). Finally, both versions were sent to two professional translators from the University of Malaya (UM) and International Islamic University (IIU), to check the meaning and the quality of the outcome. This method involved

professional translators to ensure the quality of the connotative meaning (Adams & Iwu, 2015). Construct validity, content validity, and face-to-face validity, and reliability (internal consistency and test-retest) as psychometric properties were examined.

Teo et al. (2015) used the back-translation method in their research on Malaysian smokers, and the results show that the evidence possessed strong reliability and validity. In addition, Zehrer & Raich (2016) used back translation (English-German and Russian-English) to test how crowding and coping behaviour impact customer satisfaction. Furthermore, Nazurah et al. (2016) used the back-translation method to examine the reliability and internal consistency of the Malay version of the PSI-PF (Parenting Stress Index-Short Form). The World Health Organisation (WHO) suggest using back-translation as a quality approach to achieve an unambiguous and commensurate interpretation transfer of meaning across languages in global health studies (Ozolins, 2009). In conclusion, back translation has been used in multiple disciplines and is not limited to business research alone.

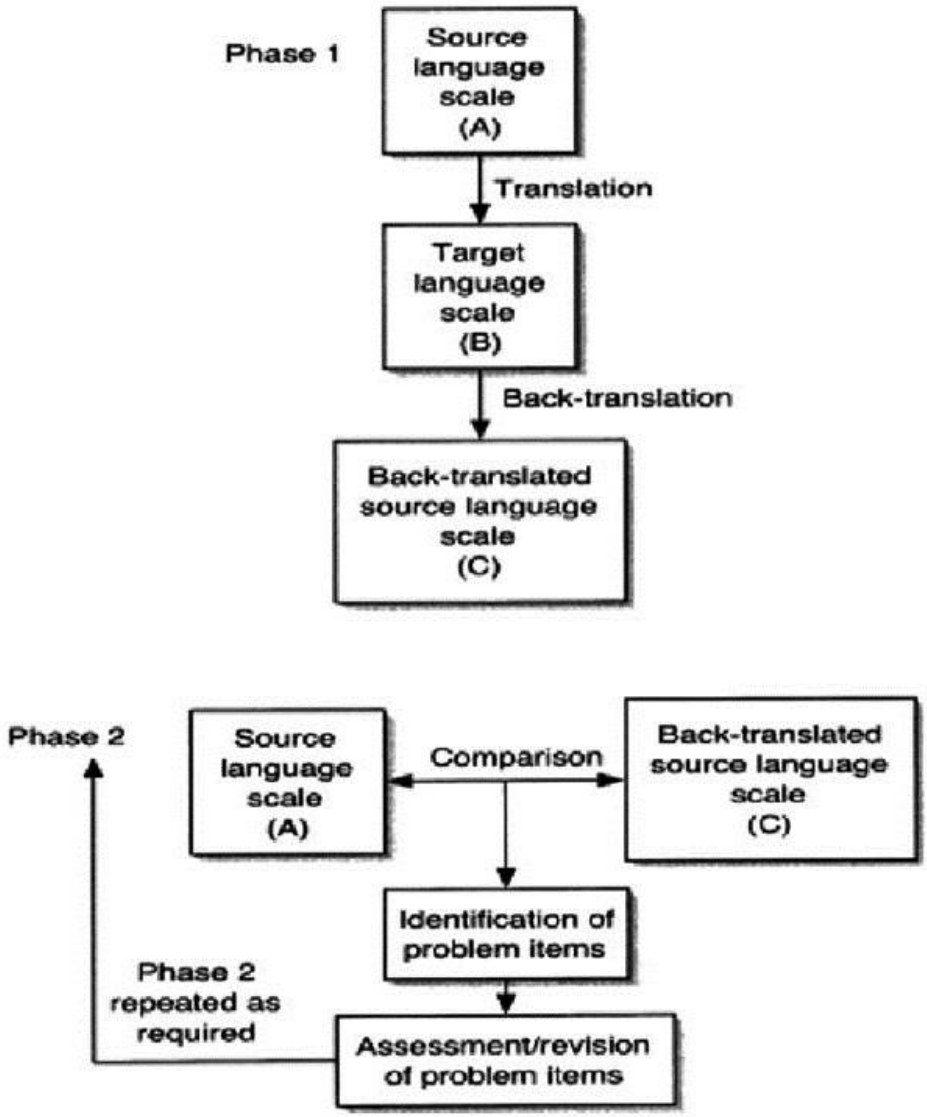

Figure 4.3: Back Translation flowchart

4.10 Reliability and Validity of the Instrument

Validity refers to the extent to which it assesses what it was designed to assess. This is not the same as reliabilitywhich measures the degree to which an assessment provides an outcome that is highly dependable (Toloie-Eshlaghy et al., 2011). For example, reliability is considered the repeatability of results. If the same research was to be performed again and the outcomes were the same as the previous result, then the data are reliable. Validity is the reliability or believability of the study (Hair & Money, 2011).

Convergent validity and discriminant validity are subsections of construct validity. Both the convergent and discriminant validity work together to establish construct validity. Convergent validity is described as the degree to which the pragmatic variables of a specific build distribute an elevated section of the discrepancy in general as opined by Bergh & Ketchen (2009). It is a constraint that refers to the extent to which two assesses of constructs that tentatively should be correlated are in fact associated as stated by Ellis & Levy (2009). Convergent validity is measured by applying three assessments that include AVE (Average Variance Extracted), factor loading, and composite reliability. Consequently, discriminant validity is conducted by evaluating the average variance extracted principles for any two builds with the square of association approximate between them. Discriminant validity is the extent to which two theoretically alike ideas are different (Johnson et al., 2007).

According to Onwuegbuzie & Leech (2009), convergent validity can be recognised if two identical constructs communicate with each other, whereas discriminant validity uses two unlike constructs that are simple to distinguish. Convergent validity can be accessed through correspondence coefficients. A successful assessment of convergent validity shows that the assessment of an idea is highly interrelated with other assessments intended to measure hypothetically identical concepts. A successful evaluation of discriminant validity shows that an investigation of a notion is not highly concurrent with other analyses planned to compute hypothetically different concepts. Cronbach's alpha is applied to examine the interior dependability of the equipment. Internal reliability refers to the problem of whether the pointers that formulate the scale are reliable or not. As a rule of thumb, a numeral of ≤ 0.90 demonstrates outstanding reliability, 0.70-0.90 shows soaring reliability, 0.50-0.70 is modest reliability, and ≤ 0.50 is squat reliability (Truscott et al., 2010). Therefore, this research has espoused convergent and discriminant validity to ensure that the assessments of the build precisely symbolise the idea of interest.

4.11 Data analysis

Quantitative data require appropriate statistical tools for hypotheses testing. Babbie & Mouton (2005: p. 418) stated that quantification of data is required when statistical

analysis is desired and further observations describing each unit of analysis must be transformed into numerical codes, numerical codes for retrieval, and manipulation by machines (such as computers).

4.11.1 Statistical Data Analysis

After the data have been collected, the researcher needs to see if expectations about the features and quality of the data have been met (Grosshans & Chelimsky, 1992). The choice between possible analyses should be based partly on the nature of the data — for example, whether many of the observed values are small and some are large and whether the data are complete. If the data do not meet the assumptions the method is designed to be used, the researcher need to gather and decide what to do with the data they have. Different forms of data analysis may be advisable, but if some observations are not reliable or completely missing, additional data collection may be required. As the evaluator continues the data analysis, intermediate decisions need to be monitored to avoid any inconvenience that may invalidate the conclusions. This not only verifies the completeness of the data and the accuracy of the calculations, but maintains the logic of the analysis. Balancing analytical alternatives requires a substantial determination of judgment. For example, when observations capture unusual values, what method should be used to explain the results? What if there are several values large or small in a set of data? Should we be dropping data at extreme highs and lows? On what basis? After these questions have been answered, only then researcher can proceed to the next step.

Furthermore, data analysis is regarded as a systematic method that applies logical and statistical techniques to explain and demonstrate, concentrate and recapitulate, and assess the data. The process of data analysis starts with data maintenance to ensure that the data do not contain outliers as stated by Lodico & Spaulding (2010). According to Harrison & Reilly (2011), data analysis is the process of examining, cleaning, converting and representing data with the aim of finding valuable information. After data collection, the researcher needs to do data editing, data coding, data entry, and data cleaning. The purpose of data editing is to check the completeness of the data, to identify errors, and examine data readability. Often,

editing occurs during and after data collection, especially during coding (Singleton & Straits, 2004). Thus, coding is a process of providing numbers (numerical codes) to answer all questions in the questionnaire (Babbie & Mouton, 2005: p. 412; Cole, 1996).

Once data have been entered into the computer, it is important for researchers to check for errors (Babbie & Mouton, 2005: p. 417). Errors can result in encoding or transmitting data to a computer. The process of detecting and fixing errors is called cleaning data. Singleton & Straits (2004: p. 451-453) suggest four ways in which data can be cleaned; (a) data verification and careful training and monitoring of the data entry person; (b) extensive pre-testing of the computer-assisted survey procedures; (c) wild-code checking of illegitimate codes–these are codes that are out-of-range that are not specified in the codebook; and (d) consistency checking where responses to certain questions are related to responses of other questions. Here, the researcher used Statistical Package for Social Sciences (SPSS) to screening the data. This research did not recognise any loss of importance and continued to the next stage.

Afterwards, evocative data originated from the sample of composed data and dependability tests were conducted to ensure the reliability of the measurements. Statistical Package for the Social Sciences (SPSS) is a software package that is used for statistical analysis. The most recent version of the software is called IBM SPSS. This research employed IBM SPSS statistics version 23, which is mainly used for survey authoring and operation. This is popular software in the field of marketing. Furthermore, this software is used for statistical analysis, data administration, and data citations (Burns et al., 2008). According to Toloie-Eshlaghy et al. (2011), researchers use SPSS for data management, where they introduce and export data files, data selection, record variable, gauge new variables, and merge the sets of data. After that, the data were analysed using SPSS. Descriptive statistics, charts and graphs, frequency, normal curve, histograms and cross tabulation were employed. Then, parametric and non-parametric methods were conducted. After that, correlation and regressions including multiple regression, two variable regressions, and logistic regression were performed.

4.11.2 Structural Equation Model

Structural Equation Model (SEM) is gradually gaining popularity among social science researchers. This is applied as a method to assess theories with tentative and non-tentative data (Crowther & Lancaster, 2012) and is designed to examine an abstract or hypothetical model. SEM encompass path analysis, confirmatory factor analysis, and latent growth modelling. Structural Equation Model refers to the grouping of two models which are the measurement model and structural regression model. The measurement model describes the dormant variables by using a certain number of observed variables and the structural regression model connects the dormant variables together (Bergh & Ketchen, 2009).

SEM is extensively used in social sciences as it has the ability to segregate observational mistakes from the assessment of dormant variables. For example, the intelligence of humans cannot be tested like height or weight, so several theories about human intelligence have been developed and tested by SEM using information and data collected. Here, intelligence is the latent or dormant variable and the test item is the observed variable (Cooper & Schindler, 2010). This research selected SEM to corroborate the theories and to examine the presentation of the planned abstract model. According to Toloie-Eshlaghy et al. (2011), it is considered a statistical technique that uses a positive approach. SEM examines the premised model in a concurrent analysis of the whole system of variables to establish the degree to which it fits with the data.

SEM was used in this research as it fits the rationale of examining the hypotheses that involve the investigation of manifold deterioration along with a faction of dependent and independent variables as stated by Magilvy & Thomas (2009). A formation equation model includes two different kinds of model: the measurement model and the structural model. Confirmatory factor analysis was used to validate the measurement model and to corroborate the relationship between a group of assessment objects and their relevant aspects based on theory, whereas the structural model verifies the correlation between the factors and conjecture (Truscott et al., 2010).

The hypothesised relationship between the variables is measured through goodness-of-fit. If the goodness-of-fit is ample, then the model argues for the suitability of hypothesised relation and, if not ample, then the relation is discarded. Four types of experiment models must be used for the structural model and CFA. This includes the chi-square (X2) to the degree of freedom, adjusted goodness of fit index (AGFI), goodness of fit index (GFI), comparative fit index (CFI), incremental fit index (IFI), Tucker-Lewis Index (TLI), and root mean square error of approximation (RMSEA) which were applied in this research to observe both the structural model and CFA. Moreover, the theories were examined using consistent approximation, critical value (p-value), and critical ratio (t-value) (Ellis & Levy, 2009).

4.12 Ethical Considerations

In research, risks may arise during the research process from different sectors that might reduce the quality of the research. In the view of Crowther & Lancaster (2012), ethics are considered the principles and moral values that must be followed and maintained by the researcher during a research project. Ethics relate to the code of conduct and the manner in which the research is carried out to obtain the research outcome. As opined by Snapp-Childs & Corbetta (2009), before conducting research, ethical considerations are developed and approved by the ethical committee that researchers must adhere during the course of the research. Often, during research, participants are involved to obtain primary data, so ethical considerations are necessary so that ethical issues do not emerge during the research, especially from the participants. As ethical issues can become a barrier to successfully conducting the research, the researcher had to adhere to a few ethical considerations. The researcher ensured that the participants of the research had not been forced to take part in the research and that their participation was voluntary. In respect to the participants, the researcher also ensured that the respondents were protected from any harm and that their personal information was not disclosed. Thus, the researcher maintained the participants' anonymity. In addition, the researcher also maintained several other ethical considerations throughout the entire research to avoid any ethical issues.

The researcher also took care to inform the respondents in detail regarding the research aim and the importance of the research. The participants were also informed about the reason for their participation so that they would not hesitate to participate. The researcher confirmed that, if the participants faced any issues regarding their participation, they were free to withdraw from the survey process at any time. The code of conduct was approved by the ethical committee of the university. In the code of conduct, the researcher was asked to sign the ethical form that has also been signed by the researcher's supervisor. After both the researcher and the supervisor met the ethical guidelines, the form was submitted to the ethical committee for approval. The researcher was allowed to carry out the research work after the ethical committee approved the ethical considerations mentioned on the form. However, a few other ethical considerations that were followed by the researcher during the research work included the fact that the participants were informed of any possible harm to themselves. Another factor that was considered by the researcher is that the data used in the research work would not be used for any other commercial purposes. The collected data were only being used for this research. The researcher also followed another ethical consideration in terms of not manipulating the obtained data that could negatively affect the research outcome.

4.13 Chapter Summary

In this chapter, the researcher has clearly described the research design and methodology selected to carry out the research efficiently. The researcher discussed the different research philosophies, research approaches, research strategies, and ethical issues. After discussing all of the philosophies, the researcher selected the positivist philosophical approach as it is considered the most relevant to this particular type of research. Positivists assume that realism is provided impartially, is explained by assessable properties, and is independent of the equipment of the researcher as opined by Brannen (2009). Therefore, the researcher chose the positivist philosophy in order to carry out the research efficiently since the main focus of this research is on testing the conceptual model proposed for measuring entrepreneurial orientation and performance among Malaysian social entrepreneurship.

This chapter has also identified the clear differences among the various research approaches and selected the quantitative approach. As opined by Burns et al. (2008), quantitative research aims to test the purpose of theories by assessing the relationship between variables. The researcher preferred the quantitative research approach as it pursues a deductive approach. This approach pragmatically examines whether the hypotheses are established or to be discarded. The researcher did not choose the qualitative approach as it is inappropriate for this research.

The researcher also described and highlighted the various research strategies and chose an appropriate strategy for this research. The research strategy linked with quantitative research comprises tentative researches and surveys as opined by Johnson et al. (2007). Since this research has used the quantitative approach to analyse the hypotheses, it needs to gather and analyse a huge quantity of quantitative data. Therefore, survey was deemed as the most suitable research strategy for this research as it is cost-efficient, fast and easy to gather a large amount of. After that, this chapter also explains the sample size, sampling technique, and method of data collection (survey strategy).

This chapter also address the ethical issues related to data collection and described the method used for the data analysis. For this study, SEM (Structural Equation Modelling) technique was employed using AMOS (Analysis of a Moment Structures) to authenticate the hypotheses and presentation of the planned theoretical model. The researcher selected SEM for this study as it helps to examine the hypotheses that involve manifold regression analysis along with an assemblage of dependent and independent variables, as stated by Crowther & Lancaster (2012). In the next chapter, the researcher will describe the outcomes of the gathered data by using SEM.

Chapter 5 : Results and Findings

5.1 Introduction

This chapter analyses the data using Structural Equation Modelling (SEM) and focus group discussion and report the findings. Since this research is mainly quantitative in nature, the data obtained from the focus group discussion are used to support the findings and as justifications for the examined phenomenon.

5.2 Preliminary Data Analysis

Data review process was performed to ensure the precision and accuracy of the data obtained. The study began with 523 respondents who were CEOs, managers and executives from Malaysian SMEs. These respondents completed the questionnaires and the feedback was collected and analysed. Data cleaning process was conducted before the actual data analysis to ensure that the data are accurate, and that no missing or isolated data (outliers) will affect the normality of the data. Cases with incomplete and isolated data must be removed to obtain normally distributed data that represent the population of the study. Removing isolated data will increase the multivariate normality (Kline, 2011).

5.2.1 Descriptive Analysis

Data need to be reviewed again by undertaking descriptive analysis to ensure that there are no extreme values present. Revisions are usually made to the categorical data which include gender, age, level of education, position in the company, and type of industry (see Table 5.1), by using frequency to determine the problems that exist such as unreasonable values or continuous data (interval). The mean value is essential to understand the reasonableness of the data and to detect extreme scores.

Table 5.1: Descriptive analysis of the respondents' demographics (N = 523)

Demographic	N	Mean	Standard Deviation	Skewness	Kurtosis
Gender	523	1.4665	.49936	.135	-1.990
Age	523	1.9273	.93387	.627	-.651
Education	523	2.8967	1.58563	.408	-.465
Position	523	2.0593	.90673	-.117	-1.777
Industry	523	2.8719	1.85200	.953	-.288

Table 5.2: Descriptive analysis based on the respondents' profiles (N = 523)

Profile	Grouping	No. (n)	%
Age	20 – 30 years	214	40.9
	31 – 40 years	167	31.9
	41 – 50 years	108	20.7
	51 and Above	34	6.5
Gender	Male	279	53.3
	Female	244	46.7
Education	SPM	152	29.1
	STPM	68	13.0
	Diploma	91	17.4
	Degree	146	27.9
	Master	42	8.0
	PhD	8	1.5
	Others	16	3.1
Position in the Company	CEO	200	38.2
	Manager	92	17.6
	Executive	231	44.2
Type of Industry	Manufacturing	129	24.7
	Services	174	33.3
	Construction	87	16.6
	Forestry	3	0.6
	Agriculture, Fishery & Livestock	66	12.6
	Education	26	5.0
	Others	38	7.3

Table 5.2 presents the profile of the 523 respondents who participated in the survey. Notably, 40.9% of the respondents were aged 20-30 years old, 31.9% were aged 31-40 years old, 20.7% were aged 41-50 years old, and 6.5% were more than 51 years old. A total of 53.3% of the respondents were male and the remaining 46.7% were female.

Educational attainment was represented as follows: 29.1% of the respondents had obtained SPM, 27.9% a degree, 17.4% a diploma, 13% an STPM, and 9.5% a postgraduate degree. It is important to note that 67.8% of the respondents had obtained a higher education qualification.

In terms of position in the company, 38.2% of the respondents were CEOs, 17.6% were managers, and 44.2% were executives.

The classification of business types and main activities was not on a mutually exclusive basis since most of the entrepreneurs were involved in more than one type of business activity. 33.3% of the respondents engaged in services activity, followed by 24.7% who were involved in manufacturing. The remaining 42% of the other businesses consist of construction (16.6%), agriculture, fishery and livestock (12.6%), education (5.0%), and forestry (0.6%).

5.2.2 Normality Test

The normality of the variables was assessed by either statistical or graphical methods. Two components of normality are skewness and kurtosis. The ideal normal graph has zero skewness. Both skewness and kurtosis are transformed to a Z-score (the standard score for any population) by dividing the statistical value of skewness and kurtosis by the standard error (SE), respectively. Z-score values should be within the range of +/- 1.96, with p <.05 at the 95% confidence level or a significance level of .05. However, these values are rounded to +/- 2 (Hair et al., 2010).

Table 5.3: Skewness and kurtosis values for all variables (N = 463)

	N	Mean	Std. Deviation	Variance	Skewness	Kurtosis
minGS	523	3.7919	.91169	.831	-.853	.566
minEO	523	3.8479	.61209	.375	-.607	1.076
minDC	523	4.0552	.61260	.375	-.447	.964
minEDU	523	1.3748	.48452	.235	.519	-.1.737
meanPERF	523	4.0559	.69540	.484	-.726	1.164
Valid N	523					

Table 5.3 demonstrates the the skewness and kurtosis values for all of the variables are in the range of between +2 and -2. Therefore, the data comply with the normality test.

5.2.3 Outliers

An outlier is a case with an extreme value on one variable (a univariate outlier) or such a strange combination of scores on two or more variables (multivariate outlier) that it distorts the statistics. Univariate outliers are cases with very large standardised scores, z scores, on one or more variables, that are disconnected from the other z scores. Cases with standardised scores in excess of 3.29 (p 6 .001, two-tailed test) are potential outliers (Tabachnick & Fidell, 2013). In SPSS, outliers can be determined based on the outputs from boxplot. Appendixes 1 to 6 show the construct or variables in this study that detected the presence of outliers. ID numbers representing the respondents need to be removed because these will affect the findings or further analysis (Pallant, 2005). No outliers were detected for surface approach and teaching efficacy. As shown from Appendix 1 to 6, it was found that 23 cases must be removed. For multivariate outliers, the Mahalanobis distance was used to detect isolated data among the data related to all variables. Malahanobis distance is the distance of a case from the centroid of other cases and the centroid is a point where the minima of all of the variables intersect with each other (Tabachnick & Fidell, 2013). The data review process revealed that 14 cases had to be removed and the remaining 481 cases (28

cases from univariate outliers and 14 cases from multivariate outliers) were valid to proceed for further analysis. The sample size is suitable for Structural Equation Modelling (SEM) since SEM requires a large sample size. According to Kline (2005), a sample size of more than 200 cases is considered a large sample. Appendix 6 shows the outliers present for all of the variables after the analysis was carried out by determining the Mahalanobis distance.

5.3 Structural Equation Modelling (SEM)

Structural equation modeling (SEM) was used to analyse the relationship between government support, level of education, and firm performance. In this study, a two-step approach was used. First, the researcher tests the measurement model to see if the developed model is fit and acceptable, then further tests will be carried out on the structural or full model (Kline, 2011).

5.3.1 Measurement Model (Confirmatory Factor Analysis)

Measurements model employed confirmatory factor analysis (CFA) as a statistical method to determine the relationship between the constructs or latent variables and their indicators (Byrne, 2010). In this study, CFA served to determine the fitness indexes for the measurement model. In SEM, there are several fitness indexes that reflect how fit the model is for the data. However, there is no agreement among researchers regarding which fitness indexes to use (Awang, 2012). Hair et al. (2010) recommend the use of at least one fitness index from each category of model fit. There are three model fit categories, namely, absolute fit, incremental fit, and parsimonious fit.

5.3.2 Measurement Model for the Latent Construct

Figure 5.1 shows the measurement model for measuring entrepreneurial orientation, government support, dynamic capabilities, and firm performance. The findings show that the CFA measurement model did not fit the studied data. All of the required fitness indexes failed to meet the requirement (see Table 5.4). The RMSEA value was higher

than 0.08, GFI and CFI were lower than .900, and Chisq/df was more than 5.0. Therefore, this measurement model needs to be modified to meet the requirement of the fitness indexes.

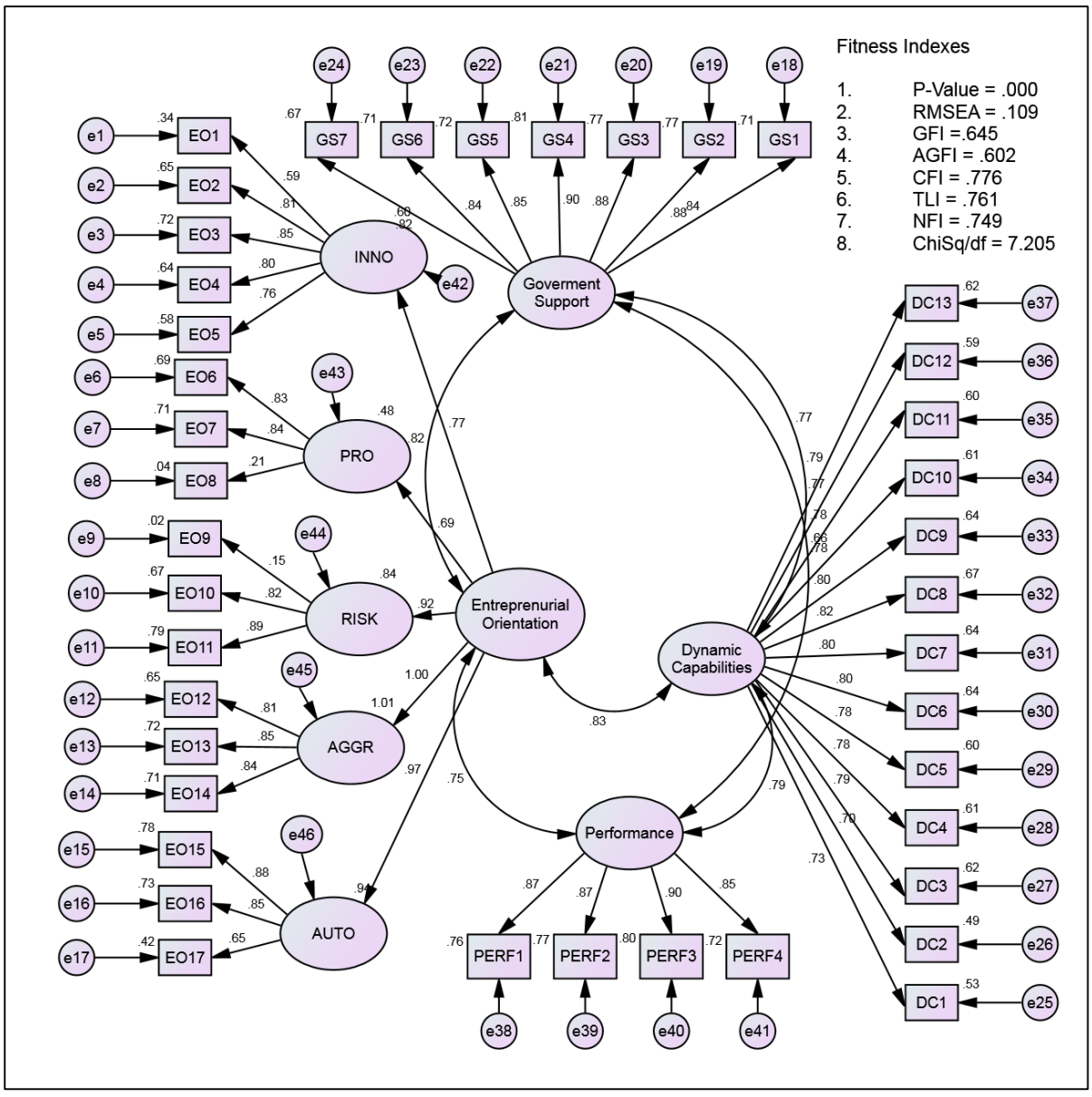

Figure 5.1: The measurement model for measuring all the construct (before modification)

Table 5.4: Fitness Index recommended by Hair et al. (1995, 2010) and the results obtained from the measurement model for all of the constructs before modification

Name of Category	Name of Index	Level of acceptance	Measurement model (Before Modification)
1. Absolute Fit	***RMSEA**	**< 0.08**	.109
	***GFI**	**> 0.90**	.645
2. Incremental Fit	AGFI	> 0.90	.602
	***CFI**	**> 0.90**	.776
	TLI	> 0.90	.761
	NFI	> 0.90	.749
3. Parsimonious Fit	***Chisq/df**	**< 5.0**	7.205

***The indexes are recommended since they are frequently reported in the literature.

Source: Zainudin Awang (2012). Structural Equation Modelling Using AMOS Graphic. Shah Alam, Selangor: UiTM Press.

The item(s) with a low factor loading informs that poor fitness indexes for the construct should be deleted from the measurement model. After deletion, the model was re-specified, and the fitness indexes improved. Table 5.2 shows the measurement model for measuring all constructs after the modification process. The fitness indexes improved and met the requirements (see Table 5.5).

Table 5.5: Fitness Index for the measurement model before and after modification for all of the constructs

Name of Category	Name of Index	Level of acceptance	Measurement model (After Modification)
1. Absolute Fit	***RMSEA**	**< 0.08**	.079
	***GFI**	**> 0.90**	.906
2. Incremental Fit	AGFI	> 0.90	.764
	***CFI**	**> 0.90**	.916
	TLI	> 0.90	.804
	NFI	> 0.90	.894
3. Parsimonious Fit	***Chisq/df**	**< 5.0**	4.260

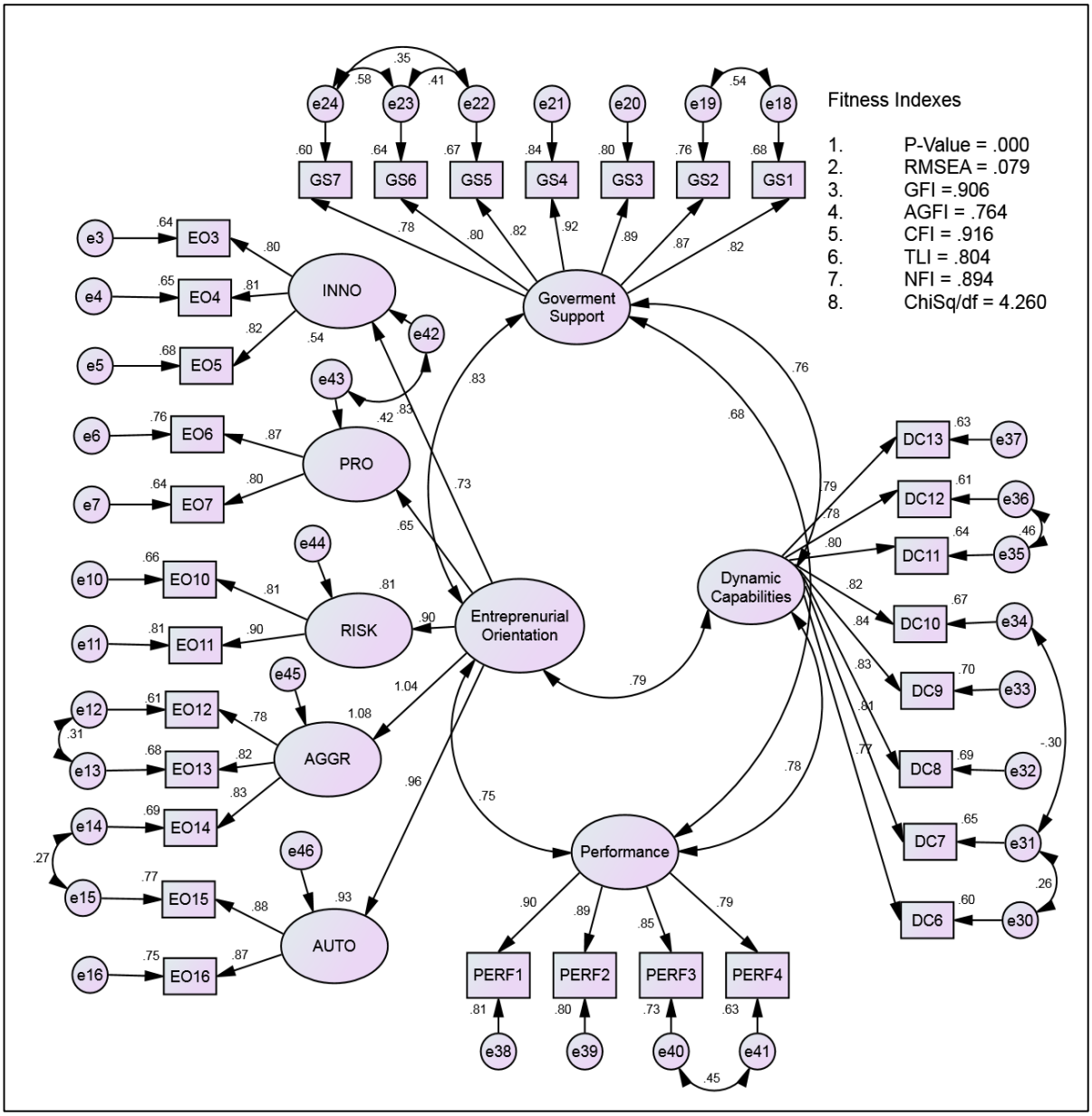

Figure 5.2: The measurement model for measuring all the construct after modification to meet the requirements of the fitness index

5.3.3 Assessing the Validity and Reliability of the Measurement Model

Once the CFA procedure for every measurement model was completed, certain measures were computed to indicate the validity and reliability of the constructs. The assessment of the unidimensionality, validity and reliability for the measurement model were conducted prior to modelling the structural model.

Unidimensionality

This requirement was achieved through the item-deletion process for low factor loading items. The new model was run and the item deletion process was repeated until the fitness indexes achieved the required level.

Validity: These requirements were achieved through the following processes:

i) Convergent validity

AVE ≥ 0.50, Refer to the following table (see 5.7).

Average Variance Extracted, **AVE** = $\Sigma K^2 / n$

where K = the factor loading of every item and n = the number of items in a model

ii) Construct validity

All fitness indexes for the model meet the required level (see Table 5.5)

iii) Discriminant validity

Table 5.6 indicated that the correlation of all latent constructs was below 0.85. The low correlation indicated that all constructs are independent to each other and no constructs measure the same thing. Redundant items in latent construct were constrained to achieve discriminant validity (see Figure 5.2).

Table 5.6: Correlation between Government Support, Entrepreneurial Orientation, Dynamic Capabilities and Performance

Constructs	Estimate
Goverment Support <--> Dynamic Capabilities	.758
Goverment Support <--> Performance	.685
Goverment Support <--> Entrepreneurial Orientation	.831
Dynamic Capabilities <--> Performance	.777
Dynamic Capabilities <--> Entrepreneurial Orientation	.792
Performance <--> Entrepreneurial Orientation	.749

Reliability: These requirements were achieved through the following processes:

i) Internal reliability

Cronbach alpha ≥ 0.70 (see Table 5.7)

ii) Composite reliability (C.R)

C.R ≥ 0.6 (see Table 5.7)

CR = $(\Sigma K)^2 / [(\Sigma K)^2 + (\Sigma 1 - K^2)]$

where K = the factor loading of every item and n = the number of items in a model

Table 5.7 : Confirmatory Factor Analysis (CFA) Summary for all constructs

Construct	Component	Item	F.L	α (> 0.7)	CR (≥ 0.6)	AVE (≥ 0.5)
GOVERNMENT SUPPORT		GS1	.82			.
		GS2	.87			
		GS3	.89			
		GS4	.92	.951	.945	.713
		GS5	.82			
		GS6	.80			
		GS7	.78			
DYNAMIC CAPABILITIES	Sensing	DC1				
		DC2				
		DC3				
		DC4				
		DC5				
	Seizing	DC6	.77			
		DC7	.81	.937	.936	.646
		DC8	.82			
		DC9	.84			
	Reconfigure	DC10	.82			
		DC11	.80			
		DC12	.78			
		DC13	.79			
ENTREPRENEURIAL ORIENTATION	Innovativeness	EO1				
		EO2				
	Proactiveness	EO3	.80			
		EO4	.81			
		EO5	.82			
		EO6	.87			
		EO7	.80			
	Risk-taking	EO8				
		EO9		.939	.965	.694
		EO10	.81			
	Aggressiveness	EO11	.90			
		EO12	.78			
		EO13	.82			
	Autonomy	EO14	.83			
		EO15	.88			
		EO16	.87			
		EO17				
PERFORMANCE		PERF1	.90			
		PERF2	.89	.924	.918	.737
		PERF3	.85			
		PERF4	.79			

Note: 1) *The coloured boxes* represent items that were deleted due to their low factor loading
2) F.L = Factor Loading, α = Cronbach Alpha

5.3.4 Structural Model

The analysis showed that the measurement model achieved good fitness indexes following the modification process. Therefore, the analysis continued by testing a full model (structural model). This part will report on the analysis of the model development. Structural model that was developed examined the relationship between government support, level of education, entrepreneurial orientation, dynamic capabilities, and firm performance, as illustrated in Figure 5.3.

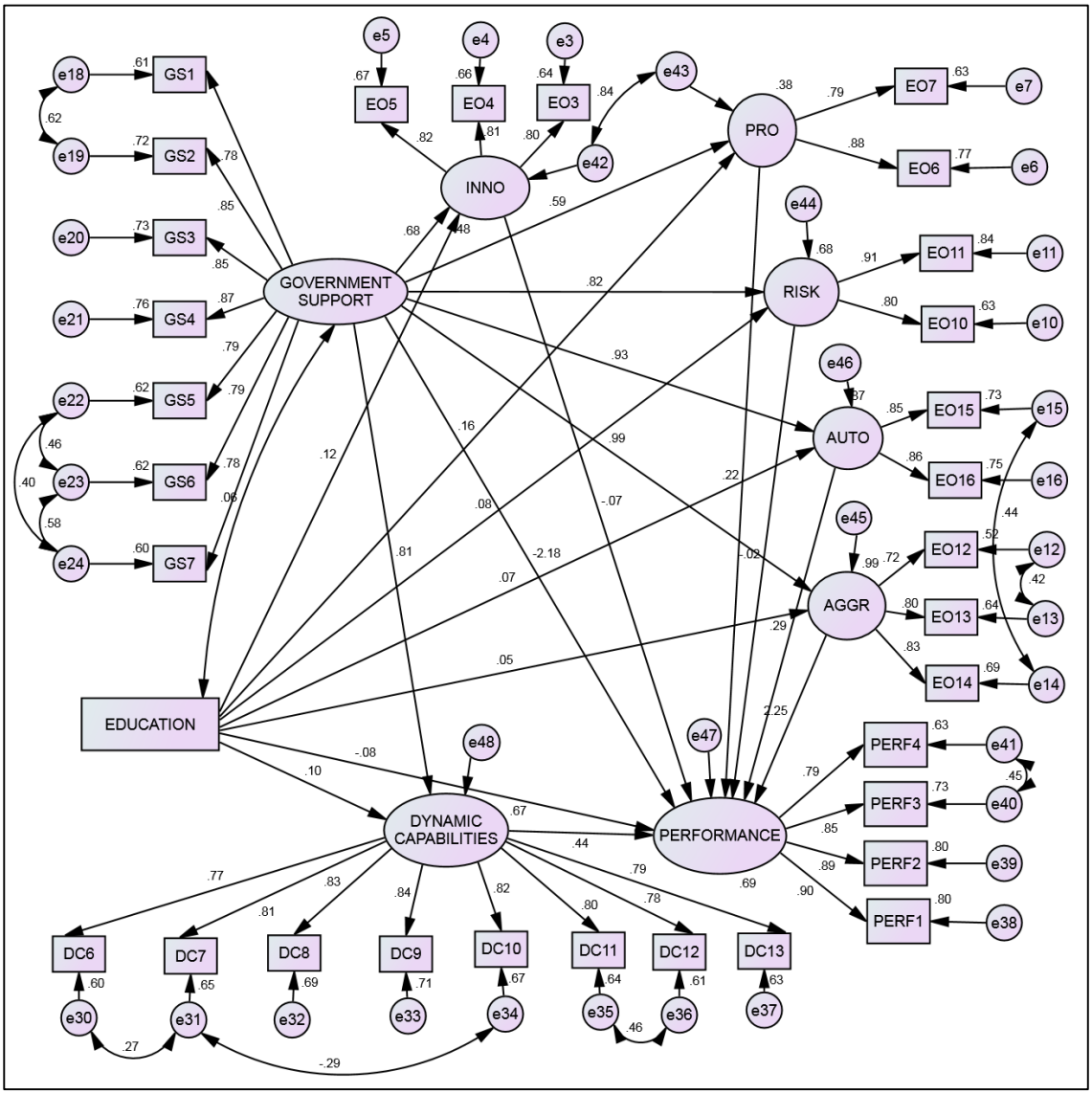

Figure 5.3: Hypotheses testing for the relationship between government support, level of education, entrepreneurial orientation (proactiveness, innovativeness, risk-taking, autonomy, competitive aggressiveness), dynamic capabilities and performance

Table 5.8 describes the results obtained from the hypotheses testing for the model shown in Figure 5.3. The causal effect of government support (β=-.1537, *p*=.766) and level of education (β=--.027, *p*=.804) on performance ws not significant but the causal effect of dynamic capabilities (β=.345, *p*=.001) on performance was significant.

Table 5.8: The hypothesis testing for the causal effect of the exogenous variable on the endogenous variable for the relationship between government support (GS), level of education (EDU), entrepreneurial orientation (EO), dynamic capabilities (DC) and performance (PERF)

Construct	**Estimate**	**S.E.**	**C.R.**	***p***	**Result**
GS → PERF	-1.537	5.167	-.297	.766	Not Significant
EDU → PERF	-.027	.107	-.248	.804	Not Significant
DC → PERF	.345	.051	6.811	***	**Significant**
AUTO → PERF	.179	.087	2.046	.041	**Significant**
AGGR → PERF	1.329	4.341	.306	.759	Not Significant
RISK → PERF	-.016	.048	-.346	.730	Not Significant
PRO → PERF	.174	.096	1.813	.070	Not Significant
INNO → PERF	-.057	.106	-.541	.589	Not Significant
GS → DC	.728	.043	16.764	***	**Significant**
GS → INNO	.589	.043	13.795	***	**Significant**
GS → PRO	.514	.041	12.552	***	**Significant**
GS → RISK	.825	.052	15.792	***	**Significant**
GS → AGGR	1.067	.054	19.930	***	**Significant**
GS → AUTO	1.185	.056	20.985	***	**Significant**
EDU → DC	.041	.012	3.442	***	Not Significant
EDU → INNO	.047	.014	3.239	.001	**Significant**
EDU → PRO	.062	.016	4.004	***	**Significant**

EDU → RISK	.034	.014	2.375	.018	**Significant**
EDU → AGGR	.024	.013	1.841	.066	Not Significant
EDU → AUTO	.037	.014	2.672	.008	**Significant**

Note: *1. *** p = 0.001, S.E = Standard Error & C.R = Critical Ratio*

2. Innovativeness (INNO), Proactiveness (PRO), Risk-Taking (RISK), Autonomy (AUTO) and Aggressiveness (AGGR) are the sub-constructs (components) of Entrepreneurial Orientation (EO)

The standard regression weight represents the amount of change in the dependent variable due to a change of one standard deviation in the predictor variable. For example, the estimated value of the dynamic capabilities of firm performance is 0.345. This means that, when dynamic capabilities rise by 1 standard deviation, firm performance rises by 0.345 standard deviation. It should be noted that the value range of the standard regression weights for all of the variables in this model is between -1.537 and 1.329.

Table 5.9: Standardised regression weights for every path and its R^2 value

Construct			Estimate	R^2	
Government Support	→	performance	-1.537	.741	
Level of Education	→	performance	-.27	.108	.695
Entrepreneurial Orientation	→	performance	.361	.292	
Dynamic Capabilities	→	performance	.354	.440	

The squared multiple correlation (R^2) was considered to determine the causal effect between the exogenous and endogenous variables. For example, the R^2 for government support to performance is .741 (see Table 5.9). It is estimated that the

predictors of performance explain 74.1% of its variance. In other words, the contribution of government support in estimating performance is 74.1%. Therefore, the contribution of level of education in estimating performance is 10.8%, entrepreneurial orientation in estimating performance is 29.2%, dynamic capabilities in estimating performance is 45.4%, and the overall effect or total effect on estimating performance is 69.5%.

5.4 Mediating Effect

In a simple mediational model, the independent variables were considered to cause the mediator, and, in turn, the mediator will cause the dependent variables. For this reason, mediation effect is also termed as indirect effect, surrogate effect, intermediate effect, or intervening effect (MacKinnon et al., 2002).

The direct effect of the independent variable on the dependent variable must be significant (compulsory for mediator testing). When the mediator enters the model, the direct effect would be reduced since some of the effect has shifted through the mediator. Partial mediation occurs when the mediation effect is reduced but still significant. Complete mediation occurs when the direct effect is reduced and no longer significant (Awang, 2012).

Bootstrap is crucial in modeling the structural model since it confirms the type of mediation. In addition, it also allows the study to assess the stability of parameter estimates that can be applied when the assumptions of large sample size and multivariate normality may not hold (Aimran et al., 2016). In order to perform this approach, two models were built; one with the mediator and the other with no mediator. The type of mediation is confirmed based on the direct and indirect effects reported.

5.4.1 Path Analysis for Mediation Test

Two structural models were constructed for the bootstrapping approach; one with the absence of mediator and the other one with the mediator. Figure 5.4 shows a constructed model in the absence of latent variable for all construct. This model is

constructed so that the direct effect of exogenous constructs towards endogenous construct could be observed.

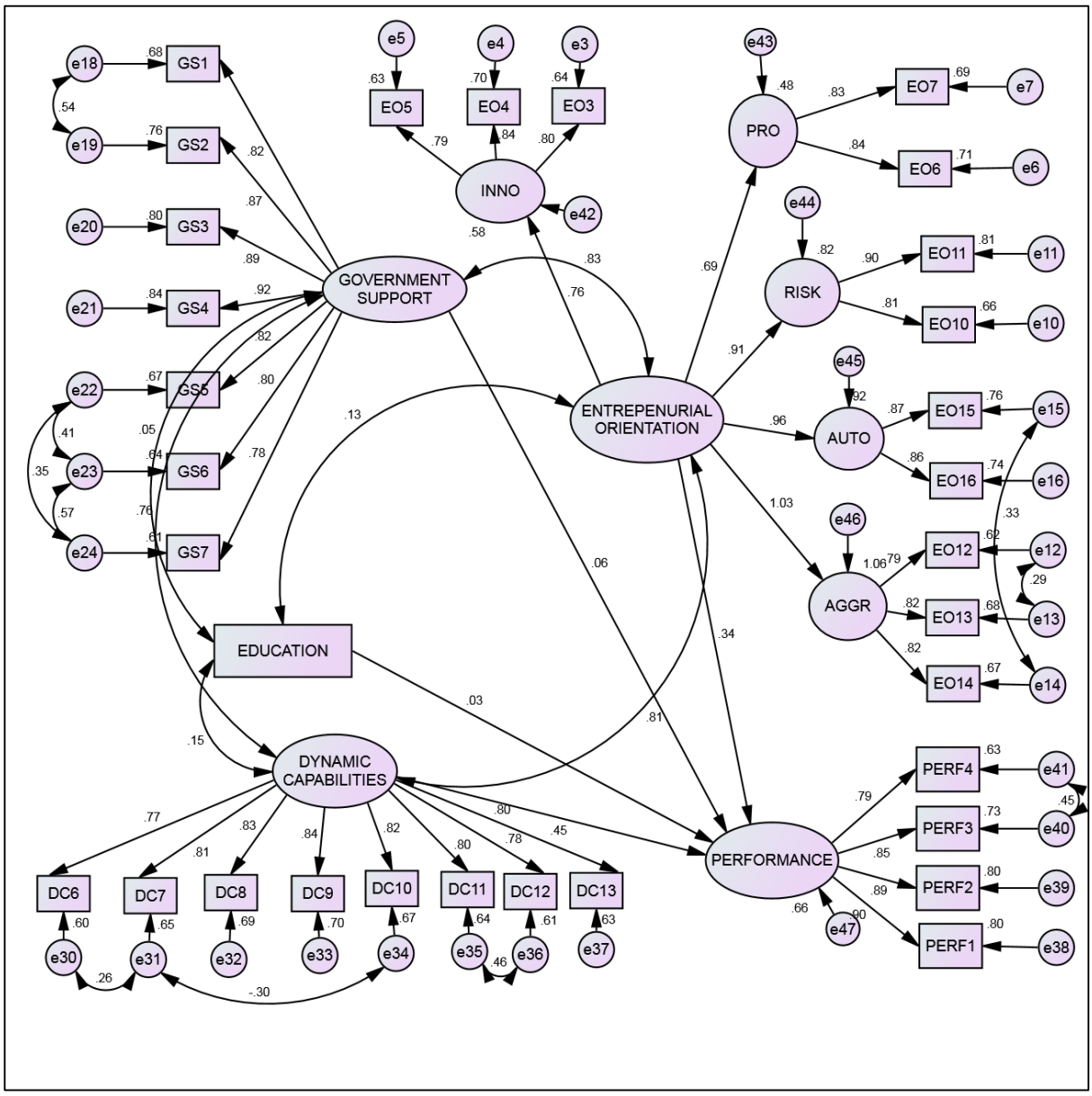

Figure 5.4: Model in the absence of latent variable for all construct

Table 5.10 shows the direct effect and the significance of exogenous latent constructs toward endogenous latent construct in the absence of a mediator. This finding indicates that Government Support and Level of Education have no significant influence on firm performance. Therefore, no mediation occurs in this model. The mediating effect does not exist because there is no direct effect from government

support and level of education on firm performance. Further analysis on bootstrap approach in determining the mediating effect cannot be proceeded.

Table 5.10: Standardised regression weights for every path and its P value (all construct)

Construct			Estimate	S.E.	C.R.	P
Government Support	→	performance	.040	.045	.888	.375
Level of Education	→	performance	.010	.010	1.068	.286
Entrepreneurial Orientation	→	performance	.422	.094	4.506	.001
Dynamic Capabilities	→	performance	.357	.050	7.151	.001

5.4.1.1 The Four Steps

This section describes the analyses required to test mediational hypotheses [previously presented by Baron & Kenny (1986), James & Brett (1984), and Judd & Kenny (1981)]. The following steps are a starting point for mediational analysis. Baron & Kenny (1986), James & Brett (1984), and Judd & Kenny (1981) discussed four steps in establishing mediation;

Step 1: Show that the causal variable is correlated with the outcome. Use Y as the criterion variable in a regression equation and X as a predictor (estimate and test path *c* in the above figure). This step establishes that there is an effect that may be mediated.

Step 2: Show that the causal variable is correlated with the mediator. Use M as the criterion variable in the regression equation and X as a predictor (estimate and test

path *a*). This step essentially involves treating the mediator as if it were an outcome variable.

Step 3: Show that the mediator affects the outcome variable. Use Y as the criterion variable in a regression equation and X and M as predictors (estimate and test path *b*). It is not sufficient just to correlate the mediator with the outcome because the mediator and the outcome may be correlated because they are both caused by the causal variable X. Thus, the causal variable must be controlled in establishing the effect of the mediator on the outcome.

Step 4: To establish that M completely mediates the X-Y relationship, the effect of X on Y controlling for M (path *c'*) should be zero. The effects in both Steps 3 and 4 are estimated in the same equation.

If all four steps are met, then the data are consistent with the hypothesis that variable M *completely* mediates the X-Y relationship, and if the first three steps are met but the Step 4 is not, then *partial* mediation is indicated. Meeting these steps does not, however, conclusively establish that mediation has occurred because there are other (perhaps less plausible) models that are consistent with the data.

5.4.2 Path Analysis for Direct effect (Step 1)

Two structural models have been constructed for bootstrapping; one with the absence of mediator construct and the other one with the existence of mediator construct. Figure 5.5 shows a constructed model in the absence of mediator latent construct. This model was constructed so that the direct effect of the exogenous constructs towards the endogenous latent construct could be observed.

Table 5.11 also shows the direct effect and the significance of the exogenous constructs toward endogenous latent construct in the absence of a mediator. This finding indicates that Government Support and Level of Education have significant influence towards the firm performance. Therefore, mediation may occur in this model. Further bootstrapping analysis was performed to determine the mediation effect for

both models, Goverment Support – Firm Performance and Level of Education – Firm Performance.

Table 5.11: Standardised regression weights for every path and its P value

Variables			Estimate	S.E.	C.R.	P	Result
Government Support	→	Performance	.495	.041	12.194	.001	Significant
Level of Education	→	Performance	.025	.011	2.376	.017	Significant

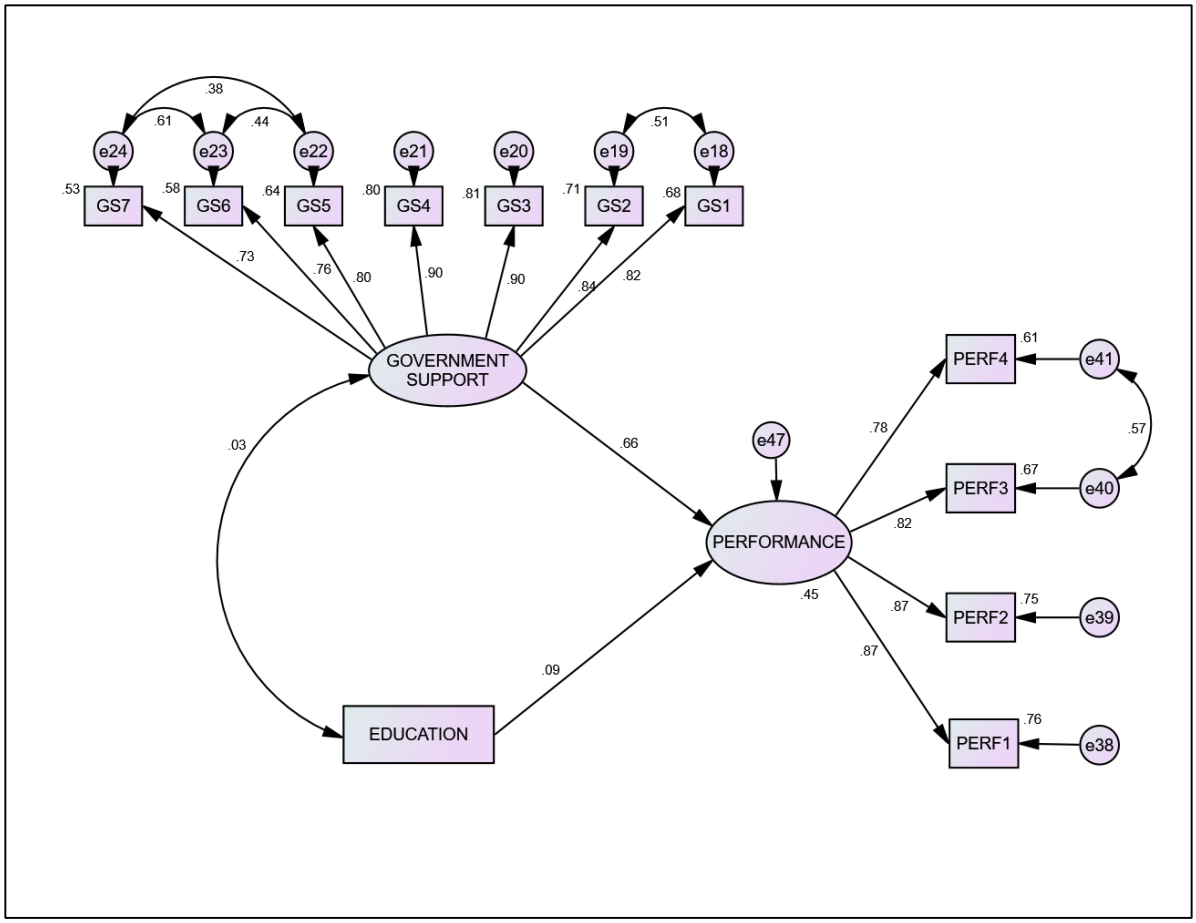

Figure 5.5: Model in the absence of mediator latent construct

5.4.3 Testing for Mediator (Step 2 – 4)

1) Entrepreneurial Orientation (EO) positively mediated the relationship between Government Support (GS) and Firm Performance (FIRM).

It is hypothesised that there is a positive influence on firm performance through government support which is mediated by innovativeness (H_4), pro-activeness (H_7), risk-taking (H_{10}), autonomy (H_{13}), and aggressiveness (H_{16}).

Table 5.12: Hypothesis Testing for the Causal Effect for Government Support on Firm Performance with the mediation of Entrepreneurial Orientation

Variables	Estimate	S.E.	C.R.	P	Result	Effect
GS → FIRM	**2.866**	**42.503**	**.067**	**.946**	**Not Significant**	**Direct**
GS → INNO	.598	.047	12.760	.001	Significant	Indirect
GS → PRO	.507	.047	10.846	.001	Significant	Indirect
GS → RISK	.798	.056	14.193	.001	Significant	Indirect
GS → AUTO	1.050	.059	17.718	.001	Significant	Indirect
GS → AGGR	1.206	.064	18.940	.001	Significant	Indirect
INNO → FIRM	.149	.099	1.504	.133	Not Significant	Indirect
PRO → FIRM	.132	.079	1.670	.095	Not Significant	Indirect
RISK → FIRM	-.004	.064	-.057	.954	Not Significant	Indirect
AUTO → FIRM	.330	.096	3.432	.001	Significant	Indirect
AGGR → FIRM	-2.359	35.220	-.067	.947	Not Significant	Indirect

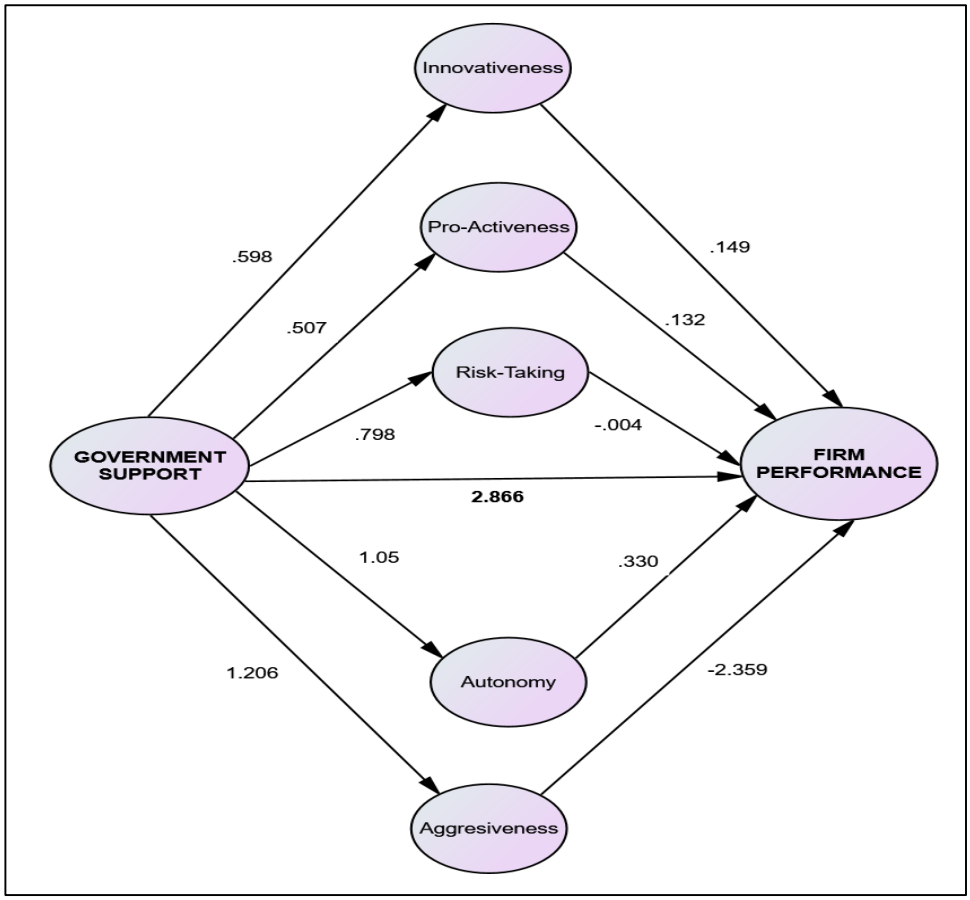

Figure 5.6: The procedure for testing mediation in the Government Support – Firm Performance relationship

i. Innovativeness as a mediator (H4)

- The Indirect Effect = .598 x (.149) = .0891
- The Direct effect = 2.866
- Since Indirect Effect < Direct effect, **NO** mediation occurs.

ii. Pro-Activeness as a mediator (H7)

- The Indirect Effect = .507 x (.132) = .0669
- The Direct effect = 2.866
- Since Indirect Effect < Direct effect, **NO** mediation occurs.

iii. Risk-Taking as a mediator (H10)

- The Indirect Effect = .798 x (-.004) = -.0032
- The Direct effect = 2.866
- Since Indirect Effect < Direct effect, **NO** mediation occurs.

iv. Autonomy as a mediator (H_{13})

- The Indirect Effect = 1.05 x (.330) = .3465
- The Direct effect = 2.866
- Since Indirect Effect < Direct effect, **NO** mediation occurs.

v. Aggressiveness as a mediator (H_{16})

- The Indirect Effect = 1.206 x (-2.359) = -2.845
- The Direct effect = 2.866
- Since Indirect Effect < Direct effect, **NO** mediation occurs.

2) Entrepreneurial Orientation (EO) positively mediated the relationship between Level of Education (EDU) and Firm Performance (FIRM).

It is hypothesised that there is a positive influence in firm performance through level of education mediated by innovativeness (H_{22}), pro-activeness (H_{24}), risk-taking (H_{26}), autonomy (H_{28}) and aggressiveness (H_{30}).

Table 5.13: Hypothesis Testing for the Causal Effect for Level of Education on Firm Performance with the mediation of Entrepreneurial Orientation

Variables	Estimate	S.E.	C.R.	P	Result	Effect
EDU → FIRM	.001	.010	.058	.954	**Not Significant**	**Direct**
EDU → INNO	.054	.017	3.254	.001	Significant	Indirect
EDU → PRO	.068	.017	3.939	.001	Significant	Indirect
EDU → RISK	.044	.023	1.918	.055	Significant	Indirect
EDU → AUTO	.058	.021	2.687	.007	Significant	Indirect
EDU → AGGR	.028	.025	1.130	.259	Not Significant	Indirect
INNO → FIRM	.206	.082	2.496	.013	Significant	Indirect
PRO → FIRM	.108	.078	1.377	.168	Not Significant	Indirect
RISK → FIRM	-.013	.019	-.702	.483	Not Significant	Indirect
AUTO → FIRM	.227	.027	8.492	.001	Significant	Indirect
AGGR → FIRM	.108	.026	4.197	.001	Significant	Indirect

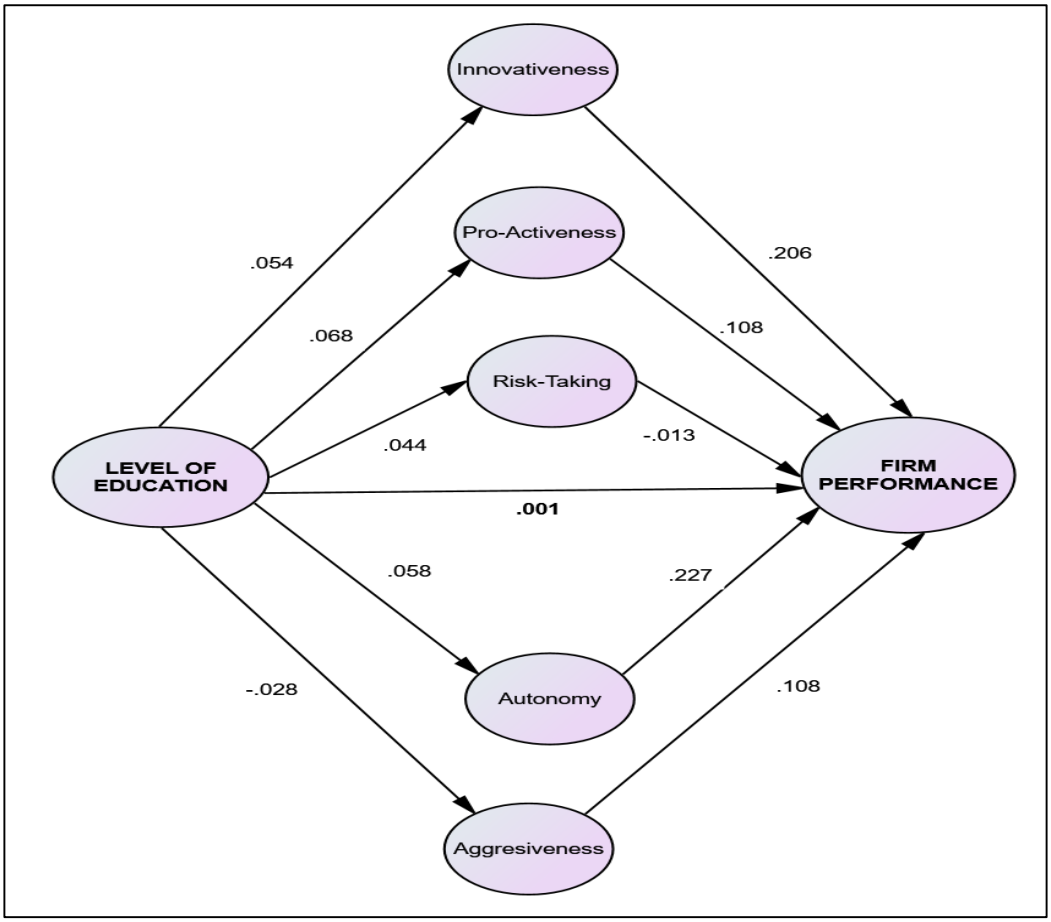

Figure 5.7: The procedure for testing mediation in Level of Education – Firm Performance relationship

i. Innovativeness as a mediator (H_{22})

- The Indirect Effect = .054 x (.206) = .0011
- The Direct effect = .001
- Since Indirect Effect > Direct effect, the mediation occurs.
- Both indirect paths (EDU to INNO and INNO to FIRM) are significant.
- Type of mediation is FULL MEDIATION because the direct effect is no longer significant after the mediator enters the model.

iii. Pro-Activeness as a mediator (H_{24})

- The Indirect Effect = .068 x (.128) = .008
- The Direct effect = .001
- Since Indirect Effect > Direct effect, the mediation should occur but indirect path for PRO to FIRM is not significant, **NO** mediation occurs.

iv. Risk-Taking as a mediator (H_{26})

- The Indirect Effect = .044 x (-.013) = -.00057
- The Direct effect = .001
- Since Indirect Effect < Direct effect, **NO** mediation occurs.

v. Autonomy as a mediator (H_{28})

- The Indirect Effect = .058 x (.227) = .013
- The Direct effect = .001
- Since Indirect Effect > Direct effect, mediation occurs.
- Both indirect paths (EDU to AUT and AUT to FIRM) are significant.
- Type of mediation is FULL MEDIATION because the direct effect is no longer significant after the mediator enters the model.

vi. Aggressiveness as a mediator (H_{30})

- The Indirect Effect = .028 x (.108) = .003
- The Direct effect = .001
- Since Indirect Effect > Direct effect, the mediation should occur but the indirect path for EDU to AGGR is not significant, **NO** mediation occurs.

3) H_{19}: Dynamic Capabilities (DC) positively mediated the relationship between Government Support (GS) and Firm Performance (FIRM).

Table 5.14: Hypothesis Testing for the Causal Effect for Government Support on Firm Performance with the mediation of Dynamic Capabilities

Variables			**Estimate**	**S.E.**	**C.R.**	**P**	**Result**	**Effect**
GS	→	**FIRM**	.096	.048	2.022	.043	**Significant**	**Direct**
GS	→	DC	.734	.051	14.465	.001	Significant	Indirect
DC	→	FIRM	.545	.059	9.307	.001	Significant	Indirect

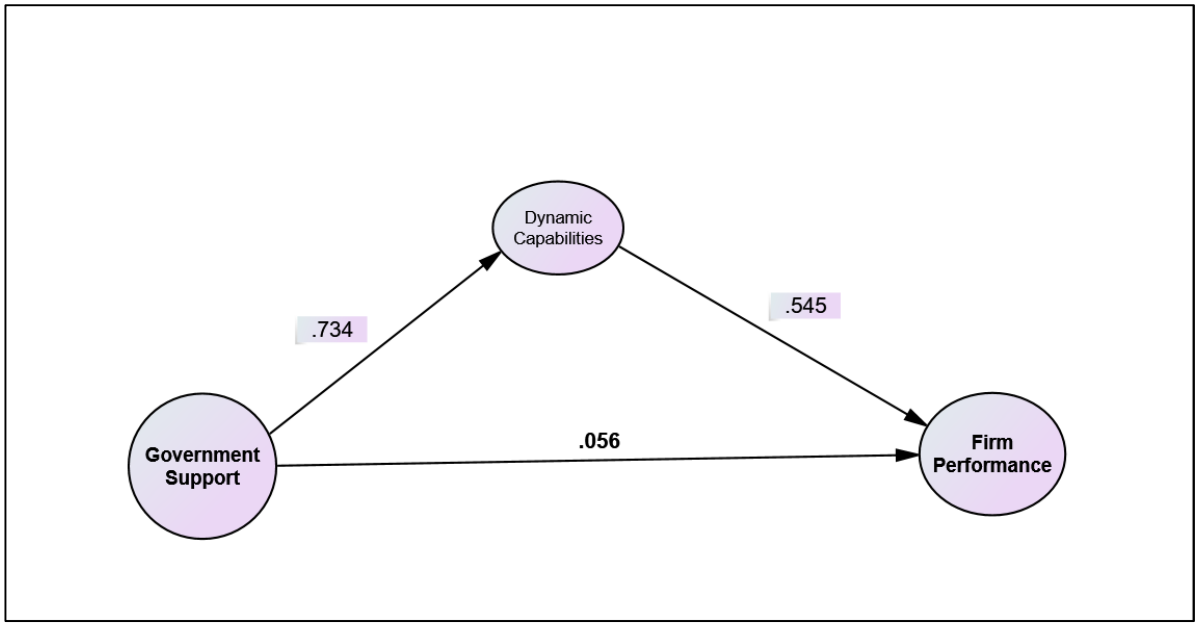

Figure 5.8: The procedure for testing mediation in the Government Support – Firm Performance relationship

i. Dynamic Capabilities orientation as a mediator (H_{19})

- The Indirect Effect = .734 x (.545) = .400
- The Direct effect = .056
- Since Indirect Effect > Direct effect, mediation occurs.
- Both indirect paths (GS to DC and DG to FIRM) are significant.
- Type of mediation is PARTIAL MEDIATION because the direct effect is still significant after the mediator enters the model.

4) H_{32}: Dynamic Capabilities (DC) positively mediated the relationship between Level of Education (EDU) and Firm Performance (FIRM).

Table 5.15: Hypothesis Testing for the Causal Effect for Level of Education on Firm Performance with the mediation of Dynamic Capabilities

Variables	Estimate	S.E.	C.R.	P	Result	Effect
EDU → FIRM	.008	.010	.817	.414	**Not Significant**	**Direct**
EDU → DC	.039	.017	2.325	.020	Significant	Indirect
DC → FIRM	.621	.042	14.699	.001	Significant	Indirect

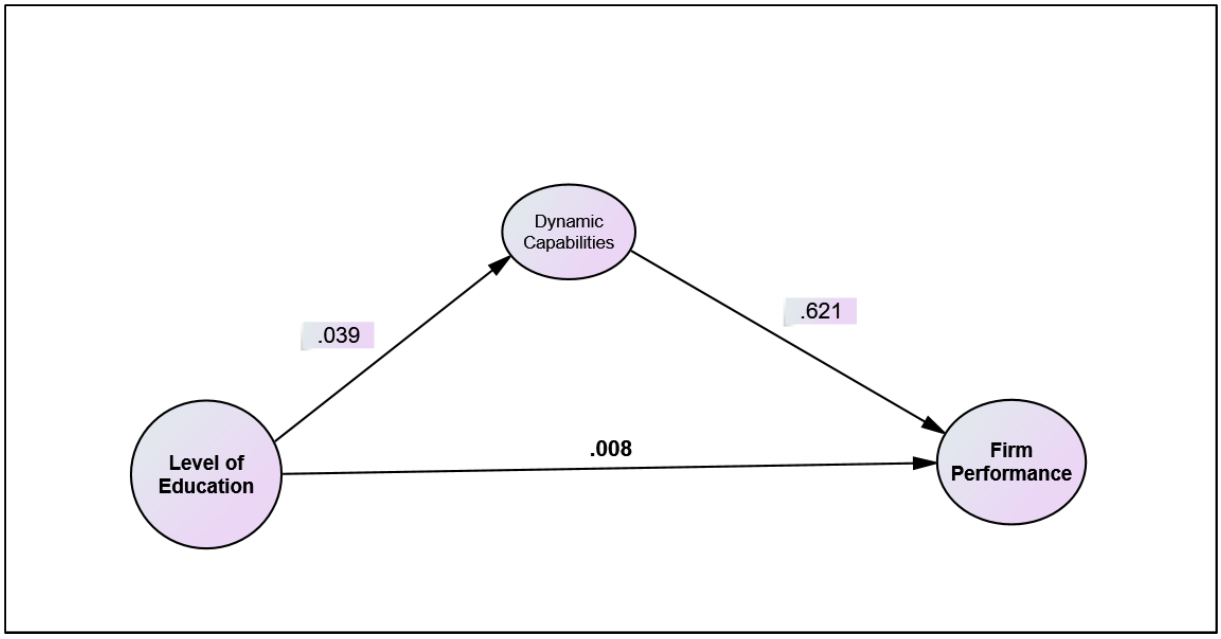

Figure 5.9: The procedure for testing mediation in the Level of Education – Firm Performance relationship

i. Dynamic Capabilities orientation as a mediator (H_{32})

- The Indirect Effect = .039 x (.621) = .024
- The Direct effect = .008
- Since Indirect Effect > Direct effect, mediation occurs.
- Both indirect paths (EDU to DC and DG to FIRM) are significant.
- Type of mediation is FULL MEDIATION because the direct effect is not significant after the mediator enters the model.

5.4.4 Summary of Hypothesis Testing for Direct Relationships

Table 5.16: Result of Hypothesis Testing for Direct Relationships

Hypothesis	Variables	*p*	Result
H_1	Government support has a significant positive relationship with firm performance	0.766	Not Significant
H_3	Government support has a significant positive relationship with innovativeness	0.001	**Significant**
H_6	Government support has a significant positive elationship with pro-activeness	0.001	**Significant**

H_9	Government support has a significant positive relationship with risk-taking	0.001	**Significant**
H_{12}	Government support has a significant positive relationship with autonomy	0.001	**Significant**
H_{15}	Government support has a significant positive relationship with aggressiveness	0.001	**Significant**
H_{18}	Government support has a significant positive relationship with dynamic capabilities	0.001	**Significant**
H_{21}	Level of education has a significant positive relationship with innovativeness	0.001	**Significant**
H_{23}	Level of education has a significant positive relationship with pro-activeness	0.001	**Significant**
H_{25}	Level of education has a significant positive relationship with risk-taking	0.018	**Significant**
H_{27}	Level of education has a significant positive relationship with autonomy	0.008	**Significant**
H_{29}	Level of education has a significant positive relationship with aggressiveness	0.066	Not Significant
H_{31}	Level of education has a significant positive relationship with dynamic capabilities	0.001	**Significant**
H_{20}	Level of education has a significant positive relationship with firm performance	0.804	Not Significant
	Entrepreneurial orientation has a significant positive relationship with firm performance		
H_2	Innovativeness has a significant positive relationship with firm performance	0.589	Not Significant
H_5	Proactiveness has a significant positive relationship with firm performance	0.070	Not Significant
H_8	Risk-taking has a positive significant positive with firm performance	0.730	Not Significant
H_{11}	Autonomy has a positive significant positive with firm performance	0.041	**Significant**
H_{14}	Aggressiveness has a significant positive relationship with firm performance	0.759	Not Significant
H_{17}	Dynamic capabilities have a significant positive relationship with firm performance	0.001	
	Sensing has a significant positive relationship with firm performance	0.001	**Significant**
	Seizing has a significant positive relationship with firm performance	0.001	
	Reconfiguring has a significant positive relationship with firm performance	0.001	

5.4.5 Summary of Mediation Testing

Table 5.17: Result of Hypothesis Testing for the Mediation Model

Hypothesis Statement	Estimate	P-Value	Result on Hypothesis
Entrepreneurial orientation positively mediated the relationship between government support and firm performance.	2.866	.946	Not Supported (No Mediation)
H4: Innovativeness positively mediated the relationship between government support and firm performance.			Not Supported (No Mediation)
H7: Pro-activeness positively mediated the relationship between government support and firm performance.			Not Supported (No Mediation)
H10: Risk-taking positively mediated the relationship between government support and firm performance.			Not Supported (No Mediation)
H13: Autonomy positively mediated the relationship between government support and firm performance.			Not Supported (No Mediation)
H16: Aggressiveness positively mediated the relationship between government support and firm performance.			Not Supported (No Mediation)
Entrepreneurial orientation positively mediated the relationship between level of education and firm performance.	.001	.954	**Supported (Full Mediation)**
H22: Innovativeness positively mediated the relationship between level of education and firm performance.			**Supported (Full Mediation)**
H24: Pro-activeness positively mediated the relationship between level of education and firm performance.			Not Supported (No Mediation)
H26: Risk-taking positively mediated the relationship between level of education and firm performance.			Not Supported (No Mediation)
H28: Autonomy positively mediated the relationship between level of education and firm performance.			**Supported (Full Mediation)**
H30: Aggressiveness positively mediated the relationship between level of education and firm performance.			Not Supported (No Mediation)

H19: Dynamic capabilities positively mediated the relationship between government support and firm performance.	.056	.001	**Supported (Partial Mediation)**
H32: Dynamic capabilities positively mediated the relationship between level of education and firm performance.	.008	.414	**Supported (Full Mediation)**

5.4.6 Summary of Hypothesis Testing

Table 5.18: Results of Hypothesis Testing

Hypothesis	Description	Confirmed or reject hypothesis
H1	Government support has a significant positive relationship with firm performance.	Rejected/not significant (p>.05)
H2	Innovativeness has a significant positive relationship with firm performance.	Rejected/not significant (p>.05)
H3	Government support has a significant positive relationship with innovativeness.	Confirmed/Significant (p<.05)
H4	Innovativeness positively mediated the relationship between government support and firm performance.	Rejected/not significant (p>.05)
H5	Proactiveness has a significant positive relationship with firm performance.	Rejected/not significant (p>.05)
H6	Government support has a significant positive relationship with pro-activeness.	Confirmed/Significant (p<.05)
H7	Pro-activeness positively mediated the relationship between government support and firm performance.	Rejected/not significant (p>.05)
H8	Risk-taking has a significant positive relationship with firm performance.	Rejected/not significant (p>.05)
H9	Government support has a significant positive relationship with risk-taking.	Confirmed/Significant (p<.05)
H10	Risk-taking positively mediated the relationship between government support and firm performance.	Rejected/not significant (p>.05)
H11	Autonomy has a significant positive relationship with firm performance.	Confirmed/Significant (p<.05)
H12	Government support has a significant positive relationship with autonomy.	Confirmed/Significant (p<.05)

H13	Autonomy positively mediated the relationship between government support and firm performance	Rejected/not significant (p>.05))
H14	Aggressiveness has a significant positive relationship with firm performance.	Rejected/not significant (p>.05)
H15	Government support has a significant positive relationship with aggressiveness.	Confirmed/Significant (p<.05)
H16	Aggressiveness positively mediated the relationship between government support and firm performance.	Rejected/not significant (p>.05)
H17	Dynamic capabilities have a significant positive relationship with firm performance.	Confirmed/Significant (p<.05)
H18	Government support has a significant positive relationship with dynamic capabilities.	Confirmed/Significant (p<.05)
H19	Dynamic capabilities positively mediated the relationship between government support and firm performance.	Confirmed/Significant (p<.05)
H20	Level of education has a significant positive relationship with firm performance.	Rejected/not significant (p>.05)
H21	Level of education has a significant positive relationship with innovativeness.	Confirmed/Significant (p<.05)
H22	Innovativeness positively mediated the relationship between level of education and firm performance.	Confirmed/Significant (p<.05)
H23	Level of education has a significant positive relationship with pro-activeness	Confirmed/Significant (p<.05)
H24	Pro-activeness positively mediated the relationship between level of education and firm performance.	Rejected/not significant (p>.05)
H25	Level of education has a significant positive relationship with risk-taking.	Confirmed/Significant (p<.05)
H26	Risk-taking positively mediated the relationship between level of education and firm performance.	Rejected/not significant (p>.05)
H27	Level of education has a significant positive relationship with autonomy	Confirmed/Significant (p<.05)
H28	Autonomy positively mediated the relationship between level of education and firm performance.	Confirmed/Significant (p<.05)
H29	Level of education has a significant positive relationship with aggressiveness.	Rejected/not significant (p>.05)
H30	Aggressiveness positively mediated the relationship between level of education and firm performance.	Rejected/not significant (p>.05)
H31	Level of education has a significant positive relationship with dynamic capabilities.	Confirmed/Significant (p<.05)

H32	Dynamic capabilities positively mediated the relationship between level of education and firm performance.	Confirmed/Significant (p<.05)

5.5 Chapter Summary

This chapter presented a descriptive analysis of the total data for the 523 respondents. The respondents consist of CEOs, managers, and executives from Malaysian social entrepreneurship, particularly cooperative firms (under the SMEs category). However, only 481 respondents were eligible for further processing because 28 cases contained univariate outliers and 14 cases from multivariate outliers were removed. This research used SPSS to present the respondents' demographic profile and the descriptive statistics. Subsequently, AMOS version 23 was used to apply the Structural Equation Model (SEM). SEM was applied in two phases, namely, the measurement model or confirmatory factor analysis (CFA) and the structural model (Hair et al., 2016). As suggested by Hair et al. (2016), the validation of CFA was conducted through two stages which are goodness of fit indices and construct validity. The results of this research highlighted that both the goodness of fit indices and the construct validity fulfilled the minimum criteria. This research employed a structural model and conducted hypotheses testing. The results revealed that seven of the twenty main hypotheses are not significant. Lastly, this research conducted focus group which consist of five respondents for final validation, which was considered face-to-face validation. The following chapter will discuss these results in detail and supported by previous literature.

Chapter 6 : Discussions

6.1 Introduction

The foregoing chapter reviewed the research hypotheses and reported the results in detail. This chapter reflects on the main findings of the research with the aim of answering the research questions and achieving the research objectives. In doing so, this chapter discusses the results and compared them with the previous literature. This research aims to investigate the direct and indirect effects of government support, level of education, entrepreneurial orientation, and dynamic capability toward cooperatives performance. The function of entrepreneurial orientation and dynamic capabilities as mediators of the relationship between the government role and level of education with firm performance is discussed in this chapter. The purpose of this research is to elucidate the importance of being aware of how the external environment such as government support can contribute to firm performance and the importance of level of education to spur firm performance since there are many issues related to these factors (Rahdari et al., 2016; Said et al., 2015). Moreover, the function of entrepreneurial orientation and dynamic capabilities are also discussed with the aim of strengthening the relationship between both the government's role and level of education on cooperative performance.

This research proves the importance of the awareness of the environment together with a firm's strategy and capabilities for the enrichment of firm performance (Albert et al., 2016; Abdul Manaf et al., 2012; Bingham et al., 2007). Applied to the research question, the theory of dynamic capabilities can explain the importance of strategy and capabilities in the utilisation of the firm's external and internal resources in order to increase firm performance in a capricious environment. The conceptual model of this research was developed based on this theory. This research used firm as the unit of analysis and the results of 481 completed data surveys of cooperatives in Malaysia were analysed to validate the conceptual model and hypotheses proposed. Furthermore, this research will revisit and discuss the results of the proposed twenty main hypotheses according to the findings from the previous chapter.

6.2 Surprise Results of Hypotheses Testing

This section reviews the results of research hypotheses and are supported by previous literature. Figure 6.1 shows the final conceptual model.

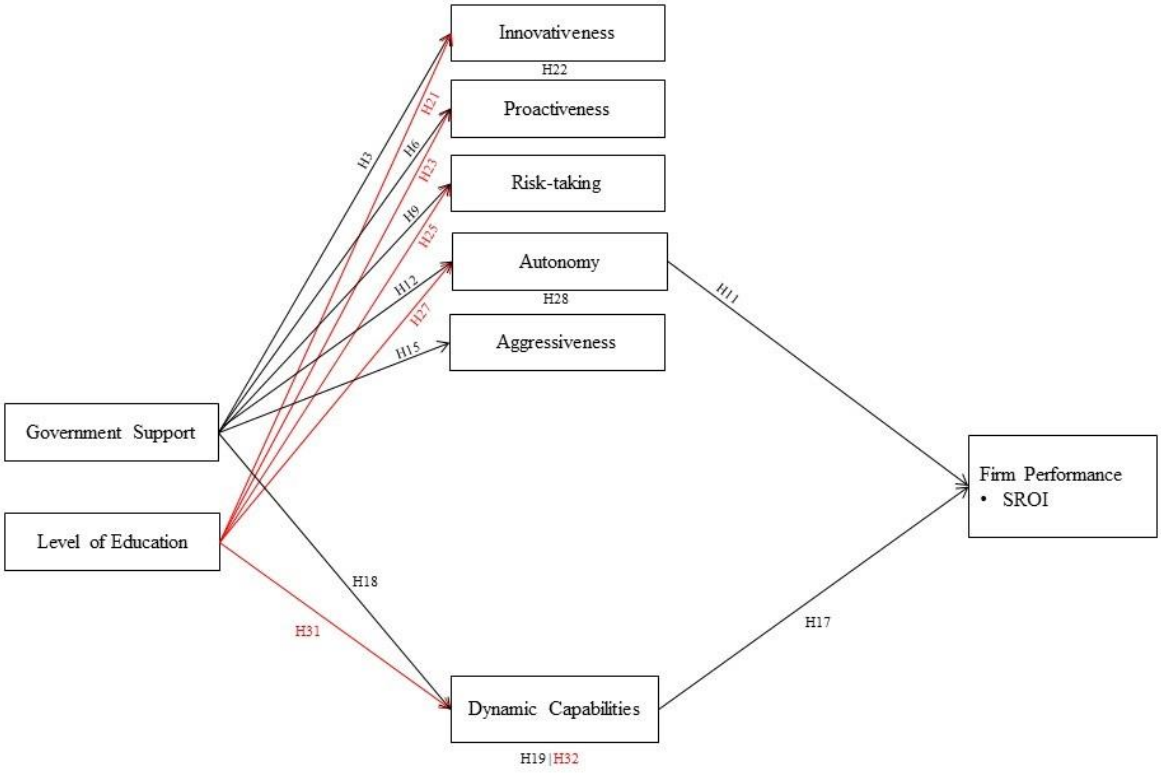

Figure 6.1: Final Conceptual Model

6.2.1 Government Support and Entrepreneurial Orientation

H3: Government support has a significant positive relationship with innovativeness (confirmed).

H6: Government support has a significant positive relationship with pro-activeness (confirmed).

H9: Government support has a significant positive relationship with risk-taking (confirmed).

H12: Government support has a significant positive relationship with autonomy (confirmed).

H15: Government support has a significant positive relationship with aggressiveness (confirmed).

Government plays a crucial role in supporting firm performance, particularly among cooperative firms (Othman et al., 2014). Support by the Malaysian government increases the performance of cooperatives, given the few agencies that exist, like the Malaysia Co-operative Societies Commission, Malaysian National Cooperative Movement, and the Cooperative College of Malaysia, with the aim of promoting and strengthening entrepreneurial activities of Malaysian cooperatives (Othman et al., 2013). Entrepreneurial orientation refers to a firm's tactical position, that is reflected in entrepreneurial behaviours and practices (Zahra et al., 2014; Anderson et al., 2009). Some scholars identify that entrepreneurial orientation consists of three elements (innovativeness, pro-activeness, and risk-taking) (Tarabishy et al., 2005; Kreiser et al., 2002; Lee & Peterson 2001; Lumpkin & Dess 1996; Covin & Slevin 1989; Miller, 1983) while other scholars suggest that there are five elements (innovativeness, pro-activeness, risk-taking, competitive aggressiveness, and autonomy) (Lumpkin & Dess, 1996).

This research is similar to that of the above scholars, as all of the hypotheses under government support and entrepreneurial orientation (innovativeness, pro-activeness, risk-taking, competitive aggressiveness and autonomy) are significant (H3, H6, H9, H12 and H15). These five hypotheses are accepted. The finding of this research reveals that government support has an important and positive impact on the innovativeness of a firm. The result demonstrates a positive relationship, as indicated by the t-value of 13.841 and a significant *p*-value of ≤ 0.05. Thus, hypotheses 3 is supported.

Accordingly, the findings regarding government support and pro-activeness are positive and significant. The results showed a t-value of 12.581 and a significant *p*-value of ≤ 0.05. Hence, hypothesis 6 is supported. Subsequently, the findings for government support also indicate a positive relationship with risk-taking, aggressiveness, and autonomy. The results show the t-value of risk-taking (17.851), aggressiveness (16.571), and autonomy (18.236) and a significant *p*-value of ≤ 0.05; hence hypotheses 9,12, and 15 are supported. These results are further supported by

previous research. Zainol et al. (2012) examine the relationship between government support and entrepreneurial orientation and identified, beside family factors, the aided programmes by the government has a positive relationship with entrepreneurial orientation. In line with, this research's empirical results found that government support as external resources or informants to the firm, particularly cooperatives, influence firms' entrepreneurial orientation. The importance of government support generates valuable benefits for the firms that utilise them. Government support in the form tax relief for innovation, loan guarantee scheme, innovation fund, and management skills and training will encourage firms' ability to spend their resources and increase the power to improve the quality of products (Othman et al., 2014; Klonowski, 2010). These criteria will increase the firm's entrepreneurial orientation regarding the utilisation of the opportunities offered by the government.

6.2.2 Government Support and Dynamic Capabilities

H18: Government support has a significant positive relationship with dynamic capabilities (confirmed)

According to Teece (2007), dynamic capabilities refer to the ability of the firm to sense, shape, and seize opportunities and mitigate threats and maintain its competitiveness through enhancing, protecting, combining, and reconfiguring the firm's tangible and intangible resources, if required. However, government support for increasing firm performance is indirectly related with the firm's capability to utilise superior government resources (Malik & Kotabe, 2009). The government can also play a role in supporting firms on the marketing side through the promotion of products either locally or globally. In Malaysia, many programmes are offered by the government to enhance the firm's capabilities, encouraging an increase in firm performance.

Generally, governments in emerging economies apply similar or specific instruments that encompass financial incentives, establishing the quality of products and assistance with marketing and distribution (Malik & Kotabe, 2009). This research proposes that government support has a significant postive relationship with dynamic capabilities. The empirical result supports this hypothesis, as indicated by the t-value

of 16.51 and the significant *p*-value of ≤ 0.05. Hence, hypothesis 18 is supported or accepted. The finding of this research shows that government support influences firm's dynamic capabilities. This finding is further supported by a previous report (Dai & Liu, 2015) which indicates that the government support is offered via a variety of policies including subsidies, innovation nurturing, tax reduction and protection that will help the development of industrial clusters. They indicate that government support will enhance firm competitiveness and increase firm performance. The firm's ability to sense, seize, and reconfigure those resources is considered to boost firm performance. As a cooperative firm that aims to share the profits with its members, the higher benefits gained by the firm will increase the social benefits for the members. Omar et al. (2009) also highlight the importance of government support and collaboration with dynamic capabilities to increase firm performance while Silvestre & Neto (2014) suggest that the government can provide funding opportunities and research grants. They highlight that the government can provide support through research and development funding or government-related support organisations (e.g., public universities, federal technology institutes, etc.) to increase the innovation capabilities of the firm which contribute to an increase in firm performance. Yu et al. (2014) suggest that a close relationship with the government may enhance firms' ability to adopt ambidextrous innovation strategies. This relationship will benefit firms' access and control over resources, technology, market information, and licences. Therefore, this relationship will help to increase a firm's dynamic capabilities.

6.2.3 Government Support and Firm Performance

H1: Government support has a significant positive relationship with firm performance (Rejected)

Social entrepreneurship has been defined as entrepreneurship with a social goal, or specifically a passion to tackle a local social need and to act as a catalyst for change, combined with an ability to attack the issue with 'business-like' discipline, tenacity, and innovation towards a community goal (Anderson & White, 2011: p. 53). According to the previous literature (Praszkier & Nowak, 2016; Mair & Marti ,2006), social entrepreneurship can be divided into three approaches: (1) not-for-profit organisations

(generating income to supplement more traditional funding from donations and grants); (2) any socially responsible practice of for-profit firms; and (3) as addressing social ills and inspiring marginalised or disadvantaged groups.

Government support via their funding and increasing numbers of private foundations and funders will increase the sustainability of social entrepreneurship (Stecker, 2014). In line with, this research proposes that government support has a positive significant relationship with cooperative performance. However, surprisingly, the results of this research failed to support a positive relationship, as indicated by the t-value of -1.346 and a significant *p*-value of 0.180. Therefore, hypotheses 1 is not supported. The finding shows that government support does not influence the performance of cooperative as represented by social entreprise.

Abidin & Kaka (2014) support the finding of this research in which certain issues have hindered the success of government support for social entrepreneurs. They found that the government is supporting social entrepreneurs in identifying how to get more resources to finance their activities, organising campaigns in order to create awareness among the community particularly related to the importance of cooperatives addressing social issues, and coordinating and implementing related programmes in combination with other firms. Nevertheless, these opportunities cannot be delivered to social entrepreneurs due to the limited awareness among this group. Furthermore, there are some programmes that do not fit with the proper government and power sharing issues between entrepreneurs and social governments. These issues will lead to a decline in bolstering a firm's capability to increase its performance. Furthermore, the probable factors that hinder performance include inefficient government bureaucracy, corruption, poor infrastructure and regressive economic policies, which have been identified as hindering firm performance which impact economic growth and development (Roxas & Chadee, 2013).

6.2.4 Education Level and Entrepreneurial Orientation

H21: Level of education has a significant positive relationship with innovativeness (confirmed)

H23: Level of education has a significant positive relationship with pro-activeness (confirmed)
H25: Level of education has a significant positive relationship with risk-taking (confirmed)
H27: Level of education has a significant positive relationship with autonomy (confirmed)
H29: Level of education has a significant positive relationship with aggressiveness (rejected)

Entrepreneurial orientation has been proven to contribute to the high performance of firms (Lee et al., 2011). However, level of education has been given limited attention by previous scholars, even though it is also considered as one of the contributing factors in increasing firm performance (De Mattos & Salciuviene, 2017). Several studies have discussed the positive impact of education level as a key business success factor (Yusof, 1995; Ibrahim & Goodwin, 1986). In line with this research, the level of education has a positive significant relationship with entrepreneurial orientation.

The result supports research hypotheses 21, 23, 25, 27, and 29 which indicate t-values of 4.025, 5.489, 4.0, 3.976 and 4.276, respectively with a *p*-value of ≤.05. These results show that the t-values and *p*-value achieve the requirements, as t-value must be above the minimum criteria of 1.96 and the *p*-value ≤.05. As Huang (2016) recommends, entrepreneurs' characteristic skills and competences can be improved through education and training, while Wincent et al., (2016) also suggest that the level of education will improve the networks of entrepreneurial orientation. Firms with a higher level of education will reflect this in their cognitive ability and skills. Furthermore, their research shows that a higher level of education is associated with receptivity to strategic change and innovation, as they are able to solve complex or difficult issues (Wiersema & Bantel, 1992).

In addition, firms with a higher education level will have greater creativity or proactiveness which will be reflected in entrepreneurial initiatives that consider the partners' interests and capabilities. Additionally, a higher level of education improves the quality of the discussion of some dysfunctional issues as it increases the tolerance

and handling of ambiguity. In relationship with firms' innovation, a higher level of education will lead to innovative projects as these firms are more creative and believe that they are capable of solving any problems that may arise regardless of the situation or complexity. Consequently, a higher level of education will increase the ability to identify opportunities using approaches for resources leveraging, risk management and value creation in order to obtain and maintain profitability (Loi et al., 2015). As a result, the higher level of education proved to contribute to an increase in the firm entrepreneurial orientation.

6.2.5 Level of Education and Dynamic Capabilities - supported

H31: Level of education has a significant positive relationship with dynamic capabilities (confirmed)

Education level refers to the degrees or academic credentials obtained by individuals (Ng & Feldman, 2009). Education has been argued to indicate a positive relationship with an individual's skills and knowledge and it is also related to his/her information-processing capacity (Jiang et al., 2012). Level of education is also considered an essential factor in predicting the financial success of a new business (Brush & Hisrich, 2000). Furthermore, level of education is also related to personal knowledge and perceptions that will affect the direction of business growth, as it will increase the confidence level of recent and future stakeholders (Kor et al., 2007; Zahra et al., 2006).

Chapters 2 and 3 discussed the importance of dynamic capabilities and level of education in enhancing firm performance. Butler & Soontiens (2014) found that the relationship between higher education institutions and dynamic capabilities in networks will influence knowledge spillover. This means that graduate students with a higher education level will have the skills and expertise to implement to the firms that employ them.

Firms with higher education will increase their ability to sense and seize opportunities and reconfigure them, if necessary, in line with the needs of the firm. Thus, this research proposes that level of education has a significant positive relationship with

dynamic capabilities. In line with the previous literature, the results of the research also support H31, indicating the t-value of 2.33 and the *p*-value is significant at 0.019 ≤.05.

Eventhough Teece (2011) studied the integration of the business school curriculum using the dynamics capabilities network, there are real cases that show that students with a higher education level or who hold a degree certificate at least cannot incorporate their expertise in the real world. John S. Reed, CEO of Citibank (later Citigroup) from 1986 to 1998, made the following remark:
[...] when I look at the young people who come from business schools to work in the bank, they don't know anything that is any different from people 30 years ago [....] they don't bring new insights (Augier, 2006: p. 91).

In line with, several researchers argue that level of education impact public interest and economic interest differently (Kezar et al., 2005; Thelin, 2004). Furthermore, Hayter & Cahoy (2018) argue that the level of education or higher education does not necessarily have a positive relationship with dynamic capabilities and suggested to increase awareness of social responsibility at university or college level among students. Early learning of social awareness will encourage students to be more sensitive and aware of their environment in terms of the ability to sense, seize the opportunity, and reconfigure according to the social impact.

However, most of researchers agreed that level of education increase a firm's dynamic capabilities. O'Reilly et al. (2019) indicated a high correlation level betweens education (universities) and dynamic capabilities in term of knowledge transfer. Furthermore, university is considered as an excellent medium in knowledge transform and has become increasingly common in the last 20 years (Goldstein, 2010). Individuals withhigher education level or graduated form universities are more capable in doing the task assigned by their superior. In other words, level of education will determine the capability of employees.

6.2.6 Education Level and Firm Performance

H20: Level of education has a significant positive relationship with firm performance (rejected)

Managers/entrepreneurs play an essential role in improving firm performance (Stam et al., 2014). Education level is considered one of the characteristics of a manager or an entrepreneur. Higher education level is viewed to be directly associated with a higher level of skill and an ability to approach a firm's problems which will increase problem-solving capability (Gist & Mitchell, 1992). On the other hand, lower education level will influence the managers or entrepreneurs to gain skills and expertise via working experience, particularly practical experience (De Mattos & Salciuviene, 2017). Both scenarios will benefit the firms that might increase the likelihood of success but only over time.

A higher education level has been proven to be associated with higher firm performance. Li et al. (2008) compared university students with managers and entrepreneurs and showed that postgraduate students tend to have higher opportunities compared to individuals who possess only a degree or diploma level of education. In a parallel line of thought, this research conducted empirical research on the antecedents influencing cooperative performance.

At first glance, based on Chapter 3, this research proposed that education level has a positively significant relationship with firm performance, but the literature on this relationship is very limited. However, this empirical study shows the negative impact of level of education on cooperative performance. The result indicates a t-value of -1.64 and a significant *p*-value of 0.101 (p>.05). Hence, H20 not supported or rejected. Eventhough entrepreneur has higher education, sometimes they not aware about the opportunities offered by the government that might help his firm to enhance its resources (tangible and intangible) and improve its performance. In line with this research, De Mattos & Salciuviene (2017) also highlighted the role of education level. Their empirical research on biotechnology SMEs and data weres conducted in Germany and the UK. The result showed that a higher level of education has a

negative influence on the alliances with other networks which will theoretically affect firm performance.

Additionally, Cassar (2004) found no significant relationship between education level and financing preferences. Although previous scholars indicate that education level can help obtain financial resources to improve the firm's ability to produce more products or services, he found that the education level of owners or managers has no significant influence on obtaining financial resources for SMEs in the UK. In spite of that, managers with a higher level of education face less difficulty in obtaining finance for their business compared with those with a lower education level, who were found to seek finance through their family, friends, and home remortgaging (Scott & Irwin, 2008). This means that the level of education does not influence the managers or entrepreneurs' obtaining of finance in order to enhance their firms. In social enterpreurship literature, higher education also does not necessarily improve social impact (Hayter & Cahoy, 2018). To conclude, there is a positive and negative relationship between level of education and firm performance, and it does not necessarily increase social impact.

6.2.7 Entrepreneurial Orientation and Firm Performance

H2: Innovativeness has a significant positive relationship with firm performance (rejected)
H5: Proactiveness has a significant positive relationship with firm performance (rejected)
H8: Risk-taking has a significant positive relationship with firm performance (rejected)
H11: Autonomy has a significant positive relationship with firm performance (confirmed)
H14: Aggressiveness has a significant positive relationship with firm performance (rejected)

Entrepreneurial orientation has been discussed as a critical success factor for business survival and growth as well as for countries' economic prosperity (Lee & Peterson, 2000). Firms who implement entrepreneurial orientation in their business

are likely to achieve competitive advantage and perform better (Runyan et al., 2008). According to previous literature, each dimension of entrepreneurial orientation will affect business success differently (Zulkifli & Rosli, 2013). Firms with a high degree of innovativeness have a positive relationship with sales growth, whereas higher pro-activeness shows a positive relationship with sales growth, sales level and gross profit (Kreiser et al., 2002).

Another study suggests that risk-taking yields an inverted curvilinear association with sales growth and sales level (Kreiser et al., 2002; Begley & Boyd, 1987; Miller & Friesen, 1982), whereas pro-activeness and competitive aggressiveness impact business success differently and proactiveness and innovation were found to not critically influence a firm's success (Kreiser et al., 2002; Lumpkin & Dess, 2001). Sascha et al. (2011) found that pro-activeness positively contributes to firm performance during economic crises.

Social entrepreneurship encompasses the process and activities undertaken to define, discover, and exploit opportunities with the aim of enhancing social wealth by creating new projects for managing the existing organisations in an innovative manner (Zahra et al., 2009). Entrepreneurial orientation is essential to all business ventures, including social businesses, as they aim to be successful endeavours. According to Yunus (2010), in order to fulfil the social objectives sustainably, social businesses must obtain a good bottom line. Consequently, entrepreneurial orientation must be available in order to ensure the achievement of social benefit (Zulkifli & Rosli, 2013). As such, this research proposed that entrepreneurial orientation has a significant positive relationship with firm performance. However, the result for each dimension was reported differently.

The results for H_2 indicated a t-value of 0.187 and a *p*-value of 0.06. Hence, hypothesis H_2 is not supported or reject. This is shows that the innovativeness of the firm does not influence performance, and nor do proactiveness, risk-taking and aggressiveness. The results indicate t-values of 2.63, -0.530, and 1.129 and a *p*-value of 0.008, 0.596, 0.260. Hence, H_5, H_8, and H_{14} are not supported or rejected. Autonomy was identified to have positive relationship with cooperative performance, with a t-value of 3.067 and a *p*-value of ≤.05, hence, H_{11} is supported or accepted. This means that the power of

the leader influence cooperative performance. This positive relationship between autonomy and firm's performance is similar with Guzmán et al. (2019) which suggested the implementation of higher autonomy, especially for a stable environment or industry will increase the firm performance. Syrjä et al. (2019) guide social entrepreneurs on what they should focus on as they strike a balance between their social mission and their commercial objectives. This research focuses on the role of entrepreneurial orientation in improving firm performance and social mission (balance in profit and social mission).

As previously mentioned, social entrepreneurship has often been suggested by previous scholars as a path to achieving a social mission through increasing the firm performance (Davis et al., 2011; Morris et al., 2011). However, surprisingly, this research shows that not all of the dimensions of entrepreneurial orientation influence cooperative performance. Hence, entrepreneurial orientation is not a panacea for all organisations that are seeking to enhance their performance, but this depends on the objectives of the firm (Miles et al., 2013). Similarly, Miles et al. (2013), who studied the relationship between entrepreneurial orientation, economic and social performance in social enterprises, show that entrepreneurial orientation has a negative relationship with economic performance in social enterprises (t-value = -.005, *p*-value = .972).

Morris et al. (2011) conducted five empirical studies that examine the relationship between entrepreneurial orientation and performance in non-profits and found that two studies found a significant relationship between entrepreneurial orientation on some measures of economic or financial performance of non-profits (Pearce et al., 2010; Bhuian et al., 2005), while two other studies found a negative one (Coombes et al., 2011; Morris et al., 2007), and one found mixed results regarding the relationship between three dimensions of entrepreneurial orientation (risk-taking, pro-activeness and innovativeness) and financial performance, depending on the measure of performance used.

Research by Maina et al. (2018) suggested that the mediating role of entrepreneurial orientation on the relationship between key firm factors and the performance of coffee cooperative societies in Kenya obtained mixed results on the relationship between

entrepreneurial orientation and firm performance. Their findings show, risk taking, competitive advantage, and autonomy have a negative relationship with firm performance. However, proactiveness and innovativeness have a positive relationship with firm performance. They suggested in overall, entrepreneurial orientation had a positive and significant effect on performance of coffee cooperative societies in Kenya. In other words, the cooperative is considered to be not a risk-taker, do not outshine competitors and there is interface in their business. However, the cooperative encourages their factories to anticipate changes in the industry and encourage using the latest changes of coffee production methods and processes. They also revealed that the cooperative was creative and implement new technology for the last three years. Adeiza et al. (2016) relate to competitive aggressiveness and autonmy on Franchisees' Outlet Performance and argue on the positive relationships. This shows the importance of the ability firm to outperform competitors and obtain independence in the running of their outlets.

Previous research shows that entrepreneurial orientation does not necessarily improve all firm performance, but it depends on the context and the measurement used by the researcher in evaluating the relationship between entrepreneurial orientation and firm performance which include for non-profit, profit, or cooperative (Guzmán et al., 2019).

6.2.8 Dynamic Capabilities and Firm Performance

H17: Dynamic capabilities have a significant positive relationship with firm performance (confirmed)

Dynamic capabilities have been discussed by previous scholars in terms of its role in contributing to long-term firm performance (Lin & Wu, 2014). Dynamic capabilities refer to the process of acquiring knowledge in order to sense or recognise new business opportunities and, if necessary, reconfigure the internal and external resources, organisational skills and competence to match the changing, volatile environment (Grimaldi et al., 2013). The notion of dynamic capabilities, as mentioned by previous scholars, began with for-profit companies. As suggested by Tashman &

Marano (2010), dynamic capabilities are an instrument for economic development that can contribute to the global movement of “Peace through Commerce”, although the research related to the utilisation of dynamic capabilities within social entrepreneurship is limited (Prasetyo & Khiew, 2016).

In order to contribute to social value, social entrepreneurs must ensure that their organisation makes a profit. The profit of the organisation is commonly related to the firm’s strategies and capabilities. The implementation of dynamic capabilities in order to sense and seize opportunities and reconfigure them in line with the needs of the firm is a vital antecedent for enhancing firm performance (Lin & Wu, 2014). Because of that, this research proposed that dynamic capabilities which consist of sensing, seizing, and reconfiguring, have a positively significant relationship with firm performance.

The result shows a t-value of 6.397 and *p*-value of ≤.05. Thus, hypothesis 17 is supported. The empirical result supports the hypothesis that dynamic capabilities influence firm performance. This result of this study is further supported by Prasetyo & Khiew (2016), who examined the influence of dynamic capabilities in enhancing the firm performance of social enterprises.

A number of studies (Fainschimdt et al., 2016; Wilhelm et al., 2015), including systematic reviews and meta-analyses, emphasise that the areas of study that focus on sensing, seizing and reconfiguringare diminished when they explain conceptual consequences (Peteraf et al., 2013) and provide strong empirical evidence in related with firm performance. Breznik et al. (2019) investigate the composition of sensing, seizing, and reconfiguring and demonstrated their positive relationship with firm performance. Similarly, (Mousavi et al., 2018) suggested sensing, seizing, and reconfiguring capabilities have a positive relationship and directly affect innovation and impact firm performance. In addition, according to Ji et al. (2018) investigated Chinese pig production co-operatives suggested the importance of dynamic capabilities in improving firm performance.

The result indicates that a significant relationship exists between dynamic capabilities and firm performance. Many scholars have compared social enterprise and profit-

oriented enterprise and most of them consider firm sustainability (Sepuldeva, 2015; Schmidt, 2010; Knudsen & Swedberg, 2009). As found in this research, the aim of cooperative firms (social enterprises) is to increase their profit and consequently the benefits will be distributed to all members (profit with purpose).

6.2.9 Entrepreneurial Orientation as a Mediator of the Relationship between Government Support and Firm Performance: Level of Education and Firm Performance

a) Entrepreneurial Orientation as a mediator of the relationship between Government Support and Firm Performance

H4: Innovativeness positively mediated the relationship between government support and firm performance (rejected)
H7: Pro-activeness positively mediated the relationship between government support and firm performance (rejected)
H10: Risk-taking positively mediated the relationship between government support and firm performance (rejected)
H13: Autonomy positively mediated the relationship between government support and firm performance (rejected)
H16: Aggressiveness positively mediated the relationship between government support and firm performance (rejected)

b) Entrepreneurial Orientation as a mediator of the relationship between Level of Education and Firm Performance

H22: Aggressiveness positively mediated the relationship between government support and firm performance (confirmed)
H24: Pro-activeness positively mediated the relationship between level of education and firm performance (rejected)
H26: Risk-taking positively mediated the relationship between level of education and firm performance (rejected)

H28: Autonomy positively mediated the relationship between level of education and firm performance (confirmed)
H30: Aggressiveness positively mediated the relationship between level of education and firm performance (rejected)

This research confirms the extent literature that suggests that entrepreneurial orientation combines with government support to enhance firm performance (Zainol et al., 2012). This research is in line with Lumpkin & Dess (1996: p. 136–137), who define entrepreneurial orientation as the processes and practices that lead to new entry with five autonomous dimension which are risk-taking, innovation decision-making activities, proactiveness, autonomy, and competitive aggressiveness, implying that entrepreneurial orientation is essentially formed by its distinct dimensions.

The result of this research shows that entrepreneurial orientation (innovativeness, proactiveness, risk taking autonomy, and aggressiveness) does not mediate the relationship between government support and cooperative performance. The result shows that the amount of indirect effect for each hypothesis is lesser than direct effect. The finding for this research is consistent with Musa et al. (2017) which shows that Malaysian entrepreneurs are mainly proactive start-ups in doing business and especially looking for business opportunities and resources. However, the more proactive these efforts are, the less dependent they are on the government. Likewise, Klassen et al. (2011) claim that depending on governmental influence, efforts will be made to be more proactive or reactive. Proactive firms are those who are willing to take action and break the law while reactive firms are characterised by compliance. Anselah et al. (2015) also suggested that the government does not have a role in shaping the entrepreneurial spirit because the entrepreneurial spirit has been formed in their environment and such acts are hereditary. Anselah et al. (2015), based on their research related to the government policy and entrepreneurial orientation, also shows that government roles (policy) do not have a direct effect on entrepreneurial orientation. This extends to the findings of Longenecker et al. (2003) that small business success in the face of global crisis and growth can not only be determined by government programs and assistance, but more importantly, the internal business itself is the entrepreneurial aspect. Anselah et al. (2015) suggest that the government role does not have a relationship with entrepreneurial orientation as government

support is used at a lower level. This reflects the findings of women entrepreneurs in developing countries who rarely use governmental support (Welsh et al., 2016). This shows that government must take more initiatives in building the relationship with entrepreneurs since previous research has clearly indicated that the government does not necessarily impact entrepreneurial orientation and consequently impact firm performance.

Likewise, the result of the relationship between level of education and firm performance that is mediated by entrepreneurial orientation shows that level of education does not influence entrepreneurial orientation and consequently reduces firm performance. The result shows that education level does not influence entrepreneurial orientation and consequently reduces firm performance. To evaluate the mediating effect of entrepreneurial orientation on the relationship between level of education and firm performance, the direct effect of level of education and firm performance must be identified.

The result shows that level of education does not have a significant effect on firm performance, hence, no mediation occurs. As mentioned by previous scholars, level of education will determine the ability of the entrepreneur or individual to take risks, be sufficiently pro-active, innovative, and competitive to operate a project or business (Zainol, 2013).

However, some journals suggest that, in line with human capital theory, level of education may have a negative effect on firms' productivity or the performance of highly educated managers or workers as their potentially low level of job satisfaction (at least partly) will be compensated by the additional skills and capabilities acquired at university (Kampelmann & Rycx, 2012). This dissatisfaction may lead to negative attitudes such as lack of motivation, absenteeism, shirking, or turnover which contribute to reduced reducing the firm performance. Furthermore, this result is consistent with De Mattos & Salciuviene (2017) and Cassar (2004), as mentioned in Section 6.2.6. In addition, this reseach is parellal with Cho & Lee (2018) as they investigated the role of entrepreneurship education, entrepreneurial orientation in the influence financial, and nonfinancial business performance. They suggest that there is no relationship between level of education and firm's entrepreneurial orientation.

Similarly, Fayolle & Gailly (2015) found that the impact of entrepreneurial education on entrepreneurial intentions or orientation was negatively influenced by previous students' entrepreneurial experiences. Due to the average level of experience of beginning or new entrepreneurs is high, the effectiveness of education may not be so strong. In conclusion, level of education does not necessarily influence firm's entrepreneurial orientation.

6.2.10 Dynamic Capabilities as a Mediator of the Relationship between Government Support and Firm Performance: Education Level and Firm Performance

H19: Dynamic capabilities positively mediated the relationship between government support and firm performance (confirmed)
H32: Dynamic capabilities positively mediated the relationship between level of education and firm performance (confirmed)

The importance of dynamic capability as a mediator was discussed in Chapter Three. This study suggests that dynamic capability positively mediates the relationship between government support and firm performance. The empirical results of this research found that dynamic capability partially mediates the relationship between government support and firm performance. It further shows that the path from government support to firm performance is reduced in absolute size but still different from zero when the mediator is introduced, patial mediation occurred. Partial mediation occurred because the direct effect is still significant after the mediator enters the model. This aasumes that firm performance increase with increase government support but government roles also mediates the effect. As government support and dynamic capability are also positively associated, an increase in dynamic capabilities also contributes to an increase in firm performance.

The importance of dynamic capabilities as a mediator for in the relationship between the independent variable and the dependent variable has been proven by previous scholars (Lin & Wu, 2014). Dynamic capabilities are considered tools that help to increase firms' long-term performance (Wang & Ahmed, 2007). As suggested by

Teece et al. (1997), firms should build, integrate, and reconfigure their internal and external resources to adapt to the volatile environment. Lin & Wu (2014) investigated the role of dynamic capabilities in the resource base view framework and also among different resources and found that the dynamic capability mediates the influence of VRIN (valuable, rare, inimitable and non-substitutable) resources on firm performance. Furthermore, firms with well-developed dynamic capabilities will enjoy similar characteristics such as being more resilient and free-flowing (Day & Schoemaker, 2016). They encourage timely decision-making, share the main activities with their partners, and learn how to gain more profit from uncertain markets and technology.

Generally, in emerging economies likes Malaysia, the role of the government is important as it provides financial incentive, establishing product quality and helping firms with marketing will enhance firms' capabilities to produce more products, increase their product development process, and reduce their knowledge gaps, allowing them to enter a broader market (Malik & Kotabe, 2009). This ability will contribute towards increased firm performance and will indirectly link firms to the social benefits, particularly cooperative firms (Othman et al., 2016; Prasetyo & Khiew, 2016).

The result show that dynamic capabilities fully mediate the relationship between level of education and firm performance. The results show that education level no longer affects firm's performance after dynamic capabilities have been controlled, making path c' zero. This assumes that firm's performance is present only due to dynamic capabilities and that dynamic capabilities are associated with only level of education. This results align with previous literature (Chapter 3). This research proposed that dynamic capabilities positively mediate the relationship between level of education and firm performance. This research is also parallel with Kurtmollaiev (2017) as it is suggested thathigher level education influences individual-level sensing, seizing, and transforming the information or resources and consequently increase firm performance. Furthermore, Lauer & Wildesmann (2017) also found that the vice president is fully committed to driving academic advancement in his organisation to promote the desired change. In other words, higher education level is essential in improving firm's capabilities, particularly related to dynamic capabilities. Higher level of increase will increase the ability of individual to transfer their knowledge to the task given and enhance performance which impacts the firm's capabilities and influence

firm performance, especially related to the technical skills (Fernandes & Machado, 2019). This research is also in accordance with O'Reilly et al. (2019) who found that a high correlation between universities with strong dynamic capabilities and their success in these dimensions of knowledge transfer.

The essential message about dynamic capabilities is related to how firms utilise their ability to refresh their imperfect capabilities in an uncertain market (Prasetyo & Khiew, 2016). In conclusion, dynamic capability mediates the relationship between the government's role, level of education, and firm performance.

6.3 Chapter Summary

This chapter has discussed the results in accordance with the research hypotheses presented in Chapter 5. Initially, it discussed the validity of the measurement instruments used in the survey to collect data from SMEs (focusing on SE-Cooperative firms) in Malaysia. Subsequently, is discussed each research hypothesis and supported the results with references to the previous literature.

The discussion of the results emphasised the important contribution to knowledge regarding the determinants of firm performance, particularly cooperative firms. Basically, there is little difference between SMEs as normal enterprises and social entreprises (cooperatives), as both aim to generate profits, but social entreprises in this research have the purpose of contributing to society (the cooperative's members) (Siapera & Papadopoulou, 2016; Defourny & Nyssens, 2013).

In summary, there is generally a positive relationship among the variables, even though a few surprising results were determined. The results illustrated that out of 20 hypotheses that emphasise the direct relationship, seven hypotheses were not significant (H_1, H_2, H_5, H_8, H_{14}, H_{20} and H_{29}) and thirteen were significant (H_3, H_6, H_9, H_{11}, H_{12}, H_{15}, H_{17}, H_{18}, H_{21}, H_{23}, H_{25}, H_{27}, H_{29}, and H_{31}). This research focused on the importance of a high awareness of the external environment (government support) and internal capabilities and strategies (dynamic capabilities and

entrepreneurial orientation) in order to utilise the opportunities and mitigate threats existing in a volatile market.

This research employed the theory of dynamic capabilities as proposed by Teece (2007) and proved the importance of this theory in enhancing firm performance in a volatile market. However, this research demonstrated mixed results regarding the function of dynamic capabilities. The direct relationship shows that a significant relationship exists between dynamic capabilities and firm performance. As well as, dynamic capabilities are confirmed as a mediator in the relationship between government role and performance, and also the relationship between education level and firm performance Conversely, entrepreneurial orientation exert no mediation between education level and firm performance although entrepreneurial orientation does mediate the relationship between government support and performance. The next chapter will further discuss the theoretical and practical contribution together with the limitations of the study and ideas for future research that might build on the work of the current study.

Chapter 7 : Conclusion

7.1 Introduction

This chapter will provide an overview of the most important areas. This chapter will revisit the research aims and objectives and discuss their achievement. Subsequently, this chapter will discuss the research findings based on the two research questions stated in Chapter 1. Furthermore, it will provide a description of the theoretical and practical contribution of this research. Finally, the limitations are highlighted and recommendations for future research are offered.

7.2 Meeting the Research Aim and Objectives

The aim of this research is to investigate the direct and indirect effect of government support, level of education, entrepreneurial orientation, and dynamic capability towards cooperatives performance. A number of objectives were set in order to achieve the research aims, as stated below:

- To critically explore and analyse the relationship government support and education level in influencing cooperative performance (SROI)
- To examine the relationship of dynamic capabilities and entrepreneurial orientation towards cooperative performance (SROI)
- To explore how government support and level of education are related to social entrepreneurship performance, as mediated by dynamic capabilities
- To explore how government support and level of education are related to social entrepreneurship performance, as mediated by entrepreneurial orientation.
- To develop a conceptual framework for the anteceedent of Social Entrepreneurship performance (SROI)

The flow of the process in achieving these two objectives can be observed from Chapter Two. This research conducts a comprehensive literature review and highlights the need for the research. In Chapter Two, the researcher presented an overview of social entrepreneurship and co-operative firms (locally and globally).

Thereafter, this research discussed the external and internal factors involved in achieving the higher performance of co-operatives. These external factors consist of the government's role and the internal factors refer to dynamic capabilities, entrepreneurial orientation, and level of education. This chapter also explains the related theory and justification of the selected theory (dynamic capabilities). Next, Chapter Three presented the conceptual model of the antecedents of social entrepreneurship, particularly cooperative, based on the framework of dynamic capabilities proposed by Teece (2007), together with thirty-two hypotheses. This chapter elaborates the positive relationship between the variables, both the direct or indirect relationships (mediators), based on previous literature. Chapter Four outlines the research methodology which includes the data collection process in order to realise the objective of the research. Chapter Five indicated the empirical results of the thesis and some of the hypotheses proposed were surprisingly not significantly related as shown in Table 5.18. Moreover, the mediating effect of entrepreneurial orientation was not supported for all of the proposed hypotheses, as the results indicated that they did not play a role as a mediator (see Table 5.18) particularly on the relationship between education level and firm performance. However, dynamic capabilities are a mediator in the relationship between both government roles and level of education with performance. Each hypothesis is either supported or not supported as explained in the discussion chapter (Chapter 6) and also in line with the previous literature.

This research meets all research question and research objective. The result shows that the direct effect of government support and level education is significantly related to all elements of entrepreneurial orientation. Dynamic capability had a positive relationship with cooperative performance (SROI). However, for entrepreneurial orientation, only autonomy had a positive relationship with firm performance. The other four elements of entrepreneurial orientation consist of innovativeness, pro-activeness, risk-taking and competitive aggressiveness demonstrated a negative relationship with cooperative performance (SROI). Similarly, education level also demonstrated a negative relationship with cooperative performance (SROI). Government support also demonstrated a negative relationship with cooperative performance (SROI). Level of education and dynamic capabilities demonstrated a positive relationship. The result indicates that entrepreneurial orientation exerts no mediation the relationship between

level of education and firm performance. However, innovativeness and autonomy fully mediate the relationship between government role and cooperative performance. Dynamic capabilities partially mediate the relationship government role and cooperative performance. Dynamic capabilities fully mediate the relationship between level of education and cooperative performance (SRO). The results in Chapter Five are extensively discussed and supported from previous literature in Chapter Six. Furthermore, according to the fitness measurement, the results show that all construct met the minimum requirement of fitness (refer to Table 5.5).

All things considered, this reseach answer the research question and meet the research objective as the result suggested that there is direct relationship between government support and education level, dynamic capabilities and entrepreneurial orientation The achievement of this objective is intended to contribute to the existing knowledge, both theoretically and practically. The next section will explain the research findings according to the research question.

7.3 Research Findings

This research proposed a conceptual model in Chapter Three based on the literature review in Chapter Two. The primary focus of the conceptual model was to answer the research question proposed in Chapter One. Next, the conceptual model was validated through a survey of 481 cooperatives' CEOs, managers, supervisors, and executives. Below is the main finding based on the two research questions:

1. Do the government support, level of education, dynamic capabilities and entrepreneurial orientation have a direct effect on firm performance?

This research found no direct relationship between government support and firm performance. The results indicate a t-value of -1.346 and a significant *p*-value of 0.180, so hypothesis 7 is not supported. Likewise, for education level and cooperative performance, the empirical result shows the negative impact of education level on cooperative performance. The result indicates a t-value of -.64 and a significant *p*-

value of 0.101. This means that there is no direct relationship between education level and cooperative performance.

Meanwhile, the result shows that a direct relationship between dynamic capabilities and cooperative performance exists. The result shows a t-value of 6.397 and *p*-value of ≤.05. Therefore, hypothesis 18 (dynamic capabilities has a positive significant relationship with cooperative performance) is supported. Based on this result, this research suggests that firms should implement more dynamic capabilities to improve their firm/coopertive performance.

Lastly, this research found that there are multiple results that support a direct relationship between entrepreneurial orientation elements and cooperative performance. The results for H_2 indicated a t-value of 0.187 and a *p*-value of 0.06, so hypothesis H_2 is not supported. This shows that the innovativeness of the firm does not influence the firm performance. Moreover, proactiveness, risk-taking and aggressiveness do not influence firm performance. The result indicates t-values of 2.63, -0.530, 1.129 and *p*-values of 0.008, 0.596, 0.260. Hence, H_5, H_8 and H_{14} are not supported. The results for autonomy show a positive relationship with firm performance, with the result indicating a t-value of 3.067 and a *p*-value of ≤.05, thus, H_{11} is supported. This means that the power of the leader influences firm performance.

2. How is the relationship between government support, level of education and firm performance mediated by dynamic capabilities and entrepreneurial orientation?

This research found that dynamic capabilities mediate the relationship between government support and firm performance. The empirical result of this research found that dynamic capability patially mediates the relationship between government support and firm performance. In this case, the path from government support to firm performance is reduced in absolute size, but is still different from zero when the mediator is introduced. However, dynamic capabilities fully mediate the relationship between level of education and firm performance. This further establishes the indirect effect of level of education on firm performance when a mediator (dynamic capability) enters the model. This is attributed to the significance of the relationship between level

of education and dynamic capabilities, but the relationship between level of education and firm performance is not significant.

The research found mixed results for the relationships with entrepreneurial orientation as a mediator. The result shows that innovativeness and autonomy fully mediate the relationship between level of education and firm performance. However, there is no mediation by innovativeness, risk-taking, and aggressiveness in the relationship between level of education and firm performance. The result shows that level of education does not have a relationship with entrepreneurial innovativeness, risk taking and aggressivenes which consequently reduces firm performance. To evaluate the mediating effect of entrepreneurial orientation in the relationship between education level and firm performance, in the first place, the identification of the direct effect on level of education and firm performance is needed. As the result shows that level of education does not significantly affect firm performance, then, indirectly, no mediation occurs despite the fact that the relationship between government support and firm performance is not mediated by entrepreneurial orientation.

7.4 Novelty and Theoretical Contribution

Theoretically, this research contributes to the field of social entrepreneurship and strategic management research by developing a conceptual model for the evaluation of the influence of the combination external and internal resources which include strategies on firm performance, particularly cooperative. Therefore, this study aims to highlight the determinant of firm performance (SROI). As the importance of evaluating the effectiveness of cooperative in contributing in social mission with the profit base is depicted and suggested by Oliński & Burchart (2013), this research contributes to this knowledge by combining government role, level of education, entrepreneurial orientation, and dynamic capability in influencing the social benefit of cooperative.

Within the context of existing theory (dynamic capability), this research is unique as it adopts a deductive approach to investigate the contingent factors that influence firm performance, particularly cooperative. This research contributes to dynamic capabilities in several significant ways. Firstly, this is the first research using a

combination of three dimensions of dynamic capabilities in examining firm performance. There is very limited research on the evaluation of the function of dynamic capabilities in influencing firm performance since many previous researchers prefer to examine big or established firms (Girod & Whittington, 2017; Hermano & Martin-Cruz, 2016). An originality of this research is that cooperative was the respondent and represent small medium entreprises. This research shed light on how these respondent is able to prove the fitness using three dimension of dynamic capabilities in enhancing firm performance. As proposed by Teece (2007), the dimensions of dynamic capabilities consist of sensing, seizing, and reconfiguring capabilities to improve firm perforamnce.Secondly, the empirical findings enhance the understanding of dynamic capabilities as a mediator that contributes to firm performance. The result indicates that a dynamic capability has a direct effect on firm performance. However, their role as a mediator has only fully mediate the relationship with government support, but only partially mediate level of education. In other words, dynamic capabilities only fully mediate the relationship between government support and firm performance and partially mediate between education level and firm performance. This research extends the dynamic capabilities framework proposed by Teece (2007) from economic value to the creation of social value as a primary goal. It is because this research implements social return in investment as the measurement of firm performance. Furthermore, this research complements previous research in the fields of social entrepreneurship by bringing new knowledge about sensing and seizing opportunities and threats and reconfiguring those resources to influence firm performance. Beside sensing and seizing, the reconfiguring capability not only has a direct effect on firm's output, but also an indirect effect in terms of the operation of the resources provided by government support and increased firm performance (Helfat & Peteraf, 2003). Hence, the reconfiguring capability will allow firms to identify new combinations of prolific resources within the firms, extend the limitation of the capability, connecting several different resources, and improve firm performance through experimentations with new ideas (Samson & Rosli, 2014; Borch & Madsen, 2007; Dougherty, 1995).

Most of the previous research indicates the importance of level of education in influencing firm performance (Belas et al., 2015; Magoutas et al., 2012). Similarly, one of the determinants in cooperative performance is level of education (Mugabekazi,

2014; Abebaw & Haile, 2013; Zheng et al., 2012; Arayesh, 2011; Wollnia & Zeller, 2007). This means that people have higher level of education are more likely to be involved in cooperatives compared with individuals who possess primary or middle-school education (Gyulgyulyan & Bobojonov, 2019). However, this research found that the education level was not significantly related to firm performance. This research sheds further light onto the new research whereby level of education does not necessarily have significant effects on firm performance, particularly cooperative. Furthermore, the results for this thesis lend support to the view of education itself not necessary increase firm's performance unless together with their training and past work experience (Saidu, 2019; Schmidt, 2019; Kotur & Anbazhagan, 2014). Consequently, some scholars suggest that there may be intervening factors or mediating variables in the relationship between level of education and firm performance (Schmidt, 2019).

This research contributes to the theory by revealing the association between entrepreneurial orientation and other factors in contributing firm performance (SROI). Many scholars have highlighted the role of entrepreneurial orientation as a preeminent component for the success of the organisation (Wiklund & Shepherd, 2005; Merz & Sauber, 1995; Covin & Slevin, 1989) and a source of competitive advantage (Runyan et al., 2008; Lumpkin & Dess, 1996). As a consequence, the lack of entrepreneurial ability does not foresee the potential opportunities exploration and exploitation (Wiklund & Shepherd, 2003) particularly in cooperative world. Hence, the study contributes to the entrepreneurial orientation literature by demonstrating different effects (direct or indirect) of entrepreneurial orientation on firm performance. Based on previous research, entrepreneurial orientation has been argued to increase firm performance that is based purely on profit (Choi & Williams, 2016; Lechner & Gudmundsson, 2014) instead of focusing on social benefits. However, the goals of social entrepreneurship (in this context refer to cooperative) are similar to those of commercial entrepreneurship as they aim at generating profit (Pathak & Muralidharan, 2016). The difference is that, for social entrepreneurship or cooperative, the profit of the firm will contribute to society. As very few researchers discuss entrepreneurial orientation in relation to social entrepreneurship, this research provides empirical findings to establish the direct effect and indirect effect (mediation) of entrepreneurial orientation on firm performance. For the direct relationship, this research suggests that

only autonomy is significantly related to firm performance but the other elements of entrepreneurial orientation such as innovativeness, proactiveness, risk taking, aggressiveness are not significantly related. Level of education has a positive relationship with all of the elements of entrepreneurial orientation (innovativeness, pro-activeness, risk-taking, competitive aggressiveness and autonomy). In addition, this research suggests that entrepreneurial orientation only mediates the relationship between level of education and firm performance but did not play their roles as mediators in the relationship between government role and firm performance and entrepreneurial orientation. Entrepreneurial orientation directly influences firms performance (Guzmán et al., 2019; Syrjä et al., 2019; Yu et al., 2019) and also indirectly (Maina et al., 2018) in increasing firm performance. Consequently, this research has contributed new understanding regarding the direct and indirect effect of entrepreneurial orientation on firm performance.

This research contributes to strategic management by advancing the understanding of how to combine the external resources and internal resources includes strategies to enhance firm performance. Based on this combination, this research can advance the theoretical framework proposed by Teece (2007). The combination of these external and internal resources is not only limited to normal enterprises (Ambad & Wahab, 2016; Gathungu et al., 2014; Musa et al., 2011; Malik & Kotabe, 2009), but also extends to the social entrepreneurship field. The empirical result shows that a positive relationship with firm performance (except for education level) does not influence firm performance, particularly direct relationship with firm performance. Moreover, government support also has no direct relationship with firm performance. However, dynamic capabilities and entrepreneurial orientation mediate the relationship between government role and firm performance. This research suggests that the combination of these contingent factors in influencing firm performance might increase the social benefit that are returned to society. In this research context, the benefits go to the members of co-operative firms (Guzmán et al., 2019). As such, contribution to social benefits due to the measurements of performance for this research purely focuses on the social return of investment.

Other research focuses on identifying the difficulty of understanding culture awareness between managers and subordinates as they possess different cultures (Buckley et

al., 2006). However, this research improves culture awareness of firms about the way of thinking and sensitive with the changing of environment since most cooperatives grave of changing of environment, especially related to the rules and regulation by government (Singh et al., 2019). They are highly sensitive to economic policy uncertainty on the impact of firm performance. In line with, the results of this research show the influence of government roles in improving firm performance. Correspondingly, the importance of dynamic capabilities in influencing firm performance, this paper shed light on the culture of cooperative companies towards employees' commitment in achieving the cooperatives goals. The new culture awareness of the firms includes how the employees with the new characteristics react to changes in environment, particularly related to government rules and regulation that continually exploit their capabilities consistently with the dynamic capabilities views (sensing, seizing, and reconfiguration) (Breznik et al., 2019).

Lastly, regarding the contribution at the quantitative level, Confirmatory Factor Analysis (CFA) was used to assess the fitness of the research model. This kind of analysis is employed to evaluate the fitness of the measurement model to the research area. The CFA is determined using SEM. SEM is considered a cross-sectional statistical modelling technique with the aim of dictating the extent to which a model is underpinned, and what data were assembled during the research (Schumacker, 2017; Kline, 2015). SEM become the preferred method for confirming (or not) the theoretical model quantitatively, as it is capable of statistically testing the complex phenomenon (Pratono et al., 2013). In related, from the research methodology point of view, this study has begun to validate comprehensive statistics on the influence of government role, level of education, entrepreneurial orientation, dynamic capabilities on firm performance particularly focusing on SROI in Malaysian cooperative. The relationships between variables were carefully studied for consistency and validity and were deemed adequate. In addition, the proposed model (that is, the association between variables both independence and dependent) has been empirically tested using CFA and SEM analysis. Overall, the findings provide strong support for the proposed relationship (only a few not significant). A key contribution of this study is that the anteceedent of firm performance (government role, level of education, entrepreneurial orientation and dynamic capabilities) and firm's performance (SROI) measurement systems have been developed, which are believed to prompt and

facilitate more research to be carried out in developing countries in the future. This finding also significantly contributes as a benchmark method that can be used to detect the effect of government role, education level, entrepreneurial orientation, and dynamic capabilities on firm performance.

7.5 Practical Contribution or Managerial Implications

The findings of this research have implications for both managerial and policymakers, like private investors, public institutions, and other bodies that seek to influence firm performance, particularly cooperative firms. The results in Chapter Five identify the contingent factors that influence firm performance. This means that dynamic capabilities and entrepreneurial orientation have a direct effect and indirect effect (mediator) in contributing to firm performance. As mentioned by Pathak & Muralidharan (2016), both commercial entrepreneurs and social entrepreneurs are similar in terms of their aim of increasing their firm performance. However, for social entrepreneurship, particularly cooperative firms, they gain a profit with the aim of contributing social benefits which return back to their members.

The benefits of co-operatives include financial loans, buying products at low or discounted prices, funeral expenses, scholarships to allow members' gifted children to pursue their studies to a higher level and insurance (Siapera & Papadopoulou, 2016; Strand & Freeman, 2015). Hence, the firm should find the best way in increasing their firm performance in order to provide social benefit to their members (Siqueira et al., 2018). Because of that, based on this research, managers should focus more on the firm's capabilities or strategy in order to utilise their external resources (government support). In other words, this thesis suggested that firm should focus on entrepreneurial orientation and dynamic capabilities in exploiting external factors. Many opportunities are offered by the government and benefits for the firm in terms of enhancing its performance (Othman et al., 2014). Managers should encourage their staff in increasing their ability in dynamic capabilities which is related to the ability to sense and sieze the opportunities and reconfigure the resources in order to fulfil demand. In addition, the manager should uncover the talent their employees' talent, especially related to their innovativeness, proactiveness, ability to take the risk,

aggressiveness, and level of autonomy. In parellal, the results suggest that dynamic capability and entrepreneurial orientation have a positive relationship with government role and affect firm performance.

The findings of this research, in line with previous research, show the contribution of dynamic capabilities with regard to improving firm performance (Lin & Wu, 2014; Protogerou et al., 2011). The managers or entrepreneurs should focus more on the firm's ability to sense and seize opportunities and reconfigure them, if necessary. The importance of these elements of dynamic capabilities has been discussed by previous scholars (Kurzhals, 2015; Gajendran et al., 2013). If firms have the capability, they can sense not only the opportunities but also the threats. They will be able to utilise the opportunities available in the market and also manage the threats. Firms will be left behind if they are unable to compete with their competitors (Ringov, 2017). Even if they have the resources but are unable to manage them, they will be stagnant, remaining only at a certain level. Considering the result for this research, firms that aim to improve their profitability and increase their firm performance should invest more in reconfiguring their assets after they sense and seize the opportunities and threats, which emphasises the capabilities development in their cooperative activities in order to benefit from government support.

Although the findings regarding the direct relationship between entrepreneurial orientation and firm performance show mixed result, as only autonomy has a significantly relationship with firm performance, entrepreneurial orientation acts as a mediator in the relationship between government support and firm performance. This result also suggests that firms should invest more in an entrepreneurial orientation environment in order to enhance their performance as the results prove the positive relationship between entrepreneurial orientation and firm performance, either three elements (innovativeness, pro-activeness and risk-taking) (Mthanti & Ojah, 2017) or five elements of entrepreneurial orientation (innovativeness, pro-activeness, risk-taking, competitive aggressiveness and autonomy) (Zulkifli & Rosli, 2013) influence firm performance.

This research does not support the previous literature that found a significant relationship between education level and firm performance (Ullah et al., 2016; Butler

& Soontiens, 2014). This means that education level is not too important in operating the cooperative and there are others factors that should be involved. In order to successfully operate a co-operative firm, education level is irrelevant. Managers or entrepreneurs should have high motivation (Christopoulos & Vogl, 2015), experience (Ramos et al., 2012) and an entrepreneurial mindset (Kaur & Sandhu, 2014) which will be able to help them to operate the firms successfully. For example, Syed Mokhtar Al-Bukhary is an uneducated, successful Malaysian businessman. Yet, according to the New Straits Times on 2nd March 2017, he is among the top ten richest people in Malaysia. Indeed, the managers or entrepreneurs should focus their determination or their goals on developing their firm without caring about their level of education. They should be on the lookout for opportunities as resources to enhance their firm performance. Furthermore, education level together with their training and experience also influence firm performance (Kotur & Anbazhagan, 2014; Crook et al., 2011). Consequently, in order to operate cooperative, the manager should focus on their staff and their experience and provide them related training in influence their competency.

For the government and policymakers, this study offers insights into the influence of government support, entrepreneurial orientation, and dynamic capabilities on firm performance. Cooperatives are a tool used by the government for national development, particularly in helping to eliminate rural poverty, enhance both rural and urban development, bridge the income disparity between urban and rural and solve the unequal income distribution (Othman et al., 2012). The social and economic policies implemented by the government and the law are recognised as one of the major factors affecting the development of the cooperatives (Bretos & Marcuello, 2017). Proper legal policies and frameworks are essential for successful cooperatives (Ribašauskiene et al., 2019). In general, governments can act as organisers and facilitators by developing policies and programmes to support cooperatives, build adequate infrastructure and social services, and eliminate barriers to cooperative development (Marcis et al., 2019; Morfi et al., 2015). Public policy support can also get more specialised forms. Areas of public policy support may include human resource development, research and management consulting, accounting and auditing, information technology, law and taxation, and relations with the private sector (Ruete, 2014). The education and training provided by the government before and after the establishment of the cooperatives are critical in order to evaluate the success

of the training provided. In most market-oriented economies (the reason for the implementation of dynamic capabilities), cooperatives receive public support in the form of providing a flexible legal framework that does not discriminate against cooperatives in any way, exemption from antitrust laws, beneficial tax treatment, favorable credit terms, and technical assistance (related to type of cooperative) (Iliopoulos, 2013). Some authors suggest a more structured view of public policy support that enhances cooperation.

In identifying the contingent factors influencing firm performance, the findings of this study suggest that the government should devote more effort to educated managers or entrepreneurs to encourage them to build their capabilities instead of being 'spoon fed' by the government. The government should improve their module, particularly on management training or entrepreneurship training in order to be more comprehensive and to encourage them to build more intangible resources compared with tangible resources. Indeed, intangible resources are more valuable and very hard to imitate by competitors (Anderson & Eshima, 2013). Even though a previous study shows the importance of tangible (financial) resources for young firms (start-up), intangible (capabilities) resources play a more essential role in achieving the firm's competitive advantage (Jiang et al., 2012). In related, according to Chen & Scott (2014), the government can support cooperatives in a tangible and intangible form, where informal forms refer to host meetings, provide technical training, arrange site visits for members, assist and provide subsidies for certification in related to high quality standards, granting tax exemptions and other types of financial support, and public recognition to selected cooperatives as a reward for their good performance, are considered as tangible support in terms of changing cooperative attitudes (Hakelius & Hansson, 2011). Public policy measures can also be categorised as direct, for example, in the form of subsidies or grants, or indirect, as provisions in business and organisational law that make it easy to establish cooperatives (Hakelius & Hansson, 2011).

Furthermore, the results of this study show that education level does not influence firm performance, thus, the government should encourage low-level educated people to become entrepreneurs (the owners of cooperative firms) together with support by the government in terms of finance or intensive training. The government can implement

mentor-mentee programmes in order to monitor young entrepreneurs to make sure that they develop to a certain level before they are required to operate independently. This kind of programme will encourage them to engage in reflecting learning and just-in-time support from the government (Sarri, 2011). The previous research demonstrated that mentors (the government) will provide added value to the entrepreneurs and bring long-term benefits to the mentees and society with regard to enhancing firm performance (Hall, 2003; Sullivan, 2000). The government can encourage them by sharing success stories about uneducated businessmen like Syed Mokhtar Al-Bukhary and Lim Goh Thong (the owner of Genting Group).

7.6 Summary of Contribution, Gap and Significance of the Study

No	Gap and Significance of the Study	Contribution
1	The Malaysian cooperative was introduced in the 1920s and is recognised for its social and economic contribution to the national economy (Othman et al., 2016). Notwithstanding, the review of the previous literature shows a very limited both theoretical and empirical contribution in the field of cooperatives, particularly in the Malaysian context (Hashim & Fawzi, 2015). Hence, this research focused on the critical success factors of social entrepreneurship (cooperative) associated with the relationship between government support, level of education, entrepreneurial orientation, dynamic capabilities and firm performance.	Theoretically, this research contributes to the field of social entrepreneurship and strategic management research by developing a conceptual model for the evaluation of the influence of the combination external and internal resources includes strategies on firm performance, particularly cooperative. Therefore, this paper contributes to shedding light on the determinant of cooperative performance (SROI). As the important to evalute the effectiveness of cooperative in contributing in social mission with the profit base which is suggested by (Oliński & Burchart, 2013), this research contribute to this knowledge by combination of government role, level of education, entrepreneurial orientation and dynamic capability in influencing the social benefit of cooperative.
2	This research evaluated and seek to understand how government support and level of education are related to firm performance among Malaysian social	This research contributed to the theory by revealing the association between entrepreneurial orientation and other factors in contributing cooperative performance (SROI). Many scholars have highlighted the role

	entrepreneurs. After studying the relationship between government support, level of education and firm performance, the mediating role of entrepreneurial orientation and dynamic capabilities was evaluated. Profitability is a key issue for business growth (Patel & D'Souza, 2009). Hence, irrespective of the size of the firm, the management focuses on earning a high return on investment in the long term. Entrepreneurial orientation is a strategy that helps firms to improve its performance, especially among firms that are based on sole entrepreneurship. Studies have highlighted that small firms in Malaysia show a positive effect on growth by adopting entrepreneurial orientation. It is their business growth that has impacted on the overall economic condition of the country by boosting the economy. Specifically, entrepreneurial orientation was positively related to a firm's sales performance (Spillecke & Brettel, 2014), profitability in both the short and the long run (Gupta & Gupta, 2015), speed to the market (Clausen & Korneliussen, 2012), and growth pace, thereby creating better chances to mitigate the	of entrepreneurial orientation as a preeminent component for the success of the organisation (Wiklund & Shepherd, 2005; Merz & Sauber, 1995; Covin & Slevin, 1989) and a source of competitive advantage (Runyan et al., 2008; Lumpkin & Dess, 1996;). As a consequence, the lack of this entrepreneurial ability does not foresee the potential opportunities for exploration and exploitation (Wiklund & Shepherd, 2003) particularly in cooperative world. Hence, the study contributed to the entrepreneurial orientation literature by demonstrating different effects (direct or indirect) of entrepreneurial orientation on cooperative performance. Based on previous research, entrepreneurial orientation has been argued to increase firm performance based purely on profit (Choi & Williams, 2016; Lechner & Gudmundsson, 2014) instead of focusing on social benefits. However, the goals of social entrepreneurship (refer to cooperative) were similar to those of commercial entrepreneurship, as they aim at generating profit (Pathak & Muralidharan, 2016). The difference is that social entrepreneurship or cooperative contributes the profit to society. As very few researchers discuss entrepreneurial orientation in relation to social entrepreneurship, this research provides empirical findings to show the direct effect of entrepreneurial orientation on cooperative performance and also the indirect effect (mediation). For direct relationship, this research suggests that only autonomy is significantly related to

	repercussions of the economic recession (Soininen et al., 2012). However, there were unresolved issues regarding social entrepreneurs, government support, level of education, entrepreneurial orientation, and dynamic capabilities (Inigo et al., 2017; Mohamad et al., 2013). In line with this, there is a gap in their relationship with firm performance. This research aimed to provide a new model based on empirical evidence to bridge the gap.	cooperative performance and other elements of entrepreneurial orientation for instance innovativeness, oriactiveness, rist taking, aggressiveness not significantly related. Only education level has a positive relationship with all of the elements of entrepreneurial orientation (innovativeness, pro-activeness, risk-taking, competitive aggressiveness and autonomy). In addition, this research suggests that entrepreneurial orientation only mediates the relationship between government role and firm performance but did not mediate the relationship between level of education and cooperative performance. However, in indirect effect, entrepreneurial orientation does not mediate the relationship between level of education and cooperative performance. This is because this research had different effect entrepreneurial orientation towards firms or cooperative performance instead of only directly (Guzmán et al., 2019; Syrjä et al., 2019; Yu et al., 2019) and indirectly (Maina et al., 2018) increasing performance. Consequently, this research has strengthened the understanding of the direct and indirect effect of entrepreneurial orientation on cooperative performance.
3	Notwithstanding the fact that there exist a lot of theories and knowledge in areas of management, like finance, leadership, marketing, production, organisational behaviour and strategic management,	Within the context of existing theory (dynamic capability), this research is unique as a deductive approach was adopted to investigate the contingent factors that influence firm performance particularly cooperative. This research contributes to dynamic capabilities in several significant ways.

	minimal have been employed by researchers in examining cooperatives. Additionally, theories like dynamic capabilities were used to explain and predict the behaviour of organisations like cooperatives and very limited studies apply this theory when examining these organisations, particularly in the Malaysian context, as most of them are related to private firms rather than social enterprises (Lazim et al., 2016; Faizal & Zaidi, 2011). Hence, this research focused on the direct and indirect effect of this theory in contributing to firm performance.	Firstly, this was the first research that combined three dimensions of dynamic capabilities in measuring cooperative performance. Minimal research has evaluated the function of dynamic capabilities in influencing cooperaive performance as previous researchers in this were focused on big or established firms (Girod & Whittington, 2017; Hermano & Martin-Cruz, 2016). This study employed cooperative as the respondent annd small medium entreprises were represented. This research shared light on how these respondents proved the fitness of using three dimension of dynamic capabilities in enhancing cooperative performance. As proposed by Teece (2007), the dimension of dynamic capabilities consists of sensing, seizing and reconfiguring capabilities improve firm perforamnce. Secondly, the empirical findings enhanced the understanding of the function of dynamic capabilities as a direct effect and indirect (mediator) effect that contributes to cooperative performance. The result indicated that dynamic capability had a direct effect on firm performance. Although dynamic capability fully mediates the relationship with government support, but only partially mediated level of education. In other words, dynamic capabilities only fully mediated the relationship between government support and cooperative performance and partially mediated between education level and cooperative performance. This research extended the dynamic capabilities framework proposed by Teece (2007)

		from economic value to the creation of social value as a primary goal. It is because this research implemented social return in investment as the measurement of cooperative performance. Furthermore, this research complemented previous research in the fields of social entrepreneurship by bringing new knowledge about sensing and seizing opportunities and threats and reconfiguring those resources to influence cooperative performance. Beside sensing and seizing, the reconfiguring capability not only has a direct effect on firm's output, but also an indirect effect in terms of the operation of the resources provided by government support and increased firm performance (Helfat & Peteraf, 2003). Hence, the reconfiguring capability allowed firms to identify new combinations of prolific resources within the firms, extend the limitation of the capability, connect several different resources, and improve firm performance through experimentation with new ideas (Samson & Rosli, 2014; Borch & Madsen, 2007; Dougherty, 1995).
4	Social entrepreneurs and commercial firms share the same capabilities or resources of the firms but have different goals. Level of education was considered as one of the intangible resources belonging to the firm. There is a mixed pattern of relationship between the level of education and firm performance. Some studies	Most of the previous research indicated the importance of level of education in influencing firm performance (Belas et al., 2015; Magoutas et al., 2012). One of the determinants in influencing their performance includes level of education (Mugabekazi, 2014; Abebaw & Mekbib, 2013; Shi Zheng et al., 2012; Arayesh, 2011; Wollnia & Zellerb, 2007). This means that people have higher level of education more likely to involve in

	suggest that a positive relationship exists between level of education and firm performance (Block et al., 2013; Parker, 2011, 2018), while other studies argue that there is no relationship between them (Van der Sluis et al., 2005, 2008). Interestingly, very limited study discussed the relationship between education level and social entrepreneurship performance, especially among cooperative firms (Estrin et al., 2016). To address this gap, this research investigated these relationships and the results contributed to the social entrepreneurship literature.	cooperatives compared with primary or middle educational level (Gyulgyulyan & Bobojonov, 2019). However, this research found that the education level does not significantly related to cooperative. This research sheds further light onto the new research where level of education did not necessarily have significant effects on firm performance, particularly cooperative. Furthermore, the results for this thesis lend support to the view of education itself and not necessarily increase firm's performance unless together with their training and past work experience (Saidu, 2019; Schmidt, 2019; Kotur & Anbazhagan, 2014). Consequently, some scholars suggest that there may be intervening factors or mediating variables between level of education and firm performance (Schmidt, 2019).
5	The measurements for social enterprises are regularly based on commercial business industry, which is profit-based (Speckbacher, 2003). However, quantitative research is the most suitable for measuring profit, as it is easy to understand in a traditional business sense (Chmelik et al., 2016). In line with this, this research employed the quantitative method to show the relationship between the independent variables (government support, level of	Regarding the contribution at the quantitative level, in order to assess the fitness of the research model, this research used Confirmatory Factor Analysis (CFA). CFA WAS employed to evaluate the fitness of the measurement model to the research area. CFA WAS determined using the SEM. SEM is considered a cross-sectional statistical modelling technique with the aim of dictating the extent to which a model is underpinned, and what data were assembled during the research (Schumacker, 2017; Kline, 2015). SEM became the preferred method for confirming (or not) the theoretical model quantitatively, as it is capable of

	education, entrepreneurial orientation and dynamic capabilities) and the dependent variable (firm performance). Since the relationships between competitive advantage particularly related to firm performance and the environment as proposed in this study are rarely studied, the findings from this study represented a new contribution to the literature and added knowledge to our current understanding of government support, level of education, entrepreneurial orientation, dynamic capabilities and firm performance.	statistically testing the complex phenomenon (Pratono et al., 2013). In related, from the research methodology point of view, this study has begun to validate comprehensive statistics on the influence of government role, level of education, entrepreneurial orientation, dynamic capabilities on firm performance particularly focusing on SROI in Malaysian cooperative. The relationship between variables was carefully studied for consistency and validity and was found to work well. In addition, the proposed model (that is, the association between variables both independence and dependent) was empirically tested using CFA and SEM analysis. Overall, the findings provided strong support for the proposed relationship (only a few not significant). A key contribution of this study is that the anteceedent of cooperative performance (government role, level of education, entrepreneurial orientation and dynamic capabilities) and cooperative's performance (SROI) measurement systems have been developed, which are believed to prompt and facilitate such research to be carried out in developing countries in the future. This finding also significantly contributed as a benchmark method that can be used to detect the effect of government role, education level, entrepreneurial orientation and dynamic capabilities on cooperative performance.

6	This study may also provide significant knowledge regarding the culture of firms that wish to improve their firm performance through enhancing their awareness of the opportunities in the external environment (government support). This study looked into how government support influences entrepreneurial orientation and dynamic capabilities to meet the current and future customer demands, leading to improved firm performance.	Other research focuses on identifying the difficulty of understanding culture awareness between managers and subordinates as they possess different culture (Buckley et al., 2006). However, this research improves culture awareness of firms about the way of thinking and sensitive with the changing of environment since most cooperatives grave of changing of environment, especially related to the rules and regulation by government (Singh et al., 2019). They are highly sensitive to economic policy uncertainty on the impact of firm performance. In line with, the results of this research show the influence of government roles in improving cooperative performance. Correspondingly, the importance of dynamic capabilities in influencing cooperative performance, this paper shed light on the culture of cooperative companies towards employees' commitment in achieving the cooperatives goals. The new culture awareness of the firms includes how the employees with the new characteristics react to changes in environment, particularly related to government rules and regulation that continually exploit their capabilities consistently with the dynamic capabilities views (sensing, seizing, and reconfiguration) (Breznik et al., 2019).
7	This research provides valuable insights for practitioners and scholars alike as well as supporting managers and owners to adopt better decision	For the government and policymakers, this study offers insights into the influence of government support, entrepreneurial orientation, and dynamic capabilities on firm performance. Cooperatives are a tool used

	strategies regarding the utilisation of the firm's resources both externally or internally in developing countries especially Asian countries like Malaysia as voluminous research on these areas has already been undertaken in the USA, Europe, Australia, and Asia-Pacific.	by the government for national development, particularly in helping to eliminate rural poverty, enhance both rural and urban development, bridge the income disparity between urban and rural and solve the unequal income distribution (Othman et al., 2012). The social and economic policies implemented by the government and the law are recognised as one of the major factors affecting the development of the cooperatives (Bretos & Marcuello, 2017). Proper legal policies and frameworks are essential for successful cooperatives (Ribašauskiene et al., 2019). In general, governments can act as organisers and facilitators by developing policies and programmes to support cooperatives, build adequate infrastructure and social services, and eliminate barriers to cooperative development (Marcis et al., 2019; Morfi et al., 2015). Public policy support can also get more specialised forms. Areas of public policy support may include human resource development, research and management consulting, accounting and auditing, information technology, law and taxation, and relations with the private sector (Ruete, 2014). The education and training provided by the government before and after the establishment of the cooperatives are critical in order to evaalute the success of the training provided. In most market-oriented economies (the reason for the implementation of dynamic capabilities), cooperatives receive public support in the form of providing a flexible legal framework

		that does not discriminate against cooperatives in any way, exemption from antitrust laws, beneficial tax treatment, favorable credit terms, and technical assistance (related to type of cooperative) (Iliopoulos, 2013). Some authors suggest a more structured view of public policy support that enhances cooperation. In identifying the contingent factors influencing firm performance, the findings of this study suggest that the government should devote more effort to educated managers or entrepreneurs to encourage them to build their capabilities instead of being 'spoon fed' by the government. The government should improve their module, particularly on management training or entrepreneurship training in order to be more comprehensive and to encourage them to build more intangible resources compared with tangible resources. Indeed, intangible resources are more valuable and very hard to imitate by competitors (Anderson & Eshima, 2013). Even though a previous study shows the importance of tangible (financial) resources for young firms (start-up), intangible (capabilities) resources play a more essential role in achieving the firm's competitive advantage (Jiang et al., 2012). In related, according to Chen & Scott (2014), the government can support cooperatives in a tangible and intangible form, where informal forms refer to host meetings, provide technical training,

		arrange site visits for members, assist and provide subsidies for certification in related to high quality standards, granting tax exemptions and other types of financial support, and public recognition to selected cooperatives as a reward for their good performance, are considered as tangible support in terms of changing cooperative attitudes (Hakelius & Hansson, 2011). Public policy measures can also be categorised as direct, for example, in the form of subsidies or grants, or indirect, as provisions in business and organisational law that make it easy to establish cooperatives (Hakelius and Hansson, 2011).

7.7 Limitations of the Study

This research has some limitations, which represent avenues for future research. The details of these are stated below:

The first limitation is the geographical area because the research only refers to the Malaysian environment. Although Malaysia is an important context in terms of the development of cooperatives as represent Asian country, focusing on research in a national area is a limitation because it does not include the possibility of comparing it with experiences that come from other countries, where aspects of the research are not highlighted by this research should emerge. It is recommended that this study should be expanded to compare the findings with other countries such as those from the Asia-Pacific region or developed countries such as European countries, the United States, and Japan in investigating the determinants of cooperative perforamnce (government role, education level, entrepreneurial orientation, and dynamic capabilities) relationship differences. Such studies are believed to contribute significantly to different countries. Therefore, to overcome this limitation, international comparisons may be useful and shape the scope of further and future research.

This cross-sectional research only focuses on Malaysian culture. Furthermore, the respondents of this research were limited to Malays and did not include other races. The result might have been different if it had been possible to undertake a cross-country comparison and use multiple races, as they have different points of view. Furthermore, such cross-sectional data were both dependent and independent data that were gathered at the same time and in the same place. Even though this kind of method is already well-established in the organisational research (Adomako et al., 2016; Elghrabawy, 2012), there are limitations in identifying the path-dependent nature of the cause and effect relationship.

This research only focuses on cooperative firms in Malaysia. Although this result might represent social entrepreneurship particularly cooperative in developing countries as their cultures are similar (Said et al., 2015), the generalisability of the results may prove fruitful for future research. Although these co-operative firms fall within the SME

category (micro, small and medium), the collection of the data was not segregated equally for each category (Yoo et al., 2018). This could lead to bias. If the respondents had been distributed equally, the results might have been different.

Another limitation is that the data used was cross-sectional and not longitudinal. Because of this, the timing of the relationship between the variables cannot be determined. It is only through the use of data collected at different times that the causes of the variables will be tested. Therefore, future research needs to include longitudinal research design so that a clear picture of causation can be obtained.

Furthermore, questionnaire surveys are widely used by many researchers as they are cost-effective and consistent for data collection. It is a self-administered questionnaire and the questions asked in the survey may not be clear to some respondents and thus may be affected by the response bias (Sampson, 2012). Therefore, it is recommended that field observations are conducted to obtain a clearer picture of the respondents. In addition, to overcome this limitation, this research has several considerations. All of the latent constructs use multiple items and possess good psychometric properties. This research also used multiple assessments to support the validity of the data and results, including Cronbach' Alpha, discriminant validity, and face validity (small focus group). An additional limitation is that the data were collected from secondary managers and higher. Their views on research topics may differ from ordinary workers. Furthermore, it is recommended to carry out future surveys at different levels of management.

The sample size for this research was relatively small and the responses are not normally distributed. A bigger size would provide more potential to generalise the research. The difficulty of collecting data from the decision-makers for co-operatives (CEOs, managers, senior managers, and executives) resulted in a lower sample size. These higher level respondents had a limited time to spend answering questionnaires (Bourlakis et al., 2014). However, according to the analysis presented in Chapter Five, the number of respondents was sufficient and above the requirement for conducting the analysis which was based on Structural Equation Modeling. To conduct SEM, the total sample size of 523 was considered adequate (Tabachnick & Fidell, 2007; Comrey and Lee, 1992).

The survey instrument for this research was based on a Likert scale, leading to criticism and self-serving bias in the data (Sardana et al., 2016). The results using a Likert scale can be easily fake, since individuals may wish to present a false impression of their attitudes (this can be offset somewhat by developing a good level of rapport with the respondents and convincing them that giving honest responses is in their best interests). Furthermore, the intervals between points on the scale do not present equal changes in attitude for all individuals (i.e., the differences between "strongly agree" and "agree" may be slight for one individual but great for another).

This research did not differentiate between postgraduate awards (e.g. MSc, MBA, PhD in various fields). It is possible that dissimilar awards will present different perceptions. As a result, further studies could examine these dissimilarities and their consequences in greater detail.

The performance measurement for this research focused solely on the social return on investment (SROI). The purpose of using this measurement was to evaluate the impact of the social, environmental and economic aspects of third sectors organisations (Watson et al., 2016; Watson & Whitley, 2016). This kind of measurement will lead to misinterpretations by respondents and could lead to bias in answering the questionnaires. However, to combat this limitation, multiple measurement of social return on investment was used and the results show that the validity confirms the above requirements.

This research used both entrepreneurial orientation and dynamic capabilities as mediators. Using multiple mediation (comparison issue) might be corrected through a Bonferroni correction, but it will cause a loss of power (Boone, 2012). The result for this research shows that, in its function as a mediator, dynamic capabilities are more dominant compared with entrepreneurial orientation.

7.8 Recommendations for Future Research

In considering the limitations of carrying out this research, the following recommendations are proposed for future research.

This research was conducted and the results are based on cross-sectional data, which might not allow a strong conclusion to be drawn about the relationship between the variables (Samson & Rosli, 2014). Therefore, future research might focus on a cross-national study and make comparisons between different countries. The results clearly show the relationship between the independent variables (government challenges and education level), mediator variables (entrepreneurial orientation and dynamic capability), and firm performance.

Although social return on investment represents a step forward in interest cost analysis as it directly involves stakeholders, those affected by the activities under consideration, which enable assessment of external factors such as the intangible results of an activity or organisation, consider not only the value of financial performance but also of social, economic and environmental dimensions. Indeed, achieving a balancing act between social and financial objectives may be critical for the long-term success and survival of cooperative firms. The more profit gaining by co-operative firm, the more benefit they can contribute to their members in the form of their social mission. Future research should focus on combining social return on investment with other performance measurements such as financial ones, which drive this type of blended view of social and financial values.

It cannot be claimed that the conceptual model is entirely representative of the area under study. Additional models with equally well-thought-out explanatory variables would produce further interesting results. For instance, separating the mediation and moderation effect for entrepreneurial orientation and dynamic capabilities rather than using both of them as mediators should be investigated in the future.

This research was country-specific (Malaysia) and sector specific. Therefore, further research investigation in other countries and multiple sectors is recommended in order to further the possible influences of the relationships presented in the model in a specific setting. In particular, this might be useful for investigating what effects the different institutional, political, and social environments would have on the model's relationships. Besides that, cross-cultural research between developed and developing countries can be conducted to acquire more evidence about the successful antecedents that influence firm performance. For example, the results of this research

show that education level does not influence firm performance and that even using multiple mediators (entrepreneurial orientation and dynamic capability) does not affect firm performance. The result could be different if researchers assessed developing countries and the results will support previous literature that demonstrates the significant effect of education level and firm performance (Lopez-Perez et al., 2017; Butler & Soontiens, 2014).

Deductive approach and quantitative method were used in this study. But, other researchers are recommended to use other methods to obtain feedback from the respondents and avoid misinterpretations of the closed questionnaires. The researchers might use this research in the same context but employ other methods, like interviews, observation or documentary evidence in order further to explain the relationship between the variables, promoting a better understanding of those relationships in the proposed model. The use of social return on investment measurement could be more fruitful with other methods iof mplementation as the needs of indeed perspective from respondent (Debenedet, 2018).

The cross-sectional design prevents us from deducing causal relationships. Hence, it is recommended for future studies to employ longitudinal research design to draw causal inferences from our model. By using this longitudinal study, our understanding of the historical development of the role of government support, education level, dynamic capabilities and entrepreneurial orientation in terms of impacting on firm performance can be strengthened. Furthermore, employing longitudinal design with conceptualisations would produce richer and more robust empirical results.

This research employed a single method, and a small group of respondents in the focus group for the final validation of the empirical results for SEM. However, using a mixed method, which consists of both the quantitative and qualitative methods, might prove to be more fruitful for future research in terms of gaining other views of the findings. This method is considered one of the three major “research paradigms” (qualitative, quantitative and mixed method research) (Johnson et al., 2007). This of method will provide a more elaborate understanding of the phenomenon of interest and also to increase the confidence in the conclusion generated by the study

evaluation. Furthermore, the researcher can also use a triangulation approach for the final validation of the SEM empirical results.

This research suggests that firms do not necessarily focus on the level of education to improve their performance. Firms should probably focus on short courses and continuous training related to the skills that they require such as management training, marketing, accounting, etc instead of purely focusing on education level. Future research might prove more fruitful by focusing on other characteristics of managers or entrepreneurs such as motivation and experience (Saidu, 2019; Schmidt, 2019; Kotur & Anbazhagan, 2014).

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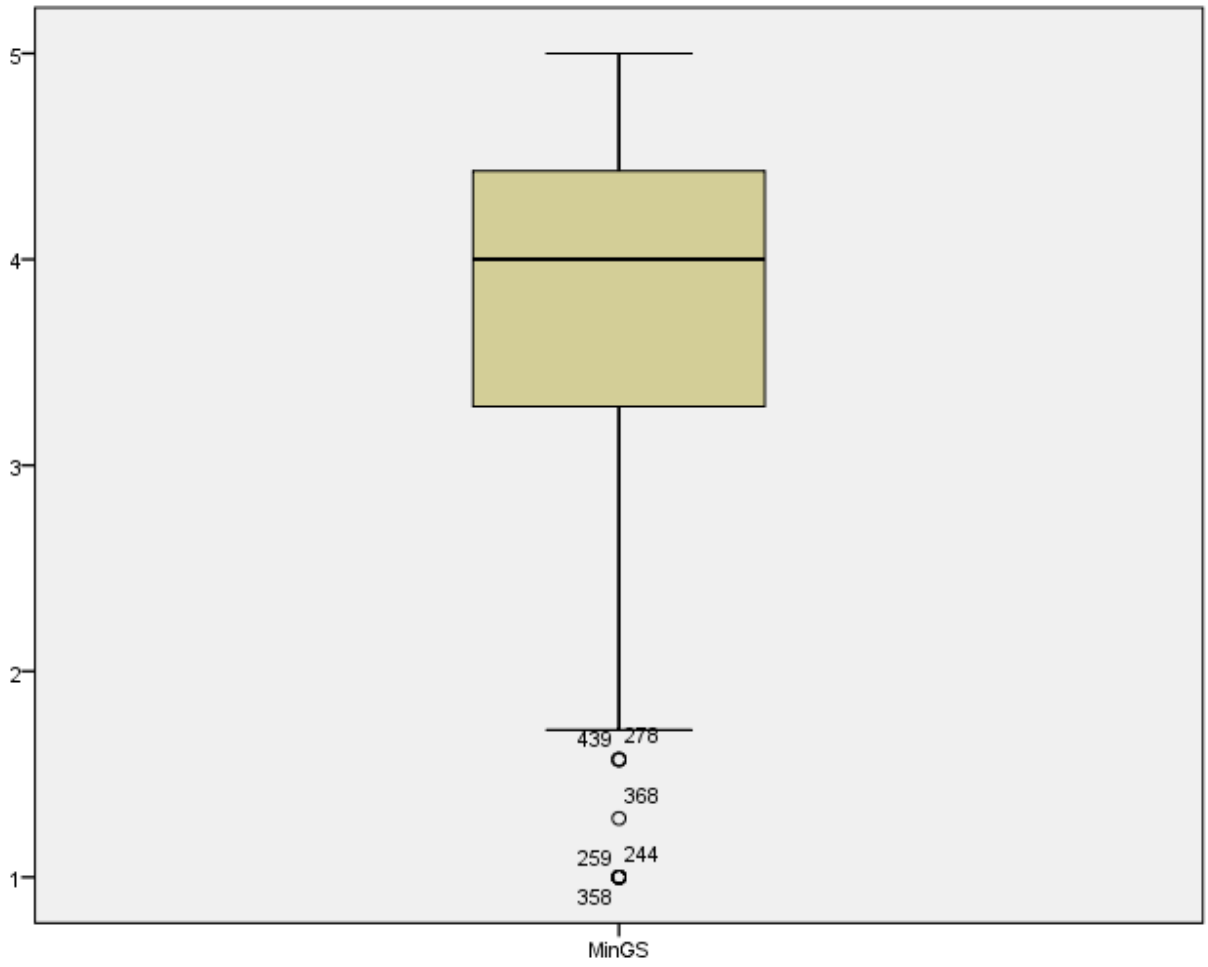
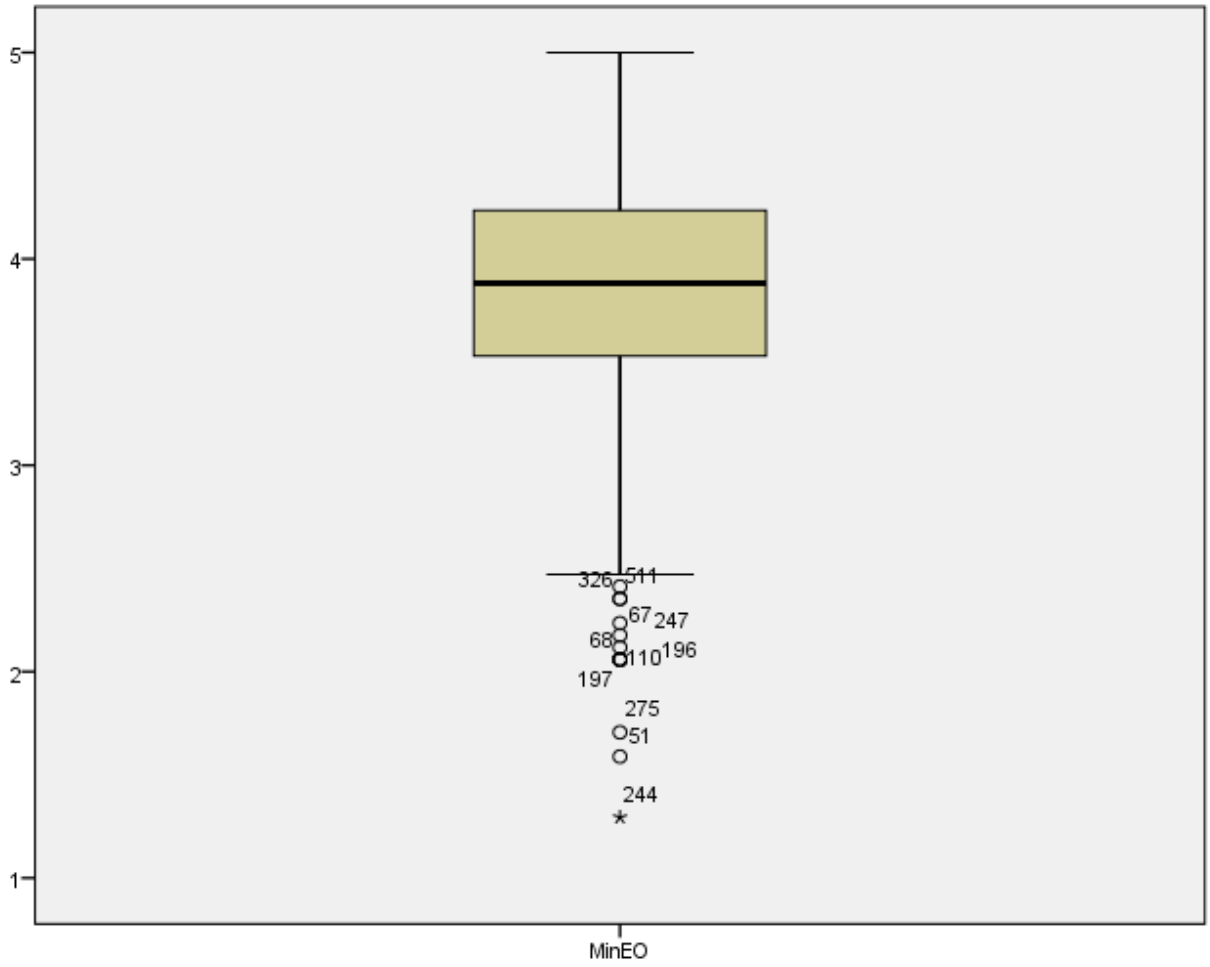
Appendices

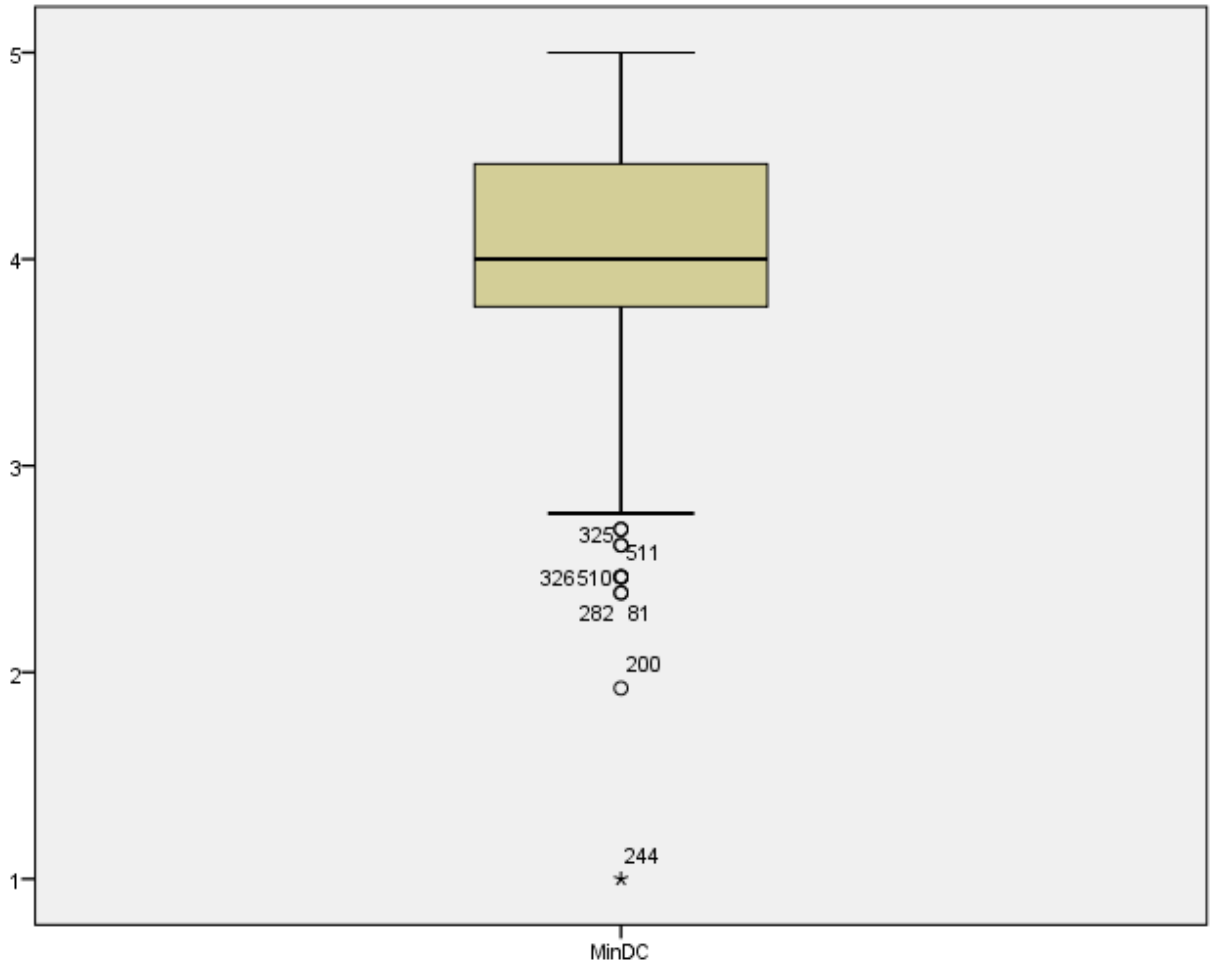
Appendix 1: The outliers present in the government support variable (N=523)



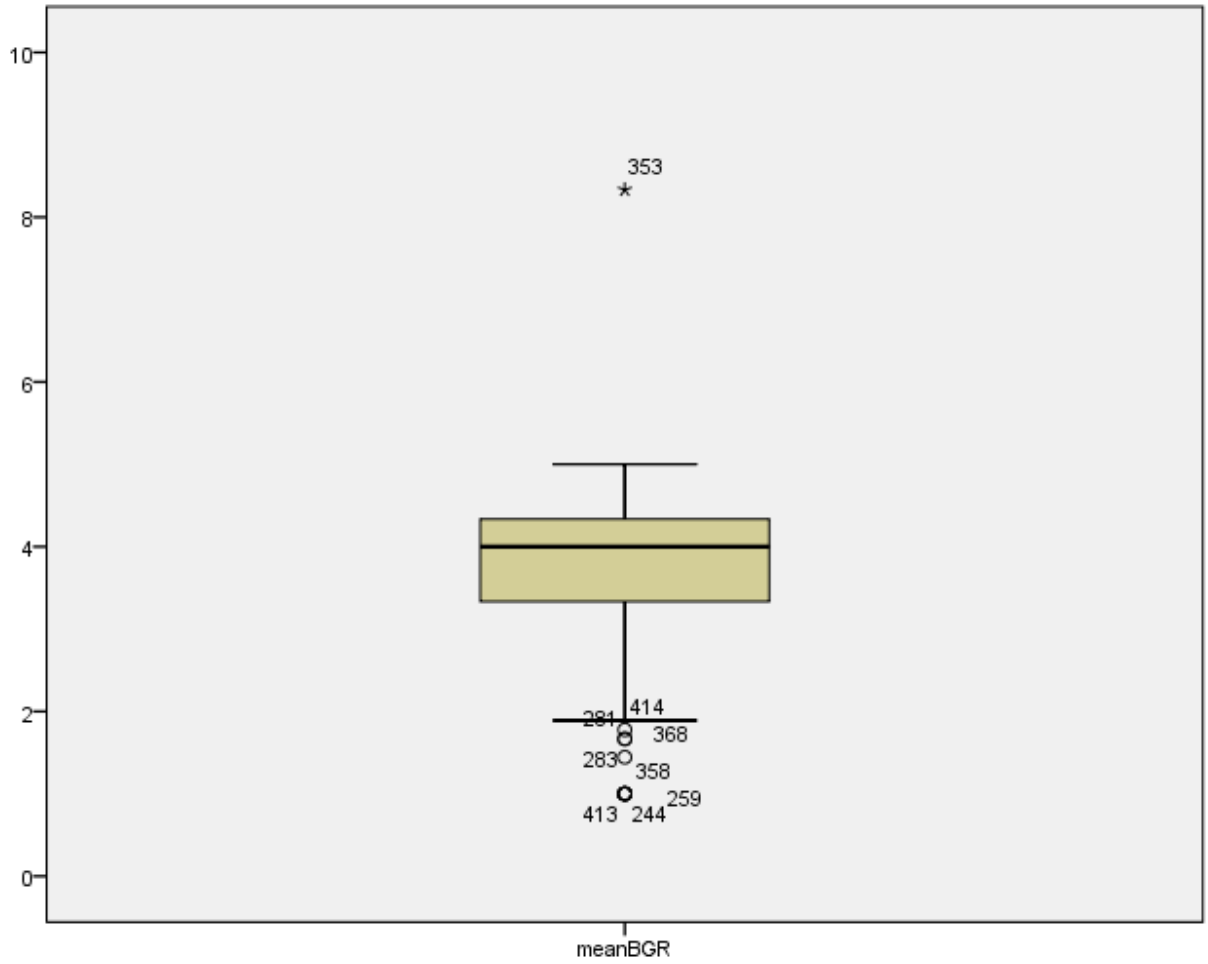
Appendix 2: The outliers present in the entrepreneurial orientation variable (N=523)



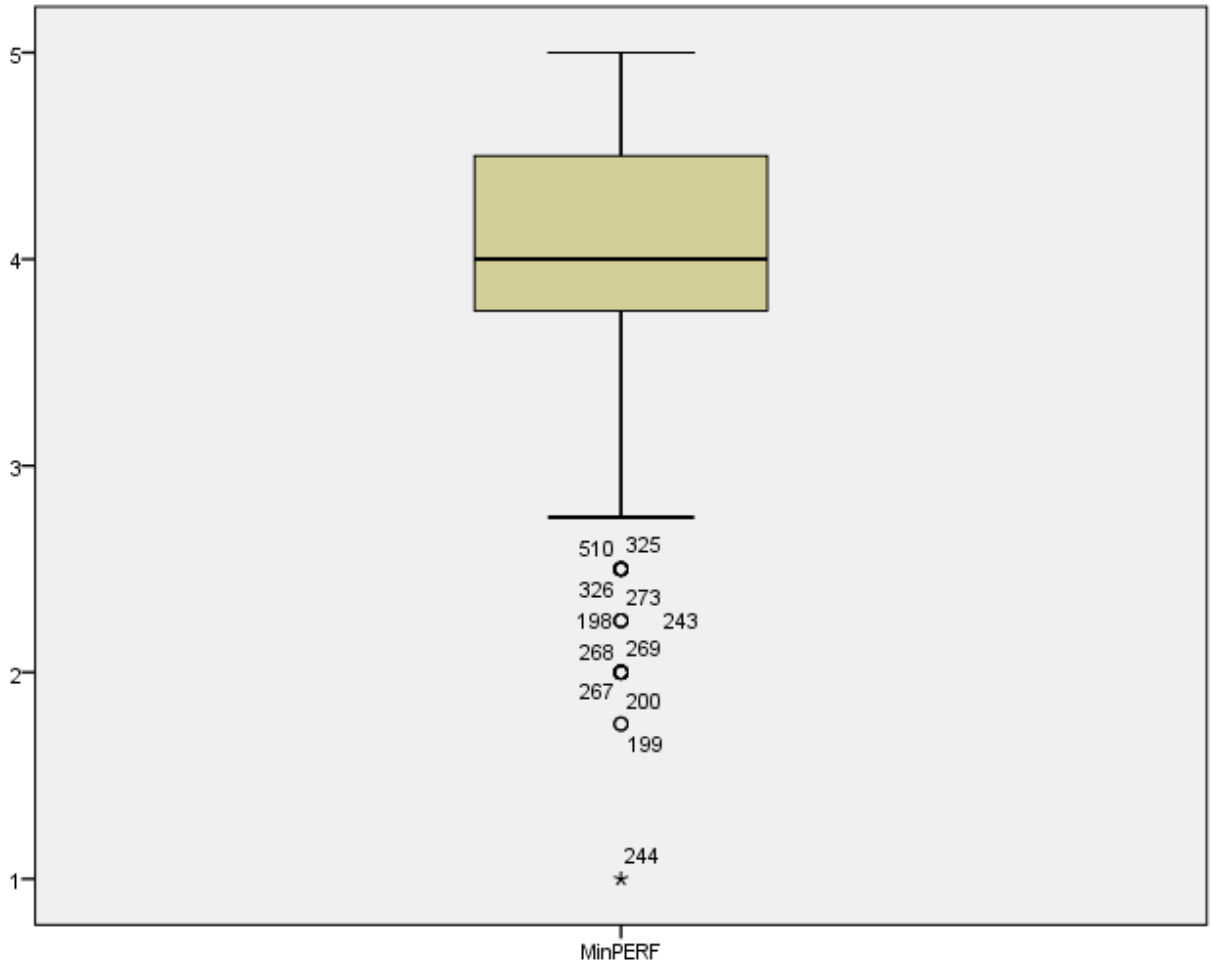
Appendix 3: The outliers present in the research organization variable (N=523)



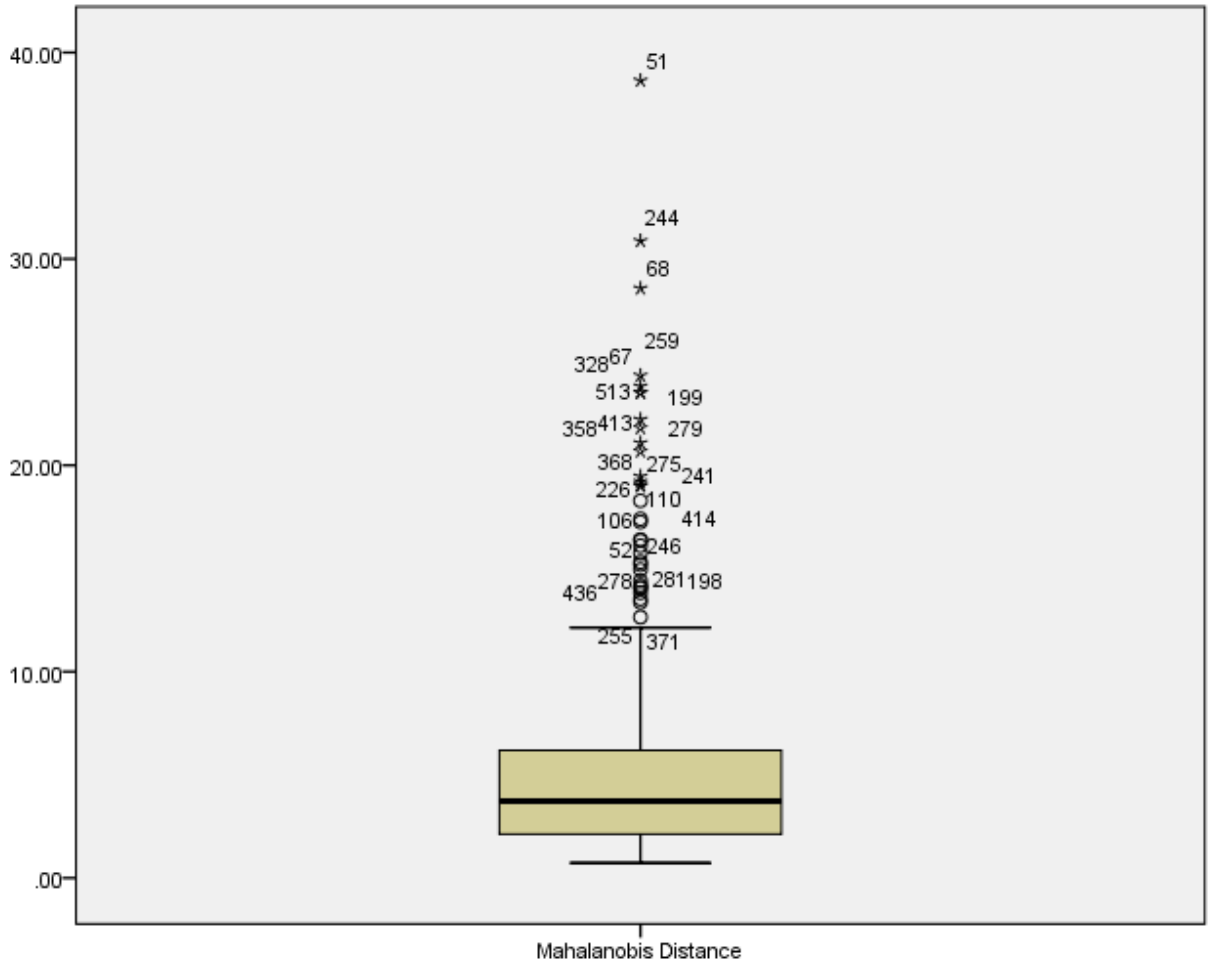
Appendix 4: The outliers present in the dynamic capabilities variable (N=523)



Appendix 5: The outliers present in the SE performance variable (N=523)



Appendix 6: The diagram shows the outliers present at all the variables (N=523)



Appendix 7: Questionnaire

Dear Sir/Madam

I am a PhD student at Business School, Brunel University London, United Kingdom. I am conducting a study examining *the relationship between government support and Malaysian SEs performance, focusing on the role of firm's entrepreneurial orientation and dynamic capabilities*. You are invited to participate in this research study by completing the following questionnaire.

The following questionnaire will require approximately 10 to 15 minutes to complete. There is no compensation for responding nor is there any known risk. In order to ensure that all information will remain confidential, please do not include your name, or contact details. Your identification **WILL NOT** be recorded or shared with anyone. If you choose to participate in this research, please answer all questions and return the completed questionnaires promptly.

This section attempts to capture a profile of demographical information of the participants, which will be coded as anonymously

PART A: DEMOGRAPHIC

1. Gender
   - ❑ Male ❑ Female

2. Age
   - ❑ 20 - 30 years ❑ 31 – 40 years ❑ 41 – 50 years
   - ❑ 51 years and above

3. Education
   - ❑ SPM ❑ STPM ❑ Diploma
   - ❑ Degree ❑ Master ❑ PhD
   - ❑ Others: specify _____

4. Position in the company
   - ❑ CEO ❑ Manager ❑ Executive

5. Type of industry
   - ❑ Manufacturing ❑ Services ❑ Construction
   - ❑ Forestry ❑ Agriculture, Fishery and Livestock
   - ❑ Education ❑ Others: specify _____

PART B: GOVERNMENT SUPPORT

Evaluate the government support to your organization. Please TICK ONE answer only.
Rate according to the following criteria:

1 = Strongly Disagree
2 = Disagree
3 = Neither Agree or Disagree
4 = Agree
5 = Strongly Agree

6	The government provides technical assistance (promotion) to my company.	1	2	3	4	5
7	The government helps training the manpower for my company.	1	2	3	4	5
8	Cultivating cooperative relationships with applicable government agencies by actively participating in various government-sponsored activities	1	2	3	4	5
9	Encouraging our functional areas to maintain cooperative relationships with related functional agencies of government through informal and formal interactions.	1	2	3	4	5
10	The government provides financial support to my company	1	2	3	4	5
11	We always feel the need to obey many different and inconsistent rules and regulations.	1	2	3	4	5
12	Policies imposed by the government are conducive for my business	1	2	3	4	5

PART C: ENTREPRENEURIAL ORIENTATION

Evaluate entrepreneurial orientation related to your company. Please TICK ONE answer only.
Rate according to the following criteria:

1 = Strongly Disagree
2 = Disagree
3 = Neither Agree or Disagree
4 = Agree
5 = Strongly Agree

13	Our company is known as an innovator among business in our industry	1	2	3	4	5
14	We promote new, innovative product/services in our company	1	2	3	4	5
15	Our company provides leadership in developing new products/services	1	2	3	4	5
16	Our company is constantly experimenting with new products/services	1	2	3	4	5
17	We have built a reputation for being the best in our industry to develop new methods and technologies	1	2	3	4	5
18	We seek to exploit anticipated changes in our target market ahead of our rivals	1	2	3	4	5
18	We seize initiatives whenever possible in our target market operations	1	2	3	4	5
20	We act opportunistically to shape the business environment in which we operate	1	2	3	4	5
21	Top managers of our company, in general, tend to invest in high risk projects	1	2	3	4	5
22	This company shows a great deal of tolerance for high risk projects	1	2	3	4	5
23	Our business strategy is characterised by a strong tendency to take risks	1	2	3	4	5
24	We typically adopt an "undo-the-competitor" posture in our target markets	1	2	3	4	5
25	We take hostile steps to achieve competitive goals in our target markets	1	2	3	4	5
26	Our actions toward competitors can be termed as aggressive	1	2	3	4	5
27	Personnel behave autonomously in our business operations	1	2	3	4	5
28	Personnel act independently to carry out their business ideas through to completion	1	2	3	4	5
29	Personnel are self-directed in pursuit of target market opportunities	1	2	3	4	5

PART D: DYNAMIC CAPABILITIES

Evaluate dynamic capability related to your company. Please TICK ONE answer only.
Rate according to the following criteria:

1 = Strongly Disagree
2 = Disagree
3 = Neither Agree or Disagree
4 = Agree
5 = Strongly Agree

30	Exploring opportunities and product solution options	1	2	3	4	5
31	Identifying trends in customer needs	1	2	3	4	5
32	We use established processes to identify target market segments, changing customer needs and customer innovation	1	2	3	4	5
33	We observe best practices in our sector	1	2	3	4	5
34	We gather economic information on our operations and operational environment	1	2	3	4	5
35	We invest in finding solutions for our customers	1	2	3	4	5
36	We adopt the best practices in our sector	1	2	3	4	5
37	We respond to defects pointed out by employees	1	2	3	4	5
38	We change our practices when customer feedback gives us a reason to change	1	2	3	4	5
39	Implementation of new kinds of management methods	1	2	3	4	5
40	New or substantially changed marketing method or strategy	1	2	3	4	5
41	Substantial renewal of business processes	1	2	3	4	5
42	New or substantially changed ways of achieving our targets and objectives	1	2	3	4	5

PART E: FIRM PERFORMANCE

Evaluate firm performance in your company. Please TICK ONE answer only.
Rate according to the following criteria:

1 = Strongly Disagree
2 = Disagree
3 = Neither Agree or Disagree
4 = Agree
5 = Strongly Agree

43	Net social benefits and business cash flow/philanthropic ringgit invested	1	2	3	4	5
44	Project's net benefits compared to the investment required	1	2	3	4	5
45	Income + net savings - grants/donations, calculated as present values	1	2	3	4	5
46	Net social benefit from business operations	1	2	3	4	5
47	Social outcomes – changes that would have otherwise occurred	1	2	3	4	5
48	Based on an internal rate of return calculation where future benefits are calculated and discounted to present value equivalents	1	2	3	4	5
49	Investments are compared to returns, to calculate a percentage return from the project	1	2	3	4	5

Thank you for your participation