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Abstract

This study attempts to investigate the relationships between Malay entrepreneurs’ religious orientation, values, marketing and human resource strategy and business performance. Earliest study on values and religiosity revealed that those who are highly religious have different influence on value system from those who are less religious. In the West, some study revealed that entrepreneurs who possess a sense of personal religiosity are significantly satisfied with their lives and succeeded in their businesses. In the field of SME, it has been identified that entrepreneurs’ values are one of the most important factors that influence entrepreneurs’ management practices. Some researches confirmed that entrepreneurial values do affect firms’ management practices and business performance. Nonetheless, research done empirically between the influence of religiosity, values, strategy and business performance are scanty. Most of the researches done on this avenue in Malaysia were done qualitatively. Therefore, it is the interest of this study to investigate any possible association between entrepreneurs’ religious orientation, entrepreneurial values, marketing and human resource strategy and business performance among Malay entrepreneurs in small and medium industries in Malaysia. This study used the partial least squares (PLS) statistical programme to examine entrepreneurs’ religious orientation (faith and liberalism) on Malay entrepreneurial values, marketing and human resource strategy and business performance. Statistical results confirm that religious faith and liberalism have a different impact on entrepreneurs’ values, strategy and business performance. This research presents a new avenue on the importance of inculcating good values in entrepreneurship guided by religious faith.

Keyword: Religiosity, Religious orientation, values, Malay entrepreneurs, strategy and business performance.
Background

Despite all the privileges, assistance, efforts and initiatives by the government to help the Malay entrepreneurs since the New Economic Policy (NEP) era (1971-1990), the National Development Policy (NDP) (1991–2000), and then the National Vision Policy (NVP) (2001–2010), the Malay entrepreneurship still continues to lag behind that of the Chinese. Until the end of the implementation period of the New Economic Policy, the Malay Bumiputera has only gained 19.3 percent in equity ownership, compared to 46.8 percent for the non-Bumiputera, and 25.4 percent by foreigners in this country. Although this shows an increase in equity ownership from the initial implementation of NEP, it is not enough compared to the 20-year effort and the implementation of these policies (NEP, NDP and NVP). Research by Perbadanan Usahawan Nasional Berhad (PUNB) found that 65 percent of Malay entrepreneurs’ failure in business is because of the lack of discipline and integrity (Berita Harian, 2006). This finding by PUNB research on the cause of Malay entrepreneurs’ failure is very much humiliating. In Islam, there is no separation of work and religion. With 55 percent of the population are Malays and the majority of them are Muslims, the finding implied that the Malays depends on their socio-moral experience in business decision making rather than to abide by their Islamic principles.

Religion has been identified as one of the critical elements that influence an individual’s value system and hence in shaping the cultural environment of a nation (Hunt and Vitel, 1986 and Sood and Nasu, 1995). As mentioned by Rokeach (1968) religion affects the way in which people behave through an individual’s value system. There is an empirical support that religion and related beliefs influence values and thus shape entrepreneurship (Dana, 2009; Audretsch, Boente and Tamvada, 2007). Saroglou, Delpierre and Dernelle (2003) contended that religiosity and values are perceived to be considerably related to each other. McCormick (1994) examined that religion and spirituality strongly influence many American managers’ behaviours at work. Religion too was found to contribute to healthy organizations (Kriger and Hanson, 1999). Still, research on the relationships between individuals’ religions and their personal values are limited (Maio et al., 2003). King and Crowther (2004) even criticized that organizational scholars too have been slow to incorporate religiosity into their research.
Religiosity and Business Performance

Study by Bellu and Fiume (2004) revealed that religiosity contributes to entrepreneurial success, and that entrepreneurs’ pursuit of material wealth, in the presence of personal religiosity, does not lead to dysfunctional outcomes, but rather to greater degrees of life satisfaction. Galbraith and Gailbraith (2007) posited that individuals’ religiosity is associated with entrepreneurial activity and economic growth. They found that individuals with intrinsic religious orientation are high in determination and self-esteem thus encouraged and anticipated actual entrepreneurial activity. On the other hand, individuals with extrinsic religious orientations appear to discourage entrepreneurship. McCormick (1994) examined that religion and spirituality strongly influence many American managers’ behaviours at work. Rulindo and Mardhatillah (2010), concluded in their study that religiosity is significantly important in enhancing micro entrepreneurs’ economics performance. Barro (2003) and McCleary and Barro (2006), empirically found that countries with higher percentage of religious individuals generally outperform countries with a smaller percentage of religious individuals. Hence, leads the research to its first hypothesis;
H1a: Faith influences business performance.
H1b: Liberalism determines business performance.

Religiosity and Entrepreneurial Values

Various researchers have found strong relationships between religiosity and values priorities (Roccas and Schwartz 1997; Schwartz and Huisman 1995, Fontaine et al. 2000; and Rokeach 1969). Some scholars consider religion and values to be an important segment in business life (Culliton, 1949; Gebert, Boerner, & Chatterjee, 2011) that shaped individual traits (McCleary & Barro, 2006). Roccas (2005) emphasized that religious people differ in many aspects of behavior, including the rituals they abide by and some of their daily practices. In SME, successful entrepreneurs have been identified with a personal value type referred to as entrepreneurial (Rokeach, 1973; Cunningham and Lischeron, 1991). These researchers note that entrepreneurs rated high on Ambition, Achievement, Reliability, Responsibility, Hard Work, Competence, Optimism, Innovation, Aggressiveness, Honesty, Creativity, Social Recognition and Growth. In contrast, conservative owner/managers rate low on the above values but highly on values of Equality, Affection, Compassion, and Social Protection (Rokeach, 1973). Since a study on religious orientation and entrepreneurial values
has not been empirically examined in relation to Malay owner/managers’ in Malaysia, this lead the research to its second and third hypothesis:

H2a: Faith influences entrepreneurial values.
H2b: Liberalism determines entrepreneurial values.

**Entrepreneurial Values Type and Business Strategy.**

According to Bluementrintt and Danis (2006) one key to successful strategic management is the ability to achieve fit or coherence among a set of competitive factors, both internal and external to the organization, that influence performance. Thus strategy entails managerial choices among alternatives and signals organizational commitment to specific markets, competitive approaches and ways of operating (Thompson and Strickland, 1999). Various researchers postulated that in SMEs, the values system of owner/managers heavily influence the firm’s objective, strategic behavior and business performance (Kotey and Meredith, 1997 and Blackman, 2003, Bohene 2006). Strategy for small and medium firms is different from that of large firms because all decision are depend on the entrepreneurs’ values and goals. Entrepreneurs’ values and goals highly influence strategic choice and managerial practices (Blackman, 2002). Small and emerging firms face marketing and human resource issues critical for survival and growth (Romano and Ratnatunga 1995). Ong (1997) perceives a major deficiency within small and medium firms’ marketing to be the inability to forecast future demand for products, resulting in a passive (and often slow) reaction to changes in the marketing environment and a consequential less than optimum deployment of production resources. In SME, human resource activities is characterized by high levels of informality and is performed by the entrepreneur who usually lacks training in formal human resource management (Koch and Kok 1999). In light of the extant literature, the following hypotheses are drawn for testing.

H3a: Entrepreneurial values influence marketing strategy.
H3b: Entrepreneurial values influence human resource strategy.

**Strategy and Business Performance**

Given its position as a focal issue in organisational decision-making, it is not surprising that the concept of strategy has been linked to performance outcomes (Carter, Williams, and Reynolds, 1997; Covin, Green and Slevin, 2006; Morgan and Strong 2003).
Various studies have shown that the ability of a firm to survive in the small business environment is dependent on the selection and implementation of a strategy that differentiates it from its competitors (Covin, 1991; Moore, 2005; Perry, 2002; Porter 1991). Gibcus and Kemp (2003) illustrated that the performance of small firms is mainly determined by the quality of their strategy, its formulation, and the role of owner-managers in its implementation. In a similar vein, Kickul and Gundry (2002) noted that entrepreneurial behaviours interact with other variables, ultimately affecting firm performance. One of these variables is the marketing and human resource strategy adopted by the firm. This leads the research to its fourth hypothesis:

Hypothesis 4a: Marketing strategy influences business performance.
Hypothesis 4b: Human resource strategy influences business performance.

Objectives/Research Questions

The conceptual model in figure 1 has provided the basis of this research. It outlines the influence of Malay entrepreneurs’ religious orientation on entrepreneurial values, marketing and human resource strategy and business performance. The proposed conceptual framework is based on a premise that entrepreneurs’ religious orientations are factors that influence their entrepreneurial values hence will determine their marketing and human resource strategy and will predict their business performance. Therefore it is the objective of this study:

1. To examine the relationship between Malay entrepreneurs’ religious orientation and business performance.
2. To assess Malay entrepreneurs’ religious orientations and entrepreneurial values and to determine the relationships between them.
3. To measure the extent that strategy of Malay entrepreneurs’ determines business performance.
Research Methodology

The survey method was chosen for collecting the data for this study among the Malay entrepreneurs in the Klang Valley area. Non-probability sampling was used in this study because the difficulty of readily available list of names and business addresses of the Malay entrepreneurs. According to Hair et al. (2010) he proposed a general rule of the minimum number of respondents or sample size is ten-to -ten ratio of the number of independent variables to be tested. 600 self-administered questionnaires were used for gathering data from the respondents. A total of 192 questionnaires were received and used in this analysis which gives a 32% response rate. A structured 5-point Likert scale was used in accessing all construct. The religiosity items were adapted from Allport and Ross (1968) intrinsic-extrinsic religiosity scales. While the personal values items were based from Rokeach’s (1973) personal value concepts.

Findings

The result from table 1 indicates that faith has a significance effect on business performance with path coefficient of β=0.313 and t-values of 5.273 at p<0.01, hence hypothesis 1 was supported. Liberalism on the other hand, does not have any significant influence on business performance (β = -0.146 and t-values of 1.392 at p<0.01) thus hypothesis 1b was not supported. It was predicted in hypotheses 2a and 2b that faith
influences entrepreneurial values and Liberalism determine entrepreneurial values. In Table 1, Faith and Liberalism significantly influenced entrepreneurial values with $\beta=0.342$ (t-values: 5.336) and $\beta=0.161$ (t-values: 2.159), respectively, but at a lesser degree, hence hypotheses 2a and 2b were supported. Hypotheses 3a and 3b depicted that entrepreneurial values influence marketing strategy and human resource strategy. From Table 1, entrepreneurial values influenced marketing strategy with t-values of 20.940 ($\beta=0.680$) and human resource strategy with t-values of 7.570 ($\beta=0.405$), hence hypotheses 3a and 3b were supported. Hypotheses 4a-4b posited that Marketing strategy and human resource strategy influence business performance. From Table 1, only marketing strategy have an influence on business performance ($\beta=0.232$, t-values: 2.793) but not human resource strategy ($\beta=0.130$, t-values: 1.504), hence only hypothesis 4b was supported.

### Table 1: Hypotheses Decision

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Beta</th>
<th>Standard Error</th>
<th>T-Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a FAITH -&gt; BP</td>
<td>0.313</td>
<td>0.059</td>
<td>5.273</td>
<td>Supported</td>
</tr>
<tr>
<td>H1b LIB -&gt; BP</td>
<td>-0.146</td>
<td>0.105</td>
<td>1.392</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H2a FAITH -&gt; EV</td>
<td>0.342</td>
<td>0.064</td>
<td>5.336</td>
<td>Supported</td>
</tr>
<tr>
<td>H2b LIB -&gt; EV</td>
<td>0.161</td>
<td>0.075</td>
<td>2.159</td>
<td>Supported</td>
</tr>
<tr>
<td>H3a EV -&gt; MKT</td>
<td>0.680</td>
<td>0.032</td>
<td>20.940</td>
<td>Supported</td>
</tr>
<tr>
<td>H3b EV -&gt; HR</td>
<td>0.405</td>
<td>0.053</td>
<td>7.570</td>
<td>Supported</td>
</tr>
<tr>
<td>H4a MKT -&gt; BP</td>
<td>0.232</td>
<td>0.083</td>
<td>2.793</td>
<td>Supported</td>
</tr>
<tr>
<td>H4b HR -&gt; BP</td>
<td>0.130</td>
<td>0.087</td>
<td>1.504</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

*** p<0.01 (>2.58), **p<0.05 (>1.96), *p<0.1 (>1.645)
Discussions

The findings of this study showed significant relationships between Religious Faith to that of entrepreneurial values and business performance. This study thus lends support to Rohaizat and Suzilawati (2001) and Brammer, William and Zinkin (2007) study that religiosity does influence individual values. An entrepreneurial oriented value is signify by value like Creative, Competence, Growth and personal development, Innovative, Honest, Hardworking and Optimistic. According to Rokeach (1973) intrinsic and extrinsic religiosity tends to influence individual values system differently and reflected in their economic behavior. Meaning, religion influence individual values and individuals who instill good values in their everyday lives will behave accordingly to what they believe in. People who vary in their religiosity are guided by different value priorities (Roccas, 2005). Rohaizat and Suzilawati (2001) investigated the relationships between owners or managers level of religiosity and personal values and found that highly religious entrepreneur are honest, trustworthy and hardworking which reflected the Entrepreneurial oriented values construct in this study. Brammer, William and Zinkin (2007) found that religious individuals tended to hold broader conceptions concerning the social responsibility of businesses than non-religious individuals. It makes sense that in this study, the intrinsically Malay owner/managers not only entrepreneurial but they also succeed in their business because of their entrepreneurial values hence determine their business performance. Meaning, entrepreneurs who truly hold to their religious belief and commitment, will inculcate good values in their business activities. This study is in aligned with the moral dimension of
Islamic entrepreneurship concept (Rasem and Hassan 2009). Although the study provides useful insights into differences in performance among owner-managers religiosity and entrepreneurs’ values, the results need to be interpreted subject to the usual limitations of survey research. In particular, the focus on the relationships within the various business sectors and in only one locality limits the extent to which the results could be generalised across other sectors and localities. It may be that a sample of small businesses from a broader geographic area with different economic conditions and covering a different industry sector might provide different explanations for the entrepreneurs’ differences in firm performance. It is hope that future researcher would explore other dimensions of religiosity items that include religious belief, religious commitment, religious attitudes and religious behaviour and its effect on entrepreneurs’ value system, strategy and business performance.

Recommendations

It is interesting to find an answer to a ‘why’ question regarding some marketing and human resource issues faced by the Malay entrepreneurs in this study. Especially, why do they have to separate their religious belief in their business activities? Therefore, future researcher should include a mixed method study that is having qualitative and quantitative type of research to get a richer insight into the problems towards the Malay entrepreneurs’ religious orientation which will influence their values system, strategy management and thus determine their business performance. Lastly, due to the cross sectional nature of the data collected, the possibility of time lapse between the factors and their impact on firm performance was not taken into account.

References


