

ENTREPRENEURSHIP ORIENTATION AND MALAYSIAN STATE- OWNED ENTERPRISES: THE MANAGEMENT CHALLENGES

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Abstract

Globalization and ever changing business environment requires modern business entities as well as State-Owned Enterprises (SOEs) to be more flexible and sensitive on various stakeholders' needs by effectively utilizing their core competencies and resources. This development requires SOEs to be innovative and entrepreneurial in identifying and acquiring new business opportunities. However, previous studies revealed the existence of certain structural and organizational factors, which restrain Entrepreneurship Orientation (EO) among SOEs. Even though past findings are significant, most of the studies focused on developed nations. Against the backdrop of developing countries, especially in the Southeast-East Asia region, this study attempts to investigate the management challenges in order to inculcate EO among Malaysian SOEs. The semi-structured interviews with top managers at five SOEs' holding companies in Peninsular Malaysia were being used. This paper found the major challenges confronting the top management were related to organizational culture, quality of human resources and governance system.

Keywords: *Entrepreneurship Orientation; State-Owned Enterprises; Management*

1.1 Introduction

The globalization and ever changing business environment requires modern business entities as well as public enterprises to become more flexible and sensitive to the dynamism of stakeholders demand. Organization can effectively utilize their core competencies and resources to assure their survival, growth and profitability (Analoui et al., 2009). Thus requires them to be innovative and entrepreneurial driven in acquiring new business opportunities in the marketplace (Zampetakis and Moustakis, 2010). Therefore, the ability to develop and adopt a more entrepreneurial attitude among modern business organization is arguably important to be carried by their managers.

Traditionally, it is argued that public enterprises or state-owned enterprises were the hostile and bureaucratic organization where it is impossible for them to be innovative and entrepreneurially driven (Morris and Jones, 1999; Kearney et al., 2007). SOEs are normally being associated as low performer organization, highly influenced by politician and state's government (Suraiya, 2011; Morris and Jones, 1999; Abdul Hafeez, 1992). Therefore these underlying factors are contributed on hindering SOEs from being an entrepreneurial driven organization.

Nowadays, public and private enterprises are not much different. In facts, there are researchers claimed that the distinction between private and public enterprises are very minimal. Both companies have the profit motives, while at the same time was responsible to the social and environmental objectives through the so called "social responsibility activities" (Kroop and Zolin, 2008). In Malaysia, Entebang et al., (2010) and Zabid (1987) argued that SOEs are the business entity owned by the government with the main objective to pursue commercial motives. As such, Putrajaya Committee for GLCs Transformation (2006) defines GLCs as "*companies that have a primary commercial objective which the government has a direct controlling power*".

Previous researchers had found positive relationship between EO and performance among SOEs (Entebang et al., 2010; Kearney et al., 2007; Morris and Jones, 1999). However the degree of the relationship is not highly correlated in every dimension of EO. It is argued that implementation of EO initiatives among SOEs requires some managerial support and resources in order to gain maximum impact of EO on their achievement. In spite of searching for the antecedents factors which deliberately encourage the EO activities within SOEs, prior researchers who have shown the positive relationship between EO-performance among SOEs have not given sufficient attention on the factors that discourage them to undertake and smoothly pursuing EO actions. Therefore, SOEs are remain lagged behind other privately-owned enterprises in most of the performance indicators. Thus, the objective of this article is to analyze the managerial challenges faced by the state-owned managers in several SOE in Malaysia on implementing their entrepreneurship initiatives.

This article will discuss the overview of EO concepts and its relationship on public enterprises firm's performance in the first section. The second part will be looking at the development of SOEs in Malaysia since Independence. The third section will touch on the methodology and followed by the results of the study. The final section will present the discussion and conclusion.

1.2 Entrepreneurship Orientation (EO)

Entrepreneurship has become an important issue for corporate policy and strategy. It is known that entrepreneurship initiative can be applied in all types of corporations (Miller, 1983; Kearney, et.al, 2007). Therefore, nowadays entrepreneurship orientation (EO) was often associated with the private sector enterprises as well as public sector organizations (Kroop and Zolin, 2008). According to Analoui et al., (2009), there is a growing belief that EO promotes organization development, profit and growth. While the idea of EO has been around for a number of years (Miller, 1983; Covin and Slevin, 1991), but this strategic initiatives is still new in the context of SOEs.

Under the flagship of corporate entrepreneurship, entrepreneurship orientation (EO) has been identified as the strategic tools for entrepreneurial firms to achieve its highest performance (Miller, 1983; Covin and Slevin, 1991). EO is conceptualized as the business process which represent firm's propensity on innovativeness, proactiveness and openness to risk (Miller, 1983; Covin and Slevin, 1991; Kearney et al., 2007). *Innovativeness* refers to the organizational willingness and a tendency to achieve the desired innovation. It can be demonstrated in terms of organization's behaviours, actions and process to introduce new products and services, improvement of existing products or services in innovative ways, promoting R&D activities and process, implementing new method of production or new systems and new procedures (Kearney et al., 2007).

Proactiveness portrays the first mover actions taken by the firm to grab business opportunities, introducing new products and services in advance phased as compared to their of competitors and sensitive on changes of the future market's demand (Lumpkin and Dess, 2001). Such behaviour will lead the firm to be the leader to explore information, as well as to create and launch new products/ services to the market, building business network and leveraging resources (Morris and Jones, 1999; Entebang et al., 2010). *Risk-taking* behavior demonstrate firm's willingness to take strategic action in venturing into uncertain or risky market, committing substantial amount of resources in that projects, and willingness to used leverage heavily in their new business activities (Morris and Jones, 1999; Lumpkin and Dess, 2001; Kearney et al., 2007).

Concerning the EO dimension, previous research suggest that each dimension can have universal positive influence on performance (Wiklund and Shepherd, 2005) or it might be combined into a single variable (Miller, 1983; Covin and Slevin, 1991). Innovative driven companies creates and introducing new products, services and technologies. While proactive companies creates first mover advantages, achieve premium market segment and charge higher price as compared to their competitors. Risk-taking firms are also enjoyed the privileges in term of pursuing risky strategy and tried-and-true strategies that lead to high performance and gaining long-term profit.

1.3 EO and Firm Performance

Several studies find support for EO-performance relationship among the public and privately-owned enterprises (Lumpkin et al, 2009; Kearney et al., 2007; Morris and Jones, 1999; Lumpkin and Dess, 1996). Lumpkin et al. (2009) found a positive relationship between EO and performance subject to corporate managers are given sufficient level of autonomy. Merlo and Auh (2009) had investigated how an organization's EO moderates the relationship between marketing activities on firm's performance among 600 medium and large organizations in Australia. They revealed the strong relationship between EO and performance as compared to the indirect relationship between marketing-EO-performance. In the long run perspective, Zahra and Covin (1995) found evidence on EO-performance among business venture over time. Positive EO-performance relationship increased over time from the period of one to three years. Empirically, firms are capitalizing their innovative, proactive and risk-taking behavior on firm's profitability and growth from year to year. Therefore, EO is claimed as the significant strategy to gain firm's economic performance.

Specifically, studies on EO-performance relationship among SOEs and public enterprises in developing countries and newly developed economies such as Brazil, Russia, India and China is still very limited (Morris and Jones, 1999; Entebang et al., 2010; Romero-Martínez et al., 2010). Hence, empirical evidence of these studies are mixed and more context specific. There are two views of SOEs development through entrepreneurship initiatives that can be drawn from previous literature. First is the group of researchers who looks into the transformation process through EO or corporate entrepreneurship activities within the firm. The second are looking at the impact of privatization as the medium of inculcating entrepreneurship culture among SOEs.

Morris and Jones (1999) exploited the potential role of entrepreneurship in 152 public enterprises in South Africa. Result of the study revealed that SOEs' managers recognized EO as a salient concept of their organization. It helps SOEs improve their efficiency, productivity and delivering excellent services to respective clients and customers. However, EO is perceived to be stronger if entrepreneurial leaders are rewarded with better rewards systems.

Ang and Ding (2006) in their study on the impact of government ownership and performance of SOEs in Singapore revealed that SOEs have higher value and better corporate governance than non-SOEs. Most of the companies was operated at the international level due to the right strategic actions taken by the government. The government had appointed the "best and right people" as the boards member, independent from political interference for the maximum tenure of 5 years, reducing government control and minimize bureaucracy in firm's decision making process. They also employed the professional managers who can perform the commercial business objective in total with sufficient level of autonomy, human resources and other resources. The high quality of human resources and autonomy give credit on SOEs achievement.

Romero-Martínez et al., (2010) had analyzed the impact of privatization on the level of corporate entrepreneurship among 38 non-financial Spanish SOEs for the period of 1985-2000. The results indicated that corporate entrepreneurship (measured by six EO's extended dimensions: product innovation; process innovation; organizational innovation; national venturing; international venturing and strategic renewal) increased over time among firms operates in highly competitive industries. After considering the effects of ownership changes

and competitive environment, the study revealed that SOEs was innovative, had improved their management structure, systems and performance. However, centralization of controlling power to the government limit the managers autonomy in making fast decision to venture into new business activities.

Shirley (1999) in the others hand had analysed the impact of privatisation on SOEs' performance among 12 developing countries. She proclaimed the privatization does not totally eliminating the influenced of state in the business process of the privatized firms where political intervention in the firm's governance and business direction is still exist. Privatized firms are remained active in the national strategic industry and economic sector such as airline, petroleum, water and electricity which carries high operating costs. State intervention is positively related to the social and political motive in term of providing people with basic services and amenities. Therefore, after privatization, SOEs are still relies on government subsidies and government soft credits to perform their business activities.

Study in Malaysian six biggest public listed government-linked companies by Entebang et al., (2010) found significant evidence on innovativeness initiative. But there is low degree in term of proactiveness and risk-taking. SOEs seem not proactively invented in new products / services ahead competitors and significantly unwilling to undertake high risk project. Other studies such as Suraiya (2011), argued that SOEs in Malaysia faced some difficulties in term of red tape on obtaining government approval to pursue new business venture. Make them less competitive as compared to other private enterprises.

Findings of these studies revealed that EO may influence the outcomes and performance of SOEs. However, there are certain structural and organizational challenges that need to be identified and resolve before SOEs can be sustain as the high performer entity as compared to the provate companies.

1.4 Factors Influencing Entrepreneurship Orientation

Lumpkin and Dess (1996) proposed that EO will only lead to better performance, subject to organizational and environmental factors. Therefore, the implementation of EO among SOEs requires contingency approach. The Contingency Theory argues that business entity will grow if there are fitness between organizational strategic factors and its environment. As mentioned by Morris and Jones (1999), SOEs' managers are often concerned with internal developments and factors which support the entrepreneurship process within their firms. However, managers do not own the innovation and received small rewards on their achievement. They are also have more job security, not personally bearing the business risks and have access to an established pool of resources. Thus it seems difficult for SOEs to fully utilize entrepreneurship initiatives in their business process.

In practice, SOEs confront some unique obstacles in pursuing EO activities. Ramamurti (1986) and Zabid (1987) argued on limited managerial autonomy, highly political interference, skewed rewards systems, short term orientation and restrictive human resources policies occurs within SOEs. Morris and Jones (1999) are also raised the issues of lack of

accountability among SOEs managers and staffs, lack of incentives for improving performance. Kearney et al., (2007) is also looking at two influential factors being required to support the implementation of entrepreneurship in public sector and SOEs. The first is related to the external environment of the firms namely political, complexity, munificence and dynamism. While, later are related to the internal factor of the firms consist of structure, rewards-motivation, control and decision making. Finally, Morris and Jones (1999) found four top obstacles in achieving entrepreneurial orientation within public sector organization, i.e. red tape (bureaucratic process in managing business process), restrictions on personnel policies including the quality of human resources owned, limited size of rewards available to the staffs and managers, and limited managerial autonomy in performing their duties.

Multiplicity of business goals and social goals give some misleading target among SOEs manager (Kropp and Zolin, 2008). While SOEs are relies on government and taxpayer money for their operations, they need to be more socially responsible. Most of the time, economic goals become a secondary target. The working and business culture among SOEs staffs are also the main concern for some of previous researchers. SOEs had been known as the place where politician has used it to place their supporters. Staffs and managers are always associated themselves as part of government official. Therefore it is difficult for them to work comprehensively as the corporate body with economic motive and efficiency.

Organizational structure in term of managers' autonomy, communication systems and governance are also critical for SOEs (Kropp and Zolin, 2008). In order to act entrepreneurially, SOEs is supposed to restructure their structure and governance systems. Under the concept of New Public Management (NPM), state intervention must also be minimal and more flexible in making efficient delivery of public goods and services. The external dynamism is also critical for firms' development. According to Wiklund and Shepherd (2005), the most important factors in implementing EO were related to the firm ability in accessing to capital and dynamism of the business environment. Accessibility to capital will give some advantages for the firms to borrow heavily and taking some risky project with higher expected return. Environment hostility is also influencing the firms' proactive and innovative behaviour ahead of their competitors. Does SOEs in Malaysia have the same obstacles in implementing entrepreneurship orientation as in other countries? Let us explore these issues in more details.

1.5 The Progress of Malaysian State-Owned Enterprise

Malaysian SOEs can be divided into at least three categories known as the Federal Government Owned Enterprises, Federal Statutory Bodies' Subsidiaries and the State-Owned Enterprises (there are 13 states in Malaysia). The main function of the government-owned enterprises in Malaysia can be classified as (i) the socio-economic vehicle to balance the economic disparities among major ethnics group, (ii) to help government in exploiting the national natural resources and (iii) to promote an economic growth and commercialization of certain public related industry which is not very practical and profitable for the private sector to operate it.

The establishment and development of Malaysian State-Owned Enterprise (SOEs) can be traced way back to the resolutions made during The First Bumiputra Economic Congress in Kuala Lumpur on 5-7 June 1965 (Mun, 1987). There are three aims being proposed by the 400 delegates of the congress which is *“to generate an interest among indigenous people (Malays) to participate in commercial and industry activities; to provide facilities for training for those interested in the two fields and to find ways and means of securing those objectives”* (Mun, 1987: 111).

Under the Second Malaysian Plan 1971-1975, there are several measures being promoted to established public enterprises and other statutory bodies to achieve sosio-economic objectives among Malays (Bumiputra). The major part of it was the establishment of New Economic Policy (NEP) where the government has emphasis on the creation of Bumiputera Commercial and Industrial Community or BCIC (Faridah, 2001). Throughout the BCIC and NEP, Malaysian Government had formed various strategies to increase the Bumiputera participation in commercial sector to reduce their income inequality with other ethnics such as Chinese and Indian. The target is to ensure that Bumiputra would control at least 30 percent of corporate equity by the year of 1990.

Throughout the NEP and BCIC, there are several establishment of public enterprise in the federal and state level. At the Federal level, government had established MARA, FELDA, RISDA, UDA, Bank Bumiputera, Pernas. At the state level there are achievement in forming the State Economic Development Corporations (SEDC) and its subsidiaries known as the State-Owned Enterprises (SOEs). SEDCs are the statutory body governs under the State Enactment, while SOEs are the business entity with the commercial objectives. Since then, SOEs has contributed significantly to the economy by engaging in various strategic business sectors - transportation, oil and gas, utilities, financial services, construction, retailing, agriculture products and healthcare services (Mohd Rosli, 2000; Bozec and Breton, 2003).

At the federal level, public enterprises had contributed more than 46% of market capitalization in Kuala Lumpur Stock Exchange and acquired more than 5% of total national work force (PCG, 2006). At the state level, there are almost 480 SOEs being established since then. However, SOEs have been laggards in almost all key financial and operational indicators as compared to the privately-owned firms. Thus, government is still providing subsidies, technical assistance and financial support to ensure that SOEs can play their roles in providing jobs to society, handling high-risk and less attractive business sector and to fulfill various stakeholders demands such as suppliers, government agencies and community (Kearney at al., 2007).

In May 2004, the Malaysian government had decided to reforms the federal-owned public enterprises into high performing organizations. The Government-Linked Companies Transformation Programme (GLCT) had taken place beginning in May 2004 until 2015. Throughout the programme, there are several initiatives had been implemented in term of mobilising firms resources, improving SOEs governance and reporting system, reshape their business focus and objectives and improving the managerial and corporate capabilities (PCG, 2006). While there are only 38 Federal-Owned Companies involved with this programme, the strategies is expected to be shared with other SOEs at the state level.

1.6 Methodology

Semi-structure face-to-face interview consumed appropriately 45 minutes to one hour each were conducted between April-July 2011. All interviewees held the top position (Chief Executive Officer or General/Senior Manager) in their respective organization *i.e.* the holdings or parent companies to SOEs in three states namely Kelantan, Selangor and Johor. In total five top managerial personnel were interviewed. Interviews were recorded and transcribed while interviewees were guarantees of personal confidentiality. The interview session held at their respective office.

Formal letter and summary of the research background had been sent to them one month prior to the interview session, looking for their approval and time availability. There are nine holdings companies were approached. However four of them refused to participate in the study due to the private and confidentiality reason and under restructuring process.

Eight questions had been set for all participants. Questions are directly related to the respondent's personal career story, company's objectives and business focus, the implementation of entrepreneurship intensity and internal-external factors supporting it. It is also questions on obstacles that they faced in implementing entrepreneurship orientation in their organization and subsidiaries. Appendix 1 contains the questions that were asked for each interviewee.

1.7 Results

1.7.1 *Background of respondents and companies*

The manager involved with the study are those holdings the highest position in their respective organization. Four of them are CEO/ General Manager, while the last is the Senior Manager. Three of them had served with the organization for more than 20 years, and the other two had less than 5 years experience. Both of them are straight away appointed to the managerial position as compared to the others. In term of the company background, four of them were the holding / parent company for the state-owned enterprises (SOEs), while the another company is the holding company with the status of statutory body. Under the Malaysian laws, statutory body is considered as the government agency which governed under the public order and regulations. All of the companies were involved mainly in the utility based and agricultural related business with the total number of subsidiaries ranging from 8 to 22 companies. Details of the information are as per highlighted in Table 1.

Table 1: The Background of Respondents and Their Company

Respondent	Position Held	Years of Services	Company Status	Main activities	Number of Subsidiaries
Manager #1	CEO	25	Statutory body	Public Utilities, Agriculture and Property development	22
Manager #2	CEO	2	Parent company	Financial services and Telecommunication	8
Manager #3	General Manager	21	Holdings company	Public Utilities, Plantation and ICT.	9
Manager #4	General Manager	20	Parent company	Plantation, Shipping and Biotechnology	11
Manager # 5	Senior Manager	5	Holdings company	Public Utilities and Property development	10

1.7.2 Personal career history

Commitment to the company is essential aspect to test loyalty of the staffs. The ultimate loyalty is staying with the firm for quite number of years and got promoted to the higher position. The loyal and long-services staff could evaluate the entrepreneurial process within the firm from the beginning. Thus, among SOEs manager they have strong sense of loyalty as mentioned by the subjects;

“I’m here for more than 25 years. Starting as lower level officer then got promoted up to the CEO...” (Manager #1)

“[...] I managed to work with this company since graduated...” (Manager #3)

In sum, respondents are familiar with the environment and the business process of the SOEs through their experience and learning. Therefore it is accurate to choose the top management personnel as the source of informant in SOEs.

1.7.3 SOEs’ objective

Previous studies revealed the mixture of firms’ objectives and business motives among SOEs. Among them is profitability objective, social and political objective. Based on the information gathered from the top management, it was obviously indicated the profit or economic motive is the first priority. While, the socio-politics objective is remain secondary.

“Our objective is pursuing rent-seeking objectives. Even there is a social obligation that we must fulfil, profit and income generation is our priority. Number one is to pay our employees, then to pay our shareholder – the state

government. By then we will perform our social responsibilities. It is about the same like any other private companies. They are also obligated to perform their CSR.. (Managers #1)

[...] it is clear that our mission is to gain profit from our business. See this annual report...our corporate vision is “sustaining growth and creating value through intrapreneur venture”. By then we fulfil the social responsibility activity....This company and other subsidiaries are public listed companies, thus we are responsible to our shareholders” (Manager #4)

[...]our core business is to gain profit and growth. It is stated in our mission and vision. The social objective becomes secondary, but due to the state’s requirement, we must perform the social duties. However, we will do it actively after we achieve our economic objective... you cannot pay if you did not making money... (Managers #5)

The results show clear evidence on the requirement for the SOEs to be the real business entity with profit motive as their main concern. Beside that their social objective is also vital to fulfil government function. There is evidence where SOEs are not much different as compared to privately-owned companies.

1.7.4 Entrepreneurship orientation

The implementation of entrepreneurial intensity and activities can be associated to the involvement on innovation, risk-taking and proactiveness activities within the firm. SOEs undertake innovative activities and proactive measures by engaging in certain new business activity ahead of other competitors by implementing and bringing newness and RandD activities in their operations. It was mentioned by the following managers;

[...]we managed to build this organization from oil palm and rubber estate activities into more innovative business activities.... Then we managed to run the first Islamic pawnshop in the country in early 1990’s. Nowadays, there are more than 20 outlets being established throughout the nation. Other competitors are also imitates our model...” (Manager #1)

“From the very beginning, the state government give us full mandate to operate the utility activities for the people. It was very difficult since we cannot charge premium price. Then we manage to get new business idea and start involved in more commercial activities in biotechnology, rubber industries and oil palm business”. (Manager #3)

“[...] our expansion is quite well... Then we introduced intrapreneurship concept within our companies. We are among the first public enterprise in Malaysia who promotes intrapreneurship concept... Now we are quite

comfortable in this activities and we was expanding this segment...
(Manager # 4)

The risk-taking behaviour and proactiveness is also important in measuring EO implementation among SOEs. As risk-taking was very much associated to the bold action of the firms to venture into new and risky business, as well as borrowing heavily to engage in it, there is evidence where SOEs in Malaysia had done well in these activities.

“We then manage to take over the state utility services as part of our social obligations. Since we received very minimal funding from state government, we had taken bank loans to venture into high-risk business”
(Manager #1)

“[...] last year we start an investment in biotechnology activities by acquiring two scientist in our newly established biotechnology enterprise. They are very much involved in RandD at this stage to produce traditional herbs..” (Manager #3)

“We invest and run intrapreneurial venture in vessels for charter and shipping services which is very risky, biotechnology industry to produce bio-fertilizer and medical technology to produce synthetic bone graft... all of them are risky business but gains good return”. (Manager #4)

Form the information, there are evidence where the Malaysian SOEs was at the right track on implementing EO in their activities and business process. SOEs were actively promoting innovation, proactiveness and risk-taking behaviour as part of their expansion and rent-seeking activities. Our results support the findings made by other researchers such as Entebang et al. (2010).

1.7.5 Challenges/ Obstacles

There are certain structural and organizational factors being identified as the major obstacles for SOEs. However, past researchers have claimed that the factors are context specific. Thus some on the research does provide very brief information and evidence on these issues. Our study helps to identify the major obstacles which give some challenges and impact in implementing EO among Malaysian SOEs. The first obstacle is related to the organizational culture where SOEs has certain “government mentality” among their staffs and management team. Red tape and bureaucratic process are also happened in the decision making process. These can be seen through a comment made by two managers as follows;

“[...] I have some problems with my staffs and middle managers. They have “government servant” mentality.. lack of urgency and not proactive...Suppose all of us should be in business driven mindset. It is also

difficult to change this mindset since they believed that their job are secured” (Manager #1)

“To set business target is quite difficult. Not all of our staffs are qualified or serious in their job. They are appointed by the politician or relatives to the politician”. (Manager #3)

The second problems arise from the weaknesses in term of governance systems and accountability among management team and staffs. There are involvements of politician in the board structure where they are very busy with their political activities. Caused slow decision making process. Reporting systems and performance measurement was also affected.

“[...] Since I joined this company, I have difficulties on our working culture and structure. There are no specific standard operating procedures and reporting procedures being implemented among subsidiaries and holdings’ company. Managers at subsidiaries will report their achievement in different styles and measurements. Then it is difficult for us to do the corporate planning. Communication process is very loose. Managers can informally give report to the board member since some of them are closely ties to the politician.... This is my duties to improve it.” (Manager #3)

The third issue is related to the quality of human resource owned by the SOEs. At the managerial and operational level, there are some board member and staffs who are not qualified to carry out their duties. Thus it gives difficulties for the management to pursue proactive business strategy and investment. To hire the best brain is also difficult since SOEs is unable to pay high salary as compared to other corporate company. This phenomenon is due to the restrictions imposed by the state government or board of directors.

“The most critical obstacle is due to the quality and professionalism of our board member. Majority of them are politician. Decision making is quite slow since they are busy with their political matters. Then we lost our opportunities... Board members are also not trained in business or obtain any formal education in business study. Therefore it was very difficult for them to understand business jargon and concepts..” (Manager #3)

“For those staffs who is qualified and good, we cannot pay them high salary due to the restriction and our policy.... most of the time we lost them to other private companies.. To hire new qualified external managers or talented person is also impossible since we cannot pay them premium wage”. (Manager #2)

In sum, the implementation of EO initiatives among Malaysian SOEs is quite successful where most of the SOEs were working very hard in promoting innovation in their business activities as well as taking risky investments. However, there are three major obstacles that minimize the impact of EO implementation – organizational culture, quality of human resource and the governance system.

1.8 Discussion, Limitation and Conclusion

Implementation of EO initiatives requires strong support and fitness between various internal and external organizational factors. The result of this study revealed that SOEs in Malaysia at least had been actively promoting and implementing EO behaviour in their business process and activities, relevant to their main objectives as the profit making organization. Most of the companies involved in promoting innovative products and services while taking certain level of risky investment by employing all of their resources. This paper is also pointing out several organizational factors which are not supporting the implementation of EO.

The first obstacle is related to the organizational culture of the SOEs. Most of the companies are still influenced by the “government mind setting” where the business process in term of decision making and staffs commitment are still lacking. SOEs were seen as part of the government agencies or government arms in promoting social and political motives. People are not totally motivated to pursue real business philosophy which requires them to be competitive, creative and innovative.

There are weaknesses in the governance system in term of monitoring process, performance reporting and evaluation, accountability and communication. It is due to the lack of business capabilities and knowledge among board members as well as the absence of standard operating procedures and reporting procedures in certain SOEs and their parent company. Therefore, the possibility of having good corporate planning and strategies are quite difficult to be formed. Without proper planning and strategies, SOEs will leave behind other competitors.

The final issues are related to the quality of human resources. Staffs are not qualified, but they are appointed to hold the position due to their close relationship to the politician. At the same time, among board member they are also being appointed among politicians who do not have any professional qualification in business or gained any business experience before. Therefore the accurate business decision cannot be made properly. In term hiring best managers among professionals and business talented person is also difficult due to the wages restrictions and company’s policy on employment benefits. Thus it was very difficult for SOEs to pursue their business as well as implementing EO initiatives.

Based on our findings, it is suggested that state government should implementing the SOEs Transformation Programme in line with the Federal Government Transformation Programme among GLCs at the federal level. The transformation must be taken place to improve certain critical areas such as the human resource policy, governance and reporting system, empowering and enhancement of board of directors’ composition and eliminating political intervention in the business process and hiring SOEs’ staffs.

State government are also requires to improve the rewards and salary scheme of all SOEs in line with privately-owned companies. The attractive scheme must be put in place in order to attract best brain and talented manager to join the SOEs. Attractive rewards system with the minimum salary scheme will also motivated internal staffs to perform at their highest capabilities. Thus it will help SOEs to achieve highest profit and revenue and ready to fulfil their social obligations.

Although the study finds some relevant managerial challenges to be resolve by state government and SOEs' top management team, there are also some limitation in conducting this study. First, this study relies on the information obtained from five top managers at the holdings or parent company of SOEs in three states at Peninsular Malaysia. Therefore, findings of this study is also contextualize at their respective organizations only. It is bias if the findings need to be generalised to all of other SOEs. Therefore, future research must be looking at the broader scope and coverage.

Second, the information is also obtained from single sources, i.e. the top level managers in the respective SOEs. They might be biased on their explanation in order to give positive views on their organization. Since EO is the business process and activities involving various level of management team and staffs throughout the organization, it is suggested that future research can obtain additional information or second opinion and information from middle managers and staffs.

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Appendix 1

Interview protocol

(The following area that the interview will cover)

<i>Area</i>	<i>Questions</i>
<i>Introduction</i> Explain the objective of study	Obtained signed of interviewee's consent
<i>Established rapport</i> Obtain general information on interviewee and his/her company	Please give some background on how do you came to current position? What is the nature of your organization and subsidiaries' major and secondary activity?
<i>Objective of your firm and subsidiaries</i> Obtain information on the objectives and business motives of the SOEs.	What are your company and subsidiaries main goals? What is the top priority? How do you achieve it?
<i>Implementation of EO initiatives</i> Understanding the nature of EO process and activities in the organization.	Is there any activities involving innovation, risk-taking and proactive behaviour in your business process?
<i>The supporting factors</i> Obtain information on the supporting factors (internal and external) that ease the EO process.	Could you explain some internal and external factors which keep your organization drive your business activities?
<i>The obstacle factors</i> Obtain information on obstacle factors for EO.	What is the major obstacle for your organization to implement EO initiatives?