

# **A REVIEW TOWARDS DEVELOPING A FRAMEWORK FOR MEASURING FACTORS OF CORPORATE ENTREPRENEURSHIP THAT INFLUENCE FIRM PERFORMANCE IN HOUSING DEVELOPMENT INDUSTRY**

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## **Abstract**

Entrepreneurship scholars have defined Corporate Entrepreneurship (CE) in many ways. Generally, works from these scholars had discussed on the common aspects of CE, benefits of CE, types of CE and ways to cultivate and design CE for companies. These scholars also developed models of CE to construct a framework for mapping CE research. From here, the present writers have presented a proposed framework to see how far the factors of CE, their business strategy and external environment influenced the developers' firm performance in housing development industry. However, this is just the initial stage of the study and the model needs to be revised before it can be tested in the field.

**Keywords:** Corporate entrepreneurship, firm performance, housing developers.

## **1. Introduction**

Malaysia is still experiencing rapid population growth. In 1970, the total population was 10.4 million and the number increases annually, i.e. 13.1 million in 1980 and 17.6 million in 1991. It is expected by year 2020, the total population in Malaysia will be 32.0 million<sup>1</sup>[1].

Due to population growth, there is an increasing demand for housing. Therefore, the Government has incorporated housing as one of the items in its five-year Malaysia plan. It can be seen from the Seventh and Eighth Malaysia Plan that the performance of housing development programmes was encouraging with the number of houses completed surpassing the Plan target. During the 7MP, a total of 859 480 units of housing were completed from the targeted Plan, i.e. 800 000 units. The 8MP on the other hand showed that a total of 844 043 units of housing were completed from the targeted plan of 782 300units.

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<sup>1</sup> Adopted from Ismail and Husin (1997)

Even though according to the Government statistics numerous numbers of housing projects were completed, there are still many abandoned housing projects in Malaysia. In fact, the first abandoned housing project was reported by Ministry of Housing and Local Government in 1983. In year ending 2002, the Ministry has reported that a total of 544 units of housing projects were abandoned. However, two years later, in year ending 2004, the number toned down to 227 units. This probably happened due to the amendments in Housing Development Act on 1.12.2002. Other than that, the Government has also introduced the Build-Then-Sell concept as a strategy to lower the percentage of abandoned housing projects. However, the figures again increased in year ending 2005 with a total of 261 units of housing projects abandoned. The statistics show that despite the numerous amendments on the Act, the abandonment of housing projects continues to be a major problem.

The reasons for the existence of abandoned housing projects might be related to economics downturn, incompetent developers and contractors, poor feasibility studies (location, market demand, affordability, etc) and in some cases, fraud (such as the channelling of buyers' payments towards other use). Nonetheless, the discussion of this paper on abandonment of housing projects will only revolve around the role of developers and not other factors.

Private housing developers refer to entrepreneurs who construct houses for profit [2]. Seeing that developers are actually entrepreneurs who prioritise profits above all aspects, they must adopt an effective entrepreneurial management to ensure their housing projects will not face any problems that can be a burden not only to the Government, but to them as well.

For all the above explanations, this paper is interested in developing a framework on Corporate Entrepreneurship (CE) that can be tested to housing developers. This is to measure how far the developers practise entrepreneurial management and how far the factors of CE can influence the firm performance.

## **2. Background on CE**

Over the years, studies on entrepreneurship have become in vogue. Many entrepreneurship scholars have made in-depth studies to understand entrepreneurship better. These scholars looked at CE from various aspects: organisational point of view, individual characteristics, environmental aspect, firm behaviour, firm performance, etc.

Even though many studies had been done on CE, there is no one specific definition that can be used to substantiate CE. Apart from definitions, entrepreneurship scholars also used various terms to refer to various aspect of CE: Internal Corporate Venturing, Intrapreneurship, Internal Corporate Entrepreneurship and Corporate Venturing. This happens because CE is still considered as a new and evolving subject. Thus, definition on CE will also change with the state of growth. In addition, different scholars looked at the subject of CE differently and therefore, generate different kinds of definition of CE depending on their scope of research.

Generally, CE is a process whereby an individual or a group of individuals, in association with an existing organisation, create a new organisation or instigate renewal or innovation within that organisation [3]. There are three types of CE: 1) the birth of new business within an existing corporation; 2) the transformation of existing organisations through the renewal or reshaping of the key ideas on which they are built; and 3) innovation.

From their studies, these scholars had developed models on CE to evaluate critical factors that influence the success of CE. To the best knowledge of the writers, there are six models altogether on CE developed by Guth and Ginsburg [4], Covin and Slevin [5], Zahra [6], Hornsby, Naffziger, Kuratko and Montagno [7], Lumpkin and Dees [8] and Barrett and Weinstein [9].

### 3. Models of CE

Guth and Ginsburg [4] developed a generic model of CE, whereby it examines CE as innovation process within existing firm, and CE as strategic renewal. Key components in this model include environment, strategic leaders, organisational form and performance. Each of the components represents an element that affects the nature and outcome of CE. The model is illustrated in Figure 3.1.

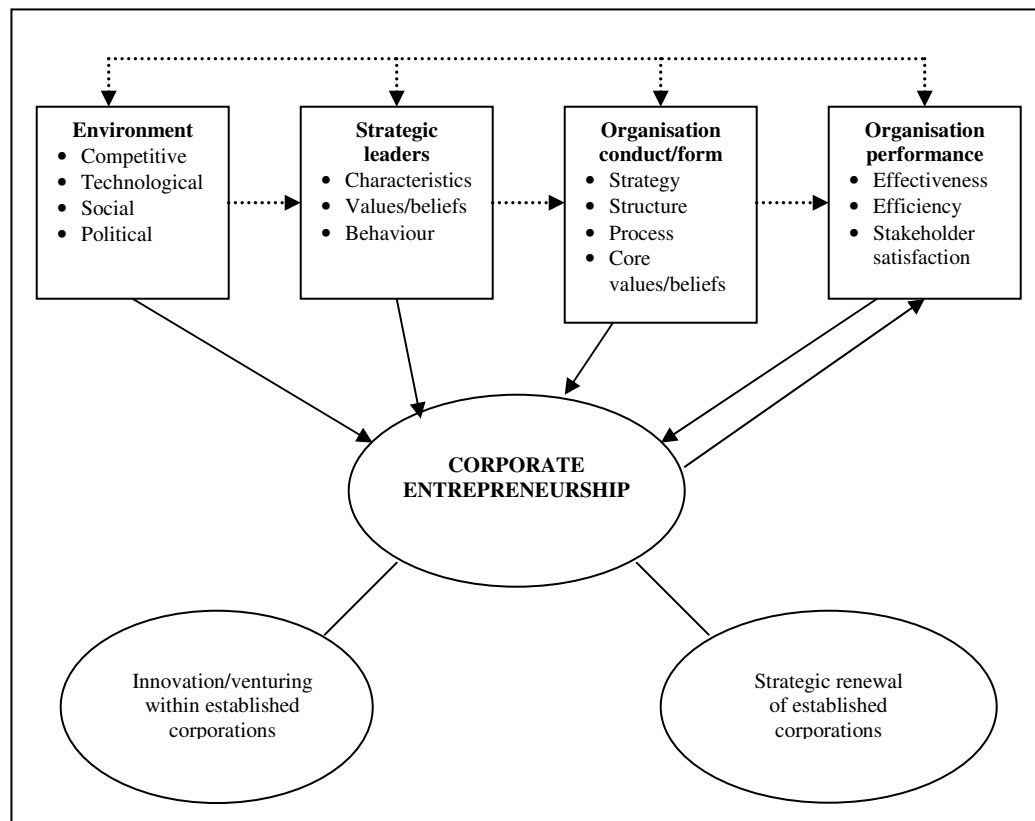


Figure 3.1: Fitting CE into strategic management  
 Source: Burgelman (1990) p.234

In 1991, Covin and Slevin [5] proposed a model of CE as an organisational-level phenomenon (Figure 3.2). This model is considered as a strategic model because it captures the essence of what organisation is about and how it operates. At this point, the model measures the entrepreneurial process through their behaviour rather than their attributes. The key components that influence entrepreneurial posture include external environment, mission strategy, internal factors and organisational performance. This model however was criticised by Zahra in 1993 [6]. He reasoned that whilst the Covin-Slevin model was a good framework to measure CE from organisational level, the model should consider the intensity, formality, type (locus) and duration of firm-level entrepreneurship. He also reasoned that the Covin-Slevin model did not define the variables clearly. In his framework, Zahra has listed down all the variables for every factor in the framework as shown in Figure 3.3. Therefore, Zahra's model of CE can be considered as more generic than the Covin-Slevin model.

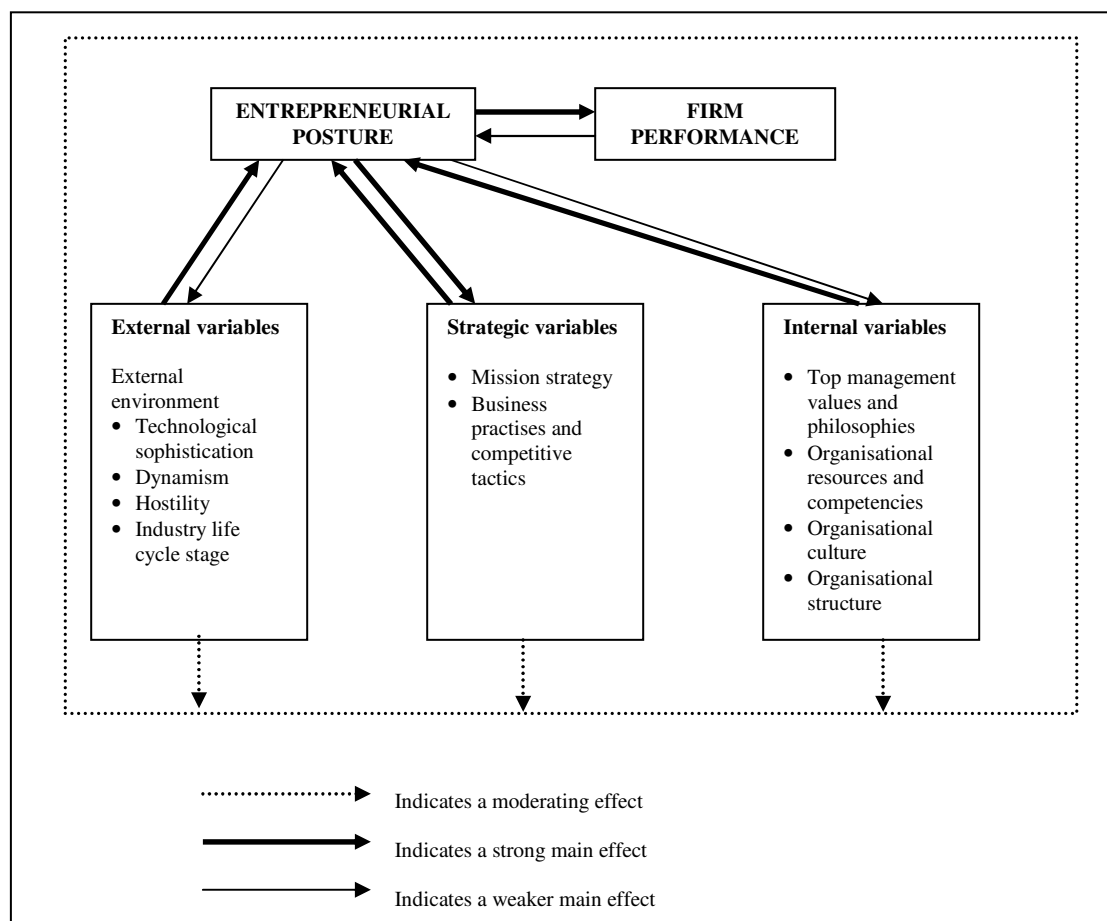


Figure 3.2: A conceptual model of entrepreneurship as firm behaviour

Source: Covin and Slevin (1991) p.10

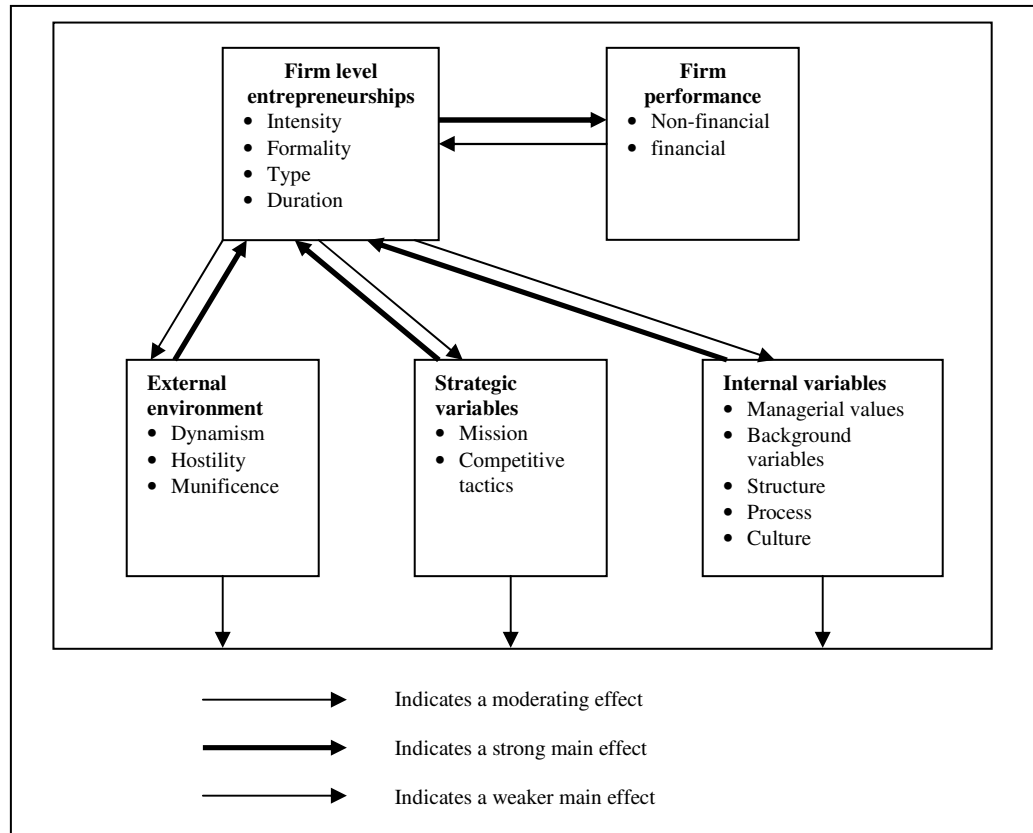


Figure 3.3: A revised conceptual framework of firm-level entrepreneurship

Source: Zahra (1993) p.13

Hornsby et al [7] proposed a CE model on how organisational and individual characteristics interact with the precipitating event leading to successful entrepreneurship. Their model is considered as an integrative framework seeing that all the factors are reciprocal between one another to generate entrepreneur to act intrapreneurially that will eventually lead to successful entrepreneurship. The model is shown in Figure 3.4

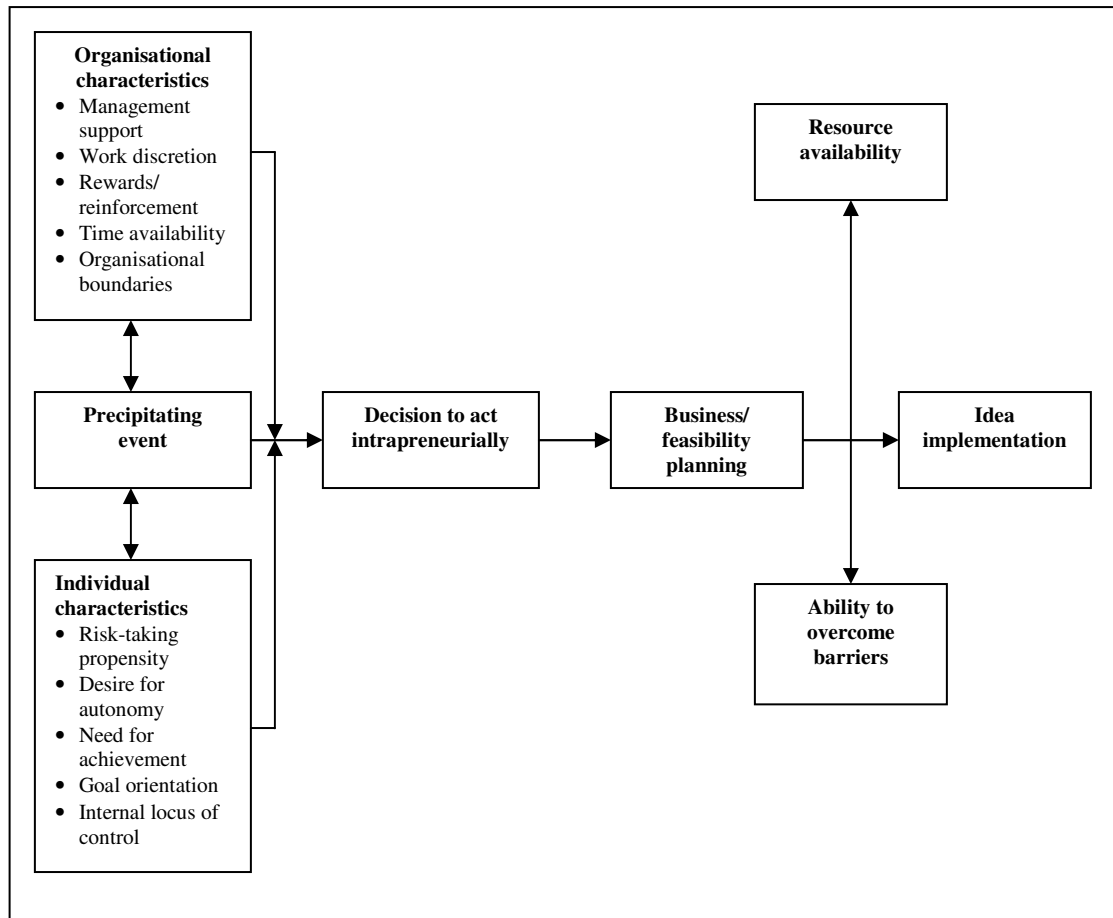


Figure 3.4: An interactive model of CE  
 Source: Hornsby et al (1993) p.31

Lumpkin & Dees [8] presented a model for investigating the relationship between entrepreneurial orientation and firm performance (Figure 3.5). The key dimensions that characterise an entrepreneurial orientation include a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward the competitors and proactive relative to marketplace opportunities. This model differs from other models as it includes the environmental and organisational factors in describing the relationship between entrepreneurial orientation and firm performance. Another difference is that this model has no reciprocal interaction between performance and entrepreneurial orientation, whereby it has no implication between performance, entrepreneurial orientation, environmental and organisational factors.

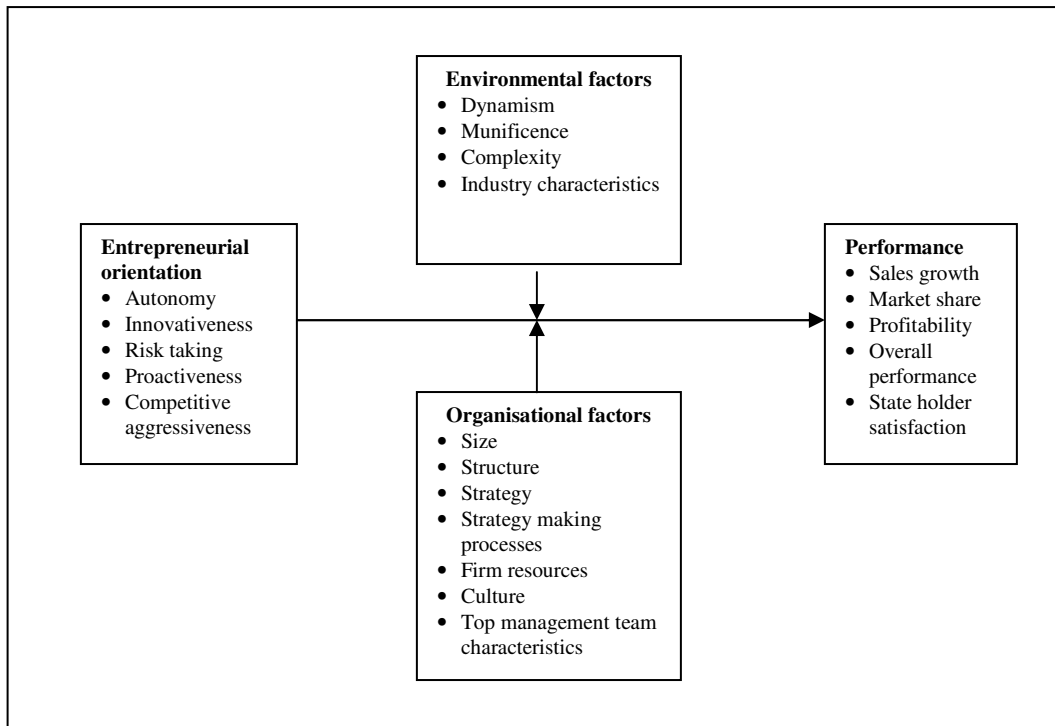


Figure 3.5: Conceptual framework of entrepreneurial orientation  
 Source: Lumpkin and Dess (1996) p.152

Model on CE developed by Barrett and Weinstein [9] was slightly different from the other models mentioned above seeing that it was build to examine the relationship among CE, flexibility and market orientation and the relationship between these factors and business performance. The key elements of the model as shown in Figure 3.6, i.e. CE, flexibility and market orientation were labelled as facilitating influences because of their ability to facilitate the implementation of the firm’s strategy in marketplace. From here, the strength of these variables and their interaction directly affect the firm’s business performance.

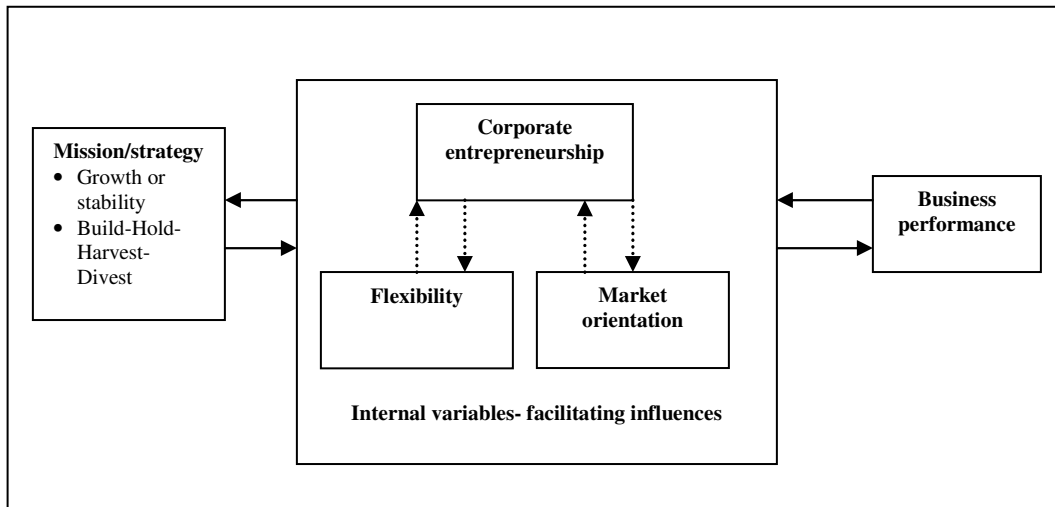


Figure 3.6: The Corporate Entrepreneurship, Flexibility and Market Orientation (CEFMO) model

Source: Barrett and Weinstein (1996) p.61

#### 4. Proposed framework on CE

Based upon the models that were cited above, the writer has adopted and modified the six models and proposed a model of CE. This model is intended to be tested on housing developers in Malaysia to see how far CE influences their performance. Key elements of this model include entrepreneurial characteristics, business strategy, organisational and environmental factors. The present writers have decided to use these variables seeing that the variables are interlinked with each other in determining the success of a firm. It is expected firms who possess the appropriate entrepreneurial characteristics and business strategy for the business environment will be more successful than firms who do not possess entrepreneurial characteristics and business strategy for the business environment. The proposed model is presented in Figure 4.1.

This model will be tested on housing developers throughout Peninsular Malaysia. Developers selected as respondents for this study will be chosen from the Ministry of Housing and Local Government's website. Seeing that the main focus of this study is on Bumiputera developers, the list obtained from the Ministry website will be cross-checked with the Malay Chambers of Commerce. This is to justify the Bumiputera developers from the non-Bumiputera developers. From here, a comparison will be made between Bumiputera and non-Bumiputera developers. This is to ascertain which types of firms are more successful and practise entrepreneurial characteristics in their firm.



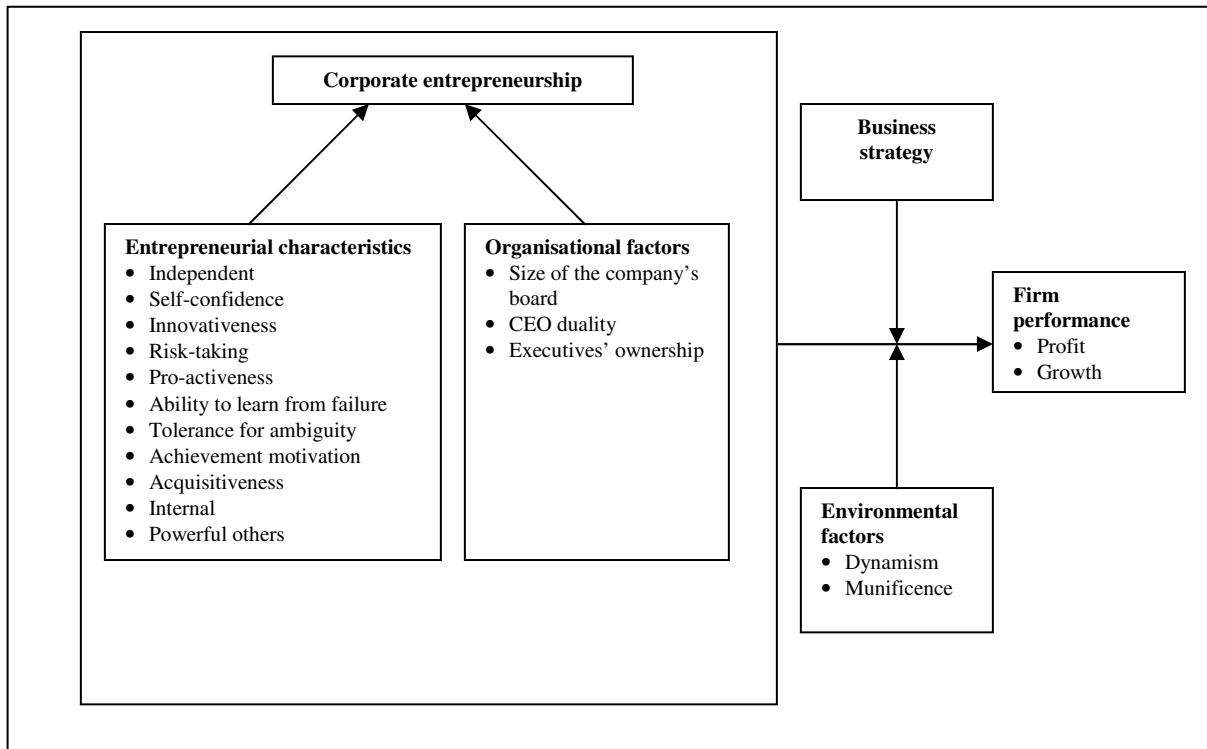


Figure 4.1: A proposed framework of CE that influenced firm performance

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