



**Faculty of Technology Management and Technopreneurship**

**THE RELATIONSHIP BETWEEN TRAINING AND  
DEVELOPMENT ACTIVITIES WITH INNOVATIVE WORK  
BEHAVIOUR AMONG SMEs**

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**Master of Science in Entrepreneurship**

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**THE RELATIONSHIP BETWEEN TRAINING AND DEVELOPMENT  
ACTIVITIES WITH INNOVATIVE WORK BEHAVIOUR AMONG SMEs**

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**A thesis submitted  
in fulfillment of the requirements for the degree of Master of Science in  
Entrepreneurship**

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## DECLARATION

I declare that this thesis “The Relationship Between Training and Development Activities With Innovative Work Behaviour Among SMEs” is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature : .....

Name : .....

Date : .....

## APPROVAL

I hereby declare that I have read this thesis and in my opinion this thesis is sufficient in terms of scope and quality for the award of Master of Science in Entrepreneurship.

Signature : .....

Supervisor Name : .....

Date : .....

## APPROVAL

I hereby declare that I have read this dissertation/report and in my opinion this dissertation/report is sufficient in terms of scope and quality as a partial fulfillment of Master of Entrepreneurship.

Signature : .....

Supervisor Name : .....

Date : .....

## **DEDICATION**

To my family, whose love, support and encouragement helped me navigate the  
challenging waters of this project. Thank you.

## ABSTRACT

Entrepreneurial competencies are individual characteristics which include attitudes and behaviours that enable employees or entrepreneurs to achieve and maintain their business success. This research aimed to analyse the relationship between training and development activities with innovative work behaviour (IWB) where the entrepreneurial competencies acted as the mediating variable to the relationship. This research was conducted using a quantitative research methodology involving 165 sample out of 290 sample firms of Small and Medium-sized Enterprises (SME) in the state of Melaka, Malaysia through questionnaires. The sample of firms was selected by using purposive sampling based on the Human Resource Development Fund (HRDF) data. An analysis was carried out using Statistical Packages for Social Science (SPSS) version 20.0. The results revealed that training and development activities had significant and positive relationship with entrepreneurial competencies and IWB. Besides, the mediating variable of entrepreneurial competencies showed a significant influence on the independent variables relationship to the IWB. Hence, the research will definitely contribute to the body of knowledge in the SMEs where employees or entrepreneurs will also benefit from it as well, in improving their innovativeness. This study further merits its originality done with practical and comprehensive suggestions for employees or entrepreneurs with knowledge to improve their entrepreneurial competencies in order to encourage them to be conscious of potential positive or negative impacts of their own behaviour. In addition, the conclusion of this study provides a wide range of interpretations in the different context of training and development activities with IWB mediated by entrepreneurial competencies.

## ABSTRAK

*Kompetensi keusahawanan adalah ciri-ciri individu termasuk sikap dan tingkah laku yang membolehkan para pekerja atau usahawan untuk mencapai serta mengekalkan kejayaan perniagaan mereka. Kajian ini merupakan kajian secara kuantitatif untuk menentukan hubungan antara aktiviti latihan dan pembangunan dengan kelakuan kerja inovatif (IWB) di mana kompetensi keusahawanan merupakan pemboleh ubah pengantara untuk hubungan tersebut. Melalui soal selidik, kajian ini menggunakan penyelidikan kuantitatif dalam mengkaji hubungan sebanyak 165 sampel daripada 290 sampel firma perusahaan kecil dan sederhana (PKS) di dalam negeri Melaka di Malaysia. Sampel firma telah dipilih dengan menggunakan persempelan populasi yang di perolehi daripada data pembangunan sumber manusia berhad (HRDF). Analisis telah dijalankan dengan menggunakan pakej statistik untuk sains sosial (SPSS) versi 20.0. Hasil kajian menunjukkan bahawa aktiviti latihan dan pembangunan mempunyai hubungan yang signifikan dan positif terhadap kompetensi keusahawanan dan kelakuan kerja inovatif (IWB). Selain itu, kompetensi keusahawanan sebenarnya menunjukkan pengaruh yang besar terhadap hubungan di antara aktiviti latihan dan pembangunan dan kelakuan kerja inovatif (IWB). Oleh itu, kajian ini pasti akan menyumbang pengetahuan kepada perusahaan kecil dan sederhana (PKS) di mana para pekerja atau usahawan untuk mendapatkan manfaat dalam meningkatkan inovasi dalam diri mereka. Selain itu, kajian ini dilakukan dengan cadangan praktikal dan komprehensif untuk para pekerja atau usahawan dengan pengetahuan untuk meningkatkan kompetensi keusahawanan mereka serta menyedari akan potensi kesan positif atau negatif terhadap tingkah laku mereka sendiri. Jadi, kesimpulannya, kajian ini menyediakan pelbagai tafsiran dalam konteks yang berbeza-beza daripada hubungan di antara aktiviti latihan dan pembangunan terhadap kelakuan kerja inovatif (IWB) bersama pemboleh ubah pengantara iaitu kompetensi keusahawanan.*



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## LIST OF ABBREVIATIONS

CR	-	Composite Reliability
IWB	-	Innovative Work Behaviour
HR	-	Human Resource
HRD	-	Human Resource Development
HRM	-	Human Resource Management
HRDF	-	Human Resource Development Fund
NSDC	-	National SME Development Council
RBV	-	Resource-Based View
SME	-	Small and Medium Enterprises
SPSS	-	Statistical Package for Social Scientist

## LIST OF PUBLICATIONS

### *Refereed Journal Article*

Nurhazwani Othman and Ahmad Rozelan Yunus, The Implementation of Human Capital Development (HCD) Programs: Analyzing the Effect of Entrepreneurial Competencies on Innovative Work Behaviour (IWB). *Aust. J. Basic & Appl. Sci.*, 9(4): 115-119, 2015

### *Referred Conference Papers*

Nurhazwani Othman, Ahmad Rozelan, Norzaliza Bahari. (2014) Entrepreneurial Competencies: Participation in Human Capital Development Program, Paper presented at 8<sup>th</sup> MUCET Universiti Teknikal Malaysia, Melaka 2014



# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

This chapter presents the background of the study including the problem statement, research questions, research objectives, significance of study, definitions of key concept, layout of the thesis and chapter summary.

### 1.1 Background of the Study

The ability to continuously innovate and improve work, product and services processes nowadays is very crucial for organizations. If a continuous flow or innovations is to be realized by individual employees, they need to be both willing and able to innovate (Janssen, 2000). Besides, an idea on actions of individual employees is very important for continuous innovation and improvement which is not just found in academic literature on innovation (Van de Ven, 1986; Janssen, 2000) but also stressed in works of several other popular management (McLoughlin and Harris, 1997) and corporate entrepreneurs (Sharma and Chrisman, 2007).

Innovative work behaviour (IWB) has been studied in term of outputs, characteristics and behaviours. Goldsmith (2011) focus on generalized willingness to change an individual personality based on individual innovation. According to West (2002), the measure of innovation role focuses on the amount of changes an individual has initiated in their job compared with the occupant's previous role. Furthermore, the measure

assesses individual's self-ratings of their suggestions and realized innovations (Axtell, 2000). Both take an output based on views of individual innovation. Meanwhile, De Jong and Den Hartog (2010) state another concept of individual innovation as a set of optional employee behaviours.

IWB typically includes an exploration of opportunities and a generation of new ideas consist of creativity related behaviour. However, it could also include behaviours directed towards applying new knowledge, implementing change or improving processes to enhance personal or business performance (Jeroen and Deanne, 2008). According to Mumford (2003), most previous works focus on employee creativity and generation of creative ideas. In line with this, IWB typically includes a broad set of behaviours which is related to the generation of ideas, helping their implementation and creating support for them (Scott and Bruce, 1998; Janssen, 2000).

This research analyzed the relationship between training and development activities toward IWB which was mediated by entrepreneurial competencies in the Small and Medium Enterprise (SME) in Malaysia. Many studies and articles can be found in the literature, which discuss and explore the relationship between training and development activities toward IWB.

Based on the book *New Economic Model for Malaysia* (2010), the provision of training, reskilling and education of workers to take on higher value jobs are an integral part of expanding the national talent base. The estimated 60 percent of the Malaysian population or 80 percent of the Malaysian workforce have education only up to SPM level and equivalent. Hence, low level of educational fulfilment is a major barrier to leveraging on human capital in order to spur growth. The skill of lower segment of Malaysian working population should be upgraded through life-long learning. Then, Malaysia can reach full potential as an advanced country and high income when the goal is achieved.

Hence, it is very crucial to improve access to reskilling courses and quality training, particularly, in demoted urban centres and rural areas for meeting the needs of industry purposes.

In addition, training and skills development are keys in expanding talent base as workers are allowed to experience a continuous improvement especially for those that are displaced from the low value added jobs in the course of the economic transformation. In order to improve themselves through continuing training and skills development through life-long learning, employees should be provided with incentives from the government. Meanwhile, stakeholders need to reach a consensus on the standardisation of competency levels, so that skilled employees will become more productive. (New Economic Model for Malaysia, 2010)

For this study, training activities refer to an effort of a company to facilitate employees for learning job related entrepreneurial competencies. The competencies include knowledge, skills or behaviours which are critical for successful job performance. Meanwhile, the development activities refer to formal education, job experience, assessments of personality, relationships and abilities that help employees perform effectively in their current or future job. Then, IWB focuses on an individual's behaviour of creative ideas generation and employee creativity in order to gain individual innovation among the employees.

Therefore, this study aimed to contribute on individual innovation by developing and validating a measure of innovative IWB and examining a partial and initial nomological network of IWB in the workplace. Besides, this study explores the relationship between training and development activities and IWB's connection with the entrepreneurial competencies among employees.

## 1.2 Statement of the Problem

Firms spend a significant amount of time on training and development activities programs without understanding much of their influence on employee innovativeness. The resources based view of the firm suggests the importance of intangible assets and in particular, the importance of the human dimension such as competencies in order to gain a competitive advantage. However, while past researchers have clearly articulated their importance and benefit in the related literature, to date how firms develop and encourage these resources are not fully researched. There are many theories and approaches pertaining to training and development activities in extant literature.

The issue of involving employees in the development of the organization has been a subject of growing interest in academic literature (Kuratko, Ireland, Covin and Hornsby, 2005; Janssen, de Vliert and West, 2004; Sharma and Chrisman, 2007; Janssen, 2004). There is ever-increasing need for all employees to intensify their level of performance regarding innovation (Wunderer, 2001).

Development of SMEs has received much attention since the implementation of the New Economic Policy (1971-1990) as it plays a major role in the Malaysian economy and is highlighted in the Second Long Term Malaysia Plan (1991-2000). The importance of SMEs businesses in serving the economic development of Malaysia cannot be refuted (Radiant, 2008). Besides creating job opportunities, SMEs play a vital role in contributing to the success of big and multinational corporations in enhancing the industry through their creativity and innovation.

However, in Malaysia, the provision of training, reskilling and education of workers in order to take on higher value jobs is seen as an integral part in expanding the national talent base. The estimated 60 percent of the Malaysian population or 80 percent of the Malaysian workforce have education only up to SPM level and equivalent. Hence, low

levels of educational fulfilment is a major barrier to leveraging on human resource in order to spur growth.

Therefore, this study chose employees in the state of Melaka as respondents because of their dynamic vision to contribute to the development of the state in near future. The employees or entrepreneurs in Melaka could achieve their business success through personal values that they have. Kwak (2009) finds that mutual values positively affect organization viability and success. This is an actual view to invoke some parameters in the innovativeness for the employees or entrepreneurs in Melaka which is mediated by entrepreneurial competencies.

For this research purpose, the entrepreneurial competencies are mediating variables which have a strong contingent influence on the independent of the training and development activities toward IWB (dependent variable) relationship. The relationship of entrepreneurial competencies toward the relationship between training and development activities and IWB among employees in SMEs were determined. Therefore, the interest of this research was whether these contributions of the findings were beneficial to Melaka SMEs firms in order to gain employees innovation for the firm.

### **1.3 Research Questions**

The research questions for the study are as follows:

- i. What is the relationship between training and development activities and innovative work behaviour?
- ii. What is the relationship between training and development activities toward entrepreneurial competencies?
- iii. What is the relationship between entrepreneurial competencies and innovative work behaviour?

- iv. Do entrepreneurial competencies mediate the relationship between training and development activities with innovative work behaviour?

#### **1.4 Research Objectives**

The following research objectives were addressed in this study. The research objectives were:

- i. To examine the relationship between training and development activities and innovative work behaviour among employees.
- ii. To examine the relationship between training and development activities and entrepreneurial competencies.
- iii. To determine the relationship between entrepreneurial competencies toward innovative work behaviour.
- iv. To evaluate entrepreneurial competencies which mediate the relationship between training and development activities with innovative work behaviour.

#### **1.5 Significance of The Study**

This study has identified the relationship between training and development activities toward IWB which is mediated by entrepreneurial competencies among employees in Malaysian SMEs in order to provide new perspectives and perhaps reveal different interpretation of the existing training and development activities approach because it is tested in a new environment which is outside the western business culture. This study also presents some information and understanding on the practice of training and development activities toward IWB which is also linked with the entrepreneurial competencies which is an operationalization of opportunity based entrepreneurship.

Therefore, the purpose of this study was to find a new perspective on the relationship between training and development activities toward IWB which is linked with entrepreneurial competencies approach among SMEs. Besides, this research contributes to the knowledge on entrepreneurial management as an important factor in business firms to succeed especially with employee innovation.

## **1.6 Definitions of Key Concepts**

This section provides the operational definition for key terms, as contained in and related to the title of the thesis that were used throughout the thesis. Detail discussion on the concepts is presented in the following chapter of this study.

### **1.6.1 Small and Medium Enterprises (SMEs)**

The Prime Minister, YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak has recently announced a new definition for SMEs for Malaysia effective 1 January 2014. The National SME Development Council (NSDC) which was chaired by the Prime Minister with members from key Ministries and Agencies, including Sabah and Sarawak, had approved the proposal to raise the qualifying threshold for sales turnover and employment of SMEs for all economic sectors during the 14<sup>th</sup> NSDC Meeting held on 11 July 2013 in Putrajaya. The new definition is expected to result in more firms being classified as SMEs, particularly from the service sector. This will facilitate the country's transformation to a high income nation through the initiatives under the SME Masterplan. As a result of the change in definition, the share of SMEs to total establishments is expected to increase from the current 97.3 percent to 98.5 percent.

SME is associated with entrepreneurs. Small businesses create new companies or firms and the jobs that go along with them and tend to be excellent sources of innovation

in terms of new services and products in the marketplace besides providing more ownership opportunities to traditionally underrepresented groups (Rowden, 2005).

According to SME International Malaysia (2013), some advanced economies have succeeded because their SME industry comprises over 98 percent of their total establishment and contributes over 65 percent employment as well as over 50 percent of gross domestic product (GDP). Although the numbers might be lower in Malaysia, SMEs still have the potential to provide a strong basis of new industries growth for Malaysian future development especially in terms of entrepreneurs and employment efficiency and innovativeness.

Based on the annual report of Development of Small and Medium Enterprise, Economic Developments in 2008, a dynamic SME sector will contribute to development objectives, including toward more efficient allocation of resources, employment, and the development of indigenous entrepreneurship, equitable growth and poverty eradication. This thesis is examining the values to overcome the problems in order to make the entrepreneurs or employees become more efficient and innovative in the organizations to ensure business success.

In order to enhance their productivity levels to remain competitive, SMEs need to keep up with innovative and efficient entrepreneur or employees' improvement as well as innovation activities. Therefore, the range of entrepreneurs or employees of SMEs work behaviour is still not clear and needs further investigation.

### **1.6.2 Innovative Work Behaviour (IWB)**

IWB often includes opportunities in exploration and generation of new ideas consisting of creativity related behaviour. It can also include behaviours which are directed towards applying new knowledge, implementing change or improving processes