



**THE ENTREPRENEURIAL SERVANT LEADERSHIP MODEL
ON SOCIAL ENTERPRISE PERFORMANCE IN MALAYSIA**

MAIZURA BINTI MOHAMAD

DOCTOR OF PHILOSOPHY

2015



Faculty of Technology Management and Technopreneurship

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**A thesis submitted
in fulfillment of the requirements for the degree of Doctor of Philosophy**

Faculty of Technology Management and Technopreneurship

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

2015

DECLARATION

I declare that this thesis entitled “The Entrepreneurial Servant Leadership Model on Social Enterprise Performance in Malaysia” is the result of my own research except as cited in the references. The thesis has not been for any degree and is not concurrently submitted in candidature of any other degree.

Signature :

Name : MAIZURA BT MOHAMAD

Date : 11TH DECEMBER 2015

APPROVAL

I hereby declare that I have read this thesis and in my opinion this thesis is sufficient in terms of scope and quality as a partial fulfillment of Doctor of Philosophy.

Signature :

Supervisor Name : PROF. DR. IZAIDIN BIN ABDUL MAJID

Date : 11TH DECEMBER 2015

DEDICATION

I would like to dedicate this thesis to my late beloved father and mother (Hj. Mohamad Bin Hj Sahak and Hjh. Tirah Bt Hj Dahlan) as my source of inspiration during my PhD journey. To my brother, sister, my nephew and nieces, you are all my pillars of strength.

ABSTRACT

Over the years organizations have identified that leadership is a key factor in achieving organizational effectiveness and efficiency. Issues of leadership and mismanagement in cooperatives can put down the performance of economic and social development of the country. It is important to structure the cooperative's organization that can allow building the strength and bringing lasting benefits to their members. With a good leadership framework and governance, it can help cooperatives in discharging its accountability to its members and stakeholders. This study, by drawing attention to the effect that servant leadership attributes can have positive relationship on cooperative's performance, has contributed to the body of knowledge on leadership in social enterprise. The study results that a cooperative's leader who practices servant leadership may contribute to enhance the performance. Servant leadership is a leader that serves others first with humility and joy in organizational culture in which all stakeholders' feel satisfied. The purpose of this study is to identify the relationship of servant leadership (SL) on social enterprise (cooperative) performance. The second goal is to evaluate the entrepreneurial orientation (EO) as mediating role between servant leadership and cooperative's performance. This research analyses the survey responses of 378 cooperative's top management in Peninsular Malaysia. The data were analysed using Structural Equation Model (SEM). The overall findings show that servant leadership and entrepreneurial orientation (Entrepreneurial Servant Leadership - ESL) can be one of the ideal approach for cooperative's leader in managing good governance and wellbeing of their members and community because it shows a positive significant relationship on cooperative's performance when EO mediates the relationship between servant leadership and cooperative's performance. Practicing ESL in cooperative becomes the best means of differentiating the collectivist enterprise from the capitalist entrepreneur. The combination of SL and EO allow the creation of a value in cooperative, no longer merely of use, nor just in relation to an immediate community, but also at the macro level.

ABSTRAK

Sejak dahulu, kepimpinan merupakan faktor kepada sesebuah organisasi mencapai keberkesanan dan kecekapan. Masalah kepimpinan dan tadbir urus dalam koperasi boleh menyebabkan prestasi ekonomi dan pembangunan sosial sesebuah negara terjejas. Penstrukturan organisasi dalam koperasi dapat membantu membina kekuatan dan mengekalkan kebaikan kepada anggota koperasi. Melalui model kepimpinan dan tadbir urus yang berkesan, ia dapat memacu meningkatkan akauntabiliti pemimpin terhadap anggota dan pemegang berkepentingan. Kajian ini memfokuskan kepada kesan positif kepimpinan berkhidmat (Servant Leadership) terhadap prestasi koperasi, sekaligus menyumbang kepada bidang pengetahuan kepimpinan dalam keusahawanan sosial. Dapatan kajian ini menunjukkan pemimpin koperasi yang bersifat kepimpinan keusahawanan berkhidmat membantu meningkatkan prestasi koperasi. Kepimpinan berkhidmat adalah pemimpin yang memberikan keutamaan khidmatnya kepada orang lain dan menggalakkan budaya yang harmoni dalam persekitaran organisasi bagi memastikan kepuasan pemegang berkepentingan organisasinya. Objektif kajian ini adalah mengenalpasti hubungan kepimpinan berkhidmat terhadap prestasi koperasi. Selain itu, orientasi keusahawanan juga dianalisa sebagai faktor pengantara (mediator) di antara kepimpinan berkhidmat dan prestasi koperasi. Kajian ini menganalisa 378 responden daripada pengurusan tertinggi koperasi di Semenanjung Malaysia. Data dianalisa dengan menggunakan Structural Equation Model (SEM). Dapatan keseluruhan menunjukkan Kepimpinan Keusahawanan Berkhidmat (Entrepreneurial Servant Leadership - ESL) boleh menjadi model kepimpinan koperasi yang berkesan kerana menunjukkan hubungan yang signifikan apabila orientasi keusahawanan menjadi pengantara di antara kepimpinan berkhidmat dan prestasi koperasi. Mengamalkan ESL dalam koperasi menggalakkan organisasi bersifat kolektif berbanding usahawan kapitalis. Kepimpinan Keusahawanan Berkhidmat memberikan impak yang positif dan bernilai bukan hanya kepada komuniti koperasi setempat malah terhadap pembangunan negara.

ACKNOWLEDGEMENTS

I would like to express my gratitude and thank to all, who assisted and supported me during my PhD journey.

First of all, I thank to ALLAH the Almighty who always be there when I need help and motivation. Every single thing that I have had in my life is due to His Help, Love and Mercy.

I am greatly indebted to my main supervisor, Professor Dr. Izaidin Bin Abdul Majid, for his guidance, support, motivation, and ideas throughout the research and writing-up process of my PhD.

I am sincerely thankful to all my friends and relatives that supported, and their *doa* for my success. To most special in heart, Hj. Abdul Rahman Bin Baba for his best wishes, overwhelming support and encouragement, whenever things got tough for me.

I owe particular thanks to Suruhanjaya Koperasi Malaysia (SKM) and Maktab Koperasi Malaysia (MKM) officers who were very keen to provide me with any assistance I needed during my data collection process and willingness to review the items construct of my questionnaire.

Last but not the least; I would like to acknowledge my gratitude to RISDA for its sponsorship, granting me a scholarship to achieve my doctorate.

TABLE OF CONTENT

	PAGE
DECLARATION	
APPROVAL	
DEDICATION	
ABSTRACT	i
ABSTRAK	ii
ACKNOWLEDGEMENTS	iii
TABLE OF CONTENT	iv
LIST OF TABLES	vii
LIST OF FIGURES	x
LIST OF APPENDICES	xii
LIST OF ABBREVIATIONS	xiii
CHAPTER	
1. INTRODUCTION	1
1.1 Background of the study	3
1.1.1 Leadership and social entrepreneurship	3
1.1.2 Servant leadership	6
1.1.3 Servant leadership and organizational performance	8
1.1.4 Cooperative as social enterprise	9
1.1.5 Entrepreneurial orientation (EO) as a mediator role	10
1.2 The statement of problem	11
1.3 Research objectives	15
1.4 Research questions	15
1.5 Significant and contributions of the study	16
1.6 Research scopes	19
1.7 Research limitations	19
1.8 Operational definition	19
1.9 Summary	21
2. LITERATURE REVIEW	22
2.0 Introduction	22
2.1 Leadership, social organization and performance	22
2.2 Servant leadership theory	24
2.3 Servant leadership and organizational performance	29
2.4 Servant leadership attributes	33
2.4.1 Servant leader and cooperative leader	35
2.5 Social entrepreneurship overview	37
2.5.1 Social entrepreneurship / enterprise definition	40
2.5.2 Social enterprise and cooperative	42
2.5.3 Cooperative organization	45
2.5.4 The role of cooperatives in economic perspective	54
2.5.5 Cooperative issues	55
2.5.6 Cooperative leader	59
2.6 Malaysian cooperative	62
2.6.1 Cooperative's movement in Malaysia	63
2.6.2 Cooperative's role in Malaysia	64

2.6.3	Cooperative's issues in Malaysia	66
2.7	Entrepreneurial orientation	68
2.7.1	Leadership and EO	71
2.7.2	EO and organizational performance	72
2.7.3	EO as mediating factor	73
2.8	Entrepreneurial servant leadership construct for cooperative	74
2.9	Research framework	92
2.9.1	Conceptual framework	93
2.9.2	Hypotheses development	96
2.10	Summary	99
3.	RESEARCH METHODOLOGY	100
3.0	Introduction	100
3.1	Research philosophy	100
3.2	Research design	101
3.2.1	Research process	104
3.2.2	Types of investigation	107
3.2.3	Study setting	107
3.2.4	Unit of analysis	107
3.2.5	Time horizon	108
3.2.6	Type of data used	108
3.3	Population of study	108
3.4	Sample and sampling procedure	109
3.4.1	Sampling technique	109
3.4.2	Sampling frame	110
3.4.3	Sampling size	112
3.5	Data collection procedure	113
3.6	Ethical consideration	114
3.7	Research instrument	115
3.7.1	Instrument design	116
3.8	Pre-test and pilot study	121
3.8.1	Pre-test	121
3.8.2	Pilot test	122
3.9	Data analysis	124
3.9.1	Preliminary data analysis	124
3.9.2	Missing data	125
3.9.3	Outliers	126
3.9.4	Normality data	127
3.9.5	Descriptive analysis	128
3.9.5	Reliability analysis	128
3.10	Factor analysis	129
3.10.1	Exploratory factor analysis (EFA)	129
3.10.2	Confirmatory factor analysis (CFA)	130
3.11	Structural equation modeling (SEM)	131
3.12	Statistical tool	132
3.13	Summary	132

4.	DATA ANALYSIS, RESULTS AND DISCUSSIONS	133
4.0	Introduction	133
4.1	Sample size	133
4.2	Sample characteristics	134
4.3	Missing data	139
4.4	Multivariate normality and outliers	139
4.5	Test for non-response bias	142
4.6	Factor analysis	143
	4.6.1 Exploratory factor analysis (EFA)	144
	4.6.2 Confirmatory factor analysis (CFA)	151
4.7	Reformulating servant leadership scale	156
4.8	Full measurement model	157
4.9	Common method variance	158
4.10	Goodness of fit indices	158
	4.10.1 Validity	159
	4.10.2 Reliability	161
4.11	Structural model (Result of hypotheses)	163
4.12	Testing mediation effect of entrepreneurial orientation	167
4.13	Discussion of the result	171
	4.13.1 Hypotheses testing (major findings)	173
	4.13.2 Constructs and items (minor findings)	179
4.14	Summary	183
5.	CONCLUSIONS AND RECOMMENDATION	184
5.0	Introduction	184
5.1	Summary of the findings	184
5.2	Theoretical implication	186
5.3	Implications and contributions for public and policy makers	187
5.4	Implications and contributions for cooperative's management	188
5.5	Limitations of study	189
5.6	Future research	190
5.7	Conclusion	191
	REFERENCES	194
	APPENDICES	268

LIST OF TABLES

TABLE	TITLE	PAGE
2.1	Repetitive attributes of servant leadership by authors	269
2.2	The similarities between servant leadership and cooperative leader	273
2.3	Summary of social entrepreneurship/enterprise definition	276
2.4	Total number of cooperatives (by sector) in Malaysia from 2010 to 2015	66
2.5	Measurement scale referred for dimension of develop others by previous studies	78
2.6	Measurement scale referred for dimension of demonstrate credibility by previous studies	79
2.7	Measurement scale referred for dimension of develop community by previous studies	80
2.8	Measurement scale referred for dimension of democratic by previous studies	81
2.9	Measurement scale referred for dimension of do right things by previous studies	84
2.10	Measurement scale referred for dimension of develop vision by previous studies	85

2.11	Measurement scale referred for dimension of deliver for others by previous studies	87
2.12	Entrepreneurial Servant Leadership (ESL) construct	281
2.13	Summary of dimensions, code name, definition and hypothesized relationship	98
3.1	Summary of Research Philosophy and Methodology	108
3.2	Cooperative population in Peninsular Malaysia	111
3.3	Total population of the study by stratified sampling	112
3.4	Summary of sampling size selection (proportion)	112
3.5	Sample size for different size of population at 95% confidence level	113
4.1	Assessment for normality	286
4.2	Mahalanobis distance for multivariate outliers	288
4.3	Non-response bias assessment	143
4.4	Rotated components and loadings – servant leadership attributes	289
4.5	Descriptive statistics of servant leadership	147
4.6	Rotated components and loadings - EO	292
4.7	Descriptive statistics of EO	148
4.8	Rotated components loadings – cooperative’s performance	293
4.9	Descriptive statistics of cooperative’s performance	150
4.10	Model comparison to analyze common method variance	158
4.11	Index category and the level of acceptance for every index	159
4.12	Discriminant validity test	161
4.13	Reliability test	163
4.14	Hypotheses and result	166

4.15	Output of direct effect (SL → CP)	169
4.16	Output of EO as mediation effect between SL and CP	169
4.17	Summary of research objectives, research questions and key findings	172

LIST OF FIGURES

FIGURE	TITLE	PAGE
2.1	Research framework	95
3.1	Research design	105
3.2	Research process	106
4.1	Respondent's gender	135
4.2	Respondent's tenure of service in cooperative	136
4.3	Types of cooperative's population	137
4.4	Length of cooperative's in operation	138
4.5	Number of cooperative's members	139
4.6	Scree plot for EO	149
4.7	Scree plot for cooperative's performance	150
4.8	Standardized parameters estimated in one-factor congeneric validation model for Do Right Thing (DT)	151
4.9	Standardized parameters estimated in one-factor congeneric validation model for Democratic (DM)	152
4.10	Standardized parameters estimated in one-factor congeneric validation model for Develop Others (DO)	153
4.11	Standardized parameters estimated in two-factor congeneric validation model for Develop Vision (DV) and Develop Community (DC)	154

4.12	Standardized parameters estimated in one-factor congeneric validation model for entrepreneurial orientation (EO)	155
4.13	Standardized parameters estimated in one-factor congeneric validation model for cooperative's performance (CP) – (Financial and Member's Welfare)	156
4.14	Full measurement model for SL attributes, CP and EO	157
4.15	AMOS model specification for antecedents and outcome for SL on CP	164
4.16	Standardized parameters estimated in SEM for antecedents and outcome of SL and CP	165
4.17	Modeling the direct effect of SL on CP	169
4.18	Modeling the mediation effects of EO between SL and CP	170

LIST OF APPENDICES

APPENDIX	TITLE	PAGE
A	Table 2.1 Repetitive attributes of servant leadership by author	269
B	Table 2.2 Similarities between servant leadership and cooperative leader	273
C	Table 2.3 Summary of social entrepreneurship/enterprise definition	276
D	Table 2.12 Entrepreneurial Servant Leadership (ESL) construct	281
E	Table 4.1 Assessment for normality	286
F	Table 4.2 Mahalanobis distance for multivariate outliers	288
G	Table 4.4 Rotated components loadings – servant leadership attributes	289
H	Table 4.6 Rotated components loadings – entrepreneurial orientation	292
I	Table 4.8 Rotated components loadings – cooperative’s performance	293
J	Questionnaire	294

LIST OF ABBREVIATIONS

AGFI	-	Adjusted Goodness of Fit Indexes
ANGKASA	-	Angkatan Koperasi Kebangsaan Malaysia Berhad
AMOS	-	Analysis of Moment Structure
AVE	-	Average Variance Estimates
CFA	-	Confirmatory Factor Analysis
CFI	-	Comparative Fit Indexes
CR	-	Composites Reliability
DTI	-	Department of Trade Industry
EFA	-	Exploratory Factor Analysis
EMES	-	European Research Network
EO	-	Entrepreneurial Orientation
ESL	-	Entrepreneurial Servant Leadership
FA	-	Factor Analysis
GFI	-	Goodness of Fit Indexes
ICA	-	International Cooperative Alliance
MKM	-	Maktab Koperasi Malaysia
NCP	-	National Cooperative Policy
RMSEA	-	Root Mean Square Error of Approximation
SIC	-	Squared Inter Construct Correlation
SKM	-	Suruhanjaya Koperasi Malaysia
SE	-	Social Entrepreneurship
SEM	-	Structural Equation Model
SPSS	-	Statistical Package for Social Science

CHAPTER 1

INTRODUCTION

Over time, leadership has been a choice of study in organizational and social science research. More importantly, leadership widely recognized as being important in any organizational setting as it is the guiding force which facilitates the accomplishment of organizational objectives (Lussier and Achua, 2004). Effective leadership is seen as a potent source of management development and sustained competitive advantage for organizational performance improvement (Lado et al., 1992; Avolio and Bass, 1999; and Rowe, 2001). Out-performing, staying ahead of the competition and in sustaining today's business presence in the market can be the biggest challenges in leadership's roles.

In the past few decades, management practices around the world have elevated some serious issues regarding leadership styles, and the worldwide economic downturn has stimulated researchers to develop and define new models of ethical leadership, which in turn can solve the uprising challenges in the corporate world (Choudhary et al., 2012). The debate continues and questions have been raised on the important of the leaders as a key person in the organization, and how to use leadership behavior to improve organizational performance (McGrath and MacMillan, 2000; Meyer and Heppard, 2000; Judge and Ellis, 2002; Yukl, 2002; Judge and Piccolo, 2004; Purcell et al., 2004; O'Regan et al., 2005; and Keller, 2006). Early work on leadership was focused primarily on what leaders did and putting particular emphasize on leadership style to measure the effectiveness of the organization.

The types of leadership also debated by scholars in performing different contribution to the organizational goals, learning and performance (Zacharatos et al., 2000; and Berson et al., 2001). In presence, Choudhary et al. (2012) argued that the ‘Leader-Follower’ leadership style is the most important discussions in the corporate world because this model applied to engage with ethical, moral and relational dimensions as the facet to measure leadership effectiveness, in contrast to the “input” and “performance output” of conventional approaches. In fact, previous scholars have listed leader’s role and responsibilities to achieve organizational goals as a person who influenced behavior and to meet their follower’s requirements (Ilies et al., 2007; and Lee and Chuang, 2009) and it has proven to be a rich leadership approach over the past several decades (Graen and Uhl-Bien, 1995; and Anand et al., 2011).

Although, extensive research has been carried out on leadership (Yukl, 1989, 2001; Avolio, 2005; Popper et al., 2007; Eddy et al., 2008 and Angelo et al., 2014), few were observed and measured the relationship of servant leadership type on social entrepreneurship. Servant leadership is one of leader-follower type that promotes collaboration, trust, foresight, taking a head, and the ethical usage of force and empowerment (Stramba, 2003). Spears (1996) define servant leadership as a leadership model that puts serving others as the number one priority. This leader emphasizes increased service to others; a holistic approach to work; promoting a sense of community; and the sharing of power in decision-making. Existing studies of servant leadership are mainly in the context of Small Medium Enterprise (SME) or other conventional types of organizations without looking their impact on social enterprises.

Thus, to tackle the above weaknesses in the literature, the interest of this research is to explore servant leadership in the context of social enterprise by determining the

relationship (servant leadership and cooperative's performance) and testing the entrepreneurial orientation (EO) as the mediator between servant leadership and cooperative's performance.

1.1 Background of the study

This following section gives a brief overview of leadership, servant leadership, the history of social entrepreneurship (SE), cooperative, and entrepreneurial orientation (EO) as the main focus in this research.

1.1.1 Leadership and social entrepreneurship

Several studies have been carried out leadership in social enterprise. So far, too little attention has been raised about the importance and relationship of leaders on social enterprise's performance. An article wrote by Prabhu (1999) defined social entrepreneurial leaders are persons who create and manage innovative entrepreneurial organizations or ventures whose primary mission is the social change and development of their client group. He further explained that social entrepreneurial leaders take multiple roles in their organization; they are creator and transformer of the organization, initiate of new systems, culture and programs, they do strategic planning, policy making, hire people and provide them mentorship. They also have to face conflicts between organizational and personal roles, primarily due to the high external influence on their organizations. Prabhu's ideas supported Swamy (1990) study, which he found social entrepreneurial leadership are courage to withstand social censure; sensitivity to feelings of others; ability to persevere; ability to develop and articulate a clear vision; to instill confidence in others; to think creatively; to identify and met the needs of the client group; and able to put in long hours

of work. These studies would have been more useful if the authors have considered the relationship of leaders' attributes on the performance of social enterprises.

The concept of SE is not an entirely new because this topic has been around for decades and considerable interest in literature (Austin et al., 2006; Zahra et al., 2009; and Okpara and Halkias, 2011). The term 'social entrepreneur' was first mentioned in 1972 by Joseph Banks in his seminal work named *The Sociology of Social Movements*. He aroused the demand to use managerial skills to address societal problems, as well as to address business challenges. Later, in 1980's, a social entrepreneurship practice started with the formation of the first organization to support social entrepreneurs in the world, named "Ashoka" inspired by William Drayton ([http:// www.ashoka.org](http://www.ashoka.org)).

Why is SE important and require further inquiry? It is clear to see that SE is important when researchers summarized that the context of SE have pervaded and giving an impact to different views of societal life. For examples, i) SE has inspired a proposal by the proactive legislative to address socio-economic issues in countries (Lasprogata and Cotton, 2003; Prahalad, 2005; and Mair, 2008); ii) in business, SE has stimulated thinking of new business models to enhance low income populations in the developing countries, as their primary aim is to attain social mission in empowering specific disadvantaged communities or target groups (Mair and Marti, 2006; Mair and Noboa, 2006; Mair, 2008; and Ericka Costa et al., 2012); iii) in finance, according to Mair (2008) SE has reflecting social stock markets and socially-responsible investment and finally, iv) in the field of philanthropy SE has witnessed a dramatic shift toward strategic and impact orientation (Mair, 2008). The importance of social entrepreneurs was also stressed by Thompson et al. (2000) that the opportunity in business is to satisfy some unmet need that the state welfare

system will not or cannot meet, thus the entrepreneurs gather the necessary resources and use to 'make a difference' to the stakeholders.

Although SE topic is not new, majority of previous studies were based on conceptual and reviewed paper. For example, previously Prabu (1999) have point out that leadership in social entrepreneurship is unexplored area and has tremendous prospects in developing the field of leadership. He has highlighted some of possible attributes of social leader to be tested. Merely, it is even a lack of observational and empirical data, especially in leadership concept. Leadership in social venture development is a complex and crucial variable. In order to gain better understanding on the impact of leadership in social enterprise, the questions on how leaders manage and sustain changes in their organizations, how they promote successful social reforms circumstances and the most important is how they engage, motivate and empower their followers need to be identified. Leadership in social enterprise can be potential factor to transform markets for social benefits.

However, few studies were found in the literature discussed in this area. To fill this gap, this research chose the application of servant leadership in social enterprise (cooperative) and to examine the significant impact on cooperative's performance. In Malaysia, the Economic Report of Cooperative Sector reported there were cooperative's managerial issues (ethical) and governance problems occurs among cooperatives (Suruhanjaya Koperasi Malaysia, 2010). Previously, others scholars also found that cooperatives in Malaysia faced challenges in managing the cooperative (Shenoy and Mohamed, 1994; Indar Kaur et al., 2005; Yaakob, 2006; and Othman and Kari, 2008) and this could lead to negative impacts on nation's and community development (Kindie and Tsegaye, 2012). Cooperative needs a leader who can shape the whole culture of the