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# Innovativeness as Essential Part of Entrepreneurial Training in Developig the Competitive Advantage: Terengganu Creative Industry

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**Abstract** - Basically, the main objective of this study is to measure the significance of entrepreneurial training of innovativeness toward the competitive advantage in Terengganu creative industry. This paper will look into the influence of innovativeness in four major business elements, there are; product innovation, production innovation, generating source of supply and management structure. Furthermore, the moderating effect of utilising market opportunity was also investigated. This study was conducted by distributing questionnaires to 107 creative entrepreneurs who are registered in Kraftangan Malaysia, Terengganu. However, they are only 105 respondents returned the questionnaires. Analysis of the data revealed that the entrepreneurial training of innovation with the four major business elements (e.g. product development, production, source of supply and management structures) are weakly correlate with competitive advantages. In addition, the moderating of utilising market opportunities make the relationship of entrepreneurship training of innovations and competitive advantage become very weak correlation. These findings indicated that most of creative entrepreneurs are not excited to practice the innovation in their business. In fact, most of them are not desire to utilised the market opportunities as a supportive to their entrepreneurship training of innovations toward the competitive advantage.

**Keywords** : *Innovation, competitive advantage, entrepreneurship training, entrepreneurship education, creative industry, Malaysia.*

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# Innovativeness as Essential Part of Entrepreneurial Training in Developing the Competitive Advantage: Terengganu Creative Industry

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## I. INTRODUCTION

The Malaysian Handicraft Development Corporation (Kraftangan Malaysia) has identified the small and micro-enterprises in the Malaysian creative industry as a priority in increasing the Malaysian gross

domestic products. Currently, the Malaysia government provides excellent support towards the development of creative industry (Hatta Azad Khan, 2006). One of the areas that were government considered is increasing the ability of the creative entrepreneurs in innovations of their products and other elements of their business such as production, source of supply and their management structure. The researchers argue that one of the major contributors to the ability of the entrepreneurs to innovate is through the education and training that they received.

As mentioned by previous researchers, the development of knowledge and skill of entrepreneurs, to a large extent may be dependent on the type of education that they received. Ehrlich et al (2000) argues that entrepreneurial education and training significantly impacts participants' perceptions of their abilities to develop and expand their business. Mike et al (2004) has added that several of the syllabuses of entrepreneurial education that aims to develop personality traits and business knowledge includes innovation, creativity, vision, commitment, perseverance, autonomy, locus of control, and risk taking toward their business. However, there is lack of researches carried out on the teachings of innovativeness in micro and small business training.

Innovation has become a major component in entrepreneurship, where through innovation entrepreneurs will be looking for new opportunities, changes as opportunities for new markets changes and also develop their competitive advantage (Bird, 1989). There are diverse perceptions regarding the definition of innovativeness in entrepreneurship which may create positive business performance, such as the ability to identify opportunities in a new market (Zacharakis, 1997); distinguishing one's offering from competitors (Stewart et al, 2003); better personality traits (Ab Aziz Yusof, 2009); improving on any business weaknesses (Gurol, 2006); and created new sources of supply (Bird, 1989). Hence, innovativeness become as a crucial part in entrepreneurial training in developing their sense of competitive advantage. Based on the findings of past research, the researchers hope that this paper will

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contribute to the determination of the significance of innovativeness as part of the development of entrepreneurial training in the Malaysian creative industry.

As the Terengganu creative industry grows from the producing sector into more complexes in industrialization, entrepreneurship will draw more attention to the need for emphasizing on creative industry. In fact, Successful entrepreneurs will contribute to the growth of creative industry in Malaysia, especially Terengganu (Rais Yatim, 2006). In United Kingdom, for example, the creative industry has become a main sector which contributed to its gross domestic product where the growing rate from 1997 to 2003, is faster than any other economic sector (Einarsson, 2002). Additionally, it had expanded by an average of 6 percent per annum (Carey and Naudin, 2006).

At present, the Malaysian government hopes to develop and expand several sectors which are related to the development of creative ideas in art composition by craftsman and artisan in areas such as batek, songket weaving, wood carving, furniture making, music, and film. Furthermore, the creative industry was identified as one of the key industry to transform the Malaysian economy. This sector has the potential to grow and take the role as a catalyst in product and business innovation across other sectors within the economy. Innovative become as a major components to develop the Malaysian creative entrepreneurs to become more opportunistic in a competitive advantage. Malaysia Handicraft development Corporation was identified as an agency which is responsible to develop a sense of innovations, creative, and business-oriented among creative entrepreneurship in a Malaysian creative industry.

#### a) *Entrepreneurship in Malaysia Handicraft Development Corporation*

Malaysia Handicraft Development Corporation or known as Kraftangan Malaysia was founded in 1<sup>st</sup>. October 1979 under Act 222, Malaysian Craft Agencies Act. Basically, the main role of Kraftangan Malaysia is to preserved Malaysian craft heritage, to develop and upgrade the craft activities as an important industry. In addition, Kraftangan Malaysian has been emphasising the development of the local creative entrepreneurs to become successful business, in the context of product development, promotion, business management, and marketing. As a result, Kraftangan Malaysia has been implemented various programs which are able to increase the level of entrepreneurship among artists, such as research and development program, promotion development program, craft entrepreneurship program, and craft training and development centre.

The Department of Development Craft Industry tin Kraftangan Malaysia takes responsibility to accommodate facilities, technology, and workshop training program to develop local creative entrepreneurs. In term of product innovative, the

research and development department at Kraftangan Malaysia has put great emphasis on the product development in the context of product design, packaging, craft inventory and interior design; technological study in productivity and quality; identifying alternative material in craft producing and to maintain standard of quality in handicraft production. Many entrepreneurs in the Malaysian creative industry belong to the small and medium scale industry. A variety of product are produced by local creative entrepreneurs, like batik, ceramics, wood, forest based fiber, pewter, songket, silver, crystal and leather. Kraftangan Malaysia also takes responsible to develop creative entrepreneurs through several programs, such as, to build up the sense of entrepreneurship among craft producers, like to instruct entrepreneurship among craft producers, to establish the existing craft entrepreneurs, to develop the invention of craft product, to upgrade the level of producing through innovation, to promote the craft product either domestic or international level, and also to protect the traditional heritage.

Furthermore, Kraftangan Malaysia has been working hard to bring local product into international market through several international exhibitions, such as Hong Kong Gifts dan Premium Fair, Spring Fair Birmingham, and "Minggu Malaysia Di London". The purpose of this program is to expand the size of market segment among creative entrepreneurs into global market through product export and tourism. Therefore, Kraftangan Malaysia has implemented two approaches to make sure this program became reality, there are *Khidmat Dagang* (Trade Service) and Promotion. The objective of Trade Service activity is to assist the creative entrepreneurs to grab opportunities either at local or international market through exhibition, showcase events, and electronic medium (E-Business). Kraftangan Malaysia has allocated several locations for exhibition and showcase activity for the local entrepreneurs in the creative industry to exhibit their product. Examples are Komplek Kraftangan Kuala Lumpur, Kompleks Kraf Langkawi, Perkampungan Pelukis, Kedai Kraf, Galeri Batik dan Tenun, and Muzium Kraf. In addition, Kraftangan Malaysia has also offered e-business service to the creative entrepreneurs to use the internet as medium to penetrate the global market.

#### b) *Innovativeness as Part of Education and Training in Entrepreneurship Education*

Innovativeness has a comprehensive study which includes the creation of new products, new methods of production, new quality product, to get into a new market, to create a new source of supply, to create new organization and also structuring in business. According to Zacharakis (1997), good entrepreneurs are always looking for new opportunities for the changes in opportunities in the market place. Stewart et al (2003) argued that innovation is inherent in the role of entrepreneurship and it distinguished between entrepreneurs and managers.

Meanwhile, the word of entrepreneurship has become a common term used to describe people who are innovative, creative and open to change. Education and training become as a medium to transfer entrepreneurs to become more on innovation oriented. Ibrahim and Soufani (2002) also agreed and have supported in their research that entrepreneurial education and training is an effective way to reduce small business failure in Canada. In addition, Einarsson (2002) has looked the important of education in culture activities, economic, society and ideology as factors in a creative industry that affected the manager or artists to make any decision about their arts producing. Therefore, creativity, innovative and cognitive thinking is important part to educate creative entrepreneurs to become a good producers, wholesalers and retailers in a creative industry.

## II. REVIEW OF THE LITERATURE

Antonicic et al (2004) suggested that the term entrepreneurship education can be defined as a structure, formal conveyance of entrepreneurial knowledge. Entrepreneurship also can define as a capacity for innovation, investment, and expansion in new markets (Nathaniel H. Leff, 1981). In addition, Young (1997), has defined that the meaning of entrepreneurial knowledge is a concepts, skills, and mentality of individual business owners' use during the course of starting and developing their growth-oriented business.

Education and training can lead to development and improvement in some elements of entrepreneurship, especially in development of entrepreneurial personality. Nowadays, most of entrepreneurial study has included several factors in the development of entrepreneurial personality, such as; need for achievement (McClelland, 1961; Rotter, 1966); locus of control (Rotter, 1966); risk-management (Casson, 1982; Caird, 1988); tolerance for ambiguity (Shane et al, 2003), self-confidence (Gurol et al, 2006), and also innovativeness (McClelland, 1961; Casson, 1982; Littunen, 2000; Gurol et al, 2006; Bird, 1989). However, Gartner (1990) has argued that the entrepreneur theme is the idea that entrepreneurship involves individuals with unique personality characteristics and abilities in a context of creativity, vision, commitment, perseverance, autonomy, locus of control, innovative, and risk taking. In additional, Zimmerer et al (2005) has added that a good value entrepreneur is a person who can utilize an idea in their business, has good attitude, and is innovative in a product development to match in a market. As well as highlighted by previous researchers, innovativeness plays an important role in the characteristics of an entrepreneur during the start-up phase of a firm. Innovative means that the entrepreneur must have the ability to produce solutions in new situations (Bird, 1989). Innovation has a comprehensive definition including creating new products or new quality, to create

new methods of production, to get into new a new market, to create a new source of supply or to create new organization or structure in business. Meanwhile, Drucker claims that innovation is the major tool of entrepreneurship, where through innovations entrepreneurs will looking for new opportunities, changes as opportunities for new markets, products or ideas. Stewart *et al* (2003) argues that innovation is inherent in the role of entrepreneurship and it can separate entrepreneurs from managers. In fact, the term of entrepreneurship describe the process undertaken by an entrepreneur to augment his business interest (Desai, 2007). It is an exercise involving innovation and creativity that will go towards establishing enterprise.

Both Gurol (2006) and Littunen (2000) argue that in order to overcome their weakness, entrepreneurs must be innovative enough to develop better product and production process. Meanwhile, Bird (1989) adds that innovation must be implemented in the creation of new source of supply. As highlighted by previous researchers, four main indicators have been identified to support the measurement of innovation in entrepreneurial personality; they are innovation to develop current product performance, to develop current production, to create new source of supply and new structure in management.

## III. HYPOTHESIS AND THEORETICAL FRAMEWORK

The main objective of this paper is to determine whether there are any significant relationship between entrepreneurship training in innovations and the competitive advantage in Terengganu creative industry. Based on literature study, the researchers have divided innovativeness into four major elements, they are; innovativeness in product development; innovativeness in production; innovativeness in generating new source of supply; and innovativeness in management structure. In addition, this study constructed nine hypotheses related to the main objective. The nine hypotheses that have been developed for this paper are as follows;

- H1: There is significant relationship between entrepreneurship training in product development and competitive advantage
- H2: There is significant relationship between entrepreneurship training in production and competitive advantage
- H3: There is significant relationship between entrepreneurship training in source of supply and competitive advantage
- H4: There is significant relationship between entrepreneurship training in management structure and competitive advantage
- H5: There is significant relationship between utilizing market opportunities and competitive advantage
- H6: Utilising Market Opportunities would significantly affect the relationship between



- entrepreneurship training in product development and competitive advantage
- H7:* Utilising Market Opportunities would significantly affect the relationship between entrepreneurship training in production and competitive advantage
- H8:* Utilising Market Opportunities would

significantly affect the relationship between entrepreneurship training in source of supply and competitive advantage

- H9:* Utilising Market Opportunities would significantly affect the relationship between entrepreneurship training in management structure and competitive advantage

Figure 1 presented the theoretical framework based on the nine hypotheses that were constructed before.

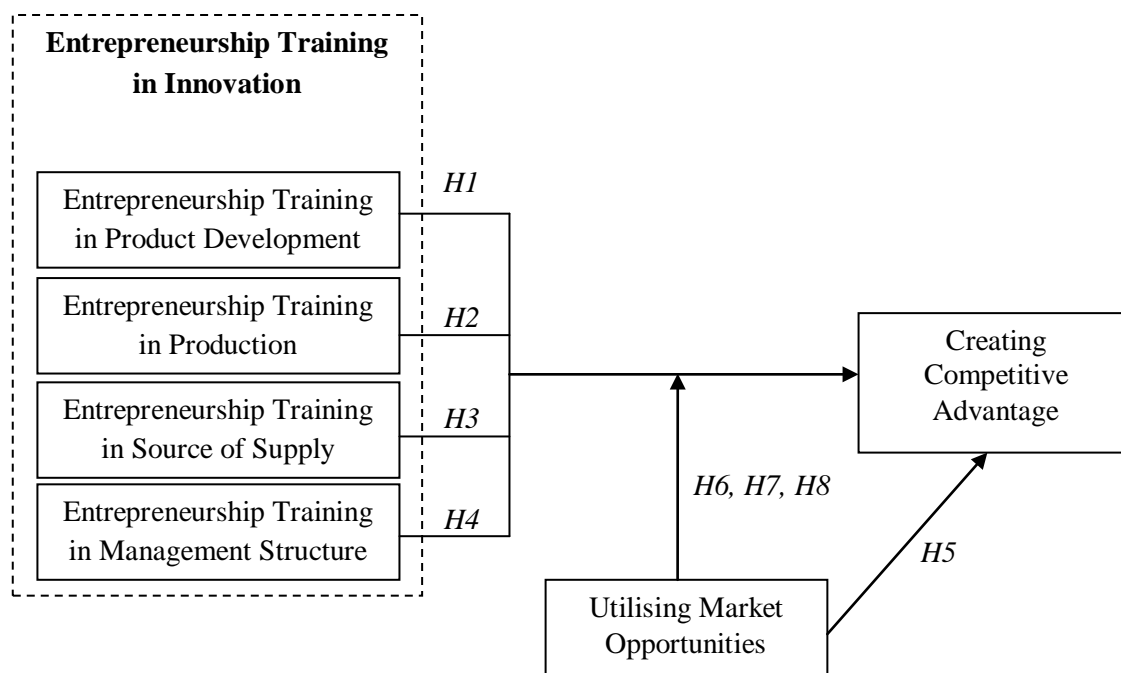


Figure 1 : Theoretical Framework on Innovativeness and Competitive Advantage

#### IV. METHODOLOGY

Since this study is aimed at addressing the phenomenon of entrepreneurship training of innovativeness to the competitive advantage among creative entrepreneurs in a Kraftangan Malaysia, a quantitative approach was used through distributed questionnaire to the respondents. As set of questionnaire was used as the main instruments in the data collection process adopted so that investigating the variables was made possible.

A population of 309 entrepreneurs in the handicraft industry was determined as respondents and 107 respondents were chosen as the sample in this study. A total of 107 questionnaires were distributed to the target respondents (Sekaran, 2005), however, only 105 respondents returned the questionnaires which equal to 99% of the total sample.

#### V. DATA ANALYSIS AND FINDINGS

The data was analysed using the Bivariate Correlation test to determine the association between innovativeness in Product Development, Production, Source of Supply and Management Structure with the ability of the entrepreneurs in the creative industry to create high competitive advantages. In addition, the moderating effect of the entrepreneurs desire to "utilise

market opportunities" was tested in the Partial Correlation. Results are shown in table 1 and 2.

When the correlation was tested without controlling the element (zero order correlation); "Utilising Market Opportunities", the results indicates that there is positive and significant association between the entrepreneurs innovativeness in product development, production, generating source of supply, management structure with the ability to create competitive advantage in the creative industry, however, all relationship are weakly correlated. In fact, the correlation between the entrepreneurs' innovativeness in product development with their ability to create competitive advantages is seen very weak correlated ( $r=.215$ ,  $p=0.029$ ). Being highly innovative in production and generating new source of supply has the weakly correlation with the entrepreneurs' competitive advantage in the industry with a correlation value of 0.426. This value of less than 0.500 indicates that the relationship is weakly correlated. All results are shown in table 1.

The Correlation between Entrepreneurship Training in Innovation and Competitive Advantage	H	Variables in Entrepreneurship Training in Innovation	Creating Competitive Advantages	Description
	<i>H1</i>	Product Development	$r = 0.215$ $p = 0.029$	Very weak correlated
	<i>H2</i>	Production	$r = 0.426$ $p = 0.000$	Weakly correlated
	<i>H3</i>	Source of Supply	$r = 0.426$ $p = 0.000$	Weakly correlated
	<i>H4</i>	Management Structure	$r = 0.408$ $p = 0.000$	Weakly correlated
	<i>H5</i>	Utilising Market Opportunities	$r = 0.496$ $p = 0.000$	Weakly correlated

*Table 1 :* The Correlation between Entrepreneurship Training in Innovation and Competitive Advantage

The researchers also conducted the test correlation between the innovativeness in the four elements of product development, production, source of supply and management structure with the entrepreneurs' competitive advantages in the creative industry by controlling their ability to utilise market opportunities. Results indicates that by controlling the elements of utilising market opportunities, three out of four factors are become very weak correlated between the entrepreneurship training of innovativeness with the creating competitive advantages. In addition, entrepreneurship training of innovativeness in product development is not significant with the entrepreneurs' ability to better compete in the market place.

Comparing these results with the results in table 1, it is clear that the correlation value in table 2 is substantially lower. In fact innovativeness in product development is not significantly related to the entrepreneurs' competitiveness in the market place as shown by the significant value of 0.906 which is greater than 0.05. Values from the correlations indicate that the entrepreneurs are not desire to utilised market opportunities is the underlying factor in strengthening the influence of innovativeness in product development, production, generating source of supply. All results can be observed in Table 2.

Controlling for Utilising Market Opportunities	H	Variables in Entrepreneurship Training in Innovation	Creating Competitive Advantages	Description
	<i>H6</i>	Product Development	$r = 0.012$ $p = 0.906$	Not significant
	<i>H7</i>	Production	$r = 0.313$ $p = 0.001$	Very weak correlate
	<i>H8</i>	Source of Supply	$r = 0.253$ $p = 0.010$	Very weak correlate
	<i>H9</i>	Management Structure	$r = 0.200$ $p = 0.043$	Very weak correlate

*Table 2 :* Correlation Result of controlling for utilising market opportunities

## VI. CONCLUSION AND RECOMMENDATION

Results of the correlation tests revealed that the entrepreneurship training of innovativeness in four major elements of a business; product development, production, source of supply and management structures are critical in helping the entrepreneurs in the creative industry to better compete in the marketplace. Furthermore, the moderating variable of utilising market opportunities has effected the relationship of entrepreneurial training in innovativeness and competitive advantage become very weak correlation.

The literatures of this paper which highlighted the importance of innovativeness in the four elements considered are not accepted by entrepreneurs in Terengganu creative industry as well as to create the sustainable competitive advantages. In fact, the findings of this study is not supported the previous literature as suggested that education and training may contribute to the innovativeness of entrepreneurs which will help them create a sustainable competitiveness advantage in the marketplace.

As recommended, results of the partial correlation indicates that the weakly correlation of entrepreneurs in the creative industry need to utilise the market opportunities in the industry in order to increase their competitiveness. In order to create innovated entrepreneurs, this paper has provided support for the inclusion of innovativeness as part of the curriculum or syllabus in the training of entrepreneurs in the creative industry. Furthermore, the findings of this study are also applicable to a wide range of creative industry in Malaysia. It can be used to increase the level of productivity in the creative industries which may help the entrepreneurs to penetrate new markets. The Malaysian government can utilize this finding as a foundation to plan and create better policies, procedures and programs for the entrepreneurs in the handicraft and creative industry.

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