

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

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8

9 **Abstract**

10 Basically, the main objective of this study is to measure the significance of entrepreneurial
11 training of innovativeness toward the competitive advantage in Terengganu creative industry.
12 This paper will look into the influence of innovativeness in four major business elements, there
13 are; product innovation, production innovation, generating source of supply and management
14 structure. Furthermore, the moderating effect of utilising market opportunity was also
15 investigated. This study was conducted by distributing questionnaires to 107 creative
16 entrepreneurs who are registered in Kraftangan Malaysia, Terengganu. However, they are only
17 105 respondents returned the questionnaires. Analysis of the data revealed that the
18 entrepreneurial training of innovation with the four major business elements (e.g. product
19 development, production, source of supply and management structures) are weakly correlate
20 with competitive advantages. In addition, the moderating of utilising market opportunities
21 make the relationship of entrepreneurship training of innovations and competitive advantage
22 become very weak correlation. These findings indicated that most of creative entrepreneurs
23 are not excited to practice the innovation in their business. In fact, most of them are not
24 desire to utilised the market opportunities as a supportive to their entrepreneurship training
25 of innovations toward the competitive advantage.

26

27 **Index terms**— Innovation, competitive advantage, entrepreneurship training, entrepreneurship education,
28 creative industry, Malaysia.

29 **1 INTRODUCTION**

30 The Malaysian Handicraft Development Corporation (Kraftangan Malaysia) has identified the small and micro-
31 enterprises in the Malaysian creative industry as a priority in increasing the Malaysian gross domestic products.
32 Currently, the Malaysia government provides excellent support towards the development of creative industry
33 (Hatta Azad Khan, 2006). One of the areas that were government considered is increasing the ability of the
34 creative entrepreneurs in innovations of their products and other elements of their business such as production,
35 source of supply and their management structure. The researchers argue that one of the major contributors to
36 the ability of the entrepreneurs to innovate is through the education and training that they received.

37 As mentioned by previous researchers, the development of knowledge and skill of entrepreneurs, to a large
38 extent may be dependent on the type of education that they received. Ehrlich et al (2000) argues that
39 entrepreneurial education and training significantly impacts participants' perceptions of their abilities to develop
40 and expand their business. Mike et al (2004) has added that several of the syllabuses of entrepreneurial
41 education that aims to develop personality traits and business knowledge includes innovation, creativity, vision,

2 B) INNOVATIVENESS AS PART OF EDUCATION AND TRAINING IN ENTREPRENEURSHIP EDUCATION

42 commitment, perseverance, autonomy, locus of control, and risk taking toward their business. However, there is
43 lack of researches carried out on the teachings of innovativeness in micro and small business training.

44 Innovation has become a major component in entrepreneurship, where through innovation entrepreneurs will
45 be looking for new opportunities, changes as opportunities for new markets changes and also develop their
46 competitive advantage (Bird, 1989) There are diverse perceptions regarding the definition of innovativeness in
47 entrepreneurship which may create positive business performance, such as the ability to identify opportunities
48 in a new market (Zacharakis, 1997); distinguishing one's offering from competitors (Stewart et al, 2003); better
49 personality traits (Ab Aziz Yusof, 2009); improving on any business weaknesses (Gurol, 2006); and created new
50 sources of supply (Bird, 1989). Hence, innovativeness become as a crucial part in entrepreneurial training in
51 developing their sense of competitive advantage. Based on the findings of past As the Terengganu creative
52 industry grows from the producing sector into more complexes in industrialization, entrepreneurship will draw
53 more attention to the need for emphasizing on creative industry. In fact, Successful entrepreneurs will contribute
54 to the growth of creative industry in Malaysia, especially Terengganu (Rais Yatim, 2006). In United Kingdom, for
55 example, the creative industry has become a main sector which contributed to its gross domestic product where
56 the growing rate from 1997 to 2003, is faster than any other economic sector (Einarsson, 2002). Additionally, it
57 had expanded by an average of 6 percent per annum (Carey and Naudin, 2006).

58 At present, the Malaysian government hopes to develop and expand several sectors which are related to
59 the development of creative ideas in art composition by craftsman and artisan in areas such as batik, songket
60 weaving, wood carving, furniture making, music, and film. Furthermore, the creative industry was identified as
61 one of the key industry to transform the Malaysian economy. This sector has the potential to grow and take
62 the role as a catalyst in product and business innovation across other sectors within the economy. Innovative
63 become as a major components to develop the Malaysian creative entrepreneurs to become more opportunistic in
64 a competitive advantage. technological study in productivity and quality; identifying alternative material in craft
65 producing and to maintain standard of quality in handicraft production. Many entrepreneurs in the Malaysian
66 creative industry belong to the small and medium scale industry. A variety of product are produced by local
67 creative entrepreneurs, like batik, ceramics, wood, forest based fiber, pewter, songket, silver, crystal and leather.
68 Kraftangan Malaysia also takes responsible to develop creative entrepreneurs through several programs, such as,
69 to build up the sense of entrepreneurship among craft producers, like to instruct entrepreneurship among craft
70 producers, to establish the existing craft entrepreneurs, to develop the invention of craft product, to upgrade the
71 level of producing through innovation, to promote the craft product either domestic or international level, and
72 also to protect the traditional heritage.

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

85 2 b) Innovativeness as Part of Education and Training in 86 Entrepreneurship Education

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

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

101 3 II.

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

107 Education and training can lead to development and improvement in some elements of entrepreneurship,
108 especially in development of entrepreneurial personality. Nowadays, most of entrepreneurial study has
109 included several factors in the development of entrepreneurial personality, such as; need for achievement
110 ??McCleland, 1961;Rotter, 1966); locus of control (Rotter, 1966); risk-management (Casson, 1982;Caird,
111 1988); tolerance for ambiguity (Shane et al, 2003), self-confidence (Gurol et al, 2006), and also innovativeness
112 ??McClelland,1961;Casson, 1982;Littunen, 2000;Gurol et al, 2006;Bird, 1989). However, Gartner (1990) has
113 argued that the entrepreneur theme is the idea that entrepreneurship involves individuals with unique personality
114 characteristics and abilities in a context of creativity, vision, commitment, perseverance, autonomy, locus of
115 control, innovative, and risk taking. In additional, Zimmerer et al (2005) has added that a good value entrepreneur
116 is a person who can utilize an idea in their business, has good attitude, and is innovative in a product development
117 to match in a market. As well as highlighted by previous researchers, innovativeness plays an important role in the
118 characteristics of an entrepreneur during the start-up phase of a firm. Innovative means that the entrepreneur
119 must have the ability to produce solutions in new situations (Bird, 1989). Innovation has a comprehensive
120 definition including creating new products or new quality, to create new methods of production, to get into new a
121 new market, to create a new source of supply or to create new organization or structure in business. Meanwhile,
122 Drucker claims that innovation is the major tool of entrepreneurship, where through innovations entrepreneurs
123 will looking for new opportunities, changes as opportunities for new markets, products or ideas. Stewart et al
124 (2003) argues that innovation is inherent in the role of entrepreneurship and it can separate entrepreneurs from
125 managers. In fact, the term of entrepreneurship describe the process undertaken by an entrepreneur to augment
126 his business interest ??Desai, 2007). It is an exercise involving innovation and creativity that will go towards
127 establishing enterprise.

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

134 4 III. HYPOTHESIS AND THEORETICAL FRAMEWORK

135 The main objective of this paper is to determine whether there are any significant relationship between
136 entrepreneurship training in innovations and the competitive advantage in Terengganu creative industry. Based
137 on literature study, the researchers have divided innovativeness into four major elements, they are; innovativeness
138 in product development; innovativeness in production; innovativeness in generating new source of supply; and
139 innovativeness in management structure. In addition, this study constructed nine hypotheses related to the main
140 objective. The nine hypotheses that have been developed for this paper are as follows; H1: There is significant
141 relationship between

142 5 METHODOLOGY

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

147 A population of 309 entrepreneurs in the handicraft industry was determined as respondents and 107
148 respondents were chosen as the sample in this study. A total of 107 questionnaires were distributed to the
149 target respondents (Sekaran, 2005), however, only 105 respondents returned the questionnaires which equal to
150 99% of the total sample.

151 V.

152 6 DATA ANALYSIS AND FINDINGS

153 The data was analysed using the Bivariate Correlation test to determine the association between innovativeness
154 in Product Development, Production, Source of Supply and Management Structure with the ability of the
155 entrepreneurs in the creative industry to create high competitive advantages. In addition, the moderating effect
156 of the entrepreneurs desire to "utilise Global Journal of Human Social Science Volume XI Issue VII Version
157 I When the correlation was tested without controlling the element (zero order correlation); "Utilising Market
158 Opportunities", the results indicates that there is positive and significant association between the entrepreneurs
159 innovativeness in product development, production, generating source of supply, management structure with the

7 CONCLUSION AND RECOMMENDATION

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 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 then 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

7 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 utilised 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 use 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. ^{1 2}



Figure 1: T

1

The Correla- tion between Entrepreneurship Training in In- novation and Competi- tive Advantage	H Variables in Entrepreneurship Training in Innovation	Creating Competitive Advantages	Description
	H1 Product Development	$r = 0.215$ $p = 0.029$	Very weak corre- lated
	H2 Production	$r = 0.426$ $p = 0.000$	Weakly correlated
	H3 Source of Supply	$r = 0.426$ $p = 0.000$	Weakly correlated
	H4 Management Structure	$r = 0.408$ $p = 0.000$	Weakly correlated
	H5 Utilising Market Opportunities	$r = 0.496$ $p = 0.000$	Weakly correlated

Figure 2: Table 1 :

2

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

Figure 3: Table 2 :

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