

Chapter 11

Role of Intellectual Capital in Women Entrepreneurs' Business Performance

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ABSTRACT

This chapter presents an in-depth analysis on the relationship between intellectual capital and business performance in view to highlight gaps in the knowledge of women entrepreneurship in Malaysian small and medium enterprises (SMEs). The creation of intellectual capital is crucial to cope with organizational competitive issues in the present dynamics of globalized economics. A conceptual model is developed linking different dimensions of intellectual capital to business performance. In doing so, the sample of 167 respondents from women SME entrepreneurs in Kelantan was utilized. The survey data were analyzed using SPSS version 22. The results of the study reveal that intellectual capital significantly influences business performance. This enables entrepreneurs and scholars to make appropriate decisions that can foster business progress. Moreover, the empirical study presented in this chapter is the first of its kind over women SMEs from multiple sectors operating in Kelantan state located at the east coast of Peninsular Malaysia.

INTRODUCTION

European and Euro Asian women have profited from entrepreneurship as means of survival and employability (UNECE, 2004). They have been operating actively in numerous organizations and contributing to national economies (United Nations, 2006). The situation is similar to Malaysia, whereby women entrepreneurs have increased in numbers and promoted the economy for the past three decades (Teo & Chong, 2007). Malaysian women entrepreneurs can be categorized into employers, freelance individuals

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and self-employed persons (Jamilah, 1992). Setting aside the classification of employment, the business performance of women entrepreneurs has become a vital expanse of current policy and academic discussion. Notwithstanding this matter, little thorough study has been embarked specifically to address the issues pertaining to women entrepreneurs' business performance in Malaysia.

Jamak, Ali and Ghazali (2014) highlighted that high competition, lack of business networks and lack of management skills are the main problems facing the Malay entrepreneurs, particularly women. Their inability to build good business network creates major barrier to develop their business, gain visibility and achieve competitiveness (Abidin, Harun, & Rahman, 2014). SME entrepreneurs are having troubles in getting skilled or unskilled workers, besides facing high workers turnover (Tapsir, Abu Kasim, Mohd. Hafizudin, Mohd. Syauqi, & Rosnani, 2012). As affirmed by Mohd Johari Baharom, Deputy Minister of Agriculture and Agro-based industry in the Agro-based Industry Entrepreneurs Seminar 2010, TEKUN (Entrepreneurship Group Economic Fund) borrowers lack basic business skills, thus, are more likely to be exposed to the risks of failing in business venture. (BH, 2 June 2010). It is clear that women SME entrepreneurs depend solely on the tangible asset (financial capital) and often ignore intangible resource like intellectual capital. In fact, most studies on SME performance are focusing more on technology but lacking in term of resources especially intellectual capital (Ngah, Abd Wahab & Salleh, 2015).

Moreover, it is of utmost importance for women entrepreneurs to realize the internal resources that the enterprise possesses and controls coherent with the orientation of management of a firm, especially while they are competing in this puzzling globalized business ground. In line with resource-based view (RBV) theory, an institution or organization shall attain perpetual competitive advantages by executing strategies that exploit their internal strengths (Barney, 2001), specifically intellectual capital.

Capital has been viewed as a significant contributor to process of value-creation and performance in organizations (Wang & Yuan, 2017; Sullivan, 2000). It is a strategic effective element for all types of firms, including SMEs. Nevertheless, there is limited relevance of SME in intellectual capital research. Such situation is conflicting with the huge population of SMEs and the part they play in the actual world (Marzo & Scarpino, 2016). Malaysian SMEs have contributed to the country's economic growth (Chelliah, Sulaiman & Yusoff, 2010) by delivering 59.5% of total employment and 28.4% of exports in 2010 (NSDC, 2015). SMEs signified 98.5% business establishments in Malaysia and amounted to 907,065 enterprises (SME Corp., 2016). About 20% of the estimated registered totals are women (CEDAR, 2018). Apart from its substantial formation, the 60% failure rate of SMEs is terrifyingly high and demands absolute attention from the government (Ahmad & Seet, 2009; Husin & Ibrahim, 2014). Chong (2012) claims the failure rate is getting higher though the government has offered various initiatives and supports. Therefore, a research needs to be conducted in an attempt to reveal the associations between intellectual capital and business performance among women SME entrepreneurs in Malaysia. In order to postulate three components of intellectual capital (human capital, organizational capital and relational capital) within the comprehensive area of entrepreneurship studies and to investigate their relationship with business performance, the first part of the chapter brings forward relevant literature review and hypothesis formulation. The second part of the chapter endeavors to elucidate research methodology, results and discussion. Finally, implications and conclusion are discussed.

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