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**LEARNING ORIENTATION, ENTREPRENEURIAL  
ORIENTATION AND LEGAL ISSUES ON WOMEN-OWNED Smes'  
PERFORMANCE**

Norshafizah Hanafi (a)\*, Jasmani Mohd Yunus (b), Ruzita Bt Azmi (c), Fazilah Bt Mohd  
Othman (d)

\*Corresponding author

(a) Norshafizah Hanafi, UUM Kuala Lumpur/TISSA, UUM Sintok, Malaysia, norshafizah@uum.edu.my,  
60172761165

(b) Jasmani Mohd Yunus, UUM Kuala Lumpur/SBM, UUM Sintok, Malaysia, Jasmani@uum.edu.my, 60124237440

(c) Ruzita Bt Azmi, UUM Kuala Lumpur/SOL, UUM Sintok, Malaysia, zita@uum.edu.my, 60124823453,

(d) Fazilah Bt Mohd Othman, UUM Kuala Lumpur/SOG, UUM Sintok, Malaysia, Fazilah@uum.edu.my,  
60124857278

***Abstract***

The aim of this study is to examine the relationship between learning orientation (LO), Entrepreneurial Orientation (EO), Legal Issues (LI) and Business Performance (BP) of women-owned small and medium enterprises (SMEs) in Malaysia. A theoretical model based on a Resource Based View (RBV) approach to the business performance of SMEs was developed. A quantitative method was employed in the study, using questionnaires to obtain data from the respondents. The data collection is from primary data. This research is on women owned business in Klang Valley's, about 3636 companies, researches to focus in business and professional services industry sector. About 106 respondents involve in this study. The data was analysed using SPSS. The correlation analysis showed positive relationships between LO, EO, LI and BP. The findings also confirmed the effect of relationship between all the independent variables towards BP. This study offered several theoretical and practical implications to owner/managers of women owned SMEs and also to the policy makers. Future research could explore other variables to identify stronger determinants of business performance among women entrepreneurs.

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**Keywords:** Learning Orientation, Entrepreneurial Orientation, Legal Issues, Business Performance, Women owned business and Small Medium Enterprises (SME's).



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## 1. Introduction

This study is focus on women-owned SMEs in Malaysia, study in business and professional services sector in Kuala Lumpur. ‘Services’ refer to all services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing-related services such as research and development (R&D), logistics, warehouse, engineering etc. Refer to table 1 for details of SMEs definition. This business can qualify as an SME if it meets either one of the two specified criteria, namely sales turnover or full-time employees, whichever is lower. Details of the new definition are: Size of Operation Microenterprises across all sectors: Sales turnover of less than RM300, 000 OR less than 5 full-time employees (SME Corp, 2017).

Fifty one percent of the equity by women or owner or Chief Executive Officer or Managing Director is a woman that owns at least 10 percent of equity (SME Corp, 2017).

**Table 01.** SMEs definition by size of operation

Sectors	Small	Medium
Manufacturing	Sales turnover from <b>RM300,000 to less than RM15 million</b> OR full-time employees from <b>5 to less than 75</b>	Sales turnover from <b>RM15 million to not exceeding RM50 million</b> OR full-time employees from <b>75 to not exceeding 200</b>
Services & Other Sectors	Sales turnover from <b>RM300,000 to less than RM3 million</b> OR full-time employees from <b>5 to less than 30</b>	Sales turnover from <b>RM3 million to not exceeding RM20 million</b> OR full-time employees from <b>30 to not exceeding 75</b>

### 1.1.SMEs

About 328 million women are starting or running businesses in 83 economies, according to Global Entrepreneurship Monitor 2016 (2017). They are creating millions of jobs, generating trillions of dollars in revenue and transforming countless lives. Yet, the stories that capture mainstream media attention are typically those of high-growth start-ups, often owned by men and not representative of the small businesses that are the bedrock of the global economy. Considerable interest has been given in the literature of women entrepreneurs for many years. This interest has been attributed to the general acceptance that women entrepreneurs are now a contributing factor in the economic activity (Rosli, Habshah & Asiah, 2002).

Women entrepreneurs are also becoming increasingly visible in the economies of developing countries, including Malaysia. The rapid growth of women entrepreneurs represents one of the most significant economic and social developments in the world. A propensity for risk-taking is a tremendously significant dimension in the field of entrepreneurship and refers to the individuals who are predisposed to take risks when faced with situations that could be uncertain (Gurol & Atsan, 2006). Acceptance of risk, financial, social and psychological is a part of the entrepreneurial process. When people borrow, things may not work out as hoped, for a variety of reasons example bad luck or business misfortune, which make it inevitable for their inability to repay what they owe (Jackson, 2001). Entrepreneurs are adverse to

risks that are uncontrollable in nature but often, due to their excessive self-confidence and conviction about their own decency, they enter risky situations (Wu and Knott, 2005).

The propensity to take risks is also a factor that encompasses other personality traits (Nicholson, Fenton-O'Creevy, Soane, & Willman, 2005). Part of the advantage of the bankruptcy law is that it allows entrepreneurial people to take risks, which sometimes fail, and then try to get back on their feet (Heilman, 2013). Bankruptcy is an important fact of life in the modern business environment. It has an extremely disruptive effect on the firm/business undergoing bankruptcy and also on its various stakeholders such as employees, creditors, suppliers and customers.

Although bankruptcy is a one-off discrete event, financial distress in firms that may lead to bankruptcy is generally evident long before the event. Early indicators of bankruptcy include losses in multiple consecutive years, cash flows drying up declining sales, etc (Bryan, Fernando & Tripathy, 2012). It is vital for bankrupt entrepreneurs to be discharged from bankruptcy in order to foster entrepreneurship in the market (Czarnetzky, 2000).

According to Sousa (2010) the bankruptcy discharge allows the honest individual engaged in business to be freed from the constraints of impossible debt when unexpected and unavoidable business misfortune occurs. The researcher argues that knowledge integration and learning may be a central element in an explanation of why legal issue (like being bankrupt and is subject to bankruptcy law) is positively associated with firm performance. However, there is yet any study on the combined effect of learning orientation and legal issues on firm performance, especially those of women owned businesses.

## **2. Problem Statement**

There is lack of study on women entrepreneurs in the developing economies, especially those in the SME sectors (Hisrich & Ozturk, 1999) and their relationship to legal issues, learning orientation and business performance. Research on the business performance and success of women entrepreneurs in general, and in SMEs in particular, has been minimal. SME business ownership has become increasingly important as an area for economic achievement for women, especially in developing economies, and insufficient focus on women's enterprises may have resulted in a lack of well-articulated women's entrepreneurial development policies and programs in these countries.

According to Senge (1990), learning orientation is an organizational characteristic that reflects the value that a firm place on constantly challenging the assumptions that frame the organization's relationship with its environment, relative to both customers and competitors. Senge (1990) suggested that learning is a natural occurrence, but it is most effective when knowledge gained from learning is systematically and thoughtfully applied. According to Louis (2006), learning orientation (LO) is a wider concept that embraces many aspects of adaptation and change.

The quality and accessibility of business, legal and technical infrastructure, and incubators needed by newly established and growing businesses are also essential (Gartner, 1985; McAdam and McAdam, 2006). For the success of the entrepreneur, the various consultants in their social network (friends, relatives, friends, etc.) and various professional consultants are crucial for their performance (Gartner, 1985). Through the provision of a favorable business environment, newly founded firms are enabled to grow and survive.

Research on the business performance and success of women entrepreneurs in general, and in SMEs in particular, it's scarce. SME business ownership has become increasingly important as an area for economic achievement for women, especially in developing economies, and insufficient focus on women's enterprises may have resulted in a lack of well-articulated women's entrepreneurial development policies, legal issues and learning orientation.

### **3. Research Questions**

#### **3.1. Research Hypotheses**

The research hypotheses for this study are as below:

*H1:* There is a significant relationship between learning orientation and business performance of women-owned SMEs.

*H2:* There is a significant relationship between entrepreneurial orientation and business performance of women-owned SMEs.

*H3:* There is a significant relationship between legal issues and business performance of women-owned SMEs.

*H4:* There is an effect relationship between learning orientation, entrepreneurial orientation, legal issues and business performance of women-owned SMEs.

There is recognition in the entrepreneurship literature of the significance of the contribution of entrepreneurial experience to venture performance (Ronstadt, 1988). Vesper (1980) contends that prior entrepreneurial experience can lead to success. According to Najib (2011) the economic crisis saw entrepreneurs and individuals with financial problems being declared bankrupt. According to Louis (2006), learning orientation (LO) is a wider concept that embraces many aspects of adaptation and change. This distinction from LO is crucial, for while an organization can invest substantially in, for example, training, it may not necessarily be able to transform itself in keeping with changing external realities. However, with the desire of being a learning orientation, the organisation might influence this authority and the human resource capability (Falola, Osibanjo & Ojo, 2014).

So, women entrepreneur needs learning orientation to assist them to success in business. There is no study on relationship between learning orientation, entrepreneurial orientation, legal issues and business performance.

### **4. Purpose of the Study**

The purpose of this research is to study on relationship between learning orientation, legal issues and business performance. The learning process takes place during daily operational entrepreneurial performance and through women owned business and their families developed their multifunctional entrepreneurship (Peter & Bettina, 2015). According to Bernard & Victor, (2015), the last ten years (1997-2007) the term 'women entrepreneurship' has grown to connote the rising numbers of women who ventured into business around the globe. The rising interest in women entrepreneurship is also of importance to developing nations (Zahra, 2013). This is good contribution to the industry and economic. Yet, there is a lack of study on learning orientation, entrepreneurial orientation, legal issues and business

performance in women owned business and the finding of this study is a good contribution to the body of knowledge and to academician.

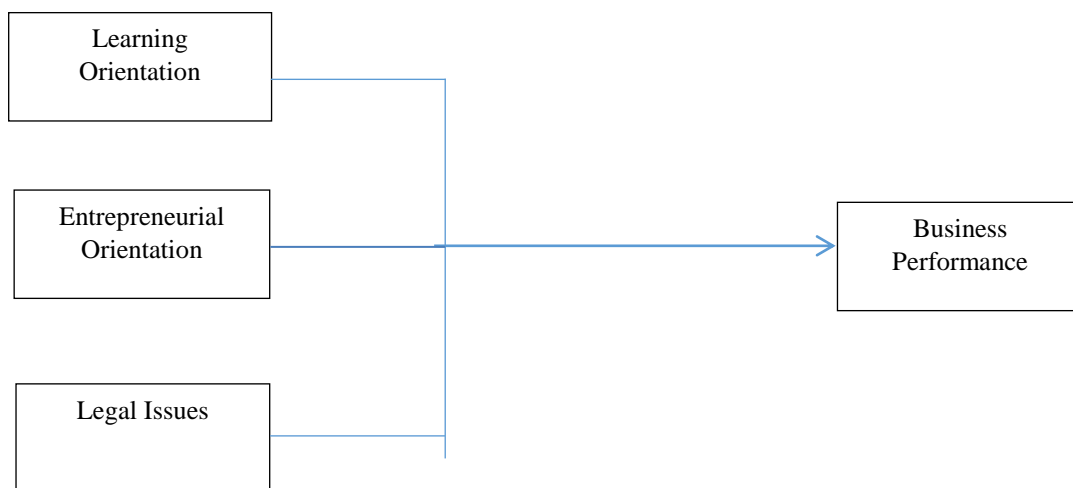
## 5. Research Methods

This study used quantitative method. The instruments that measured learning orientation were an adaptation from Sinkula et al., (1997) and business performance adapts from Vorhies and Morgan (2005) and Hanafi (2013). The data collection is from primary data. This research is on women owned business in Klang Valley's, about 3636 companies, researches to focus in business and professional services industry sector. About 169 companies listed in SMEs Women Owned Directory (SME Corp, 2017). According to Krejcie & Morgan (1970), sample size of 113 is enough to represent the population. For this study about 120 questionnaires were distributed using simple random sampling technique and 106 (88%) questionnaires were received. Data were analysed using correlation to test the relationships. The data is from women owned SMEs directory in Malaysia (Women Entrepreneur list, 2017).

### Theoretical framework

#### Independent variables

#### Dependent Variable



**Figure 01.** Theoretical Framework

Figure 1.0 showed the theoretical framework of the study, which explained learning orientation and entrepreneurial orientation as the independent variable, business performance as dependent variable and moderated by legal issues.

A theoretical model for this study is based on a Resource Based View (RBV) approach. RBV had been part of the widely growing research topics in entrepreneurial orientation in the last decades (Talaja, 2012). According to Hinterhuber (2013), it offered a theoretical basis in understanding the significance of various types of resources for an organization's overall competitiveness and performances. The study is limited to women-owned SMEs in Kuala Lumpur Malaysia.

## 6. Findings

The results indicated that there is positive significant relationship between learning orientation, entrepreneurial orientation, legal issues and business performance. The finding also confirmed the effect of legal issues on the relationship between learning orientation, entrepreneurial orientation and business performance. The findings also offered several theoretical and practical implications to owner/managers of women owned SMEs and also to the policy makers.

All the relationship between the variables is positively related. Learning orientation, entrepreneurial orientation, and legal issues have significant effect on business performance in women-owned SMEs.

**Table 02.** Correlation and Regression Analysis results

Hypotheses test	Correlation results	Significant value	R Square	Correlation
LO - BP	0.157	0.109*	0.025	Low correlation
EO - BP	0.152	0.120*	0.023	Low correlation
LI - BP	0.220	0.023*	0.048	Low correlation
LO – EO – LI - BP	0.560	0.000*	0.055	Medium Correlation

\* Correlation is significant at level 0.01 (2 tailed)

Table 2.0 0 showed the correlation matrix revealed that weak correlation between learning orientation (LO) (0.157,  $p < .000$ ), entrepreneurial orientation (EO) (0.152,  $p < .000$ ), legal issues (LI) (0.220,  $p < .000$ ) and business performance (BP). The results suggest that LO, EO, and LI of women-owned SMEs influences the business performance. All variables are significantly correlated with business performance (0.560,  $p < .000$ ) and business performance. This means that all variables of women-owned SMEs have effect on the business performance.

**Table 03.** Demographic profile

Item	Frequency (N=106)	Percentage (%)
Age		
<25	47	44.3
25-30	21	19.8
31-40	23	21.7
41-50	13	12.3
>50	2	1.9
Marital status		
Single	50	47.2
Married	56	52.8
Education		
Secondary	5	4.7
Certificate/Diploma	6	5.7
Degree	52	49.1
Master	38	35.8
PhD	5	4.7
Length of firm's establishment		
<5 years	52	49.1
5-10 years	31	29.2
11-15 years	7	6.6
16-20 years	4	3.8
>21 years	12	11.3

Number of employees		
<5	76	71.7
5-20	11	10.4
21-50	12	11.3
51-100	0	0
101-200	1	0.9
>200	6	5.7
Working experience		
<5 years	64	60.4
5-10 years	31	29.2
11-15 years	4	3.8
16-20 years	1	0.9
>21 years	6	5.7

Table 3.0 indicates the respondents' demographic background. The total number of respondents was 106. Out of this total, majority respondents (44.3 percent, n=47) are in the age category of below 25 years old, followed by 25 percent (n=21) aged between 25 and 30. Only two respondents are above 50 years old. Almost 52.8 percent (n=56) of respondents are married. In terms of their education background, majority of them acquired tertiary education, 49.1 percent (n=52) with bachelor's degree and 35.8 percent (n=38) with master's degree. Five of the respondents even obtained PhD/doctoral degree.

When asked about their business involvement, 78.3 percent have had their businesses less than 10 years, while 12 out of 106 respondents have had their businesses for more than 20 years. In terms of number of employees, majority of their businesses have less than five employees with 71.7 percent (n=76). The business type or sectors that they were involved are 100 percent in business and professional services. Slightly than half or 56.4 percent (n=64) of the respondents have had related work experience of less than five years. Only about 29.2 percent (n=31) have had experience for more than 10 years.

## 7. Conclusion

This study investigated the relationship between learning orientation, entrepreneurial orientation, and legal issues towards business performance of women owned SMEs in Klang Valley, Malaysia. The findings from the research showed that all three independent variables are positively correlated with business performance despite having a relatively weak relationship. Nevertheless, this phenomenon could be a result of respondents' education background, where almost 90 percent already have degrees. Furthermore, the survey was administered via online. Therefore, their knowledge and experience may influence their perception in responding to the survey, for instance, thinking that their entrepreneurial skills are sufficient to carry out their businesses. Hence, future research could explore other variables to identify stronger determinants of business performance among women entrepreneurs.

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