

EXAMINING THE CORPORATE ENTREPRENEURSHIP: CASE STUDY IN PALM
OIL COMPANIES MALAYSIA

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**The thesis is submitted in partial fulfillment of the requirements for the award of
Bachelor of Technology Management (High Technology Marketing)**

Faculty of Technology Management and Technopreneurship

Universiti Teknikal Malaysia Melaka

June 2017

DECLARATION OF ORIGINAL WORK

“I hereby declare that this project is the result of my own research except as cited in the references. This research project has not been any degree and is not concurrently submitted in candidature of any other degree.”

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DEDICATION

I dedicated this research to my beloved family who nursing me with affections and love and their dedicated partnership for success in my life. This dissertation is also dedicated to my friends who has gave me a hand to complete this research paper. Last but not least, this dedication also goes to the people who has kindly and generously help me to finish this research. Thank you all from the bottom of my heart.

ABSTRACT

This research is discussing about the corporate entrepreneurship in palm oil companies Malaysia. To investigate the corporate entrepreneurship value in palm oil companies, this research focuses on two important issues namely as; (1) The hurdles that might challenges the corporate entrepreneurship, and (2) the strategies to overcome the hurdles that challenges the corporate entrepreneurship initiative in palm oil companies. In this study, the researcher will conduct the multiple case studies by using the qualitative research method, which included the semi-structured interview with suitable respondents in order to investigate the related and importance for implementation corporate entrepreneurship in palm oil companies Malaysia. On the other hand, this research also will propose the innovative suggestions to enhance the effectiveness of the corporate entrepreneurship in palm oil companies Malaysia. In conclusion, the corporate entrepreneurship is able to help a palm oil to develop a competitive advantage to overcome the current issue of palm oil plantation.

Keywords: Corporate entrepreneurship, palm oil, Malaysia

ABSTRAK

Kajian ini membincangkan pelaksanaan akademik “keusahawanan korporat” di syarikat kelapa sawit di Malaysia. Untuk mengenalpasti keberkesanan di dalam “keusahawanan korporat” ini, penyelidik akan memberikan tumpuan kepada dua (2) isu yang penting iaitu; (1) Halangan yang mencabar “keusahawanan korporat” di dalam syarikat kelapa sawit dan (2) cadangan “keusahawanan korporat” sebagai strategi untuk menjalankan dalam menyokong syarikat kelapa sawit. Di dalam kajian ini juga, penyelidik akan menjalankan pelbagai kajian kes melalui kaedah penyelidikan kualitatif iaitu temu bual separa struktur dengan responden yang sesuai untuk menyiasat kaitan dan kepentingan pelaksanaan “keusahawanan korporat” di dalam syarikat kelapa sawit. Seterusnya, kajian ini juga akan mencadangkan cadangan supaya mengamalkan “keusahawanan korporat” yang terbaik bagi meningkatkan keberkesanan dalam syarikat kelapa sawit. Kesimpulannya, penyelidik bersetuju bahawa “keusahawanan korporat” mungkin menjadi paradigma yang dapat membantu untuk memperolehi dana bagi syarikat kelapa sawit di Malaysia.

Kata Kunci: “keusahawanan korporat”, kelapa sawit, Malaysia

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

Malaysia is a country located in South East Asia that rich in primary products such as tin, rubber, palm oil and natural gas since the late of nineteenth century (Drabble, 1991). According to Malaysian Palm Oil Council (2011), palm oil is the most traded oil in the world. Today, Malaysia is the leading role in the exporter of palm oil (The World Bank, 2016; Malaysian Palm Oil Council, 2011). The planted area of palm oil had increased at a rapid pace since 1960 (Malaysian Palm Oil Council, 2011). Based on the statistics show by Malaysian Palm Oil Council, (2011) Malaysia started export the palm oil to other countries in the year 1960 and the planted area of palm oil was around 0.5 million hectares in 1675 while the planted area of palm oil reached 4.917 million hectares in 2011. These statistics show how the palm oil production increase significantly throughout the year and today, palm oil industry still the main income for Malaysia as it provided large amount of revenues to Malaysia by exporting palm oil to other countries every year.

However, Malaysia drop to the world's second-largest palm oil grower after Indonesia touched the lowest level since July 2014 (Indonesia Investments, 2015). According to Malaysian Palm Oil Council (2011), Malaysia currently accounts for 39 % of world palm oil production and 44% of world exports in 2015. Palm oil produced in Malaysia has been drop to the lowest production in 2015 as the palm oil production fell 15% compare with four years ago (Market Times, 2015). To resist the challenges in palm oil industry in Malaysia, the government of Malaysia have been put in effort in adjust the August crude palm oil export tax from 6 percent to 5 percent in July 2016 (Commodity Online, 2016). To survive in this competitive industry, organizations have to continue change and challenge with new innovation in order to develop sustainable competitive advantages.

Today, it is unable to deny the importance of corporate entrepreneurship as one of the key elements in which to increase the organization's capability in innovation and achieve a sustainable competitive advantage in the organization (Castrogiovanni, Urbano and Loras, 2011). The term "entrepreneurship" is defined as the process of creating something new with value by devoting the necessary time and effort assuming the accompanying financial, psychic and social risks and uncertainties; and receiving the resulting rewards of monetary and personal satisfaction (Hisrich and Kearney, 2008). Corporate entrepreneurship is one of the effective ways that help organization to enhance and sustain the competitive advantages so that the organization is able to compete with others competitors in the industry (Ireland et al 2006, Mokaya 2012). According to Christensen (2004), corporate entrepreneurship means the organization strategic change process as started by the current organization based on the idea of organization innovation for the fulfilment of high profitability, strategic renewal, innovation and successful globalization. Corporate entrepreneurship has become an effective way that used by organization to enhance and keep its competitiveness (Lin, Chang and Chung, 2012).

In this study, the value of corporate entrepreneurship in palm oil companies in Malaysia will be examined. The factors that support the corporate entrepreneurship in palm oil companies will be found out in this research as well. In addition, the hurdles which challenges the corporate entrepreneurship in palm oil companies and the strategies to overcome will be identify in this research.

1.2 Research Questions

Asia Economic Institute (2016) states that, the palm oil industry have been become a historically significant part of Malaysia's economy. The palm oil industry is view as an opportunity in help Malaysia survives the current economic crisis by providing much-needed jobs and export-earnings (Asia Economic Institute, 2016). However, Malaysia has been exporting less refined palm oil in recent years, resulting in a loss of global market share in palm oil exports (New Strait Times, 2016; Market Times, 2015). The current competitive situation of palm oil industry in Malaysia due to the rise of Indonesia palm oil industry have make Malaysia struggle in order to compete with others (Market Times, 2015). In addition, the high duty payable in the case of crude palm oil that exports by Malaysia while compared to that of Indonesia (Nasir, 2008; Indonesia Investment, 2015). Moreover, according to Plantation Industries and Commodities Minister Mah Siew Keong (2016), the palm oil production in Malaysia are expected to drop 10 per cent in 2016 after El Nino cut yields in the first half of 2016. Therefore, corporate entrepreneurship is needed as it is able to help the organization in developing a sustainable competitive advantage. This research is proposed to investigate the important of corporate entrepreneurship as the strategy for palm oil companies in Malaysia in developing a competitive advantage in order to survive in this competitive industry.

The research questions for this study are:

1. What are the factors in supporting the corporate entrepreneurship of palm oil companies in Malaysia?
2. What are the hurdles that might challenges the corporate entrepreneurship of palm oil companies in Malaysia?
3. What are the strategies to overcome the hurdles that challenge the corporate entrepreneurship of palm oil companies in Malaysia?

1.3 Research Objectives

The research objectives for this study are:

1. To examine the factors in supporting the corporate entrepreneurship of palm oil companies in Malaysia.
2. To identify the hurdles that might challenges the corporate entrepreneurship of palm oil companies in Malaysia.
3. To investigate the strategies to overcome the hurdles that challenges the corporate entrepreneurship of palm oil companies in Malaysia.

1.4 Scope, Limitation and Key Assumption of the Study

This study was conducted to examine the corporate entrepreneurship in palm oil Malaysia. There are several limitations that have been set for this study when we are conducting it. First, the research is to study the corporate entrepreneurship value in palm oil plantation Malaysia only. Second, researcher was only focused on the corporate entrepreneurship in palm oil Malaysia but not others primary products that rich in Malaysia such as tin, rubber and natural gas. Next, this research is interviewed some of the palm oil company in Malaysia but not all the palm oil company in Malaysia.

Besides, there are several assumptions that made purposely for this research as well. First, the researcher will assume all the respondents that interview is answering with honestly. Second, this study was only focuses on respondents' perception and does not take into account environmental or economic factors.

1.5 Important of Study

In this research, the corporate entrepreneurship value in palm oil companies Malaysia is discusses. Throughout the research, the researcher is able to understand about the factors which supporting the corporate entrepreneurship in palm oil companies. Besides, hurdles that might challenge the corporate entrepreneurship in palm oil companies and the innovation suggestion to overcome the hurdles will be found out throughout the research.

This research will become a significant endeavor that is able in helping the palm oil companies in implementing the corporate entrepreneurship in order to gain a favorable competitive advantage and increase the market share in the industry.

1.6 Summary

Currently, the palm oil plantation in Malaysia faced the issues of El Nino which cut the productivity of palm oil in Malaysia. The palm oil companies especially the small-scale farmers have to find alternative strategy in order to overcome the issue of reduction of productivity in palm oil. Corporate entrepreneurship is one of the key elements that allow an organization to increase the organization's capability in innovations and develops a sustainable competitive advantage in the organization. In this study, the value of corporate entrepreneurship will be examining through achieve the research objectives.

Chapter 2

Literature Review

2.1 Introduction

This chapter will discuss about the corporate entrepreneurship in the term of entrepreneur, entrepreneurship and intrapreneur. The definition of corporate entrepreneurship from difference point view will be discussed in this chapter. Besides, the factors that motivate and encourage corporate entrepreneurship in an organization from researchers will be present in this chapter. The researchers are advocated the challenges of an organization faced in propose the corporate entrepreneurship and the strategies to overcome the challenges.

2.2 Definition

In this part, the definition of corporate entrepreneurship that proposed by the scholars are discussed.

2.2.1 Definition of Entrepreneur

Richard Cantillon (1680-1734) is the first person who introduced the term “entrepreneur” in 18th century. Richard Cantillon was defined entrepreneur as the intermediate who purchase a certain amount of production from supplier at certain price in order to sell the product at uncertain price in future.

However, in 193, Schumpeter have redefined that the entrepreneur is a person who carries out some "new combinations" as well as introducing some new products or processes, identifying new export markets or sources of supply, or creating a whole new organization which is never exist in any market. While Parks (2006) believed that entrepreneur is someone who going to start or develop a business and distinguishes the business with their ambition and try to achieve the achievement that they are set. However, according to Zimmerer, Scarborough and Wilson (2010), entrepreneur is a person who creates a new business with clear objective in order to gain favorable profit and continuous growth.

2.2.2 Definition of Entrepreneurship

In 1934, Schumpeter has defined entrepreneurship as an individual act, and he indicated that everyone is an entrepreneur when the individual is actually carries out a new combination. Two years later, Peter Drucker (1985) has redefined the definition of entrepreneurship as it is one of the critical importances of entrepreneurial thinking in an organization (Morris, Kuratko and Covin, 2008). Drucker stated that entrepreneurship is based upon the same principles; no matter the entrepreneur is an existing large institution or an individual starting his or her new venture single-handed. The rule are almost same, the things that work and those that does not same, and so kinds of