CHAPTER 2 LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the literature review of woman entrepreneurship, issues and challenges faced by the women entrepreneurs and innovation management implemented in entrepreneurship. Thus, from the issues and challenges which were identified by the previous researchers, innovation management processes would be addressed to examine how women entrepreneurs solve the problems they faced in their businesses.

2.1 Entrepreneurship and Entrepreneurs

Entrepreneurship encourages the economic growth in a region because it is a driving force and decisive factor which provides job creation and contributes to personal development (Sarri K. & Trihopoulou A., 2004). This has been agreed by Orhan and Scott (2001) and Hisrich (1990). Entrepreneurship has been a discussion topic since the eighteenth century. Kuratko & Hodgetts (2007, p.33) mentioned that the analysis of entrepreneurship has been introduced by economists such as Richard Cantillan (1680 – 1734) and Jean Baptiste Say (1803).

Kuratko & Hodgetts (2007, p.33) have developed and summarized the definition of entrepreneurship. It is identified as an active and dynamic process of change and vision which deals with execution of new thoughts by applying passion and energy towards the vision . The creation of effective solution requires inputs which include risk taking, team support, align required resources and ability to construct business plan and finally ability to identify prospects even if others do not.

Additionally, entrepreneurship has been identified as a process which involves capturing ideas, converting the ideas into product and, or services and then a business enterprise is built to bring the products to market according to Johnson (2001, p.138). Entrepreneurship consists of three major key elements which include innovation, proactivity, and risk taking. (Miller, 1983). However, this was argued by Slevin and Covin (1990, p.43) that the three key elements stated were not sufficient to guarantee the success of an organization. Selvin and Covin still maintain that entrepreneurial managerial behaviour is not the only factor to ensure the success of an organization, support from suitable culture and organizational structure are required to support the relevant behaviour.

However, some of the researchers discussed entrepreneurship from the psychological perspective which emphasizes on the unique attitudes and values of the entrepreneurs that contribute to the success of entrepreneurship. Therefore, psychologists do not define entrepreneurship as a rational process but as a set of inborn character (Cunningham and Lischeron, 1991).

From the literature, Bennett and Dann (2000) have identified three personality characteristics required by entrepreneurs which include an internal locus of control, independence and a need for achievement, and risk-taking. Internal locus of control requires a high personal belief in each individual entrepreneur to control the situation in the business which will contribute to the success of the entrepreneurship. This inner control is believed to be necessary for entrepreneurs to be sustainable in power and drive to the first established business (Hisrich and Peters, 1996). In addition, Hisrich and Brush (1986) highlighted that even if independence is quite similar to the concept of locus of control, however independence is particularly linked to the self-believe in doing things on individual's own method and own time to achieve success. However, the internal locus of control displays the individual's self belief in his own ability. For people who are independent, they will tend to have difficulty to work as employees according to the comments from Bennett and Dann (2000, p.4). This characteristic will lead to the desire for achievement and it is attributed to the entrepreneur's success even if experiments prove to support this is inconclusive (Brockhaus, 1982).

Entrepreneurs and Entrepreneurship always bring an assumption to people that an established business is incurred. However, there has been some confusion on the exact definition for entrepreneurs.

According to Robin and Sue Marriott (2006, p.5), Richard Cantillan (1680 – 1734) and Jean Baptiste Say (1803) who came from a French school of thought, had some views on entrepreneurs. Cantillon and Say were known as 'physiocrats'. In Cantillan's opinion, entrepreneurs were defined as capitalists who had individual property rights. However, Robin and Sue Marriot (2006, p.5) claimed that it should not be taken for granted that entrepreneurs were capitalist. This was because entrepreneurs owned little tangible property and added value to the regeneration of social and economic environment in the social and community context. Moreover, the difference between people who own the capital and people who do the work is getting more invisible now already.

In addition, Robin and Sue Marriott (2006, p.5), also commented that in the French economist, Richard Cantillan's (1680 – 1734) opinion, an entrepreneur was someone who allocated resources and bore the risks in entrepreneurship but an entrepreneur was not necessarily the innovator and the first creator of the product. Bolton (2004) explained that *entreprendre* means ‘to undertake’, for instance, undertaking a venture or start a new venture. Further, Bolton (2004, p.15) mentioned that entrepreneurs means contractors in French language. Besides, Say said that entrepreneur was known as the catalyst who plays a role to bring together different resources for economic development. Say viewed that risk is a force to change but not an issue.

There were more different views and interpretation for entrepreneurs which was developed by the Austrian School. For instance, according to Robin and Sue Marriott (2006, p.6), Kirzner (1979) felt that ownership was not a necessary condition for entrepreneurship. Entrepreneurs can facilitate the deal by making profit without owning anything. Further, Kirzner (1979) believed that human spirit was still the major factor which contributes to enterprise initiative that provided response to challenges and rivalry in entrepreneurship.

The twentieth-century famous economist, Joseph Schumpeter (1934) stated that entrepreneurs are not risk takers. For Knight, the risk which entrepreneurs take could be calculated. Thus, it is noted that, the definition for entrepreneurs vary in different context.

However, from the comments of Shailer (1994), there is no common definition of an entrepreneur in the field of entrepreneurial studies. The Latin root word ‘entrepreneur’ comes from ‘entre’ meaning enter and ‘neur’ which means nerve centre. Therefore, ‘entrepreneur’ means someone who enters in the field of enterprise and is incharge of the nerve centre of the enterprise (Shefsky, 1994, p.4).

Apart from the various definition for entrepreneurs, it is notable to mention that entrepreneurs could be viewed as risk takers because of their bravery to face challenges and unforeseen circumstances which may happen in businesses.

Besides, from literature as commented by the previous researcher (Olu Fadahunsi, 1990, pp. 24-25), there were different definition for entrepreneurs in foreign countries respectively. Entrepreneurs in United States of America were defined as someone who started his or her own business in small scale by himself or herself. Whereas, in Germany, the entrepreneur refers to someone who has control, influence and assets. The English-speakers claimed that entrepreneurs were small business owners.

Additionally, entrepreneurs were recognized as people who were innovative and pioneering new ideas in product and process management in their business because Joseph Schumpeter (Olu Fadahunsi, 1990, p.3) mentioned that innovation was the real origin of the entrepreneurial activities. This implies that entrepreneurship does play a very important role for the development of economics (Olu Fadahunsi, 1990, p.1). During the briefing to the European Communities, entrepreneurship was described as the spirit of enterprise and also the growth of small and medium enterprises (SMEs). These were the major themes in the 1990s's economic development.

Furthermore, from literature, it is noted that entrepreneurial intention or enterprise initiative is the fundamental factor which encourages people involved in entrepreneurship. Alison Morrison (2000) did a comparative study by examining the enterprise initiative in different countries, namely Australia, Slovenia, North America, Mexico, Finland, Scotland, South Africa and Kenya. Alison Morrison (2000) looked into the relationship of certain cultural and social factors which contributes to the initiation of entrepreneurship. Meanwhile, Vernon-Wortzelz (1997) mentioned that culture is an important element for entrepreneurship because it determines entrepreneurial initiative individually.

Tayeb (1988, p.42) defined culture as follows :

A set of historically evolved learned values, attitudes and meanings shared by the members of a given community that influence that material and non-material way of life. Members of the community learn these shared characteristics through different stages of the socialization processes of their lives in institutions, such as family, religion, formal education, and society as a whole.

Additionally, Trompenaars (1993, p.21) mentioned that culture represents a complicated phenomenon and it is understood, interpreted and shared collectively by group of people. Whereas Hofstede (1994) claimed that this cultural programming had shaped people's life since young. Religious beliefs, secular ideologies, and scientific theories are recognized as extension of mental software which is applied by individual who performed in family, school and work environment. Furthermore, Hofstede (1991) created five dimensions framework in order to differentiate cultures which consists of :-

1. Power distance : degree of difference among people in a country regarded as normal.

2. Individualism : degree to which citizen of a country prefers to act as individual rather than in groups.

3. Masculinity : comparison between “masculine” values such as competition, achievement and brazenness are emphasized as compared to “feminine” values, for example, service, personal relationships. quality of life, etc.

Morrison (2000) mentioned that for a country such as North America in which its culture is more developed, cultural profile could be formed as category of low rates of power distance, long-term orientation and uncertainty avoidance but could be constructed in high rate on the aspects in individualism and masculinity. Further, Morrison (2000) also found out that for societies with strong individualistic value will support individual wealth creation such as an involvement in entrepreneurship, for example, North America and Australia. In contrast, Kenya, Slovenia and South Africa are not agreeable to wealth creation by involving in entrepreneurship.

However, Morrison (2000) also stated out that non-cultural and contextual factors are also considered as affective elements in contributing to shape entrepreneurial behaviour and achievement.

Besides, Vishal K. Gupta, Daniel B. Turban, S. Arzu Wasti & Arijit Sikdar (2009) also did a study on how the role of gender stereotypes in entrepreneurship affects the entrepreneurial intention among male and female entrepreneurs. From this study, data collection was conducted in three countries : United States of America, India and Turkey. It was found that females are only perceived as entrepreneurs having the same characteristics (feminine gender-role stereotype). However, even if male and female have similar entrepreneurial intention, those who perceive themselves as high on male identification, they will have higher entrepreneurial intention.

Therefore, based on the literature, it was found that entrepreneurship and entrepreneurs are both interrelated in the context of bringing about economic growth in the region. Entrepreneurship has been perceived as a machine of social and economic development throughout the world (Acs and Audretsch, 2003, p.3).

2.2 Woman Entrepreneurs

By looking at the context of entrepreneurs, apart from the male entrepreneurs, the number of female entrepreneurs has been increasing dramatically (De Bruin, Brush, & Welter, 2006) because more and more female entrepreneurs establish their own businesses and contribute to the growth of our country's economy. Women entrepreneurs have been identified as an important element in the development of economics in our country. There is a growing phenomenon of firms owned and operated by women entrepreneurs in the world now (Davidson and Burke, 2004).

Women entrepreneurs can be sole proprietors and some of them even want to establish family partnership with their spouse or family members in businesses. (Barret *et al.*, 1996)

Women entrepreneurs are now targeted as the subject of main discussions (Olu Fadahunsi, 1990). Green and Chen (1995) had stated women entrepreneurs should not be treated as a monolithic category because women entrepreneurs come from various backgrounds, circumstances and worldviews. Further, Green and Chen (1995) also felt that due to the emergence of the study for women and entrepreneurship, it is very interesting to further find out how woman entrepreneurs cope with their experiences in entrepreneurship. In view of the above, if we look into the way how women cope with their business, this will immensely relate to innovation management on how women entrepreneurs implement their ideas in order to ensure their businesses be sustainable in the market.

2.2.1 Challenges/constraints faced by Women Entrepreneurs

From the literature review, it was found that entrepreneurship was a way of survival for women and additionally this activity was a form of financial support and income for their families as noted by Gordon (2000). This happened among women entrepreneurs in less developed economies and this self-employed situation had been increasing.

However, there were constraints and barriers faced by women entrepreneurs in the previous studies conducted by researchers. For instance, the researcher, Ayadurai Selvamalar (2004) identified constraints faced by women entrepreneurs in Asia. For instance, in Sri Lanka which intended to create international awareness to provide funding to help women entrepreneurs. The constraints are categorized into four critical needs : Finance/Funding, Support, Capacity Building and Technical and Technological Development. As noted by Maysami *et. al* (1999), lack of capital is a common constraint that women entrepreneurs faced in starting up their businesses. Moreover, the aforesaid constraint occurred among women entrepreneurs in United States of America, Korea, Bangladash, Uganda and Mauritius. However, many of these countries received support such as financial aids and training programmes from United Nations agencies.

Furthermore, women entrepreneurs face a lot of constraints or barriers in their businesses according to Maysami *et. al* (1999) who mentioned that women entrepreneurs lacked confidence and felt a sense of insecurity and uncertainty when dealing with bankers, suppliers, clients and family issues. This could imply an incapability of women entrepreneurs when addressing such issues. Additionally, after the start up of the business, women entrepreneurs would also face other problems such as handling selling, promotion, recruitment of workers and consensus with partners.

Stoner , Hartman, and Arora (1990) concluded that in an earlier study, women entrepreneurs faced work-home conflict when they were required to be responsible for their families as well their businesses. A study by Karim (2001) in Bangladesh mentioned that besides competition and getting quality raw materials, time management in balancing family and business is one of the major constraints when they start up their businesses. Such situations could possibly create stress among women entrepreneurs.

Meanwhile, Ayadurai Selvamalar (2004, p.4) highlighted gender and cultural biases against woman entrepreneurs in Vietnam. The area of enterprise as mentioned by Barwa (2003) in his study. For instance, women entrepreneurs have difficulty in obtaining loans from financial institution. This caused prejudice against women in the assessment of business network, formal education and training programmes. Women entrepreneurs in rural areas , Uganda (UNIDO Document, 2003) also suffered from a shortage of training and advisory services to upgrade their managerial and technical skills in businesses.

Additionally, according to Ayadurai Selvamalar (2004, p.5), in a study on women entrepreneurs in Africa conducted by Richardson, Howarth and Finnegan (2004), it was identified that women entrepreneurs in Africa felt they lacked skills in certain aspects of business matters. This issue was related to the insufficient exposure to the business world which resulted in poor business networking skills among these women.

Also, as Ayadurai Selvamalar (2004, p.5) has indicated :

> *Hookimsing and Essoo (2003) have identified four main obstacles faced by women entrepreneurs in Mauritius : (a) the hassle of getting permits; (b) the lack of market; (c) the ability of raise capital ; (d) not being taken as seriously as men.*

However, from the study conducted by Soyeon Shim abd Eastlick (1998) on Hispanic female entrepreneurs, Ayadurai Selvamalar (2004, p.6) noted that there were ten business problems faced by the female entrepreneurs which include sales and profit forecasting; obtaining lines of credit; capital management; working capital management; pricing strategies; customer database management; short-term business planning; labour cost analysis; managing debt and gender problems. Furthermore, in Ayudurai's study, it was found that women entrepreneurs of Northeast, Sri Lanka also faced constraints in weak infrastructure which is similar to Uganda created difficulty in transportation and delivery of products. Besides, inadequate production systems, power supply failure, limited equipment and machinery also prevent the development of entrepreneurial process in Sri Lanka according to Ayudurai (2004).

From the above constraints which were addressed by the researchers, there appears to be variations in certain aspects of female entrepreneurship. However, we still find some similarity of the challenges among the women entrepreneurs in certain countries.

It is hoped that women entrepreneurs of Northeast Sri Lanka will be assisted by international organizations in the aspects of funding and skills development in order to enable them to continue contributing to the economic growth of the country (Ayadurai, Selvamalar, 2004).

However, women entrepreneurs in Malaysia may face different challenges as compared to Africa and other Asian countries. The arguments presented above created an interesting study. With this in mind, the objective of this paper is therefore to look into such aspects by comparing women entrepreneurs in sole proprietorship and copreneurship.

2.2.2 Malaysian Women Entrepreneurs

In Malaysia, an increasing number of female labour in the force in various industries displays the important role of women in the economic growth of the country. It has been identified from the summary of statistics which is shown in Table 2.2.2 (a) in Appendix A that starting form 1990 to 2007, the female labour force increases from 2,510,300 to 3,926,000 through the years. The occupation involved by female employees are varied which include clerical workers, professionals, legislators, elementary occupations, plant and machine-operators, craft and related trade workers, service and market sales workers, technicians and associate professionals and skilled agricultural and fishery workers.

Besides, it is noticed that the female unemployment rate drops from 5.4% in 1990 to 3.2% in 2007. This scenario also relates to the increased female literacy rate in Malaysia in 2007 compared to 1990. The Malaysia's Gender Gap Index indicates that the female literacy rate has improved from 77.3% to 89.5% (Appendix B).

In line with the realization of vision 2020 that encourages Malaysia to reach a self-sufficient industrial level, privatization and business-oriented employment among the nation, Normah (2006) noted that 36% of the total employment in small and medium enterprise (SMEs) in 2003 was women. In addition, it was found that Malaysian women were involved in the former male-dominated enterprises (Maimunah, 1996a; 1996b). Therefore, woman entrepreneurship has become a significant resource in the economic growth of our country.

In view of the above, there has been establishment of organization and policies to develop and assist the growth of women entrepreneurship in Malaysia. For example, Ministry of Entrepreneurial and Cooperative Development (MECD) in 1995, the Ministry of Women Family and Community Development (MWFCD) in 2001, the formulation of National Policy for Women (NPW), Bumiputera Commercial and Industrial Community (BCIC), Federation of Women Entrepreneurs Association Malaysia (FEM), National Association of Women Entrepreneurs of Malaysia (NAWEM), Persatuan Usahawan Wanita Bumiputera (USAHANITA), the Women's Wing of the Malay Chamber of Commerce Malaysia of the State of Selangor and National Council of Women's Organisation (NCWO). This indicated our government had been supporting the sustainability and development of women entrepreneurship in different ways.

2.3 Copreneurs

According to Cole, Johnson (2007), "married business couples who own and work together had been discussed but not specifically addressed until more relevant literature emerged in the 1980s." In 1988, Barnett and Barnett (1988) coined the term "copreneurs" where couples who are both romantically and professionally involved, they are responsible and committed couples who own a business together. Jaffe (1990) and Nelton (1986), were the first researchers to observe the increase in copreneurial ventures which describe a couple's unique characteristics and potential hazards of the couples' dual relationships of combining a personal, romantic relationship with a practical, business one.

To elaborate further, research was also done in the area of family and marital psychology, family business and entrepreneurship, personality, attachment theory, co-leadership and work-life interface as the theoretical framework carried out by the researcher, Asa Bjornberg (2008).

Copreneurs were recognized as a subset substantial family business (Marchack ,1994 and Fitzgerald & Muske, 2002) . In fact, research on copreneurship or couple entrepreneurs (Barnett & Barnett, 1998) were looked into on how family relationship can benefit business. However, according to Neubauer & Lank (1998) :

> "Family firms who consciously manage the balance between family and business needs are most likely to create and utilize the *'family'* advantage."

In addition, in Marshack's (1994) previous examination of dual-career couples and copreneurs, this author concluded that copreneurs had more specific, traditional, and clearly defined roles. Marshack lamented the apparent rigidity of roles although the author observed that this may have been an adaptive response to the reality of such a relationship.

2.3.1 Advantages/Benefits of Copreneurs

There were benefits offered by copreneurship (Thompson, 1990). For instance, copreneurs have high degree of controls, enhanced work and family's fulfillment. Besides, Marshack (1998) highlighted the advantages of copreneurship. He mentioned that the common goal of copreneurs enables them to improve their professional and marital relationships. This will bring profitability in the copreneurial business. In addition, this will build entrepreneurial strength and courage to their family members, such as children (Smith, 2000).

Therefore, it is disagreeable to say that copreneurship is just bringing advantages or benefits to the family business. This is because from the literature, Habbershon & Williams (1999) and Nicholson (2008) mentioned that copreneurship poses special risk on the feasibility of the enterprise, but the risk also depends on the factors which affect their family relationship as well as the entrepreneurial processes.

Larsen's (2006) study of married couples who owned harness-racing enterprises provided an example of adaptability. In the harness-racing industry, tension was so intense among the sexes that separate worksites were needed. Another perspective on gender differences is Danes and Olson's (2003) study that examined family business tension and conflict. It was revealed that the greater the woman's level of involvement in the business, the higher the degree of conflict experienced. Therefore, couples working together have a greater potential for tension or conflict. Danes and Morgan (2004) suggested emotionally focused therapy as a way to deal with this conflict.

On top of that, Cole and Johnson (2007) mentioned that keys to success is another theme that researchers have addressed in copreneurship. Regarding this, Ponthieur and Caudill (1993) have identified four factors which are important for decision making and responsibility in copreneurial ventures: equality, independence, trust, and confidence in each other's work ethic. Tompson and Tompson's (2000) mentioned factors for success included managing working and family conflict, role prioritization but concluded that business owners would not choose to work with former spouses.

A review on the literature of copreneurship also revelead that family climate as an important element in family business. Thus, Asa Bjornberg concluded that the best available and effective toll is F-PEC (Klein, Astrachan & Symrnios 2003; 2005). It was developed to measure family influence on the family business system. However, it does not focus on whole family functioning dimension.

Additionally, Asa Bjornberg (2008) noticed that there was no complete judgement that has been developed to work on the family business which emphasized on mechanisms and dynamics of family psychology. Due to the existing gap, he uses a model which incorporated elements such as, the happiness of the couple, the health of business and the chances of the business growing and developing to analyze the relationship qualities and psychological profiles in copreneurship.

2.3.2 Challenges/constraints faced by Copreneurs

From the literature review researchers have mentioned that there were challenges faced by copreneurs in business. The challenges consist of administrative restrictions in business (Marshack, 1993) which led to unclear home and office borders (Margaret A. Fitzgerald and Glenn Muske, 2002). The allocation of roles and decision making (Rosenberg, 1991) were also issues because the duties among copreneurs were overlapping. Constant monitoring of labors was also required in order to ensure the task was being carried out smoothly. However, confidence and respect towards each other were required in the division of labor (Roha, 1990).

The constraint of work balance between family and business (Garrett, 1993), interpersonal conflicts (Dyer, 1992; Foley & Powell, 1997), and discriminatory feelings (Goffee & Scase, 1985) have shown that gender and equality issues arise in copreneurship because the husband was always the leader and decision maker compared to wife who was a follower in a copreneurial enterprise. This conflict of culture existed because there can only be one boss even if the copreneurs have equal final say in copreneurship enterprise (Rosenblatt, de Mik, Anderson, and Johnson, 1985).

Besides, financial and time pressure problems were also recognized as tension points for copreneurs (Jaffee, 1997). Moreover, copreneurs may neglect personal requirements or desires in the process of copreneurship (Garrett, 1993). All these pressures created from copreneurship form a barrier in couple business venture. Therefore, innovative management process could be a way to solve and minimize the tension in copreneurial business.

There were comments from the management theories which claimed that family involvement in business is antithetical to business practices and will cause corruption and operational difficulties (Perrow, 1972; Dyer, Jr., 1994).

On the other hand, one can argue that to confirm whether couple similarity in personal characteristics determines the professional relationship quality of copreneurs in business even if researchers (Nemecheck & Olson, 1999) mentioned that the function of personality similarity in marital excellence as a consequence of associate mate was well known. Further, it was suggested that copreneurs should allocate responsibilities according to their strength and weaknesses (Nelton, 1986a).

2.4 Innovation

2.4.0 Introduction

The literature review on innovation, revealed that innovation was actually derived from a Latin word : “innovare” which means to take something new” (Tidd et al, 2001, p.24). There were many research done in innovation. Innovation is an important element in entrepreneurship to maintain worldwide competitiveness for profitable performance in enterprise. As stated by Gaynor (2002), innovation encourages the growth of organization and leads to future success for sustainability in global economy. Further, Gaynor (2002) commented that one does not have to be genius to create innovative changes. However, a system-wide dedication to track exceptional opportunities is required. There are various definitions of innovation. From the Wikipedia, innovation refers to incremental, essential, and radical changes in idea, processes and products in organizations.

Besides, Mckeown (2008) differentiated invention and innovation in many areas, something new which is different and innovative is required for better productivity and quality improvement. This is complemented by the researcher, Fagerberg (2004) who further explained the difference between innovation and invention. To him, invention is a new product or process’s first idea, whereas innovation is the action to which transforms an idea into practice. Therefore, innovation is a major field of study in the areas of economics, business, technology, sociology and engineering.

In addition, Peter Drucker (1985) mentioned that innovation is an additional core competency which is required by every organization. (Gaynor, 2002; McDermott and Sexton, 1998) . However, the innovation aspect applies to all sizes of industries which may be either large companies or small and medium-sized enterprises (SMEs) (Vrakking and Cozijinsen, 1997). Porter (1990) viewed innovation as a specific tool to acquire competitive advantage; but it does not promise success due to uncertainty. Moreover, Porter (1990) commented that innovation contains a “newness” element as follows :-

“*…companies achieve competitive advantage through acts of innovation. They approach innovation in its broadest sense including both new technologies and new ways of doing things.”*

Finally, Johannessen *et al* (2001) identified innovation as newness implication because innovative activity may relate to new products, new services, new organizing methods, new markets venture, new production methods and new sources of supply.

2.4.1 Innovation Theories

Research also relates the conceptual relationship between entrepreneurship and innovation. The researcher, Sundbo (1998) identified the basic theories of the economics innovation and three competing paradigms for current theoretical discussion of innovation : the entrepreneur paradigm, the technology-economics paradigm and strategic paradigm.

However, the entrepreneur paradigm was attempted by Schumpeter (1934) to create linkage between entrepreneurs and innovation in theory. Schumpeter (1934) viewed entrepreneurs as innovators who contribute to the economic growth of the nation. For this paradigm, a person can only be addressed as entrepreneurs if the person creates new ideas from the new company. This is because the researcher views entrepreneurship as a creative act and as an innovation. Besides, in Legge and Hindle's (1997) opinion, the researcher mentioned people who recommend innovations in leading organization are recognized as entrepreneurs. Moreover, Zhao (2001) addressed innovation as a tool to identify market needs in order to achieve commercial achievement.

A similar model to Majaro (1998) was forwarded by Sutton and Hargadon. This innovation has been illustrated as a "knowledge-brokering cycle" process which comprises four interlinked work practices as follows : capturing good ideas, keeping ideas alive, imagine old ideas, and putting capable concepts to the test. However, Buggie (2001) added there were four phases of innovation which consist of four stages : policy development, ideation, assessment and implementation which will gradually attain organizational growth.

2.4.2 Types of Innovation

According to Mavis and Carol (2007), types of innovation include technological innovation (Cardinal, 2001), administrative innovation (Ravichandran, 2000), strategic innovation (Torock, 2001), and process and product innovation (Bagchi-Sen, 2001). Additionally, Eppink (1997) explained that strategic innovation involves high expenses which deals with market strategy such as re-positioning and differentiation through joint ventures, merges, acquisitions or strategic alliances and it is only implemented when needed.

The OECD in the OSLO Manual (2005) has categorized innovation into four types : organisational innovations, product innovations, **s**ervice innovations, and marketing innovation. Organisational innovations which is adopted by *the* OECD in the OSLO Manual has been defined as : "the execution of a new organisational technique in the respect of firm's internal or external relations and trade policy which implies new methods of implementation," for example*,* supply chain management systems and new practice of total quality management system.

Besides, product innovation has been defined as the introduction of new or improved service which includes improvement of characteristics in products such as functions and operation systems like 24 hour banking. Besides, it is noted that product innovation provides the most resources for generation of revenues for the organization. (Freeman, 1982; Dickson and Hadjimanolis, 1998)

Additionally, the OECD in the OSLO Manual (2005) also explained that service innovation is comparable to product innovation because similar tools are used for the development of service.

Above that, marketing innovation is a new marketing method which involves major changes in the 4 P's of marketing mix : pricing, product design or packaging, product placement and product promotion or pricing. For instance, a comprehensive promotional package for travelling.

Cooper (1998) stated the difference between product innovation and process innovation. The author mentioned that product innovation reflects change in the end product or service offered by organizations. Whereas, process innovation represents changes in the way organizations produce end products or services. Otherwise, innovation also has been categorized by Cooper (1998) into two categories : technological and administrative innovation. According to the researcher, technological innovation refers to adoption of a new idea which influences the basic output processes.

However, administrative innovation indicates changes of policies, allocation of resources, and other factors relevant to the structure of the organization. Additionally, Fang Zhao (2005) added that the definition of innovation was broadly defined to include new products, new processes, new services, new forms of organization, new markets, and the development of new skills and human capital.

On top of that, Mavis and Carol (2007) identified innovation as a multi-faceted effort. Maravelakis *et al.* (2006) mentioned that organizational innovations were based on product, process, and administrative innovations. However, Wolff and Pett (2004) and Walker (2005) used comparison on the effects of product and process innovation to measure organization 's performance.

From the above, various types of innovation have been mentioned, Mavis and Carol (2007) finally concluded that organizational performance tends to be the decisive goal in the implementation of innovation.

2.4.3 Innovation Barriers

Freel Mark S. (2000) highlighted four major resource constraints which resulted in innovation barriers : Finance; Management and Marketing; Skilled Labour; and Information. According to the researcher, the most popular innovation barriers are the difficulties in assessing financial support. However, in recent literature, high technology small firms also suffered from this problem, Oakey (1997, pp.20-21) concludes that '… all… concerns are directly or indirectly influenced by shortages of capital.'

Furthermore, poor management skills and poor marketing skills were also addressed by Adams (1982) and Moore (1995) as the common barriers that are happening to small firms. In addition, management deficiencies which included poor planning and financial evaluation that led to underestimated marketing and product development costs also identified by Barber *et al* (1989, p10) as one of the barriers in innovation process. Moreover, Oakey (1997) and Westhead and Storey (1996) also pointed out that small firms have difficulty to recruit , train and retain qualified and experienced staff such as managers.

Due to the problems in management and marketing, small firms will have difficulty in recruiting skilled labour to implement existing technology in the organization. (Freel, Mark. S, 2000). Pineda *et al* (1998) identified the importance of information which determines suitable and effective decision making. However, Freel (2000) feels that small firms are unable to obtain information due to the high costs involved.

The above mentioned constraints will highly affect the effectiveness in the implementation of innovation in enterprises.

2.4.4 Innovation Management

Ojasalo, J. (2008) defined innovation management as the management of the whole innovation process which starts from the new idea generation phase through the progress of product or process until market launching. This process involves strategic and operational issues (Rothwell, 1992; Dickson and Hadjimanolis, 1998). Quinn (1985) identified management of innovation as controlled chaos as it consists of surprises and unpredicted changes, but it can be controlled of certain extent.

On the other hand, Dreijer (2002) mentioned five activities and contexts of innovation management which consisted of the process of innovation, technical integration, strategic technology planning, business development and organizational change. Dreijer (2002) illustrated cross-functional activities that create innovation across the departments of the firm which were referred to as the process of innovation. Technical integration involves integration of technologies and the product markets of the organization. It also implements customer-oriented innovation which emphasizes customers' satisfaction. Strategic planning refers to maintaining balanced portfolio of technology competency through planning of technology and/or competence projects in the organization. Additionally, business development can both determine or be determined by business development which is relevant to the framework of innovation.

Innovation and organizational change are interrelated because innovation always brings change in the organization which leads to product innovation and /or process innovation.

Furthermore, researchers identified some guidelines regarding the role of managers in leading innovation in the organization. According to McCosh *et al*. (1998), the top management which leads the innovation should support innovation through leading by example. Secondly, the organization should be customer-based and should identify the future needs of the customers before the needs are mentioned. Further, there must be a certain procedure to keep track of all innovation projects in order for further reference and refinement. This is to ensure that all work done is complete and remains matched and consistent. Innovation culture should be implemented by the organization through exposure to training, resources and new technologies. To maintain the sustainability of innovation culture, rewards should be given for the success of innovation implementation.