

**ENTREPRENEUR POLITICAL SKILL AND
NEGOTIATION OUTCOMES AMONG TSMEs:
THE ROLES OF ENTREPRENEURIAL
ORIENTATION, SOCIAL CAPITAL AND
GOVERNMENT COACHING SUPPORT AS
ANTECEDENTS**

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by

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LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
BDR	Behavioural Decision Research
CR	Composite Reliability
DV	Dependent Variable
EO	Entrepreneurial Orientation
GCS	Government Coaching Support
HTMT	Heteroit-Monotrait of correlations
IV	Independent Variable
MOTAC	Ministry of Tourism and Culture
NO	Negotiation outcomes
PS	Political skill
RBV	Resource based-view
SC	Social capital
TDC	Tourism Development Corporation
TSMEs	Tourism Small Medium Enterprises

**KEMAHIRAN BERPOLITIK USAHAWAN DAN HASIL RUNDINGAN
OLEH PERUSAHAAN KECIL DAN SEDERHANA DALAM KALANGAN
SEKTOR PELANCONGAN: PERANAN ORIENTASI KEUSAHAWANAN,
MODAL SOSIAL DAN SOKONGAN LATIHAN KERAJAAN SEBAGAI
ANTEJADIAN**

ABSTRAK

Menyedari betapa pentingnya industri pelancongan terhadap pembangunan ekonomi negara, adalah penting untuk mempersiapkan TSMEs (Perusahaan kecil dan sederhana dalam sektor pelancongan) , agar berdaya saing. Walau bagaimanapun, Malaysia telah mencatatkan penurunan kedudukan daya saing dalam sektor pelancongan sejak 2007 dan ketinggalan daripada kebanyakan rakan Asia dari segi orientasi pelanggan dan kualiti sumber manusia. Usaha yang berterusan perlu diambil untuk merangsang industri terutamanya TSMEs kerana 85 peratus daripada pemain industri ini adalah terdiri dari mereka. Dalam mencapai matlamat ini, adalah penting untuk memberi penekanan kepada pembangunan kemahiran berpolitik di kalangan usahawan dalam sektor pelancongan dan impaknya terhadap hasil rundingan perniagaan. Kajian ini didasarkan pada Kajian Berasaskan Sumber dan Penyelidikan Keputusan Tingkah Laku. Oleh itu, penyelidikan yang lebih holistik telah dijalankan untuk mengkaji kesan kemahiran berpolitik terhadap hasil rundingan dan antejadian yang memberi impak kepada usahawan pelancongan ini. Data yang telah dikumpul terdiri daripada 123 TSMEs hasil gabungan direktori SME Corporation dan Malaysia SME melalui soal selidik yang dikendalikan sendiri berdasarkan soalan yang digubal melalui sorotan kajian yang berkaitan. Data yang dikumpul telah dianalisis menggunakan *partial least squares-structural equation*

modelling melalui perisian Smart PLS 3. Hasil kajian menunjukkan bahawa dimensi kemahiran berpolitik (kebolehan rangkaian, kebijaksanaan bersosial dan keikhlasan yang jelas) memberi kesan yang signifikan ke arah hasil rundingan. Sementara itu untuk modal sosial struktur, hubungan positif dengan keupayaan rangkaian dan pengaruh interpersonal, diikuti dengan sumber modal sosial yang menunjukkan hubungan positif yang signifikan dengan kebijaksanaan bersosial dan akhirnya modal sosial mempunyai hubungan positif dengan kemampuan rangkaian. Kajian ini juga menghasilkan hubungan yang signifikan antara Sokongan Latihan Kerajaan dan kebolehan rangkaian, kebijaksanaan bersosial dan keikhlasan yang jelas. Sumbangan secara teori dan praktikal daripada hasil penyelidikan telah dibincangkan. Penemuan kajian ini amat berguna kepada kedua-dua pembuat dasar dan TSME ke arah membangunkan industri yang sangat kompetitif. Batasan dan cadangan bagi penyelidikan ini juga telah dijelaskan secara terperinci dalam kajian ini.

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ABSTRACT

Realising the importance of tourism industry towards the economic development of the country, it is crucial to prepare the tourism players especially TSMEs (Tourism Small Medium Enterprises), in order to become highly competitive. However, Malaysia has recorded a declining competitiveness ranking in tourism sector since 2007 and is left behind compared to most Asian counterparts especially in terms of customer service orientation and quality human resources. A constant effort should be taken in order to stimulate the industry especially TSMEs since they accounted up to 85 percent from tourism players. In achieving this target, it is important to emphasise on the development of political skill among tourism entrepreneurs and its impact towards the business negotiation outcomes. This study was grounded by Resource-Based View and Behavioural Decision Research. Thus a more holistic research was conducted in order to examine the impact of political skill towards negotiation outcomes and the determinants that will affect politically skilled TSMES entrepreneurs. Data were collected from 123 TSMEs from SME Corporation directories and Malaysia SME directories through self-administered questionnaire developed from related literature. The data collected were analysed using partial least squares-structural equation modelling via Smart PLS 3. Findings indicated that dimension of political skill (networking ability, social astuteness and apparent sincerity) significant impact towards negotiation outcomes. Meanwhile as for

structural social capital, a positive relationship with networking ability and interpersonal influence, followed by resources social capital which indicate a significant positive relationship with social astuteness and eventually relational social capital is positively related to networking ability. This study also derived a positive significant relationship between Government Coaching Support and networking ability, social astuteness and apparent sincerity. Theoretical and practical contributions of the research findings were discussed. The findings of this study are useful to both policy makers and TSMEs towards developing a highly competitive industry. Finally, the limitations of the research were explained and suggestions were also presented.

CHAPTER 1

INTRODUCTION

1.0 Introduction

Political skill is a set of representation on social competencies which focuses on an individual's ability to recognise opportunity and eventually capitalising it for the success of their organisations (Gentry et al., 2013). This skill is claimed to assist entrepreneurs in leveraging network ties effectively (Tocher, Oswald, Shook & Adam, 2012). In the context of entrepreneurship, political skill among the SMEs owners/managers is crucial given that such skill could contribute to better performing organisations and generate more profit (Baron & Markman, 2003). Individuals who possess political skill are more proficient in establishing mutual networks in their social relationships whether it is between individuals, individuals and organisations or between organisations (Ferris et al., 2005; Mintzberg, 1983; Pfeffer, 1981).

According to Ferris et al., (2007), any entrepreneur or member of an organisation may take political actions at any time and activities performed for the firms to improve the productivity and performance of a business, especially those involving negotiations which are viewed as political activities. Scholars have refer the skill to influence others more convincingly in accomplishing their business goals as political skill (Zhan & Kim, 2015). Subsequently, it has also been argued that there is a positive association between political skill and successful negotiation outcomes (Solga, Betz, & Ostermann, 2015) which is deemed as crucial in the commercial setting. Effective negotiations in business include securing contracts, sales. and purchase agreements, extracting resources from the suppliers, convincing potential customers as well as convincing colleagues and employees to work towards organisational goals (Solga et al., 2015).

In a similar vein, political skill is essentially important for service sectors such as the tourism industry as this specific industry is a relatively easy industry to enter and exit due to its low capital requirements (Zehrer, 2009). Business establishments in the tourism industry offer non-homogenous products in which most services require interaction between these linkages and eventually set their own expectations on the outcomes (Anuar, Ahmad, Jusoh, & Hussain, 2012b). This rather unique nature of intense human interactions requires the possession of political skill among the business owners to form constructive and effective relationship with their customers and also the stakeholders which eventually exerts influence to a wide range of social networks (Blickle et al., 2011).

A prominent feature of the tourism industry is its potential to create backward and forward linkages as since the industry is capable in generating broader multiplier effects toward a country's economy, especially in terms of employment opportunities (UNCTAD, 2013). Additionally, the development of domestic tourism industry has provided support to countries in achieving global competitiveness. Thus, a substantial amount of investment for the development in such industry has become a priority worldwide (Giap, 2016). It is important to ensure the success and growth of the tourism industry since the industry has significantly contributed towards the economy development, especially with regards to the movement of tourists to our country which has helped to boost the tourism market (Anuar, Ahmad, Jusoh, & Hussain, 2012a). Thus, it has been proposed that entrepreneurs who possess good political skill will become highly credible, and efficient managers/owners who are capable in utilising and influencing the diverse linkages (Tocher et al., 2012), and eventually possessing the ability to organise and complete negotiation deals with the stakeholders (Mintzberg, 1983).

Owing to the high potential of tourism industry in Malaysia since the industry is highly capable in inflicting a positive influence towards the economy, the enhancement of the likelihood of success among the players in this industry is crucial. In this regard, the possession of political skill in ensuring the competitiveness of TSMEs (Tourism Small Medium Enterprises) in the context of Malaysia is of pivotal importance. In accordance to the preceding discussion, the principal aim of this study is to examine the extent to which political skills among tourism entrepreneurs will contribute to positive negotiation outcomes which will subsequently enhance firms' performance. In addition, the study will also be examining the determinants of good political skills among TSME's owners in order to better understand concept of such skills. This chapter begins with the background of the study and is followed by research problems, questions and objectives. This chapter will then elaborate the significance of this study and the scope of this study. Finally, the organisation of the remaining chapters of this thesis is shown.

1.1 Background of the Study

1.1.1 Tourism SMEs in Malaysia

The establishment of Tourism Development Corporation (TDC) in 1972 has demonstrated a strong commitment of the Malaysian government to flourish the tourism industry. The uniqueness of Malaysia's natural resources with its multiracial and multicultural community has become a competitive advantage for the Malaysia tourism industry. In addition to the establishment of the Ministry of Culture, Art, and Tourism in the year 1987, many significant changes have taken place in promoting Malaysia at the national and international levels as a preferred tourism destination.

The tourism industry has significantly contributed towards the income for the country in terms of fostering regional development, creating new employment, and diversifying the national economy which includes improving the nation's income level (Hallak, Brown, & Lindsay, 2012). It is reported that the total employment of the tourism industries has increased from 1.5 million in 2005 to 2.9 million in 2015 while the number of tourists arriving has also increased from 16.4 million in 2005 to 27.4 million in the year 2014 (Department of Statistics, 2016). Unfortunately, in the year 2015, the number of arrivals has decreased to 25.7 million and this decrease is assumed to be by recent unprecedented events such as eastern Sabah security issues, aviation industry incidents, earthquakes, and floods (Tourism Malaysia, 2017).

The government has conducted various tourism initiatives through its five years' economic plan from the 2nd Malaysia Plan (1971-1975) to the recent 10th Malaysia Plan (2011-2015). The first National Tourism Policy was established during the Sixth Malaysian Plan (1991-1995) which emphasises on planning, developing, and marketing the tourism industry in Malaysia. This is followed by the National Eco-Tourism Plan (1996), Rural Tourism Master Plan (2001) including the Second National Tourism Policy (2003-2010) which were established to focus on the performance of the tourism industry-based products and services aimed by the government (Set, 2013a). Constant efforts were put in to stimulate the industry and the efforts have positively impact TSME's business activities by the Malaysian Government as they have accounted up to 85 percent of the tourism businesses (Nair & Hussain, 2013). Furthermore, according to MOTAC (2017), it is expected that Malaysia will earn RM3 billion a week from tourism by 2020 and a total receipt of revenue of approximately RM168 billion.

Based on the Tourism Satellite Accounts (TSA) which was initiated by the United Nations World Tourism Organisation (UNWTO) and Organisation of Economic Co-operation and Development (OECD) which is adopted by Malaysian Government (Tourism Satellite Account, 2001), the characteristics of tourism-specific products from the suppliers' perspectives are as follows:

- Accommodation services
- Food and beverage serving service
- Passenger transport services
- Travel agency, tour operator, and tourism guide services
- Cultural services, recreation and other entertainment services and
- Miscellaneous tourism services (i.e., zoo, museum and theme parks).

There are basically 239,110 active establishments which accounts to 41.1 percent of TSMEs from the total SMEs in the Services Sector in 2010 whereby 142,721 firms (59.7 percent) offer food and beverages. This is followed by transportation services with 40,025 firms (16.7 percent) and miscellaneous tourism services with 36,721 establishments accounted to 15.4 percent (Malaysian Department of Statistics, Census 2011, 2012). Considering such high number of the TSMEs establishments, this industry undeniably plays a big part in generating income to the nation. Hence, adequate attention must be given in order to boost the performance of the industry.

Tourism industry is part of the service sector in Malaysia and its nature focuses on human resource which deals with people directly. According to Wing, Yee, & Yee (2007) it is important for a country to develop competent and skilful human resources in order to ensure that customer-oriented industries such as tourism is at par with the global standard based on The Travel and Tourism Competitiveness

Index Report 2017. As of today, Malaysia is ranked 22nd for the index component of Human Resources and Labour Market and also ranked 18th in terms of the degree of customer orientation. Since the majority of TSMEs in Malaysia are the key players in such industry, there is a need for tourism entrepreneurs to possess added value skills and abilities to recognise opportunities which are made available for them (Set, 2013b). However, in discovering and exploiting such opportunities, one needs to have the ability known as political skill. According to Gentry et al. (2013), the possessions of political skill enable organisations to thrive in achieving the goals.

1.1.2 The importance of political skills towards small and medium enterprise (SMEs) performance

Political skill is a unique yet controversial trajectory in the organisational behaviour mainstream given that the terms ‘politics’ itself is often associated with negative connotations (McAllister, Ellen, Perrewe, Ferris, & Hirsch, 2015). In the entrepreneurship line of inquiry, there is limited studies that dwells into organisational politics among entrepreneurs and its association with venture performance (Tocher et al., 2012). It is observed that operating in today’s highly hostile and competitive business landscape, political skill is seen as a requisite competency which could ensure business survival and sustainability (Zhan & Kim, 2015). Political skill is defined as the ability of individuals to influence others to act in accordance to one’s objectives (Ahearn, Ferris, Hochwarter, Douglas, & Ammeter, 2004) and realistically in the commercial setting. Individuals, especially entrepreneurs tend to become more politically involved as they attempt to influence or persuade others to engage in their business dealings.

While many are unwilling to accept that they are politically-oriented, the daily negotiating, compromising, and persuading others are without doubt involve the practise of such skills. Such actions are no different from entrepreneurs as they attempt to persuade business contracts and repetition of negotiations throughout the buying and selling process (Zhan & Kim, 2015). As a matter of fact, when tapping into the context of social effectiveness, political skill construct focuses on the social influence and politics when getting involved with negotiation (Ferris & Horwarter, 2011). Regardless of formal and informal negotiations, business trade off and strategic partnership are known as a part of political activities and it eventually takes political skill to improve the business performance. Entrepreneurs need to coordinate team efforts, communicate with customers or clients, and facilitate negotiations with others since they are the owner/manager of one's own organisation (Tocher et al., 2012).

The components of political skill are broad and overarching since this skill consists of social astuteness, interpersonal influence, network ability, and apparent sincerity (Kolodinsky, Treadway, & Ferris, 2007). First, social astuteness involves an individual's ability to observe and understand social interactions well with accuracy in interpreting behaviours. On the other hand, interpersonal influence allows individuals to calibrate and adapt their behaviour to various situations to elicit the desired responses from others. Having the ability to successfully identify and develop diverse contacts and networks with various individuals is known as network ability. Lastly , apparent sincerity is when individuals appear to others as to have high levels of integrity and authentic, sincere, and genuine (McAllister et al., 2015). Thus from the preceding discussions, the present study conjectured that possessing political skill among entrepreneurs will create a healthier relationship and linkage.

This is especially crucial towards the stakeholders who consist of customers and suppliers that will eventually enhance the negotiation outcomes.

1.1.3 The importance of Political Skill and Negotiation Outcomes in Tourism

SME's performance

Based on the Malaysian Department of Statistics, Census 2011 (2012), a total of 239,110 establishments of TSMEs in Malaysia is mostly dominated by the micro SMEs which accounted up to 200,402 firms. Such high amount of establishments is due to the nature of TSMEs that only requires low cost operation and low capital requirement. It is not perplexing that in most countries, the tourism industry is mostly dominated by SMEs and family-owned businesses (Zehrer, 2009).

The large amount of establishments of SMEs in Malaysia may require entrepreneurs to equip themselves with political skill to assist them in leveraging network ties efficiently (Tocher et al., 2012) and convince their stakeholders effectively (Anuar et al., 2012b). In the context of this study, stakeholders of TSMEs consist of tourists as the customers, the suppliers, and the local communities within the tourism area. Given the nature of TSMEs that is heavily dependent on the ability of the entrepreneurs to influence, develop trust, and demonstrate sincerity in their dealing with the stakeholders, this study contends that political skill is a requisite in ensuring that any negotiation involved will create positive outcomes (Solga et al., 2015). The concept of negotiation occurs either in business or social interactions and it is essential, especially for those who heavily depend upon interactions and dealings with others in order to achieve one's objectives. Negotiations will definitely occur and be involved whether it is about sales and contracts, collaborations with the local

community or obtaining resources and supplies in meeting the customers' demands (Anuar et al., 2012b).

The bottom line in business negotiation is that the outcomes are related to how well a person can negotiate and if properly developed with the right influencing ability, it could become a company's core capability (Sellers & Blancke, 2014). As a matter of fact, the key elements of successful business are being able to plan, conduct, and analyse the outcomes for commercial negotiation. The ability to develop the skill in recognising and utilising any opportunity that comes along during the negotiation is rather demanding, valuable, and challenging task (Ashcroft, 2004). By being politically skilled, a person is able to adjust his or her behaviour and execute influencing efforts in ways that will enhance the business negotiation outcomes which directly contribute to greater organisations' success (McAllister et al., 2015).

Accordingly, Thompson, (2010) has discussed that the consequences or product of the negotiation process is known as negotiation outcomes and they highlighted that there are two classes of negotiation outcomes which are economic and social psychological. Economic outcomes focus on the explicit terms of negotiation such as a binding agreement, how much value or joint benefit has been created, or how much resources are claimed by each party. On the other hand, social psychological measures in negotiation encompass the social perception and consist of three important elements which are the perceptions of the bargaining situation, perceptions of the other party, and perceptions of oneself.

1.2 Problem Statement

1.2.1 Sustaining Tourism SMEs Competitiveness

The tourism sector is the driver of various economic activities and it is expected to contribute towards the wealth distribution of the nation and also boost the economic growth of the country (Nair & Hussain, 2013). This industry promises high potential as this industry has become the second largest foreign exchange earners after manufacturing and is further supported by the fact that Malaysia is one of the top most visited countries in the world (SME Masterplan, 2012-2020) with 25.7 million of tourist arriving in the year 2015 (Tourism Malaysia, 2017). It has also generated 14.4 percent of Malaysian GDP and employed approximately 2.9 million workforces to our country as at 2015 (Department of Statistics, 2016).

In addition, the Malaysia Prime Minister, Datuk Seri Najib bin Abdul Razak has revealed that tourism industry plays an essential role within the urgent needs in sustaining and diversifying the economy (“Tourism industry now 6th largest GDP contributor”, 2015). Realising such significant contributions of tourism industry to Malaysia, the government has taken various initiatives in stimulating the industry using the resources and strengths of tourism images and products. Among the proactive campaigns taken in promoting tourism is the Visit Malaysia Year 2014, Malaysia Truly Asia, and Year of Festivals which have shown a positive impact to our country (SME Annual Report 2013/2014). A constant effort in stimulating the industry has brought positive impact to TSME’s business activities by the Malaysian Government (Set, 2013a) as they accounted up to 85 percent of the tourism businesses (Nair & Hussain, 2013).

Table 1.1

Comparison of the Travel and Tourism Competitiveness Index Ranking 2007, 2009, 2011, 2013, 2015 and 2017

Country	Travel and Tourism Competitiveness Index Ranking					
	2007	2009	2011	2013	2015	2017
South Korea	42	31	32	25	29	19
Singapore	8	10	10	10	11	13
Japan	25	25	22	14	9	4
Hong Kong	6	12	12	15	13	11
Taiwan	30	25	22	33	32	30
Malaysia	31	32	35	34	25	26
China	71	47	39	45	17	15
Thailand	43	39	41	43	35	34
Indonesia	60	81	74	70	50	42
Philippines	86	86	94	82	74	79

Source: The Travel and Tourism Competitiveness Index Report 2007, World Economic Forum, 2007, 10 : The Travel and Tourism Competitiveness Index Report 2009, World Economic Forum, 2009, 19 : The Travel and Tourism Competitiveness Index Report 2011, World Economic Forum, 2011, 21 : The Travel and Tourism Competitiveness Index Report 2013, World Economic Forum, 2013, 10 : The Travel and Tourism Competitiveness Index Report 2015, World Economic Forum, 2015, 5 : The Travel and Tourism Competitiveness Index Report 2017, World Economic Forum, 2017.

Based on Table 1.1, the Travel and Tourism Competitive Index from year 2007 to 2015 has shown Malaysia's ranking. It is noted that we managed to improve our position to 25th and currently at 26th ranking overall in the year 2015. Previously, Malaysia has recorded a declining competitiveness ranking, especially in the year 2011 and 2013 with scoring 35th and 34th position, respectively. Despite of being recognised by the World Tourism Organisation as the 11th Most Visited Country in the World 2014 (MOTAC, 2017), other Asian counterparts such as Singapore, South Korea, Hong Kong, Japan, and China ranked higher than Malaysia in terms of competitiveness.

In the face of being an uncompetitive destination in terms of price (ranked at 91st), Singapore is able to sustain their ranking at the 13th position in terms of

competitiveness for the year 2017. Singapore focuses on providing excellent business environment which was ranked as 2nd globally and also emphasises high quality human resources (ranked at 5th globally) which is seen as pivotal towards the development of the tourism industry (World Travel and Tourism Council, 2014). Additionally, Japan was able to improve their competitiveness ranking as among the top ten countries in the world. Although they are not a price competitive country (ranked as 94th globally), Japan positioned their human resources as highly qualified and competent in terms of treating customers which was ranked 1st globally. Sadly, however, Malaysia is ranked at 18th in terms of the degree of customer orientation and 22nd on the overall human resources and labour market. In order for Malaysia tourism industry to become highly competitive, it depends heavily on the quality of customer service provider and the tourists' assessments of satisfaction and dissatisfaction (Anuar et al., 2012b). It also remains important for the industry to focus on various development programmes to improve the performance of TSMEs human resources in order to remain relevant worldwide (Zehrer, 2009) especially since the majority of the tourism industry players in Malaysia consists of the SMEs (Nair & Hussin, 2013). Hence, there is a need to emphasise on cultivating the competitive edge in order to sustain and eventually do better with the current position. This has triggered the interest of the researcher to explore important covariates that could improve Malaysia's competitiveness within the tourism industry.

Realising such condition, Malaysian TSME's needs to focus on their management orientation (Zehrer, 2009) and social effectiveness (Zhan & Kim, 2015) which involve becoming more responsive, integrating customers' views into their strategies, and maximising customers satisfaction (Schmitt, 2010) . The possession of

political skill serves as a capability of identifying opportunities within a relationship which is highly relevant among entrepreneurs (Zhan & Kim, 2015). Indeed, the lacking of political skill among them resulted to inadequate ability to establish social capital and building trust with the customers (Tocher et al., 2012). By equipping the TSME's with political skill, it helps to explain how well individuals can manage the responses from their customers since such skill allows the individuals to influence action from others within the business environment (Lux, 2005). The skill also serves as a source to guarantee social networking and there is a high possibility that individuals with good network can draw needed help from various networks that they have (Dae-Yoong & Choon-Kwong, 2009).

1.2.2 Lack of Empirical study on Political Skill and Negotiation Outcomes

In relation to the study of political skill among SMEs, Tocher et al. (2012) mentioned that there has been scarce attention in the entrepreneurship literature. Previous research provides solid evidence to prove that it is crucial for entrepreneurs to possess social competence in order to create high level of credibility and trust within their social networks (Baron & Markman, 2003). Although political skill seems similar with other components within social competence, it is argued that the construct is more relevant and appropriate in examining workplace interactions (Harris, Kacmar, Zivnuska, & Shaw, 2007). Furthermore, those with political skill are highly dexterous managers and have the ability to gain better resources from their social network (Ahearn et al, 2004).

Meanwhile, Mckercher & Robbins (1998) posited that lack of managerial skills is a major obstacle for tourism entrepreneurs. Besides product innovation and management operations, the ability to deal with people effectively is also an essential

skill for tourism entrepreneurs (Set, 2012b). Thus, in the context of this research, it would be interesting and critical to examine whether entrepreneurs who possess political skill lead to better negotiation outcomes for the TSME's.

In parallel to the above statement, to accomplish one's objectives in business, negotiation is seen as a core management competency (Seller & Blancke, 2014). Additionally, in performing the negotiating tactics, it takes political skill to achieve those goals (Ferries et al., 2007). Most of the studies on negotiation have been focusing on the economic measures which have been claimed as unemotional and rational (Curhan, Elfenbein, & Xu, 2006). It is biased to assume that all humans are homogenous with specific attributes in negotiating. According to Curhan et al., (2006), researchers have criticised the lack of attention paid to social psychological measure as compared to economical measure in negotiation outcomes. In addition, according to Thompson et al., (2010) there has been an inadequacy of the normative model which caused a demand for descriptive approaches which focus on the individual character, motivation, cognitive processes on judgement, behaviour, and outcomes in negotiation. Additionally, a limited study on political skill and negotiation were identified by Solga et al., (2012). This study attempts to investigate the negotiation outcomes of the TSME's using the social psychological measurement in the Malaysian context.

Based on the above arguments, this research examines the impact of possessing political skills to TSME's negotiation outcomes and filling the gap in literature which currently exist between the political skill and negotiation outcomes within the TSME's in Malaysia.

1.3 Research Objectives

In view of the preceding discussion, this research aims to obtain empirical evidence on “*whether political skill could enhance the negotiation outcomes among TMSE entrepreneurs*”. In doing so, several antecedents of political skill are also investigated in this study. The study determines “*whether Entrepreneurial Orientation, Social Capital and Government Coaching Support are the antecedents of TSMEs entrepreneurs’ political skill*”. In light of this, the objectives of this research are as follows:

1. To examine whether the four dimensions of political skill influence TSMEs entrepreneurs’ negotiation outcomes.
2. To examine whether entrepreneurial orientation influence the political skill of TSMEs entrepreneurs.
3. To examine whether social capital influence the political skill of TSMEs entrepreneurs.
4. To examine whether government coaching support influence the political skill of TSMEs entrepreneurs.

1.4 Research Questions

According to the research objectives, the following research questions are developed:

1. Do the four dimensions of political skill influence TSMEs entrepreneurs’ negotiation outcomes?
2. Does entrepreneurial orientation influence the political skill of TSMEs entrepreneurs?
3. Does social capital influence the political skill of TSMEs entrepreneurs?

4. Does government coaching support influence the political skill of TSMEs entrepreneurs?

1.5 Scope of the Study

The present study focuses on testing the relationship between political skill (i.e., social astuteness, networking ability, interpersonal influence, and apparent sincerity) and negotiation outcomes (i.e., feelings about the Instrumental Outcome, feelings about oneself, feelings about the Process and feelings about the Relationship) among TSMEs in Malaysia. The study is also conducted to understand the predicting role of entrepreneurial orientation (i.e. innovativeness, risk taking and pro-activeness), social capital (i.e., structural, cognitive and relationship), and government coaching support (i.e., rapport, trust, commitment, and match) on political skill. Thus, this research aims to obtain answer to the key question that is “Does political skills contributes to better negotiation outcomes among TSMEs in Malaysia?”.

The study targets entrepreneurs operating in SMEs from the tourism sector (later known as TSMEs) which consists of accommodation services, food and beverage serving service, passenger transport services, travel agency, tour operator and tourism guide services, cultural services, recreation, and other entertainment services as well as miscellaneous tourism services (i.e., Personal care and salus Per Aqua (SPA), camping sites, Zoo, museum and theme parks) which were derived from the Tourism Satellite Accounts (TSA).

The list of respondents is retrieved from both the directories of Small Medium Corporation Malaysia (SMEECorp) with 263 companies and Malaysian SMEs directory with 73 companies. Overall 331 respondents were included within

the sampling frame and the reasons for choosing these directories are due to its dependability and authoritative sources. Responses collected from the entrepreneurs (i.e owners/managers) who are actively involved with the operations of their businesses and must be a tourism-related company (refer to Section 1.1.1). Furthermore, the additional inclusionary also includes the followings: (1) company with 75 or less full-time employees (as defined by SMECorp Malaysia, 2016) (2) and must at least attend once of any form of Coaching Programmes that was conducted by the government. As this study is limited to TSMEs within the tourism sector, the findings and the conclusions derived are interpreted in the context of the study only, namely, TSMEs.

1.6 Significance of the study

This study aims to extend the body of knowledge relating to the entrepreneurial political skills and SMEs negotiation outcomes. This study also hopes to provide better comprehension on the practical implications of SMEs negotiation outcomes in the Malaysia context. The theoretical contribution of this study consists of a better understanding on the importance of possessing political skills which contributes to the outcomes of negotiation which are rarely and empirically tested, especially in the Malaysia context from the lens of Behavioural Decision Research. Furthermore, this study also aims to assist researchers in gaining an in-depth understanding of political skills in SMEs towards the business negotiation outcomes and testing the entrepreneurial orientations, social capital, and government mentoring support as antecedents, especially those within the tourism sector through the views of Entrepreneurial Orientations, Theory of Social Capital, and Coaching support. This study also aims to offer practical contributions which

may prove to be beneficial for practitioners and policymakers in improving SMEs performances and competitiveness.

1.6.1 Theoretical significance

This study hopes to contribute by conforming the applicability of Entrepreneurial orientation (EO) which is known as a strategic orientation in reflecting how a firm is organised in order to discover and exploit market opportunities (Wiklund & Shepherd, 2003). Since entrepreneurial orientation relates to the methods, practices, and decision-making style used by managers to act entrepreneurially, it represents the process aspects of entrepreneurship (Altinay & Wang, 2011). It is claimed that a large amount of literature on Entrepreneurial Orientation has a positive linkage with firm performance. Furthermore, empirical and theoretical research has suggested that an increase in the Entrepreneurial Orientation is positively associated with organisation performance (Kropp, Lindsay, & Shoham, 2008). In contrast, this study looks into the linkage between Entrepreneurial Orientation and Political Skills and such findings significantly contribute toward the literature of Entrepreneurial Orientation from a different perspective of outcomes in entrepreneurship.

Next, this study attempts to apply the conformity of Theory of Social Capital by considering the problems with the concept of social capital that were well discussed between the researchers (Batjargal, 2003; Nahapiet & Goshal, 1998). The problems are mainly due to failure of empirical research in keeping up with theoretical developments in building up a body of research that addresses the issue of concept, causality, and the downside of social capital. Empirical researchers face the difficult task of probing through a tangle of research into “the one” social capital

concept each time they undertake a research (Fornoni, 2012). Thus, this study contributes towards furthering the understanding of the causality “what effects to what?” as the researcher attempts to explore the relationships between social capital and political skills. In addition, Baron & Markman (2003), have differentiated between social capital and social competence. Social capital refers to the sum of the actual and potential resources individuals obtained from their relationships with others while social competence is the entrepreneurs’ overall effectiveness in interacting with others. Some suggests that both social capital and social competence are different but somehow complement each other in ensuring the entrepreneurs’ success.

Thirdly, this study contributes to the literature since political skill is a learned behaviour which can be developed. Effective techniques such as coaching can actually contribute toward the effectiveness of their social interactions. It has been found that coaching relationship focusing on political skills is strongly associated with the work content and interpersonal competencies (Ferris et al., 2005; McAlliester et al., 2015). Thus, this study explores the linkage between political skills and coaching in order to justify the associations between both variables.

Fourthly, this research helps to fill the gap in the domain of political skill and negotiation outcomes as most research and theory building have always focused on economical outcome (Curhan et al., 2006; Thompson, 1990). Furthermore, Solga et al., (2012) mentioned that political skill has not been widely introduced to the negotiation research. There is a dire need to fill this gap in literature given the importance of subjective value in negotiation in terms of perception and emotion (Curhan, Elfenbein, & Eisenkraft, 2010), especially when looking into political skill towards the effect of negotiation outcomes. Additionally, this study also contributes

towards the extension of Behavioural Decision Research (BDR) which emphasises on actual decision which is different from the prediction made earlier (Bazerman, Curhan, & Moore, 2000).

Ultimately, this study contributes to the literature by integrating the view of RBV which describes how the resources and capabilities that firms possess can contribute toward the benefit of organisation (Lumpkin & Dess, 1996a). Through the framework proposed in this study, it enables a clearer view on how entrepreneurial orientation, social capital, government coaching support affects political skill of TSMEs. It would appear that not many researchers have integrated these three theories simultaneously through examining them as the determinants of political skill and are categorised as intangible skill, specifically capabilities that should be possessed by entrepreneurs. In this sense, this study overcomes the shortcomings by successfully incorporating all the three different theories to enable a more comprehensive view on the importance TSMEs to acquire the political skill.

1.6.2 Practical Significance

This research hopes to uncover the relationship between political skills and negotiation outcomes in the context of TSMEs in Malaysia which are useful for the owners and managers of the SMEs. The uniqueness of political skill contributes to a better outcome of business negotiation and eventually assists in a better performing company. As part of social effectiveness, understanding the nature of political skill will help to develop a better company management. Being able to underlie the drivers of political skills such as Entrepreneurial Orientation, Social Capital and Government Coaching Support may turn a positive impact on the tourism SMEs in influencing the suppliers to maintain a strong relationship with each other. In

addition, this research assists SMEs in attracting potential customers and ensuring loyalty among the customers due to high service satisfaction. The satisfactions are achieved partly with the political skill possessed by the TSME entrepreneurs.

It is also believed that the majority of the tourist facilities are run by small-medium sized business (Nair & Hussain, 2013) and tourism industry significantly contributes towards the economy development of a country (Set, 2013a). This should provide an impetus for tourism SMEs to consider the necessary capabilities in order to achieve their competitive advantage as an organisation. Therefore, research is warranted since the findings can help to overcome the challenges of becoming successful TSMEs. The ability to connect the relationship between political skill and negotiation outcomes will equip these entrepreneurs to develop such skills in order to achieve the best outcome for the TSMEs. Further understanding on political skill and the effect on negotiation outcomes will help in assisting the policymakers and practitioners of the Malaysia tourism industry since the research focuses on political skill which eventually affect the SMEs and its related industries.

1.7 Organisation of the Thesis

This study consists of 5 chapters with Chapter 1 introducing the latest development of the Malaysia Tourism SME's and the discussion on the conditions and challenges facing TSME's including the significance of the study in the framework of the of nations economic development. The influencing antecedents toward political skills are then introduced with the discussion of research problem together with the research objectives and research questions. In addition, there are also further elaborations on the scope, significance of the study, and the key term used in this study.

Chapter 2 presents an extensive literature review which is derived from previous literature on entrepreneurial orientations, social capital, government coaching support, political skills, and SMEs performances. The key concepts derived from past studies are discussed. The research hypotheses and research framework are also introduced within this section.

Chapter 3 elaborates on the methodology which includes the research design, data collection methods, questionnaire and measurement, population of study, data collection process and the data analysis tools.

Chapter 4 discusses the findings and results of the research. Descriptive analysis of the demographic profiles of Tourism SMEs participating in this study, t-test for difference of means, measurement model assessment, hypotheses testing are conducted using SmartPLS and are thoroughly described in this chapter.

Chapter 5 discusses the findings of the statistical analysis carried out in this research. Pertinent conclusions are drawn from the discussions with practical and in accordance with the proposed theoretical contributions. It also delves on the research limitations and provides suggestions for future research.

1.8 Operationalisation of Key Terms

Tourism SMEs

Small Medium Enterprises (SMEs) within the tourism industry which consist of accommodation services, transportation service, art, entertainment and recreation services, food and beverage service, miscellaneous tourism services, and travel agency, tour operator and tourism guide services (Set, 2013a).

Political Skill

Political skill is known as the ability to understand others effectively while at work, and using such knowledge to influence others to act in ways that shall enhance one's personal and/or organisational objectives (Ferris et al., 2007).

Social Astuteness

Individuals that is able to comprehend and interpret social interactions within the social settings. It can also refer to a person being sensitive to others and this allows individuals to attain things for themselves (Pfeffer, 1992).

Interpersonal Influence

Individuals with high interpersonal influence are able to adapt and calibrate their behaviour appropriately for each situation so that it will stimulate particular responses from others (Ferris et al., 2005).

Networking Ability

Individual with networking ability are good in initiating and identifying contacts and networks with other people. Due to their elusive style, it is easier to develop friendships, build rapport cooperation and create lasting relationship (Ferris et al., 2007).

Apparent Sincerity

It is about the ability to appear with high integrity levels, being genuine, sincere and authentic in front of others (Ferris et al., 2007).

Negotiation Outcomes

Negotiation outcomes are the product of the bargaining situation which focus on social-psychological measuring the processes and outcomes of negotiation and are based on social perception (Thompson, 1990).

Feelings about the Instrumental Outcomes

Associated with the belief that negotiators are able to develop strong objective settlement such as ‘winning a negotiation’, high quality products, or more money (Curhan et al., 2006).

Feelings about the Self

Associated with elements of doing the right things and ‘face saving’ (Curhan et al., 2006)

Feelings about the Negotiation Process / Feelings about the Relationship

Both factors are associated with rapport relationship including trust and being heard by other parties (Curhan et al., 2006).

Entrepreneurial Orientation

Entrepreneurial Orientation refers to the processes, practices, and decision-making activities used by entrepreneurs that will lead to the establishment of an entrepreneurial firm (Lumpkin & Dess, 1996b).

Risk Taking

Individuals who are risk taking act boldly through venturing into the unknown, borrowing heavily, and/or commit significant resources to venture into uncertain environments (Rauch, Wiklund, Lumpkin, & Frese, 2009))

Pro-activeness

Individuals with pro-activeness seek opportunities, are forward looking which can be characterised by the introduction of new products and services ahead of the competition and acting in anticipation of future demands (Mason, Floreani, Miani, Beltrame, & Cappelletto, 2015)