The Conceptual Assessment of Malaysian Entrepreneurship Environment and EO Economic Contribution

Masayu binti Othman Mohammad Basir bin Saud Mohd Azwardi Mat Isa Nabaz Nawzad Abdullah
School of Law, Government and International Studies, Universiti Utara Malaysia
11J002, DPP Maybank, UUM, 06010 Sintok, Kedah, Malaysia

Abstract
Entrepreneurial orientation (EO) is a strategy of the organization that increasingly changes the outcome of their performances. This study intended to examine the economic outcome of the entrepreneurial orientation. It also tried to explain how government and the perceived environment impacts on the business organizations to successfully applying EO dimensions. The study found that applying EO in the business organizations less contributed to the economic growth of Malaysia comparing to other countries. The study also found that Malaysian government and private institution offered supportive programs to transfer the attitude and traits of the firms towards the application of the EO. The repayment of the loans is found to be an issue to government and private institutions to maintain their supports. The perceived environment, entrepreneurial knowledge and the attitude of entrepreneurs are key factor of the successful application of EO dimensions.

Keywords: Entrepreneurial Orientation, Entrepreneurship, business environment, economic development, performances.

1. Introduction
Entrepreneurship is not a contemporary concept, but recently prevailed. The concept was first introduced by Catillon from “essai sur la Nature de Commerce en General” published in 1755. Lately, the concept has fascinated by the researchers to conduct further studies on the dimensions and the influences of entrepreneurship. Between 1971 and 1984, 6322 scholarly articles were published on this topic and 3,694 of them were published in two years time (Josien, 2008). Therefore, Miller (1983) has developed Catillon entrepreneurship by constructing the concept of entrepreneurial orientation (Covin & Lumpkin 2011; Miller, 2011; Covin & Wales, 2012). Recently, most entrepreneurs concern about their entrepreneurial performances and the manner that assists them to turn into the greater enterprises.

In Malaysia, entrepreneurship is seen to be an important asset for the development of the economy. Entrepreneurs might effectively contribute to economy prosperity and development to the economic sectors of the country. In light of that, the Malaysian government has intensified its endeavors to increase the productivity of entrepreneurs by establishing one-stop center and pallaned several entrepreneurial activities. Roland et al. (2010) asserted that government policies can play a vital role in providing and expanding entrepreneurship activities within Malaysia. The ambition for skills, innovation, technology and entrepreneurial strategies are decisive for Malaysia to face the challenges of the millennium. This study discovers the attitudes, behavior, personality traits and strategy towards the Entrepreneurial Orientation (EO) in Malaysia. All these positive boldness will impact the performance and development as a designator of work productivity and resilient need for achievement. This study also inspects the influence of EO on the economic growth. This comprehensive study is an explanation regarding the influence of Entrepreneurial Orientation (EO) on overall economy.

2. What’s Entrepreneurship Orientation?
Several studies has tried to define the EO, but there is no concrete agreement between researchers and scholars on the definition of the term. The EO has been defined by Gupta (2015) as the general strategy bearing towards entrepreneurship. Catillon described entrepreneurship as risk taking and ability to assume risk in the market economy. It also refers to the situation where the entrepreneur takes necessary action to catch up the right opportunity in order survive in the competitive market economy. Entrepreneurial orientation has been pigeonholed as the measure of firm level business. It has been bounded with organizational performance whereby the higher the EO, the greater the level of performance will be; which indeed designates to boost entrepreneurial activities (Madsen, 2007). In the similar vein, Entrepreneurial Orientation (EO) has been described as a crucial aspect of high accomplishment firms (Dess, Lumpkin,& Covin, 1997.; Lee and Peterson, 2000). The EO is also defined as a multidimensional paradigm which incorporating into five measurements including innovation, pro-activeness, risk taking, competitive aggressiveness and autonomy (Lumpkin and Dess, 1996; Covin and Slevin, 1989; Rauch,Wiklund, Lumpkin & Frese, 2006). The authors established the definition in accordance to the hypothesis used in their studies by which the relationship of EO is reliant upon the encouragement that organizations achieving by stressing inventiveness e.g., responsiveness, innovation which equal to being proactive and a level of assertiveness as risk taking.
3. Entrepreneurship Orientation and Economic Output

Entrepreneurship is one of the most momentous factors embryonic economic magnification (Suzuki, Kim and Bae, 2002) as it stimulates emerging opportunities of work, enlarges the range of goods or services that provides national lavishness and intensity (Zahra, 1999). Correspondingly, entrepreneurship is more functional with the small medium enterprises (SMEs). It has been recognized as the remarkable catalyst of economic growth for a quite long time (Henderson and Weiler, 2010).

In addition, challenges in SMEs persuades entrepreneurs to create productive business and utilize the experience and skills to attain competitive advantage (Hoq and Chauhan, 2011). According to Lumpkin and Dess (1996), entrepreneurial orientation is the process, behavior and trends that induce companies to move in to the new market with either new or the old products. Chandrakumara, De Zoysa and Manawaduge, (2011) have suggested the need to investigate the impacts of the mixed orientations on the firm performances in developing countries. Entrepreneurs will take an opportunity in the market centre by involving the proclivity to innovate, take risks to endeavor out intensifying products, services and markets to exploit more proactively in respond to their rivals. The value of the influence created by the EO is quite different. Some of the researchers has come up with different findings. The environment and market condition could change the impact of EO on the performances. For that, Wei-Loon (2003) suggested to re-examine the relationship between EO and performances. He used the dimensions of EO against firms performances along with perceived environment. For the organizational performances, three criteria need to be used namely return on capital employed, sales growth and cash flow. (Wei-Loon, 2013).

As the value of EO has been distinguished by academics, there has been a perpetually incrementing stream of literature, concentrating the concept and its impact on the firm performance in companies of different sizes (Covin and Slevin, 1991; Wiklund, 1999; Keh, Nguyen, and Ng, 2007; Storm and Elfring, 2008; De Clercq, Dimov, and Thongpapanl, 2010). The size of the company also changes the influence of EO on the performance of business organizations. Zainol and Daud (2011) on the other hands identified a significant relationship between EO and performances in the local setting of Malaysia. However, according to Soininen et al (2012), EO does not positively relates to the profitability of the business organization. The factors for the variation of the results on EO and performances should be explained based on the environment in which the firm operates.

Entrepreneur Orientation (EO) is the best apparatuses to subtract the performance of entrepreneur and generate better understanding of the entrepreneurial process. This study is primarily covenant to explain the behavior of entrepreneurs that relates to psychological factors and the manners to impact business performance. According to Jarillo (1990), if the company actions and process are lied to the recognition of the business opportunities, then the company could be recognized as entrepreneurial and performances could be achieved. The company that can be labelled as entrepreneurial is also the one that involves in the market product innovation, conducts a challenging venture, possess proactive innovation and competitive toward rivals in the market economy (Miller, 1983).

The tantalizing of EO was capture the researcher interest to study the entrepreneurship as EO is considered to be the most pertinent process at this age to establish a knowledge economy (Hayton, 2005). Knowledge is part of the EO that completes EO dimensions. As EO applied, entrepreneurial activities boost the international profit, increase revenue and maximize growth (Zahra & Garvis, 2000). The authors constantly argue that entrepreneurship changes the relationship between environmental opposition with the performances. Similarly, Arbaugh, Cox, & Camp (2009) affirms international market and mergers or acquisition to craft a prosperity if the firm applies EO in their business venture. This is a clear notion indicates the usefulness of the entrepreneurial behaviors for the international business objective and EO globally applicable regardless firm’s expectation intended for victory.

The entrepreneurs’ competent supports economic development by pursuing the benefit of high economic growth and take this opportunity to establish virtuous business. (Mojica, Whittaker, Gebremedhin and Schaeffer, 2012). Most of the studied previously concentrated on EO and performances indicated that companies with EO behaviour performs better than the companies that are more conservative oriented (Ruch et al., 2009; Grande et al., 2011; Hafeez et al., 2011; Wiklund and Shepherd 2005; Covin and Slevin 1989; Chandrakumara et al., 2011; Keh et al., 2007).

4. The Transformation of Malaysia into Entrepreneurial Nation

With the objective of transforming Malaysia to entrepreneurial nation, a program named 1Malaysia Entrepreneurs (1Met) was implemented to introduce youth entrepreneurs to the business world. The program annually prepares more than 5,000 young entrepreneurs. In addition, Malaysian Global Innovation and Creative Centre (MaGiC) plays a big role in the program (1Malaysia Entrepreneurs, 2013). At the same time, many different types of strategies, programs and workshops have sprouted like mushrooms and exhibitions to support entrepreneurship and the small business. Additionally, in 2004, the government of Malaysia has performed government linked companies transformation program (GLCT) for the purpose of enlarging business opportunities to the government.
linked firms (Wei-Loon, 2013). Actually, GLCs accounted for 54 percent of the capital market in KL and constitutes almost 5 percent of the country workforce (Wei-Loon, 2013). These companies has tried to change their behaviors in order to perform to the extent of the private business organizations. Any changes in the behavior and performances of the government linked companies will positively contributes to the economic development of the country. It also expands job opportunity to the local employees. So, the government is largely seeking to extend the EO as a significant economic backer (Wei-Loon, 2013).

Introducing MaGIC and GLCT were very important to transform Malaysia into the greater EO nation. Through the MaGIC institution, Malaysia entrepreneur gained innumerable benefits and easily access to various facilities including mentoring, funding aid and development. The industry such as creative multimedia, outsourcing, R&D and data administration grabbed the advantage of this facility provided by the government (Bernama, 2013). Apparently, the entrepreneur has been the focus of the government of Malaysia and they have captured various incentives to expedite the business and fortifying the economy buoyant. The funds provided by the government allows appropriate spending and expertise in the development of technology and establishing new market product. Therefore, it could be argued that Malaysia is still infant in terms of research and development to encourage firms to be more entrepreneurial oriented. However, as found by Zahran (1996) perceived environment in Malaysia allows more spending on the research and development within the firm, but its not associated to the sales level in explained innovation (Zahra, 1996).

The government is trying to create an obligation for the entrepreneurs to repay back on opportunities that offered to them by the government. This is to take necessary actions and instigate good strategies to increase their performance. The firms are required to be productive and positively respond to the facilities including funds and loans given by the government. The Malaysian Prime Minister, Najib Tun Razak was promulgated in 2014 Malaysian national budget that Bumiputera Entrepreneurs Start-Up Scheme (SUPERB) have the right to receive RM30 million initial fund to their business while soft loan from Amanah Ikhtiar Malaysia are provided with RM300 million funds. Beside, TEKUN are provided with RM700 million fund (Ministry of Finance, 2013). In addition, Ariff and Yanti (2002) claimed the Malaysia government constantly supported the entrepreneurs by taking footsteps in promoting the development of entrepreneur such as providing a good environment, financing aids, tax incentive and consultative center.

5. The Implications of Entrepreneurial Orientation in Malaysian Economy

The SMECORP report shows the main concern of Malaysia SME’s is low contribution to the GDP whereas the report has been stagnant since 2010 in comparison to other world countries (SMECORP, 2011). In general, in a period of stiff and inspiring economy, entrepreneurial orientation (EO) is a key driver for the success of the organizations and profitability due to their massive economic aids to the nation-state for instance the prominent contributors for gross domestic product (GDP) and national export earnings (Sylvia Nabilah and Kalsom, 2013). Thus, it is essential for the firms to grab suitable strategies to heighten performance and corroborate their endurance particularly in this stormy economic period. There is a great chance for entrepreneurship in Malaysia and entrepreneurial action has the value to convey the continual problem of lower GDP through the implementation of EO. However, the previous studies has found performances problems particularly for Bumiputra firms. According to Hashim (2000) the Bumipytera SMEs were unable to perform in the large scale, and that relates to the weakness of their strategy to feed in with the perceived environment. This issue is also relating the lack of knowledge and ineffective implementation of the entrepreneurial strategies to meet the development paradigm of the firms (Abdullah, 1997; Chee, 1986; Hashim, 2000, 2002; Shari & Endut, 1989). Actually, the environment decides whether to invite new entries and development support to fulfil demands (Lumpkin, 1996). However, according to Zahra and Gravis (2000), in the hostile environment, the firms are discouraged to take necessary risk and fail to grab opportunities.

The pictures that can be seen through the problems faced Malaysian entrepreneurs particularly to SMEs are incapability to pursue credit, insufficient access to finance, human resource inadequacy and lack of information on market and customer (Ting, 2004). However, these issues could be resolved if there is a good and supportive strategy from the management. Also, the top management can help if possess a unique and hard-to-imitate capabilities to outperform competitors (Hambrick, 2007). Hence, its again relates to the level of knowledge that entrepreneurs possessing.

The other issue for government and the firms relates to the repayment of the loan which yet to be resolved. Several semi-formal financial bodies in Malaysia offering credit to the micro firm and SMEs firm (Starbiz, 2010), are now in trouble because the creditors are not paying back their loans on time. According to TEKUN Nasional (2012), non-performing loans (NPLs) for TEKUN Nasional are stagnant high at 20 percent. In September 2014, The Star (2014) has quoted from Managing Director of the Malaysian SME, Datuk Mohd Radzif saying that SME recorded non-performing loans as the financial period ended Dec 31, 2013 has raised by 12.3% compare with others commercial banks. Currently, they eagerly bringing down their NPL levels to 5% in three years. NPL is a risk that the loan institution have to face even though the total value of uncollected loans is high.
This figure indicated bad performance for those bodies to collect back the fund. In the meantime, Greenbaum and Thakor (1995), recommend to screening the borrower’s track record and their economic projections in order to ensure the capability of the borrower to pay back the loan. In addition, Oke, Adeyemo and Agbonlahor (2007) and Nwaru (2004) suggest that firms’ profit certainly influenced loan repayment. Therefore, it is proposed to stretch appropriate skills to the entrepreneurs to develop their business skills and increase their profit. This is very important to ensure borrowers have potential to pay back their loans if the business is progressive. On the other hand, Nawai and Shariff (2012) asserted the reason that pushes borrowers not to be able to reimburse their loans which relates to their attitude of uncommitted towards the loan payment, lack experience in business, additional burden loan and other business issues.

6. Discussion and Conclusion

Entrepreneurship orientation in the business organizations particularly in the small medium enterprises turns to become an important determinant of the economic development. We brought this issue with the intention of SMEs that could find solutions to ameliorate their performance; thus able to return their loans, increase the profit and exhibit positive attitude when dealing in market economy. The study discovered the provision of EO which shift the attitude, mentality and working styles of workers, subordinates, director or owner to wind up more inspirational state of mind and possess a great personality and some identity characteristics such as higher tolerance of uncertainty, higher level of self-efficiency, more pro-active personality, inner locus and control and stronger need for accomplishment. The dimensions of the EO has been tested and most of the findings highlighting the positive outcome. However, the result could be different based on the environment that firms operation around. In Malaysia, EO has enticed entrepreneurs and the government to pay more attention for the purpose of increasing public and private organizational capacity to feed into EO dimensions. Business organizations in Malaysia are now more competitive and they seem to be improved in feeding EO dimensions. They are actively operating in the market economy and contributed to filled up gaps in the labor market. The more performances they achieve, the more opportunities they provide and the more prosperity they bring to the country’s economy. Thus, the government of Malaysia has tried hard to help entrepreneurs to transform their firms into more productive and innovative organizations. Several programs like 1Met, MaGIC and GLCT introduced to support entrepreneurs. Apart from that, several private institutions and banks offered funds and loans to support entrepreneurs. However, there are still problem and more supports needed from government and private enterprises to pursue EO especially in the SMEs. Entrepreneurs are lack of business knowledge, technology and some of them are burdens government and other supportive institutions. A clear regulation should be introduced to the creditors to pay back the money they receive as a loan. Thus inspire more private enterprises to offer loans to the SMEs and other business organizations to survive in the competitive market economy. Lastly, the government also needs to support firms with R&D to tackle EO related problems.

References


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