

Special Highlights

Entrepreneurship Development

Steve Job and Bill Gates have not one but two things in common – not only they are the proud founders of two global conglomerates, they were once drop-outs from the formal education system. What made them who they are today is the burning desire to turn their dreams into a reality by challenging all the odds by taking risks and bold moves. These skills are not something to be learned in schools but they are part of entrepreneurship development.

Entrepreneurship is one of the key elements particularly in a small and medium enterprise (SME) as it gives 'life' to the business. Today, the definition of entrepreneurship has changed together with the evolution of the business landscape. In addition to the process of identifying and starting a business venture, sourcing and organising the required resources and taking both the risks and rewards associated with the venture, the term 'entrepreneurship' has been redefined to include the skill of identifying, evaluating viability, as well as exploiting and developing opportunities to create new products and services into a profitable business venture as well as resilience towards adversities and failure.

THE GLOBAL PERSPECTIVE

Globally, entrepreneurship is central to promoting economic growth by contributing to the Gross Domestic Product (GDP), stimulating investment and generating employment. It is also crucial in promoting diversity in products and services offered by businesses as well as a means to penetrate into the international market. Hence, the economic progress of a country is often determined, among others, by the entrepreneurship mind set, skills and capabilities of its people.

The concept of entrepreneurship under the Organisation for Economic Co-operation and Development (OECD) refers to enterprising individuals who display the readiness to take risks with new or innovative ideas to generate new products or services. OECD's 'Entrepreneurship at a Glance 2015' was the first attempt by OECD to build internationally-comparable statistics on entrepreneurship and its determinants. The report contains a wide range of internationally-comparable measures of entrepreneurship that include analysis and policy on entrepreneurship and entrepreneurs. It seeks to compare several areas between various countries which include new enterprise creation, self-employment, survival of the enterprise from inception to bankruptcy, as well as perceptions and attitudes towards entrepreneurship between different cultures.

Based on its findings, the rates of start-ups have been on an upward trend since the global financial crisis of 2008-09 in many countries; particularly in Australia and the United Kingdom (UK), and more recently in Denmark, Portugal and Sweden. The birth of new enterprises which reflected the business dynamism is an important dimension of entrepreneurship in a country, namely the capacity to start up entirely new businesses.

In addition, more than half of start-ups fail within the first five years, with rates of surviving firms varying from less than one in five firms in Lithuania to about two-thirds in Sweden. In Austria, Belgium, Luxembourg, the Netherlands and Sweden, the survival rates of start-ups are consistently higher than in other countries. It is important to know the percentage of firms that close their business in a given year and to compare it over time and across countries as it helps to understand the impact of economic cycles on entrepreneurship. Between 2007 and 2010, the enterprise demise rates decreased in several countries, reflecting the parallel decline in birth rates. In contrast, similar with birth rates, they picked up in more recent years.

In terms of culture, a positive perception of entrepreneurship seems to coincide with a voluntary attitude towards entrepreneurship in a country. However, the economic conditions often interfere with individual aspirations. In 2014, perceived entrepreneurial opportunities were relatively high in the United States, Canada, Norway, Denmark and Mexico, as well as Brazil and Indonesia. Meanwhile, a few Southern European countries particularly in Greece, Spain and Portugal, the perceived entrepreneurial capabilities were instead significantly higher than the perceived opportunities.

THE GLOBAL ENTREPRENEURSHIP MONITOR REPORT 2015/16

The Global Entrepreneurship Monitor (GEM) Report is an internationally-recognised benchmark of entrepreneurial activities, participated by 60 countries worldwide including Malaysia. The report is important as it provides an indication of Malaysia's position, in the effort to cultivate entrepreneurship in the country. As entrepreneurship is a continuous process, GEM measures the actions of entrepreneurs at different stages of creating and sustaining a business; namely nascent entrepreneurship, new business ownership, Total Early-Stage Entrepreneurial Activity (TEA) and established business ownership (refer to Table 1).

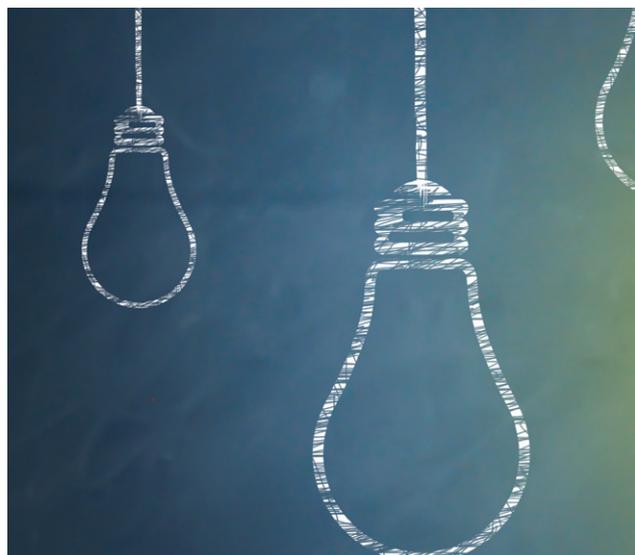


Table 1 : Entrepreneurial Activities at Different Stages in Malaysia

Entrepreneurial Activity	2009	2010	2011	2012	2013	2014	2015/16
	% of population aged 18-64						
Nascent entrepreneurship rate	2	1	3	3	2	1	1
New business ownership rate	3	4	3	4	5	5	2
Total Early-stage entrepreneurial activity (TEA)	4	5	5	7	7	6	3
Established business ownership rate	4	8	5	7	6	8	5
Discontinuation of businesses	3	2	3	2	2	2	1
Necessity-driven (% of TEA)	25	12	10	13	18	18	14
Improvement-driven opportunity (% of TEA)	44	41	72	61	65	64	67

Source: GEM Global Reports from 2009 to 2015/16



Malaysia is amongst the few economies in the Asian region where finance and physical infrastructure to support entrepreneurship are widely available. However, despite such positive factors, the country's TEA rate is the lowest in the region. According to the report, percentage of individuals who are in the process of starting or are already running new businesses in Malaysia (TEA) was at 2.9% in 2015, as compared to 6.6% in 2013 and 5.9% in 2014. This trend demonstrates that less people are pursuing entrepreneurial opportunities and innovative initiatives.

In addition to entrepreneurial activities at different stages, Table 1 also provides information on the indices for the discontinuation of businesses, necessity-driven TEA and improvement-driven opportunity TEA. The nascent stage is probably the most challenging stage for Malaysian entrepreneurs. Thus, when entrepreneurs are able to overcome this challenge, it may lead to resilience and business growth.

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The data also revealed that early-stage entrepreneurial activities in Malaysia have been consistently and mainly driven by opportunity rather than necessity. In the GEM Report, Malaysia ranked sixth out of the 60 countries on the Motivational Index, as Malaysian entrepreneurs chose to pursue an opportunity on the basis of their entrepreneurial motivations, rather than starting out a business out of necessity.

Opportunity-driven entrepreneurs are relatively more innovative while necessity-driven entrepreneurship is generally influenced by the economic conditions of an individual. The seven-year trend displays a declining trend of necessity-driven entrepreneurship and an increasing trend of opportunity-driven early-stage entrepreneurship. This indicates the trend that Malaysian entrepreneurs are generally opportunity-driven and motivated by better income and independence through start-ups, and are willing to take risk in order to succeed.

Fear of failure has always been one of the factors that could deter the drive to become an entrepreneur and start a business. However, in recent years, Malaysia has cited a decreased percentage for fear of failure rate. In 2009, the fear of failure among Malaysian was 65% while in 2013 it was at 33.3%. Meanwhile, in 2015, it has further decreased to 27.1% due to a vibrant entrepreneurship ecosystem during the period (refer to Table 2).

Table 2 : Entrepreneurial Attitudes and Perceptions in Malaysia

Entrepreneurial Attitudes & Perceptions	2009	2010	2011	2012	2013	2014	2015/16
	% of population aged 18-64						
Perceived opportunities	45	40	37	36	41	43	28
Perceived capabilities	34	24	31	31	28	38	28
Fear of failure*	65	45	30	36	33	27	27
Entrepreneurial intentions**	5	5	9	13	12	12	6
Entrepreneurship as a good career choice	59	56	52	46	42	50	39
High status to successful entrepreneurs	71	67	51	51	45	50	51
Media attention for entrepreneurship	80	88	74	63	62	70	64

* Denominator: age group 18-64 perceiving good opportunities to start a business

** Respondent expects to start a business within 3 years; denominator: age group 18-64 that is currently not involved in entrepreneurial activity

Source: GEM Global Reports from 2009 to 2015/16

Positive media attention can be a valuable means in shaping attitudes towards entrepreneurship in a society. In Malaysia, 64% think that entrepreneurship receives substantial media attention, and that entrepreneurs were perceived a high status in their society. Malaysia needs to go forward and exploit opportunity-driven entrepreneurship, in its many forms, that gives its comparative advantage. The way forward is through knowledge-intensive and innovation-led ventures. These can be done as the Government is continuously encouraging the involvement of its people, especially the Bumiputera community in entrepreneurship.

However, entrepreneurship is seen as not a career choice for countries like Malaysia (39.3% in 2015) and Singapore (51.7% in 2014), as compared to other ASEAN countries due to the abundance of job opportunities that offers attractive salary schemes. Thus, the low new business ownership rate in Malaysia (2.3% in 2015) is due to a robust job environment; whereby more Malaysians prefer to obtain a steady income via employment, as compared to having their own businesses.

ENTREPRENEURSHIP DEVELOPMENT IN MALAYSIA

The development of entrepreneurship has been growing in its importance in Malaysia, both in terms of policy and initiatives. Entrepreneurship and SME development have become an important tool for the Government, not only to increase the level of economy, but also as a social tool to push the country out of the middle-income trap.

This is manifested through the sheer number and spectrum of initiatives by the Government to support and encourage entrepreneurial attitudes and skills in the country; including funding schemes, entrepreneurial and SME programmes and activities, physical infrastructure such as business and entrepreneur parks, as well as business incubators and advisory services. Under the SME Masterplan, SME development, which includes entrepreneurship, has been earmarked as the new engine of economic growth for Malaysia.

The existing entrepreneurship ecosystem in Malaysia is focusing on five key components to ensure a holistic approach to SME and entrepreneurship development. These include policy development, financing and guarantee schemes, registration and licensing, start-up and incubation, outreach and awareness programmes, as well as information and advisory services.

Various Ministries and agencies are involved in this ecosystem to form a partnership, and to ensure the aspiration of generating successful entrepreneurs can be attained. Agencies such as SME Corp. Malaysia, Majlis Amanah Rakyat (MARA), Institut Keusahawanan Negara

(INSKEN), Perbadanan Usahawan Nasional Berhad (PUNB), Centre for Entrepreneur Development and Research (CEDAR) and Malaysian Global Innovation & Creativity Centre (MaGIC) assume a pivotal role in providing business support and consultation as well as training. These agencies are also involved in providing financing facilities, incubation and business premises, as well as internship and mentorship to ensure that the ecosystem is fully supported.

In 2016, a total of 27 entrepreneurship programmes are being implemented by various Ministries and agencies. They include SME programmes for growth and expansion as well as programmes for business start-up. These entrepreneurship and SME programmes are important in ensuring that the productivity and contribution of SMEs to the national GDP would be increased.

The Government has also established SME Corp. Malaysia as the Central Coordinating Agency (CCA) to coordinate and streamline all SME programmes including entrepreneurship development under the purview of the National SME Development Council (NSDC) chaired by YAB Prime Minister. At the same time, the Government encourages the involvement of youth and women in entrepreneurship.

Some of the programmes are unique, where they do not only focus on business development, but also the development of human capital. This augurs well for the entrepreneurs, as they are not only able to elevate their businesses, but also improve



their knowledge of the business. These among others include the SME-University Internship Programme, *Tunas Usahawan Belia Bumiputera* (TUBE), SME Capability Programme, Entrepreneur and Cooperative Training Programme and *Inkubator Keusahawanan Wanita* (I-KeuNITA).

Under the Eleventh Malaysia Plan (11MP), entrepreneurship has been identified as one of the national priority areas towards attaining Vision 2020. In an effort to provide integrated entrepreneurship assistance and reduce overlapping activities, collaboration among agencies providing entrepreneurship and SME support programmes to entrepreneurs in both the urban and rural areas will be strengthened during the period. The support would entail agencies such as SME Corp. Malaysia, TEKUN Nasional and Amanah Ikhtiar Malaysia (AIM) to provide broader business development opportunities to entrepreneurs.

Towards this purpose, microenterprises will also be linked to banking and financial institutions for easier access to funding. Large companies including government-linked companies (GLCs) will be incentivised to increase their contribution in the creation of entrepreneurs, particularly in key areas such as ICT, biotechnology and green technology.

Meanwhile, SME Corp. Malaysia has been mandated to coordinate entrepreneurship initiatives for B40 households, in collaboration with various Ministries and agencies. This is undertaken through efforts such as smart partnerships with research and development (R&D) institutions to assist SMEs to improve their product quality, enhance compliance to standards, as well as increase market access.



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