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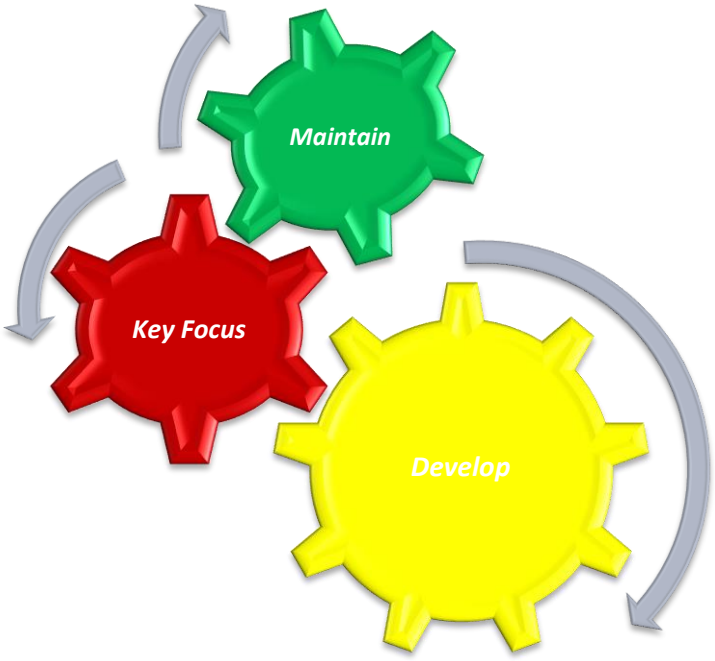
Malaysian Entrepreneurship: A Multi-National Comparison

The Global Entrepreneurship Monitor (GEM) Malaysian Report, 2010



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Foreword

Entrepreneurship is a key driver of Malaysia's economic growth target to meet an era of innovation. This 2nd book on Malaysian entrepreneurship affords a multi-national comparison whilst building on earlier key variables.

Universiti Tun Abdul Razak's keen involvement and national lead role with the Global Entrepreneurship Monitor (GEM) since 2009 forms the basis of such comparisons. These comparisons will allow for more focused and stringent reviews of our national policies and regulations. Further this will help us to reduce and remove the disconnects between what the nation wants and what it needs to do; a challenge faced by countries globally.

A key aspect for such a research study is to enhance the understanding of academics within universities. Universities may use such data to better understand the makeup of our younger populace, and put in place measures to increase their respective entrepreneurial propensities. An example is the high 'fear of business failure' rate among our youth. How can we manage or overcome such perceptions among our youth? How best can we build their confidence and skills? This study and the resultant data provide the basis to form a focused plan of action.

We are confident that a continuous collaboration between universities, industry and government can be forged further, and the first step that can help us improve this interaction is data. Data, as found in this book, can be used and built upon to support and provide a common denominator upon which entrepreneurial strategies can be drawn.

Lastly, for more effective multinational comparisons and to enhance our understanding, a 'google app' application has been provided. This constitutes a selection of indicators that was referenced with online data interfaces, merely by scanning the QR code provided in this book.

We look forward to continue in such efforts in the years to come. It is our aim to forge a deeper understanding of entrepreneurship in Malaysia and accelerate towards our goal of becoming an innovation-driven nation.

PROF DATUK DR. MD. ZABID HAJI ABDUL RASHID,
President & Vice Chancellor
Universiti Tun Abdul Razak

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Although GEM data were used in the preparation of this report, their interpretation and use are the sole responsibility of the authors.

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Executive Summary

Global Entrepreneurship Monitor (GEM) started with just 10 developed countries in 1999. Today GEM has grown to include over 80 economies during the course of these 12 years. In 2010, over 175,000 people were surveyed in 59 economies. These 59 economies represent not only the largest sample yet, but also the most geographically and economically diverse group surveyed. Together, this group covers over 52% of the world's population and 84% of the world's GDP (based on IMF´s World Economic Outlook Database, October 2010 and USA Bureau of Census). This entrepreneurship study was done to compare the Malaysian GEM data collected between 2009 and 2010 along with data from 59 countries.

Entrepreneurial Activity

This report adopts a broader and incremental definition of entrepreneurship; a Kirznerian approach that can encompass the challenges (i.e. education, infrastructure and policies) of our rising economy and accommodates our goals of gains from business, social and hybrid enterprises. As such in this study we define entrepreneurship as 'a way of thinking, which by the organizing of knowledge and resources, results in an enterprise that looks to add value, by the creation of something new or filling gaps, and gaining a profit and or achieving a social goal therefrom' (Xavier, S.R., 2012).

Malaysia's TEA rate is fairly low within the efficiency-driven economies. It is the third lowest and shares this spot with Romania. Total early-stage entrepreneurial activity (TEA) has recorded a minimal increase from 4.40% in 2009 to 5.17% in 2010. Female entrepreneurial activity rates too have increased in tandem with male entrepreneurial activity. It is 4.54% for the former versus 5.78% the latter. The percentage of established business owners (owning a business for more than 42 months) is also higher at 7.76%. The growth aspiration for Malaysia (which is an indicator of businesses expecting to create 10 jobs or more, within their businesses) in 5 years is 4.94%.

In comparison with 2009 and the economic uncertainty the 2010 numbers register a higher percentage in opportunity entrepreneurship at 4.45% (compared to 3.30% in 2009). Necessity entrepreneurship is lower at 0.62% (compared to 1.10% in 2009). This indicates an improvement in the economic situation. However an average of 40% of all TEA respondents reported that the global economic crisis resulted in fewer opportunities for their business.

Employment and business opportunities are being created via retraining of graduates (e.g. biotech and science) in entrepreneurship. Business ownership along with innovation and productivity improvements are encouraged. This imperative stems mainly from the competition within the region; where a low cost and mass production approach is no more a competitive advantage for Malaysia. VC and angel activity too is directed accordingly. Government action appears very much based on innovation and entrepreneurship to spur business activity. This is seen in the economic agenda outlined comprehensively by key government programmes: 1Malaysia, People First, Performance Now; Government Transformation Programme (GTP); New Economic Model; Tenth Malaysia Plan and The Economic Transformation Programme (ETP). These initiatives require an entrepreneurial approach if they are to be sustainable. Thus their co-creation with the private and public sector was crucial.

The National Expert Survey (NES) indicates that Malaysia provides much assistance in terms of infrastructure and funding to encourage more young entrepreneurs especially for small and medium enterprises (SMEs). SME's continue to be the main source of employment and they tend to be engines of job creation and the seedbeds for innovation and entrepreneurship.

There is an is an urgent need for Malaysia to look at its education and training component on entrepreneurship as such mechanisms would spur the economic activities and in turn, create employment growth. At present entrepreneurship education has become an important curriculum in the higher education institutions in Malaysia (Ismail et al., 2009) and a core subject for many programmes.

In Malaysia, most of the established businesses and TEA are in consumer oriented sector. In established businesses, consumer services have reduced from 77.68% in 2009 to 72% in 2010.

While for TEA in consumer services have increased from 67% in 2009 to 74% in 2010 which shows early stage entrepreneurs are trying to mostly enter retail, motor vehicles, lodging, restaurants, personal services, health, education and social services, recreational services.

On the international business front Malaysia is seen as having only 5% of customers outside Malaysia. We are behind by almost 20% as compared to countries that hold the highest percentage of TEA with an international orientation.

On a positive note the number of women entrepreneurs in Malaysia has increased due to the support from many parties such as government, private organizations and international groups. For example, National Association of Women Entrepreneurs of Malaysia (NAWEM) was established with the purpose of harnessing the capabilities and resources of women entrepreneurs.

GEM data shows us that entrepreneurially, we as a nation need to go forward exploiting opportunity-driven entrepreneurship, in its many forms, that give us a comparative advantage. And the way forward is through knowledge-intensive and innovation-led ventures. This is also in line with the governments 'private sector-led, government facilitated' approach. This approach matches well with the GEM National Experts Survey outcome which calls for the government to be the facilitator through resource and policy support.

1.0 Introduction

In 2009 and 2010 University Tun Abdul Razak took a decision to focus on entrepreneurship research at both a local as well as global level. In conjunction with this approach the Global Entrepreneurship Monitor research effort that focused as much on a global aggregation as well as local entrepreneurship was the logical way forward.

Progress has also been hampered by a lack of cross-national harmonized data sets on entrepreneurship. Since 1997, GEM has sought to address these gaps by collecting relevant harmonized data on an annual basis and by bringing academic experts in entrepreneurship from across the globe to work together on a common research program.

Traditional analyses of economic growth and competitiveness have tended to neglect the role played by new and small firms in national economies. GEM takes a comprehensive approach and considers the degree of involvement in entrepreneurial activity within a country, identifying different types and phases of entrepreneurship. While the first GEM reports included high-income countries only, the ambition has always been to include as many countries as possible in order to aid policy makers in their efforts to stimulate economic development through entrepreneurial activity.

In 2010, the number of countries participating in GEM has increased over 8.47% to 59 countries. These countries vary greatly in terms of economic development. As an aid to presentation, they are categorized into three groups: factor-driven economies, which are primarily extractive in nature, efficiency-driven economies in which scale-intensity is a major driver of development, and innovation-driven economies.

The rest of this chapter is devoted to an explanation of the methodology behind GEM.

1.1 Overview of Gem[i]

1.1.1. GEM

The Global Entrepreneurship Monitor (GEM) research program is an annual assessment of the national level of entrepreneurial activity. Started as a partnership between London Business School and Babson College, it was initiated in 1999 with 10 countries, and today GEM 2010 has conducted research in 59 countries.

This research program, based on a harmonized assessment of the level of national entrepreneurial activity for all participating countries, involves exploration of the role of entrepreneurship in national economic growth. Systematic differences continue, with few highly entrepreneurial countries reflecting low economic growth. There is, further, a wealth of national features and characteristics associated with entrepreneurial activity.

1.1.2. Overview

GEM is the largest survey-based study of entrepreneurship in the world.

GEM Research has three main objectives:

- To measure differences in the level of early stage entrepreneurial activity between countries
- To uncover factors determining the levels of entrepreneurial activity
- To identify policies that may enhance the level of entrepreneurial activity

1.1.3. The GEM approach

Every year each national team is responsible for conducting a survey of at least 2000 people within its adult population. The Adult Population Survey is a survey of attitudes towards entrepreneurship in the general population but it also asks people whether or not they are engaged in startup activity or own or run a business.

The individual national team surveys are all collected in exactly the same way and at exactly the same time of year to ensure the quality of the data. The individual national team surveys are harmonized into one master dataset that allows users to investigate entrepreneurial activity at various stages of the entrepreneurial process, as well as to study a variety of factors characterizing both entrepreneurs and their businesses in each participating nation and across countries.

Overall, GEM's unique ability to provide information on the entrepreneurial landscape of countries in a global context makes its data a necessary resource for any serious attempt to study and track entrepreneurial behavior worldwide.

1.1.4 **Developments in GEM Research**

Clearly, entrepreneurship is a complex phenomenon and can be found in a variety of settings and situations. Thus, no single measurement, no matter how precise, can capture the entrepreneurial landscape of a country. As a result, GEM takes a holistic approach to the study of entrepreneurship and provides a comprehensive set of measurements aimed at describing several aspects of the entrepreneurial make-up of a country. In addition to Early-Stage Entrepreneurial Activity, GEM identifies "established business owners." Established business owners are entrepreneurs who have paid salaries and wages for more than 42 months. Their businesses have survived the most risky stage of the entrepreneurial process and much can be learned from comparing early-stage and established business owners.

GEM documents also entrepreneurial motivation. Thus, business owners are classified as being either necessity-driven or opportunity-driven. In addition, GEM documents the characteristics of all entrepreneurs with respect to product novelty, intensity of competition, employment and expansion plans, and use of technology. Finally, GEM looks at the socioeconomic characteristics of populations; as well as their subjective perceptions and expectations about the entrepreneurial environment.

1.1.5 Data quality control

GEM prides itself on the integrity and quality of its research and its data and the Research Director is responsible for overseeing this aspect of the project. There are several processes that we go through to ensure that the Adult Population Survey meets best practice requirements of international social survey work:

- National team survey documentation: all national teams are required to submit full details on their survey design, including number of call backs, response rates, total sample size and survey methodologies (random, stratified random or quota). GEM is moving away from quota sampling and encourages national teams to use random digit dialing techniques.
- The Research Committee: provides an annual evaluation of the quality of the data and is responsible for monitoring the integrity of the research and its interpretation.
- Statistical audit: we use an independent statistical consultancy to audit the data collection process and provide a report to the Research Committee and the Advisory Board

1.2 GEM Research Model[ii]

There is wide agreement on the importance of entrepreneurship for economic development[iii]. Business entrepreneurs drive and shape innovation, they speed up structural changes in the economy, and they introduce new competition, thereby contributing to productivity. Social entrepreneurs perform a similar function in the social economy, filling gaps in social needs that are left unfilled or poorly addressed by both business and governments.

While important, the contribution of entrepreneurs to an economy also varies according to its phase of economic development[iv]. This report is framed around a model, introduced in the GEM 2008 report, that includes a distinction among phases of economic development, in line with Porter's typology of "factor-driven economies," "efficiency-driven economies" and "innovation-driven economies" (Porter, Sachs andMcArthur, 2002). As previous GEM reports have shown, necessity-driven self-employment activity tends to be higher in less developed economies. Such economies are unable to keep pace with the demand for jobs in high-productivity sectors, and so

many people must create their own economic activity. As an economy develops, the level of necessity-driven entrepreneurial activity gradually declines as productive sectors grow and supply more employment opportunities. At the same time, opportunity driven entrepreneurial activity tends to pick up with improvements in wealth and infrastructure, introducing a qualitative change in overall entrepreneurial activity. Further details on the role of entrepreneurship in different phases of economic development are provided in Box 1.

Table 1 - **The Role of Entrepreneurship in Different Phases of Economic Development**

Entrepreneurship in Factor-Driven Economies	Economic development consists of changes in the quantity and character of economic value added (Lewis, 1954). These changes result in greater productivity and rising per Capita incomes, and they often coincide with migration of labor across different economic sectors in the society, for example from primary and extractive sectors to the manufacturing sector, and eventually, services (Gries and Naude, 2008). Countries with low levels of economic development typically have a large agricultural sector, which provides subsistence for the majority of population who mostly still live in the countryside. This situation changes as industrial activity starts to develop, often around the extraction of natural resources. As extractive industry starts to develop, this triggers economic growth, prompting surplus population from agriculture to migrate toward extractive and emergent scale-intensive sectors, which are often located in specific regions. The resulting oversupply of labor feeds subsistence entrepreneurship in regional agglomerations, as surplus workers seek to create self-employment opportunities in order to make a living.

Entrepreneurship in Efficiency-Driven Economies	As the industrial sector develops further, institutions start to emerge to support further industrialization and the build up of scale in the pursuit of higher productivity through economies of scale. Typically, national economic policies in scale intensive economies shape their emerging economic and financial institutions to favor large national businesses. As increasing economic productivity contributes to financial capital formation, niches may open in industrial supply chains that service these national incumbents. This, combined with the opening up of independent supplies of financial capital from the emerging banking sector, would spur opportunities for the development of small-scale and medium-sized manufacturing sectors. Thus, in a scale-intensive economy, one would expect necessity-driven industrial activity to gradually fall and give way to an emerging small-scale manufacturing sector.
Entrepreneurship in Innovation-Driven Economies	As an economy matures and its wealth increases, one may expect the emphasis in industrial activity to gradually shift toward an expanding service sector that caters to the needs of an increasingly affluent population and supplies the services normally expected of a high-income society. The industrial sector evolves and experiences improvements in variety and sophistication. Such a development would be typically associated with increasing research & development and knowledge intensity, as knowledge-generating institutions in the economy gain momentum. This development opens the way for the development of innovative, opportunity-seeking entrepreneurial activity that is not afraid to challenge established incumbents in the economy. Often, small and innovative entrepreneurial firms enjoy an innovation productivity advantage over

	large incumbents, enabling them to operate as 'agents of creative destruction.' To the extent that the economic and financial institutions created during the scale-intensive phase of the economy are able to accommodate and support opportunity-seeking entrepreneurial activity, innovative entrepreneurial firms may emerge as significant drivers of economic growth and wealth creation.

1.2.1 Entrepreneurship: Attitudes, Activity, and Aspirations

Different opinions on, and therefore different definitions of, entrepreneurship can be observed in the academic literature, in policy documents and in the media. The GEM model accepts the multifaceted nature of entrepreneurship. It recognizes that a range of environmental conditions affect three main components of entrepreneurship: attitudes, activity and aspirations, and that this dynamic mix produces new economic and socially-valuable activity, generating jobs and wealth.

Entrepreneurial attitudes are attitudes toward entrepreneurship. For example, the extent to which people think there are good opportunities for starting a business, or the degree to which they attach high status to entrepreneurs, might be termed entrepreneurial attitudes. Other relevant attitudes might include the level of risk that individuals might be willing to bear and individuals' perception of their own skills, knowledge, and experience in business creation. Entrepreneurial attitudes can influence entrepreneurial activity but can also be influenced by entrepreneurial activity. For example, the legitimacy of entrepreneurship in a society, as expressed in positive entrepreneurial attitudes, can be influenced by whether people know anyone who has started a business recently. This can be a function of both levels of entrepreneurial activity and social networking activity in the society. Individuals who know other individuals who recently started a business may, through familiarity with the process, be more likely to see it as legitimate. Entrepreneurial attitudes are important because they express the general feelings of the population toward entrepreneurs and entrepreneurship.

Countries need people who can recognize valuable business opportunities, and who perceive they have the required skills to exploit these opportunities. Moreover, if national attitudes toward entrepreneurship are positive, this will generate cultural support, help, financial resources, and networking benefits to those who are already entrepreneurs or want to start a business.

Entrepreneurial activity can take on many forms, but one important aspect is the extent to which people in a population are creating new business activity, both in absolute terms and relative to other economic activities, such as business closure. Within the realm of new business activity, different types of entrepreneurial activity can be distinguished. For example, business creation may vary by industry sector, by the size of the founding team, and by whether the new venture is legally independent of other businesses, and in terms of founder demographics, such as gender, age, or education. Entrepreneurial activity is best seen as a process rather than an event[v]. That is why GEM measures entrepreneurial intentions, nascent, new, and established business activity, and business discontinuation activity (section 1.3 below explains how these concepts are measured in GEM). Examining multiple components of entrepreneurial activity also allows us to explore differences among the entrepreneurial processes across the three major phases of national economic development. For example, new business activity is expected to be high in factor-driven economies mainly because much of it is motivated by economic necessity. In innovation driven economies, the proportion of opportunity-driven entrepreneurship is expected to be higher than in factor- and efficiency-driven economies.

Entrepreneurial aspiration reflects the qualitative nature of entrepreneurial activity. For example, entrepreneurs differ in their aspirations to introduce new products, new production processes, to engage with foreign markets, to develop a significant organization, and to fund growth with external capital. These aspirations, if they are realized, can significantly affect the economic impact of these entrepreneurial activities. Product and process innovation, internationalization, and ambition for high growth are regarded as hallmarks of ambitious or high-aspiration entrepreneurship. GEM has created measures that capture such aspirations.

1.2.2 Entrepreneurial Framework Conditions

Entrepreneurial Framework Conditions (EFCs) reflect major features of a country's socio-economic milieu that are expected to have a significant impact on the entrepreneurial sector. The GEM model maintains that, at the national level, different framework conditions apply to established business activity and to new business activity. The relevant national conditions for factor-driven economic activity and efficiency-driven economic activity are adopted from the Global Competitiveness Report (GCR) 2009-2010(Schwab, 2009).

With respect to innovation-driven economic activity, the GEM model contributes to the GCR perspective on economic development by identifying framework conditions that are specific to innovation and entrepreneurship (see Levie andAutio, 2008 for a theoretical underpinning). As Acsand Armington (2006), among others, propose, it is the entrepreneurial mechanism that turns innovation into economic output. A lack of entrepreneurship can therefore be seen as a bottleneck for innovation-driven countries in achieving their growth ambitions.

It is important to recognize that all three principal types of economic activity: factor-driven, efficiency driven, and innovation-driven, are present in all national economies. But their relative prevalence, and their contribution to economic development, varies. The GCR proposition is that each phase of economic development has a different optimal combination of these three activities. The three phases are labeled according to the activity that is most significant for that phase. Thus, the relative importance of entrepreneurial framework conditions to a country's advancement in economic development may vary by phase of economic development.

The GEM model is presented in Figure 1 below. For factor-driven economies, emphasis is put on basic requirements: development of institutions, infrastructure, macroeconomic stability, health, and primary education. These basic requirements are necessary, and may be sufficient, to sustain necessity based entrepreneurship, but may be insufficient to nurture sophisticated forms of opportunity-based entrepreneurship. It is important to realize that the model does not suggest that necessity-based entrepreneurship should be discouraged. For example in countries with a stable political environment, necessity-based entrepreneurs who can make a living for their families

could also support their children's education. This could give them a better position on the job market, or better qualifications to become opportunity-based entrepreneurs.

As economies progress and scale economies become more and more relevant, other conditions, which are called efficiency enhancers, ensure a proper functioning of the market, and being an employee may become more economically attractive from an individual perspective than necessity-based entrepreneurship, as well as more efficient from a national perspective. Even though these conditions are not directly related to entrepreneurship in the Schumpeterian sense, they are indirectly related since the development of markets will also attract more opportunity-based entrepreneurship. For wealthy countries with high labor costs whose economic development is primarily innovation-driven, entrepreneurial framework conditions become more important as levers of economic development than basic requirements or efficiency enhancers.

To summarize:

• Entrepreneurship is a key mechanism for economic development in every phase

•The impact of entrepreneurship on development is likely to differ in each phase in terms of time lag and size; and

• The relative emphasis of policy makers on basic requirements, efficiency enhancers, innovation and entrepreneurship is key to development in each phase:

a. For factor-driven economies, getting the basic requirements right is key to the generation of sustainable businesses that can contribute not just to local economic activity but to health and education of the next generation

b. For efficiency-driven countries, the nurturing of economies of scale attracts more growth- and technology-oriented entrepreneurs, creating more employment opportunities

c. For innovation-driven countries the focus lies more on dynamics, and stimulating new combinations of products and markets.

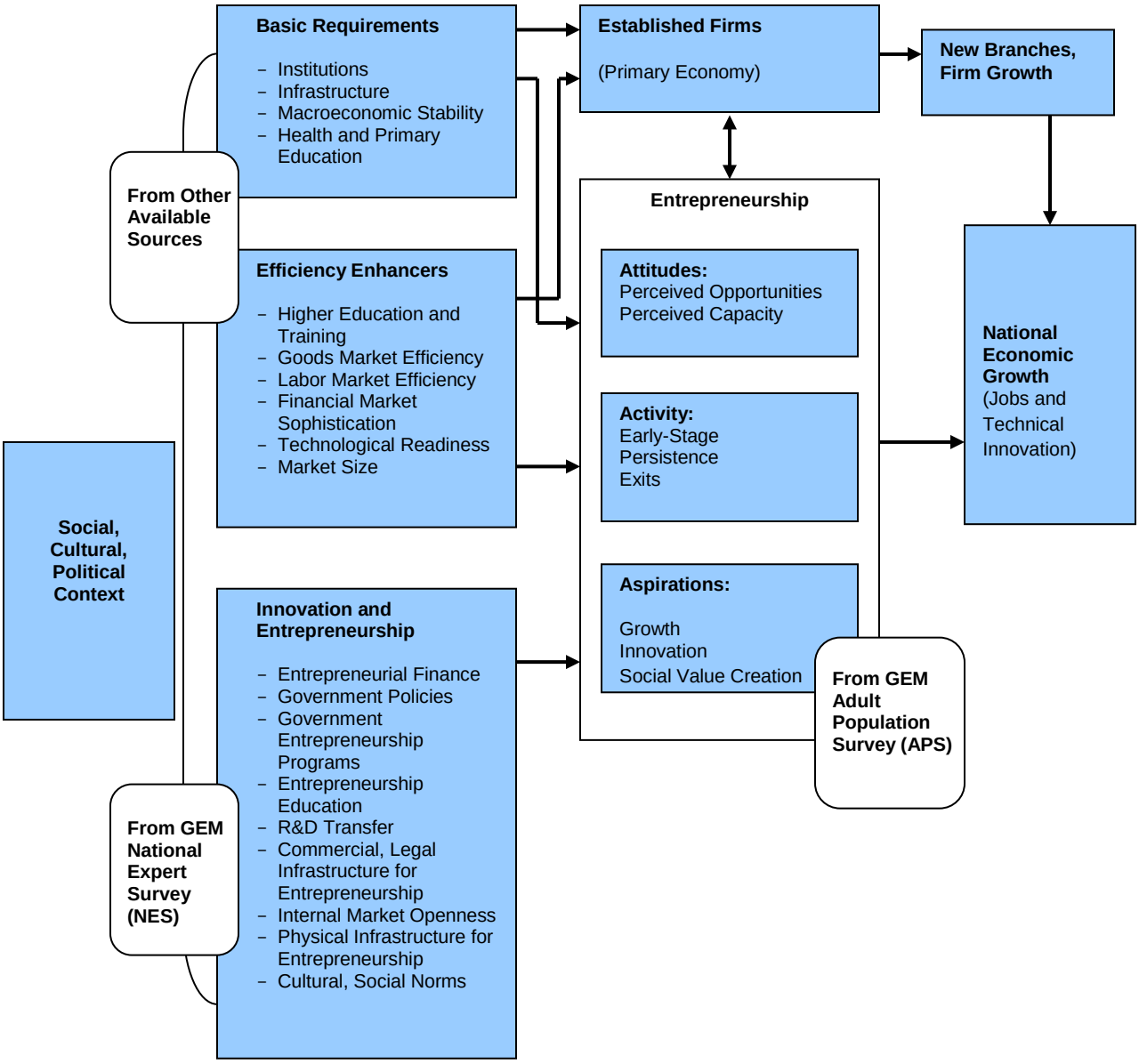


Figure 1 - The GEM Model

The GEM model set out above documents how entrepreneurship is affected by national conditions. It also shows that GEM considers three major components of entrepreneurship: attitudes, activity and aspirations. GEM monitors entrepreneurial framework conditions in each country through harmonized surveys of experts in the field of entrepreneurship. Components of entrepreneurship are tracked using the GEM Adult Population Surveys. Thus, GEM generates

original data on the institutional framework for entrepreneurship and entrepreneurial attitudes, activity and aspirations using its own methodology that is harmonized across countries.

1.3 GEM Research Methodology and Sources

In line with its objectives, GEM takes a broad view of entrepreneurship and focuses on the role played by individuals in the entrepreneurial process. Unlike most entrepreneurship data sets that measure newer and smaller firms, GEM studies the behavior of individuals with respect to starting and managing a business. This differentiates GEM data from other data sets, most of which record firm-level data on (new) firm registrations, as highlighted in the *GEM 2008 Global Executive Report* (see Bosma et al., 2009, p. 12). New firms are, most often, started by individuals. Even in established organizations, entrepreneurial attitudes, activities, and aspirations differ in each individual. Another guiding principle of GEM research is that entrepreneurship is a process. Therefore GEM observes the actions of entrepreneurs who are at different stages of the process of creating and sustaining a business. For GEM, the payment of any wages for more than three months to anybody, including the owners, is considered to be the "birth event" of actual businesses. Individuals who are actively committing resources to start a business that they expect to own themselves, but who have not reached this "birth event" are labeled nascent entrepreneurs.

Individuals who currently own and manage a new business that has paid salaries for more than three months but not more than 42 months are known as new business owner-managers. The cut-off point of 42 months has been made on a combination of theoretical and operational grounds[vi]. The prevalence rate of nascent entrepreneurs and new business owner-managers taken together may be viewed as an indicator of early-stage entrepreneurial activity in a country. It represents dynamic new firm activity–the extent of experimentation in new business models by a national population.

Established business owners own and manage an established business that has been in operation for more than 42 months. Their businesses have survived the liability of newness. High rates of established business ownership may indicate positive conditions for firm survival. However, this

is not necessarily the case. If a country exhibits a high degree of established entrepreneurship combined with low degree of early-stage entrepreneurial activity, this indicates a low level of dynamism in entrepreneurial activity.

Finally, GEM identifies individuals who have discontinued a business in the last 12 months. These individuals may enter the entrepreneurial process again. Figure 2 summarizes the entrepreneurial process and GEM's operational definitions. The GEM 2009 Global Executive Report includes 54 countries across the globe. In each of these 54 countries, a survey was conducted among a representative sample of at least 2,000 adults. More than 180,000 adults were interviewed between May and October (outside holiday seasons) and answered questions on their attitudes toward and involvement in entrepreneurial activity[vii]. Appendix 1 contains specific definitions of measures of entrepreneurial attitudes, activity and aspirations used in this report.

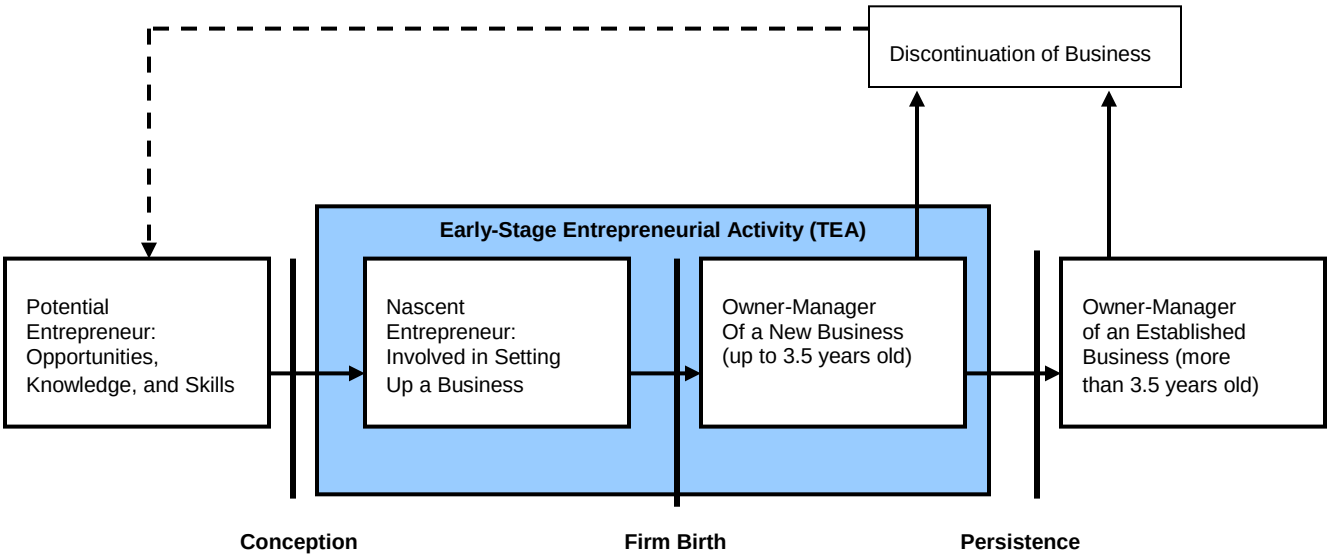


Figure 2 – The Entrepreneurial Process and GEM Operational Definitions

2.0 GEM 2010 – Key Findings

The following chapter will consider the key findings which were published in the GEM Global Report 2010. The global report had considered established business activity and entrepreneurial demographics which is reproduced here to allow for a comprehensive understanding and to provide the state of affairs in entrepreneurship not just internationally but also in Malaysia.

2.1 Established Business Activity

Figure below summarizes the Early-Stage Entrepreneurial Activity (TEA**)** over several phases of the entrepreneurial process (see Figure 3 below for an overview of these phases) for each of the 59 GEM 2010 countries. Countries are grouped according to the major phases of economic development, consistent with the classification of the Global Competitiveness Report 2009-2010 (Schwab, 2009)[viii]. Taken together, the numbers in the table provide a picture of the characteristics of overall entrepreneurial activity for each country, i.e., all types of entrepreneurial activity covering the entire economic spectrum.

In table 2, we can see that among factor-driven country, Bolivia is considered a poor country with the lowest GDP per capita among the Latin countries of South America but it has a very high TEA rate at 38.60%. While for innovation-driven country, Japan which is identified as a developed country but surprisingly the TEA is lower than most of the poorest countries. It means that the ratio of TEA to established business owners are decreases with increasing economic development.

For countries which has a high TEA rate indicates that small and medium enterprises are a common form of employment and they tend to be engines of job creation, seedbeds for innovation and entrepreneurship. By providing new entry and competition, they can boost efficiency and growth and lead to economic development (Ayyagari, Beck, and Demirguc-Kunt, 2003).

Indeed, recent research indicates that economic growth in poor countries is accompanied by a more than proportional growth in the share of the formal small and medium enterprise sector. In low income countries the share of formal small and medium enterprises in employment is about 30% and in GDP about 17%, while in high income countries the shares are about 60% and 50%. Indeed, richer countries see far less informal and much more small and medium enterprise activity

Overall, Malaysia's TEA rate is also fairly low within the efficiency-driven economies. It is the third lowest and share this spot with Romania. This result is not in tandem with its positioning as an efficiency-driven economy because low new business ownership rates are more in the domain of innovation-driven economies. However, the TEA rate for Malaysia has increased by 0.56% to 4.96% compared to previous year.

Table 2: Early-Stage Entrepreneurial Activity (TEA) for 59 Nations in 2010, by Phase of Economic Development, Showing 95 Percent Confidence Intervals

Economy	Country name	TEA10%
Factor-driven economies	Egypt	7.02%
	Pakistan	9.08%
	Saudi Arabia	9.40%
	West Bank and Gaza Strip	10.37%
	Jamaica	10.48%
	Iran	12.31%
	Guatemala	16.30%
	Uganda	31.29%
	Angola	31.94%
	Zambia	32.63%
	Ghana	33.95%
	Bolivia	38.60%
	Vanuatu	52.11%
Efficiency-driven economies	Russia	3.94%
	Romania	4.29%
	Malaysia	4.96%
	Croatia	5.52%

	Tunisia	6.12%
	Hungary	7.13%
	Bosnia and Herzegovina	7.74%
	Macedonia	7.88%
	Taiwan	8.37%
	Turkey	8.59%
	South Africa	8.86%
	Latvia	9.68%
	Uruguay	11.68%
	Mexico	12.70%
	Costa Rica	13.44%
	Argentina	14.20%
	China	14.37%
	Trinidad and Tobago	15.00%
	Montenegro	14.94%
	Brazil	17.50%
	Chile	16.77%
	Ecuador	21.25%
	Colombia	20.61%
Innovation-driven economies	Peru	27.24%
	Italy	2.35%
	Japan	3.30%
	Belgium	3.67%
	Denmark	3.77%
	Portugal	4.40%
	Germany	4.17%
	Slovenia	4.65%
	Switzerland	5.04%
	Sweden	4.88%
	Israel	5.02%
	Spain	4.31%
	Greece	5.51%
	France	5.83%
	Finland	5.72%
	United Kingdom	6.42%
	Korea	6.56%
	Ireland	6.76%
	Netherlands	7.22%
	Norway	7.72%
	Australia	7.80%
	United States	7.59%
	Iceland	10.58%

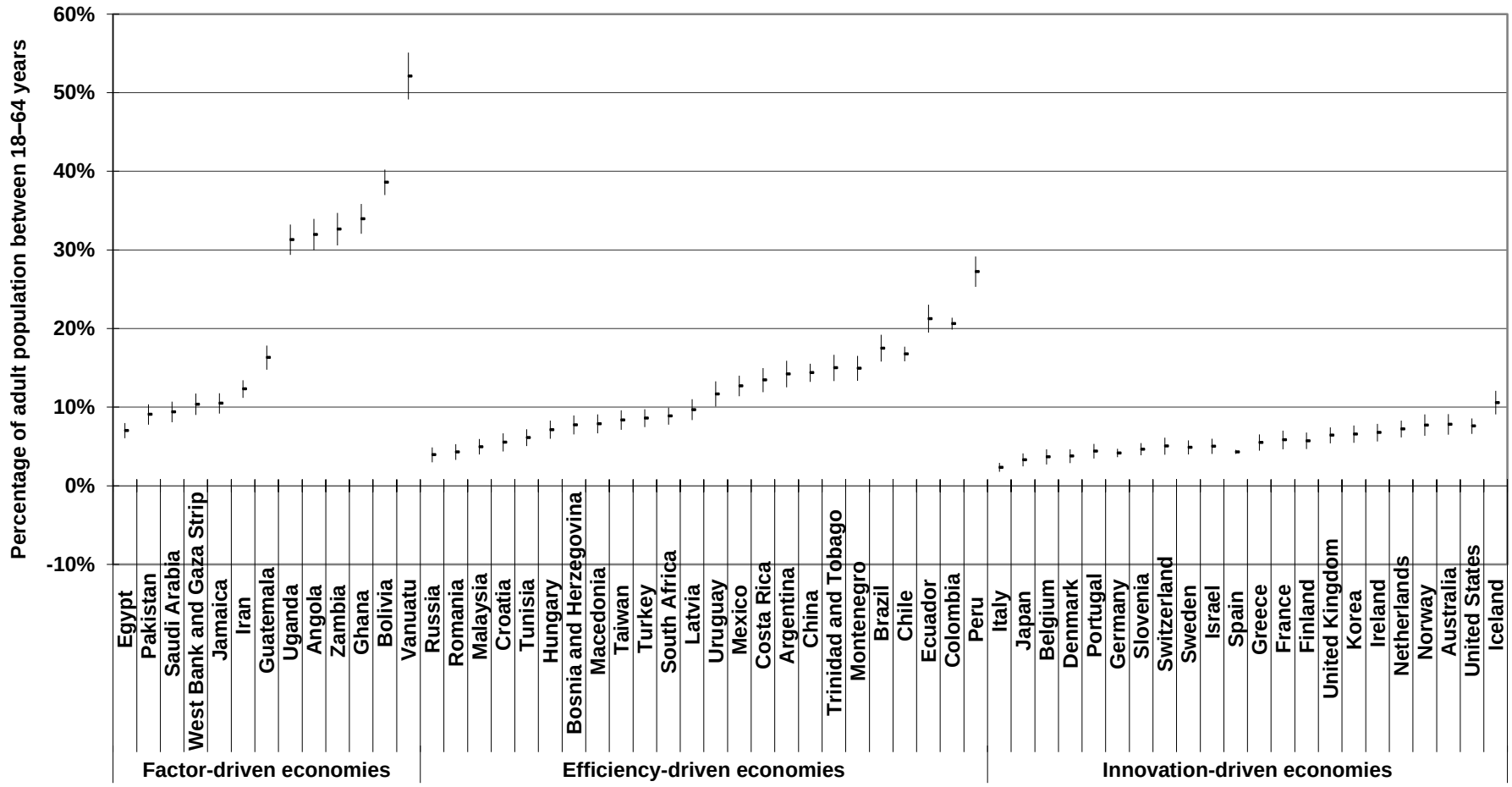


Figure 3 - Early-Stage Entrepreneurial Activity (TEA) for 59 Nations in 2010, by Phase of Economic Development, Showing 95 Percent Confidence Intervals

2.2 Entrepreneurial Demographics

Age and Gender Structure

It is shown in Table 3 below that in each phase of economic development, prevalence rates of early-stage entrepreneurial activity differ across age groups. It indicates that the most entrepreneurial active are those in the age group 25-34 years, where 34% has been recorded as an early stage entrepreneur in 2010 compared to 14% in 2009 for efficiency-driven economies. It is a good sign that these young people are not afraid to step out of their comfort zones and take up new challenges. The frequency rate is still in inverted U-shape pattern which implies that as the age increases, the TEA decreases.

Table 3 - Early-Stage Entrepreneurial Activity for Separate Age Group, 2010

	18-24 YRS	25-34 YRS	35-44 YRS	45-54 YRS	55-64 YRS
Factor-Driven Economies	23%	35%	23%	13%	6%
Efficiency-Driven Economies	15%	34%	26%	18%	7%
Innovation-Driven Economies	10%	28%	29%	23%	10%

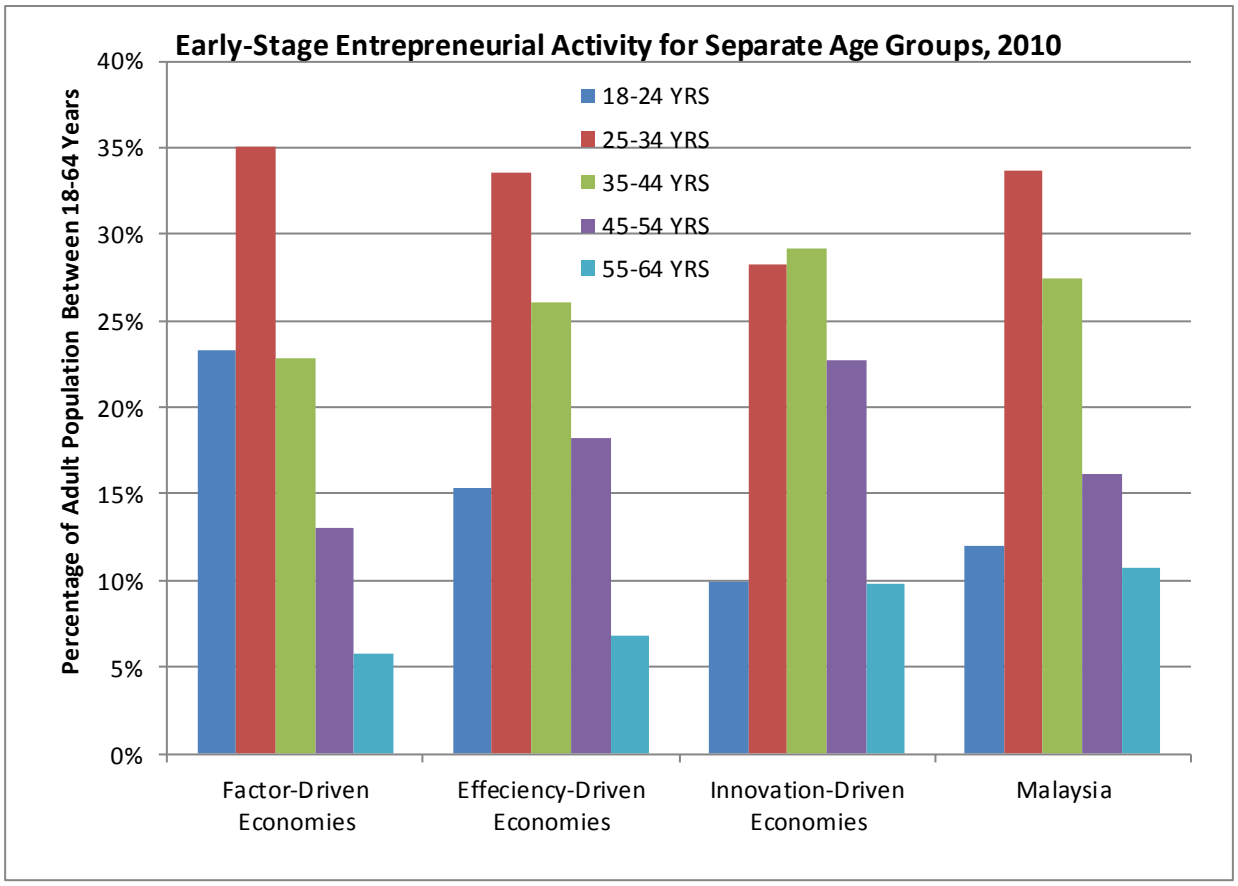


Figure 4 – Early-Stage Entrepreneurial Activity for Separate Age Group, 2010

Figure above demonstrates the differences in age group for each country in GEM 2010. Based on the figures in 2009, the highest prevalence rates in every phase of economic development is between ages 25-34 years old. In 2010, it can be applied to factor-driven economies and efficiency-driven economies but not for innovation-driven economies. It shows that age group 34-44 is leading compare to the other age groups in innovation-driven economies. We can say that people aged 34 until 44 in countries like Iceland, United States and Australia have creative, intuitive and analytical thinking which can produce novel products and services.

Overall, the age group of 25-44 has improved more than 50% as compared to last year for all phases of economic development. While for the other age groups, it shows a mix of increases and decreases across all three economic groups. As for Malaysia, we are relatively higher in TEA for all age groups.

3.0 GEM 2009 Malaysia: Key APS Findings

In this chapter we will examine the findings from the Adult Population Survey throughout all 13 states in Malaysia. We will provide a quick overview of the early stage and established business activity for an overall framework.

3.1 Sector Distribution of Early Stage Entrepreneurial Activity and Established Business

In Malaysia, most of the established businesses and TEA are in consumer oriented sector. In established businesses, consumer services have reduced from 77.68% in 2009 to 72% in 2010. While for TEA in consumer services have increased from 67% in 2009 to 74% in 2010 which shows early stage entrepreneurs are trying to mostly enter retail, motor vehicles, lodging, restaurants, personal services, health, education and social services, recreational services. Transforming sector for both established businesses and TEA are ranked as number two which comprised of 14% and 17% respectively. In TEA, almost more than 50% decreased in extractive and business services sectors.

Table 4 - Sector Distribution of Early Stage Entrepreneurial Activity and Established Business in 2010

Sectors	TEA	Established Business
Extractive	5	8
Transforming	17	14
Business services	4	5
Consumer oriented	74	72
Total	100	99

- Extractive sectors: Agriculture, forestry, fishing, and all mining
- Transformative sectors; Construction, manufacturing, transportation, communication, utilities and wholesale
- Business services; Finance, insurance, real estate and all business services
- Consumer Services; Retail, motor vehicles, lodging, restaurants, personal services, health, education and social services, recreational services

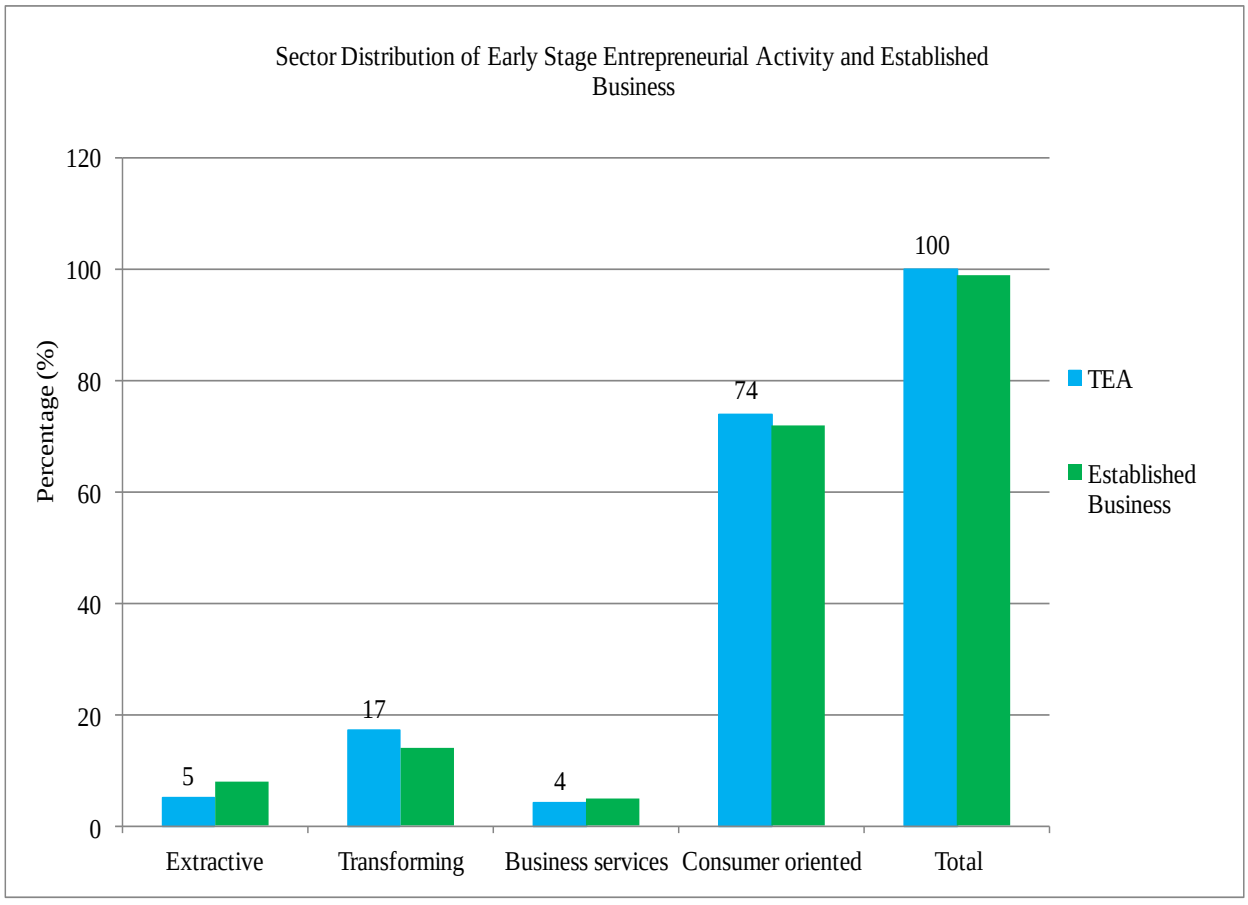


Figure 5 Sector Distribution of Early Stage Entrepreneurial Activity and Established Business in 2010

4.0 Entrepreneurial Framework conditions in Malaysia: Key Expert Interviews Findings

Entrepreneurial Framework Conditions (EFCs) reflect major features of a country's socio-economic milieu that are expected to have a significant impact on the entrepreneurial sector. The GEM model maintains that, at the national level, different framework conditions apply to established business activity and to new business activity. The relevant national conditions for factor-driven economic activity and efficiency-driven economic activity are adopted from the Global Competitiveness Report (GCR) 2009-2010 (Schwab, 2007).

4.1 Entrepreneurial Framework Conditions – an Assessment of Institutional Quality by National Experts[ix]

The revised GEM model makes a contribution to the GCR perspective on economic development by identifying framework conditions that are specific to innovation and entrepreneurship. Nine different Entrepreneurial Framework Conditions (EFCs) are described in Table 5. For each of these EFCs, Likert scale items were completed by at least 36 experts in each country[x]. Based on these results, factors were constructed that summarize the national perceptions of experts for each EFC.

Table 5 The GEM Entrepreneurial Framework Conditions

EFC1: Financial Support	The availability of financial resources, equity, and debt, for new and growing firms including grants and subsidies.
EFC2: Government Policies	The extent to which government policies reflected in taxes or regulations or the application of either are either size-neutral or encourage new and growing firms. Subsequent empirical studies have shown that there are two distinct dimensions, or subdivisions of this EFC. The first covers the extent to which new and growing firms are prioritized in government policy generally. The second is about regulation of new and growing firms.
EFC3: Government Programs	The presence and quality of direct programs to assist new and growing firms at all levels of government (national, regional, municipal).
EFC4: Education and Training	The extent to which training in creating or managing small, new, or growing business is incorporated within the educational and training system at all levels. Subsequent empirical studies have shown that there are two distinct sub dimensions to this EFC: Primary and secondary school level entrepreneurship education and training, and post-school entrepreneurship education and training.
EFC5: Research and Development Transfer	The extent to which national research and development will lead to new commercial opportunities and whether or not these are

	available for new, small and growing firms
EFC6: Commercial, Professional Infrastructure	The presence of commercial, accounting, and other legal services and institutions that allow or promote the emergence of new, small, or growing businesses.
EFC7: Internal Market Openness	The extent to which commercial arrangements undergo constant change and redeployment as new and growing firms compete and replace existing suppliers, subcontractors, and consultants. Subsequent empirical studies have shown that there are two distinct sub-dimensions to this EFC:Market Dynamics, that is the extent to which markets change dramatically from year to year, and Market Openness, or the extent to which new firms are free to enter existing markets.
EFC8: Access to Physical Infrastructure	Ease of access to available physical resources communication, utilities, transportation, land or space at a price that does not discriminate against new, small or growing firms.
EFC9: Cultural, Social Norms	The extent to which existing social and cultural norms encourage, or do not discourage, individual actions that may lead to new ways of conducting business or economic activities and may, in turn, lead to greater dispersion in personal wealth and income.

A general overview of the outcomes of each factor, by phase of economic development, is provided in Figure 6 below.

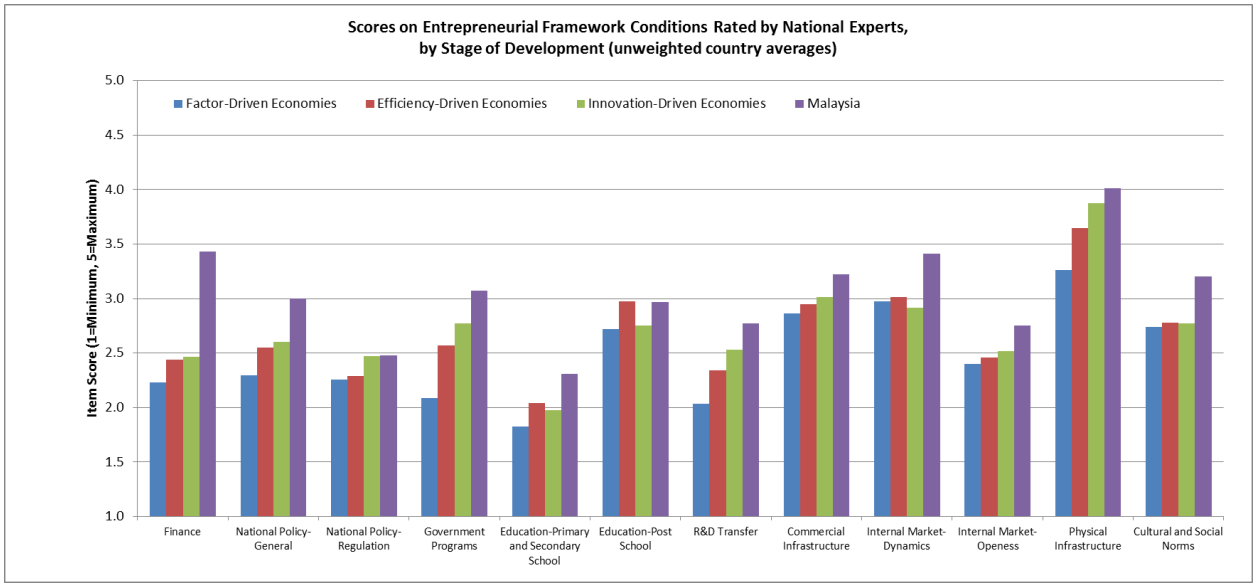


Figure 6: Scores on Entrepreneurial Framework Conditions Rated by National experts, by Stage of Development (unweighted country averages)

The above figure describes the National Expert Survey for Malaysia. The expert rated physical infrastructure, finance and internal market dynamics as the uppermost conditions available for entrepreneurs. While the rest of EFC for Malaysia are also considered high compared to other countries which fall under efficiency-driven economies. It indicates that Malaysia is very helpful in providing assistance in terms of infrastructure and funding to encourage more young entrepreneurs. While the lowest score is internal market openness, research and development transfer, national-policy regulation as well as educations from primary and secondary schools.

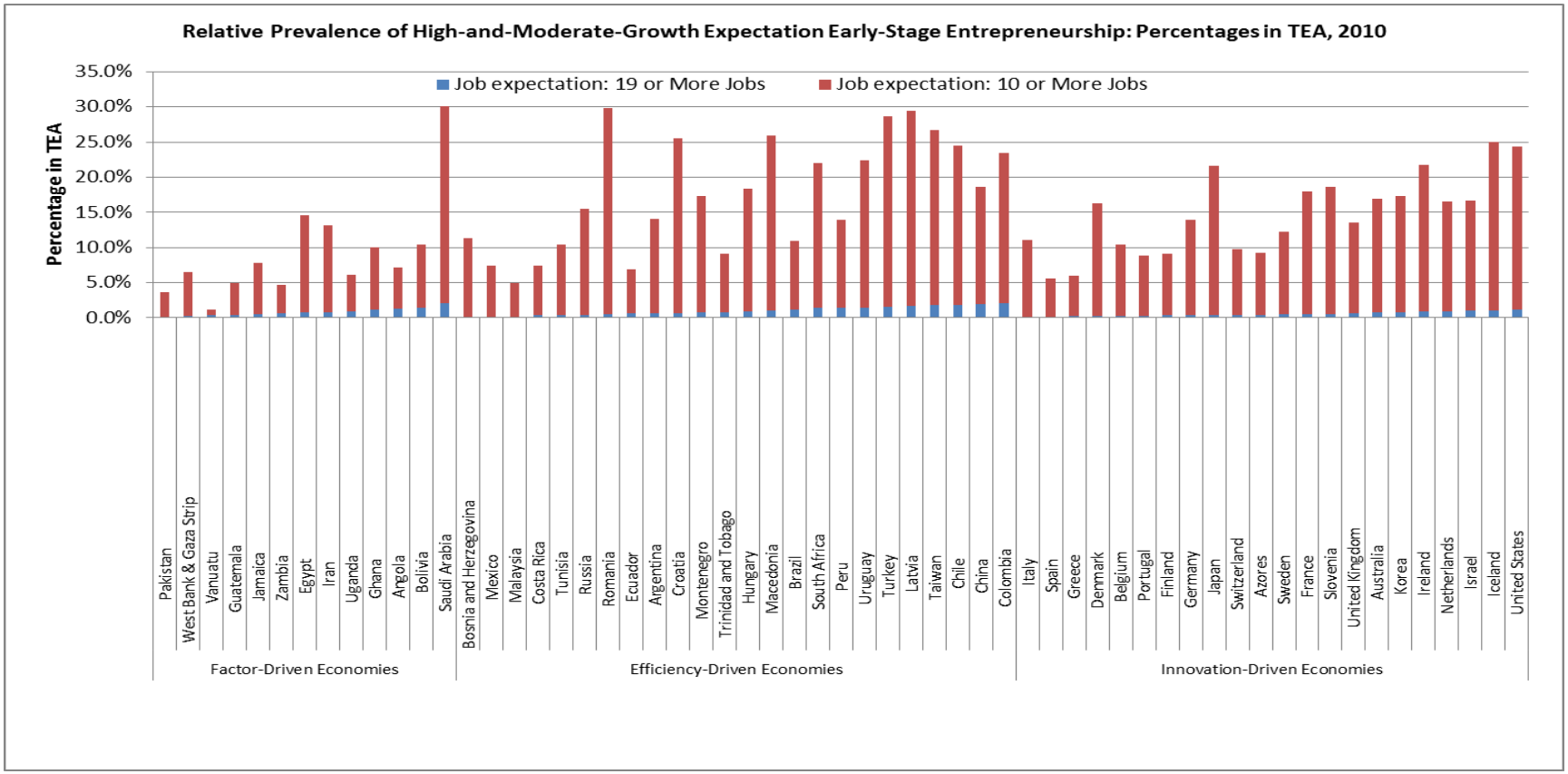
Table 6 Early stage entrepreneurial activity and established business

	TEA	Established Business
Starting a business is more difficult	58%	53%
Growing a Business is More Difficult	34%	34%
Fewer Opportunities	44%	47%

Table 6 above illustrates 58% of respondents in NES agreed that to start a business is not an easy job compare to those who already have an established businesses (53%). As an early stage entrepreneur, they might have a difficulty to get/assess the funding, strategic location, government regulation and requirement; economic and political barriers and etc. But Malaysia government has always been supportive especially on SMEs (Small and Medium Enterprise) and our home grown franchisors to venture internationally. For example, Perbadanan Nasional Bhd (PNS) whose aims to develop the franchise industry, intended to increase its allocation to RM60 million in 2009 to help entrepreneurs set up franchised business. We have our famous home grown franchisor, Secret Recipe which has successfully established its brand name in Malaysia, Singapore, Indonesia, Thailand, China, Philippines, Pakistan, Brunei, and Australia by virtue of its fine quality cakes, fusion food and distinctive service.

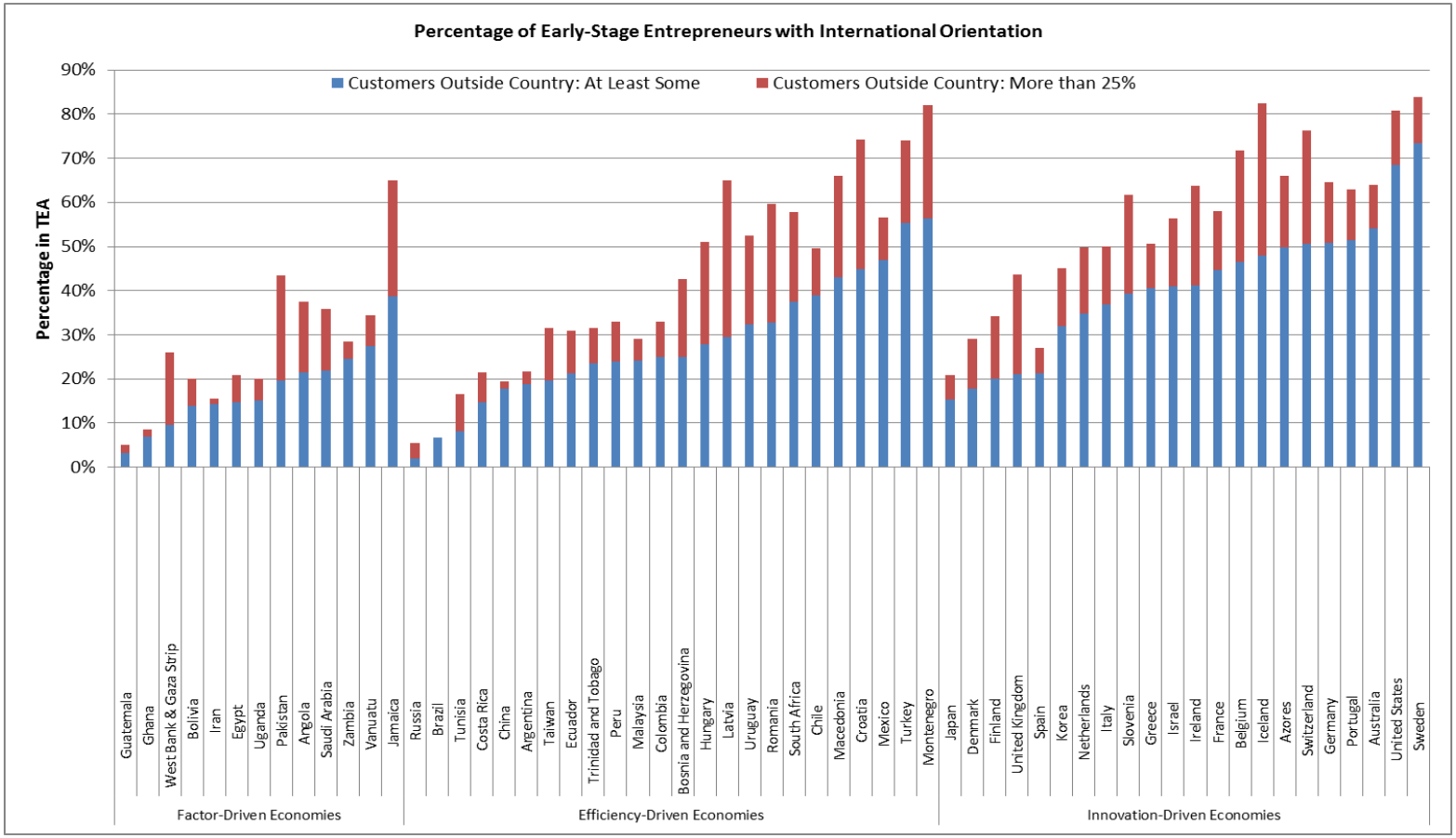
It is shown that the difficulty to grow a business for both TEA and established businesses is equal. While 47% agreed less opportunity is given to established businesses compared to TEA.

Figure 7 - Relative Prevalence of High and Moderate Growth Expectation Early Stage Entrepreneurship: Percentages in TEA, 2010



An International Orientation

Figure 8 - Percentage of Early-Stage Entrepreneurs with International Orientation



As we can see from the graph; Jamaica, Montenegro and Sweden has the highest percentage of TEA across different phases of economic development with more than 25% of their customers located in other countries. The growth in exports for those 3 countries is anticipated to keep growing. In Jamaica, Bauxites and agricultural products are the key for the majority of goods exports; Montenegro primarily in the manufactured goods, raw materials and agricultural products while Sweden most of their export derived from services, the IT industry, and telecommunications.

Last year Malaysia was not in the list. This year, Malaysia is seen as having only 5% of customers outside Malaysia. We are way behind by almost 20% to pursuit the countries that hold the highest percentage of TEA with international orientation. But, it is not impossible if the government could lift up the export of the country by promoting Malaysia's tropical fruit and palm oil. Tropical fruits in West are fast gaining popularity worldwide with an estimated market worth of over US$10bil annually. Europe is currently the largest consumer, making up almost 50% of the tropical fruit market. Therefore, Malaysia which has been home for some 370 species of edible fruits including exotic ones to suit even the fussiest eater should take the opportunity to fill up that 50% market.

4.2 GEM Malaysia: NES Project

The table below describes the National Expert Survey (NES) For Malaysia. With comparison figures of last year, the experts still indicate that physical infrastructure and opportunity are extensively available in Malaysia. They added that motivations as well as role of entrepreneur also play a crucial part in entrepreneurship. While R&D, internal market burdens, government policies on bureaucracy and taxes, as well as education on entrepreneurship are still lacking among Malaysian. Due to that, Malaysia need to highlight the importance of entrepreneurship education to inspire and empower Malaysian youth towards becoming entrepreneurial which will result in long term positive results.

Table 7 - Entrepreneurial Framework Condition (EFC), Expert Rating EFC, 2010

Entrepreneurial Framework Conditions (EFC)	Mean Score
Physical infrastructures and services access	4.01
Degree of motivation and valuation of entrepreneurs and its role	3.85
Opportunities existence perception	3.62
Valuation of innovation from the consumer point of view	3.60
Vision of women entrepreneurship and its support	3.50
Financial environment related with entrepreneurship	3.43
Internal market dynamics	3.41
Valuation of innovation from the companies point of view	3.25
High growth businesses support and encouragement	3.23
Professional and commercial infrastructure access	3.22
Cultural, social norms and society support	3.20
Government programs	3.07
Government concrete policies, priority and support	3.00
Entrepreneurial level of education at Vocational, Professional, College and University	2.97
Intellectual property rights situation	2.92
Degree of skills and abilities to start up in the population	2.84
R&D level of transference	2.77
Internal market burdens	2.75
Government policies bureaucracy, taxes	2.48
Entrepreneurial level of education at Primary and Secondary	2.31

The rating for each EFC factor is based on responses to the questionnaire based on 1-5 Likert scale with 1=Completely False, 2=Somewhat False, 3=Neither True Nor False, 4=Somewhat True and 5=Completely True.

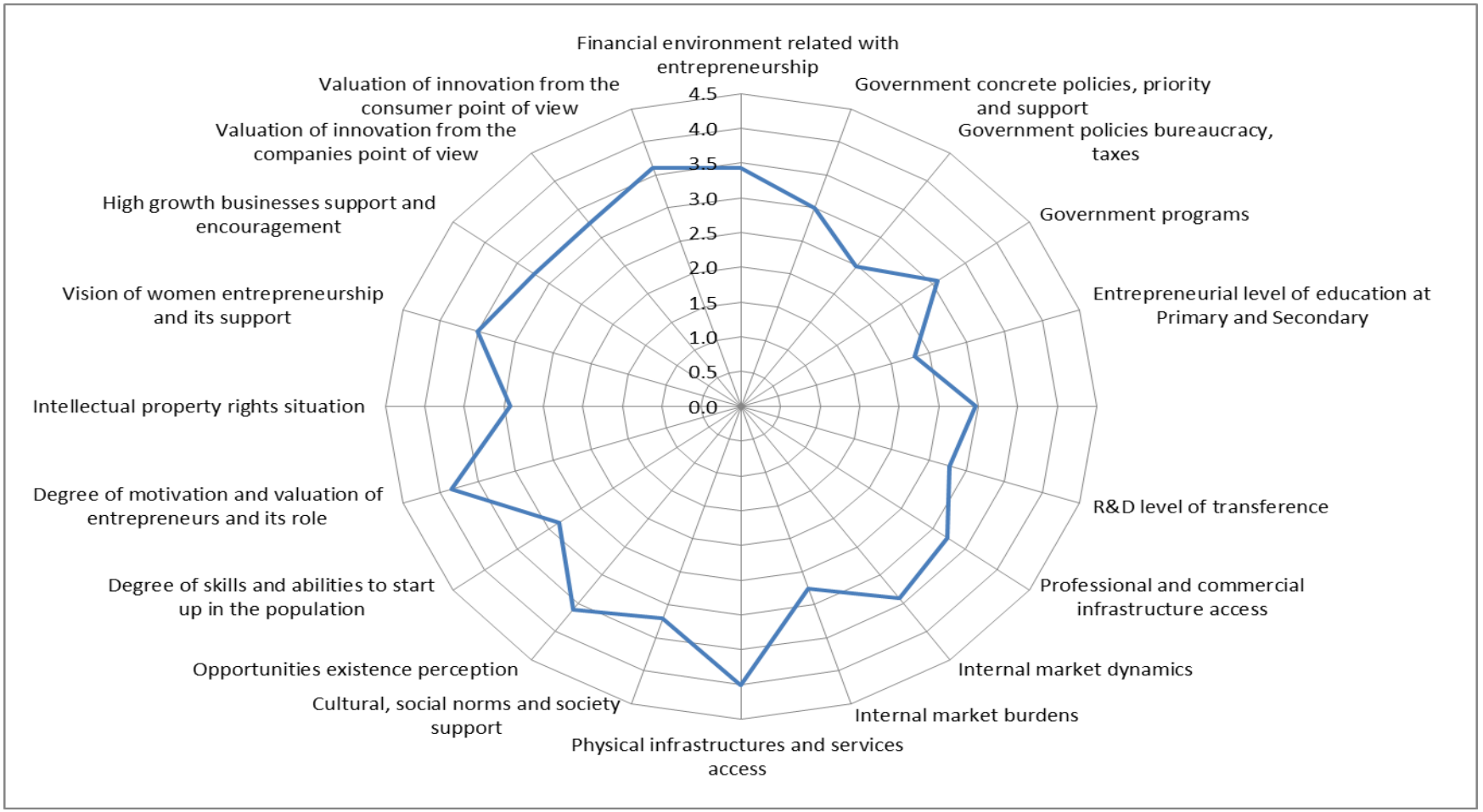


Figure 9 - Entrepreneurial Framework Conditions, 2010

Based on the assessment of the NES, it can be established that:

The four significant factors that contribute to entrepreneurship are:

- Physical infrastructures and services access
- Degree of motivation and valuation of entrepreneurs and its role
- Opportunities existence perception
- Valuation of innovation from the consumer point of view

The presence of these factors is essential for entrepreneurial activity to take place. It can be a driving factor for an entrepreneur to move forward and encourage a lot of participation especially for an early-stage entrepreneur.

The four significant factors that limit entrepreneurship are:

- Entrepreneurial level of education at Primary and Secondary
- Government policies bureaucracy, taxes
- Internal market burdens
- R&D level of transference

As we can see from the above results, entrepreneurship education plays an important part to nurture young children to get an early exposure on how to start their business. We should inculcate a culture of entrepreneurship and cultivate a high standard of education to all children between 6 to 17 years old. It is not possible to achieve, but it may need the support from all parties such as government, private institution, NGOs (non-governmental organizations), and community as a whole. Other than that, Malaysia government also should loosen up the policies on bureaucracy and taxes especially for an early stage entrepreneur who are just started their business. Apart from that, it is widely recognized that innovation is a key factor in sustaining Malaysia's competitiveness in the face of rapid globalization (Chandran et al). Due to that, Malaysia needs to strengthen its innovativeness and provide more proactive R&D infrastructure to enable the progress to an innovative society (Chandran et al).

4.3 Questionnaire Report-Key Findings

Here we present the detailed questionnaire report i.e. key findings for each EFC factors for Malaysia.

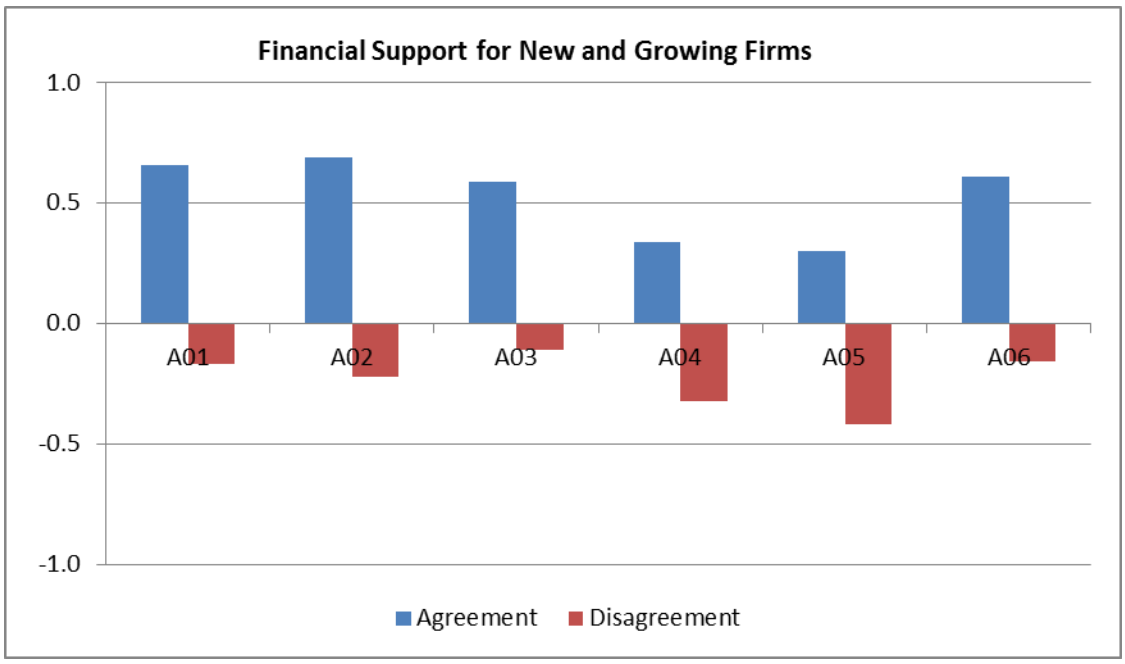


Figure 10 – EFC1 Financial Support for New and Growing Firms

A01 There is sufficient equity funding available for new and growing firms.

A02 There is sufficient debt funding available for new and growing firms.

A03 There are sufficient government subsidies available for new and growing firms.

A04 There is sufficient funding available from private individuals (other than founders) for new and growing firms.

A05 There is sufficient venture capitalist funding available for new and growing firms.

A06 There is sufficient funding available through initial public offerings (IPOs) for new and. growing firms.

This EFC refers to the extent to which the financial support and resources are accessible for new and growing firms including grants and subsidies. It also examines the quality and availability of financial support such as equity, seed and debt capital, the finance community's understanding of entrepreneurship i.e. knowledge and skills to assess entrepreneurial opportunities, evaluate business plans and capital needs of small-scale enterprises, willingness to deal with entrepreneurs and attitude towards risk. From the above graph, there is no significant change for financial support of new and growing firms in comparison to previous year. Overall, there is sufficient funding from government, organization and private individuals.

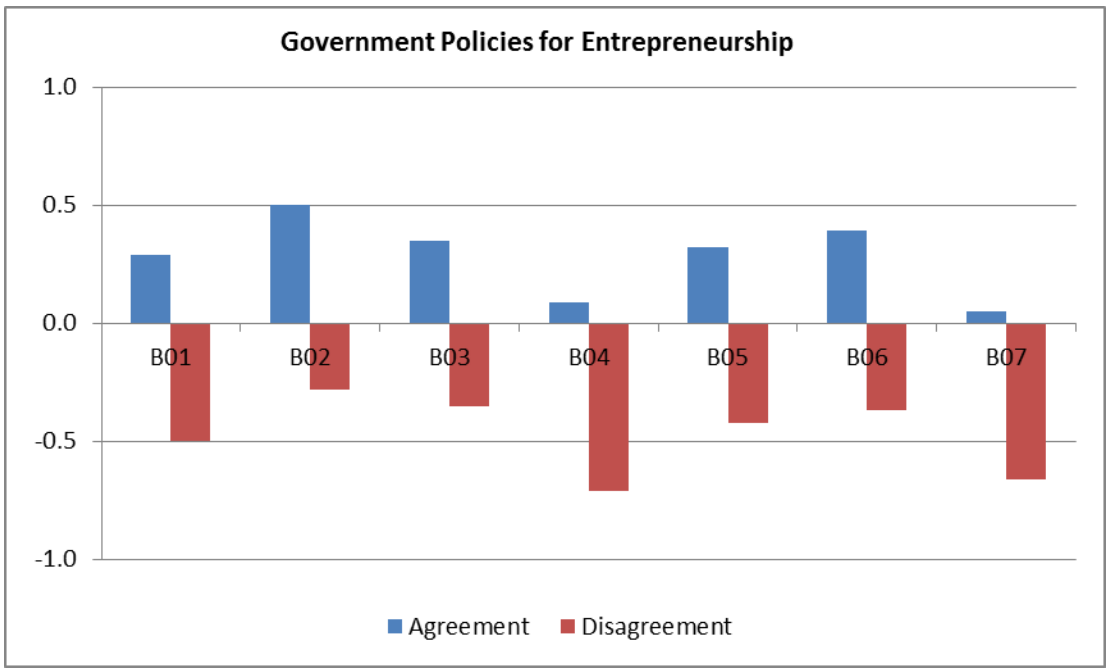


Figure 11 - EFC2 Government Policies for Entrepreneurship

B01 Government policies (e.g., public procurement) consistently favor new firms.

B02 The support for new and growing firms is a high priority for policy at the Regional government level.

B03 The support for new and growing firms is a high priority for policy at the local government level.

B04 New firms can get most of the required permits and licenses in about a week.

B05 The amount of taxes is NOT a burden for new and growing firms.

B06 Taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.

B07 Coping with government bureaucracy, regulations, and licensing requirements it is not unduly difficult for new and growing firms.

This EFC refers to the extent to which regional and national government policies and their application, concerning general and business taxes, government regulations and administration are neutral and/or whether these policies discourage or encourage new and growing firms. Overall, the support for new and growing firms is a high priority for policy at the regional and local government level as well as taxes and other governments regulations are applied in a predictable and consistent way are slightly increased. It is still a fairly difficult for new and growing firms to cope with government bureaucracy, regulations, and licensing requirements as the figure shows a decreasing trend from previous year. Moreover, government policies (e.g., public procurement) are not consistently in favor of new firms. That is why new firms cannot get most of the required permits and licenses in about a week. The amount of taxes is also a burden for new and growing firms.

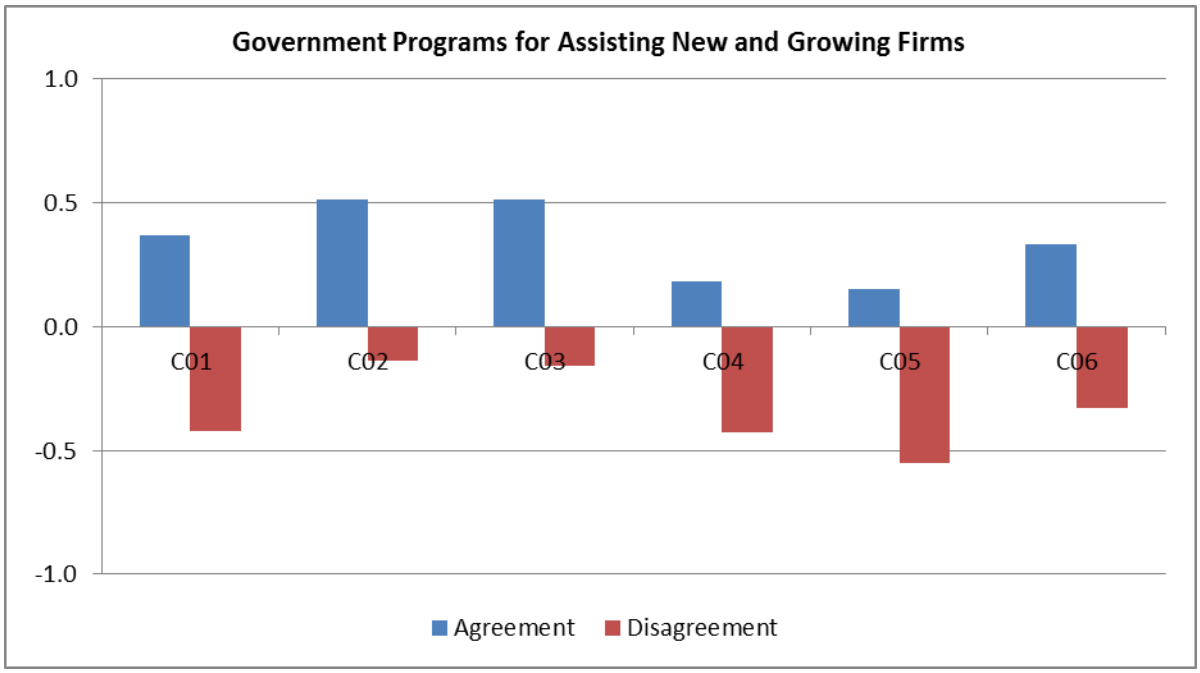


Figure 12 - EFC3 Government Programmes for Assisting New and Growing Firms

C01 A wide range of government assistance for new and growing firms can be obtained through contact with a single agency.

C02 Science parks and business incubators provide effective support for new and growing firms.

C03 There are an adequate number of government programs for new and growing businesses.

C04 The people working for government agencies are competent and effective in supporting new and growing firms.

C05 Almost anyone who needs help from a government program for a new or growing business can find what they need.

C06 Government programs aimed at supporting new and growing firms are effective.

This EFC refers to the presence of direct programs to assist new and growing firms at all levels of government – national, regional and municipal. It also examines the accessibility and quality of government programs, availability and quality of government human resources and their ability to administer specific programs, the effectiveness of services. The figure shows that there was a general downward trend for adequate number of government programs. The rest remain the same except for government programs aimed at supporting new and growing firms were moderately effective.

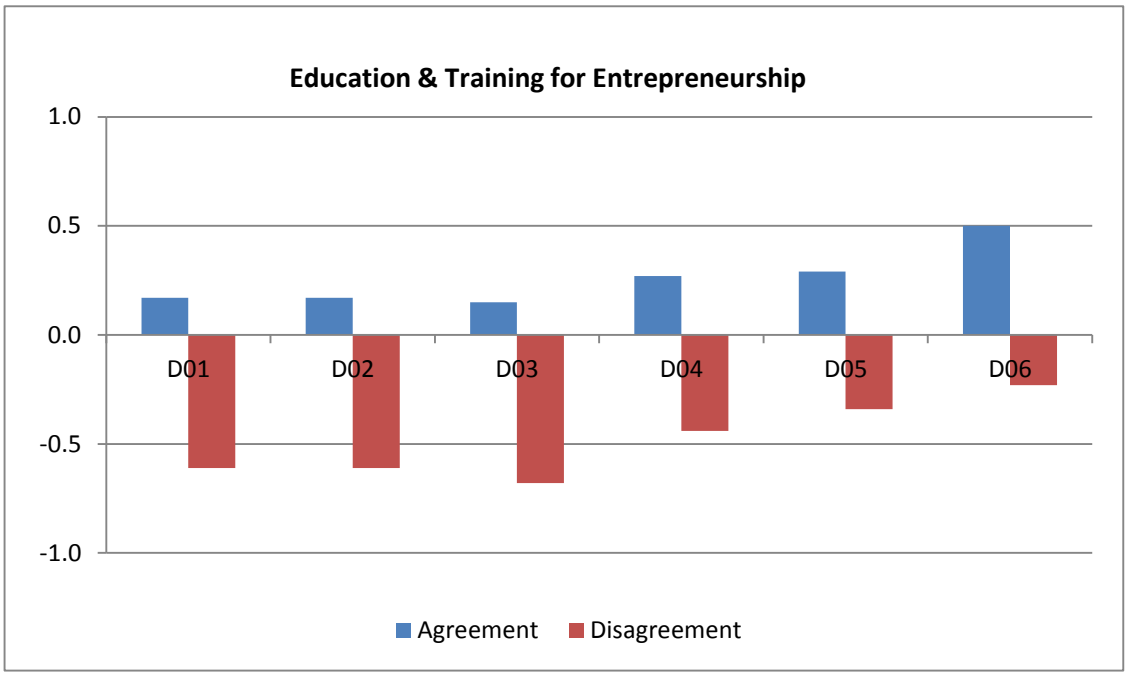


Figure 13 - EFC4 Education and Training for Entrepreneurship

D01 Teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative.

D02 Teaching in primary and secondary education provides adequate instruction in market economic principles.

D03 Teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.

D04 Colleges and universities provide good and adequate preparation for starting up and growing new firms.

D05 The level of business and management education provide good and adequate preparation for starting up and growing new firms.

D06 The vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms.

This EFC refers to the extent to which training in starting and managing small, new or growing business features in the educational and training system at all levels – primary schools, secondary schools, colleges, technical/vocational colleges, universities, professional and continuing education systems. It also examines the quality, relevance and depth of such education and training in creating or managing small, new or growing business, the education system's philosophy towards innovative and creative studies at all levels, competence of trainers teaching entrepreneurship, expertise of entrepreneurs and managers within the workforce.

Entrepreneurship education has become an important curriculum in the higher education institutions in Malaysia (Ismail et al., 2009). The rationale of entrepreneurship education is to produce graduate entrepreneurs that define the interaction between the graduate as a product of a higher education institution and their readiness to pursue their career as an entrepreneur (Nabi and Holden, 2008).

Overall, it was found that education and training in Malaysia is unfavorable for entrepreneurship. Nevertheless, it is only the vocational, professional, and continuing education systems that provide good and adequate preparation for starting up and growing new firms. It is an urgent need for Malaysia to look at its education and training component on entrepreneurship as such mechanisms would spur the economic activities and in turn, create employment growth.

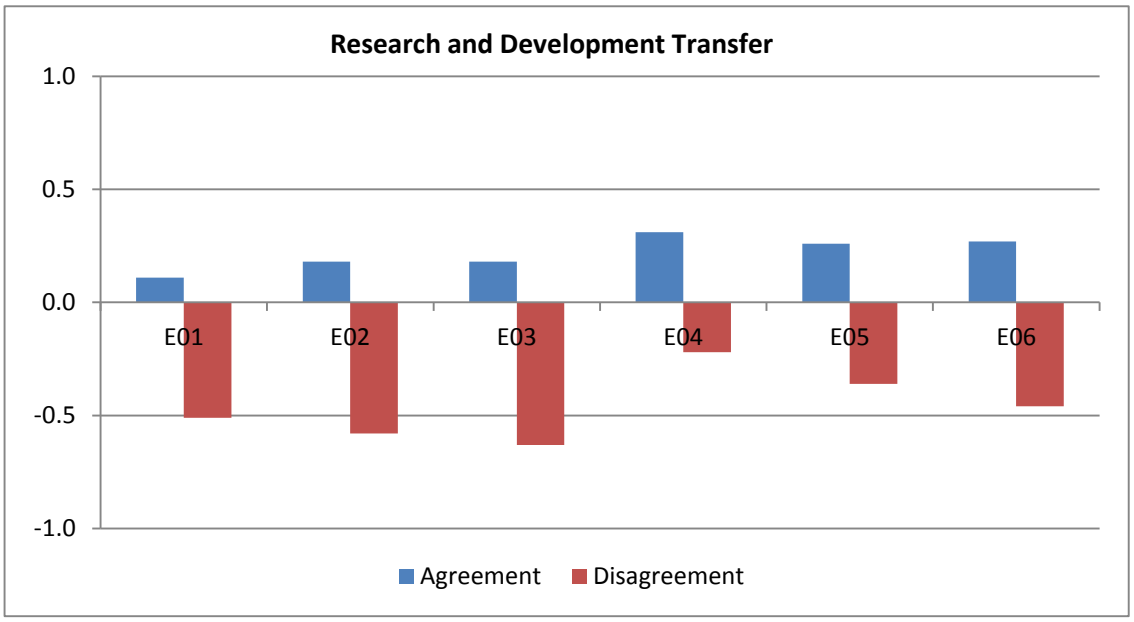


Figure 14 – EFC5 Research and Development Transfer

E01 New technology, science, and other knowledge are efficiently transferred from universities and public research centers to new and growing firms.

E02 New and growing firms have just as much access to new research and technology as large, established firms.

E03 New and growing firms can afford the latest technology.

E04 There are adequate government subsidies for new and growing firms to acquire new technology.

E05 The science and technology base efficiently supports the creation of world-class new technology-based ventures in at least one area.

E06 There is good support available for engineers and scientists to have their ideas commercialized through new and growing firms.

This EFC refers to the extent to which national research and development leads to new commercial opportunities and whether or not R&D is available for new, small and growing firms. The assessment found that new technology, science, and other knowledge are not efficiently transferred from universities and public research centers to new and growing firms. In addition, they do not have as much access to new research and technology as large, established firms. It is also found that the new and growing firms can barely afford the latest technology. Besides that, the good support is not available for engineers and scientists to have their ideas commercialized through new and growing firms. The science and technology base is not very efficient to support the creation of world-class new technology-based ventures in at least one area. But interestingly, there are adequate government's subsidies for new and growing firms to acquire new technology. Due to that, they should take pro-active steps to capitalize those subsidies provided by the Malaysia government.

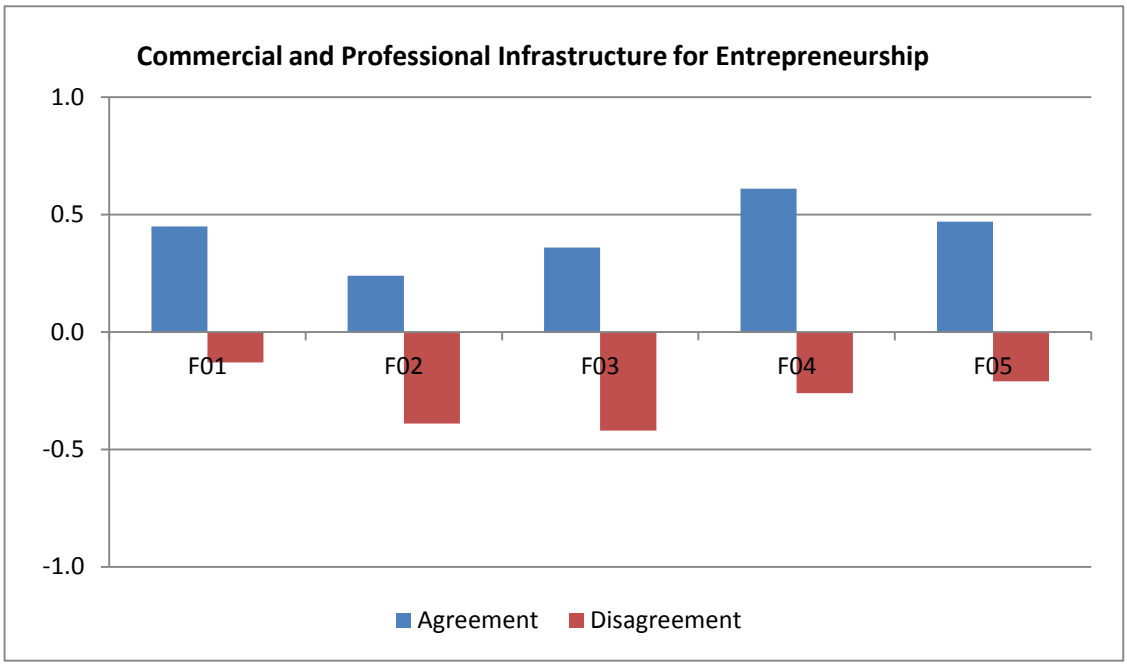


Figure 15 – EFC6 Commercial and Professional Infrastructure for Entrepreneurship

F01 There are enough subcontractors, suppliers, and consultants to support new and growing firms.

F02 New and growing firms can afford the cost of using subcontractors, suppliers, and consultants.

F03 It is easy for new and growing firms to get good subcontractors, suppliers, and consultants.

F04 It is easy for new and growing firms to get good, professional legal and accounting services.

F05 It is easy for new and growing firms to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).

This EFC refers to the influence (including cost, quality and accessibility) of commercial, accounting, banking and other legal services and institutions that allow or promote new, small or growing businesses. From the above figure, it shows that the new and growing firms are easy to get good, professional legal and accounting services as well as getting good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like). Although there are enough subcontractors, suppliers, and consultants to support new and growing firms, it is not easy for new and growing firms to get good subcontractors, suppliers, and consultants. Basically, they can't really afford the cost of using subcontractors, suppliers, and consultants.

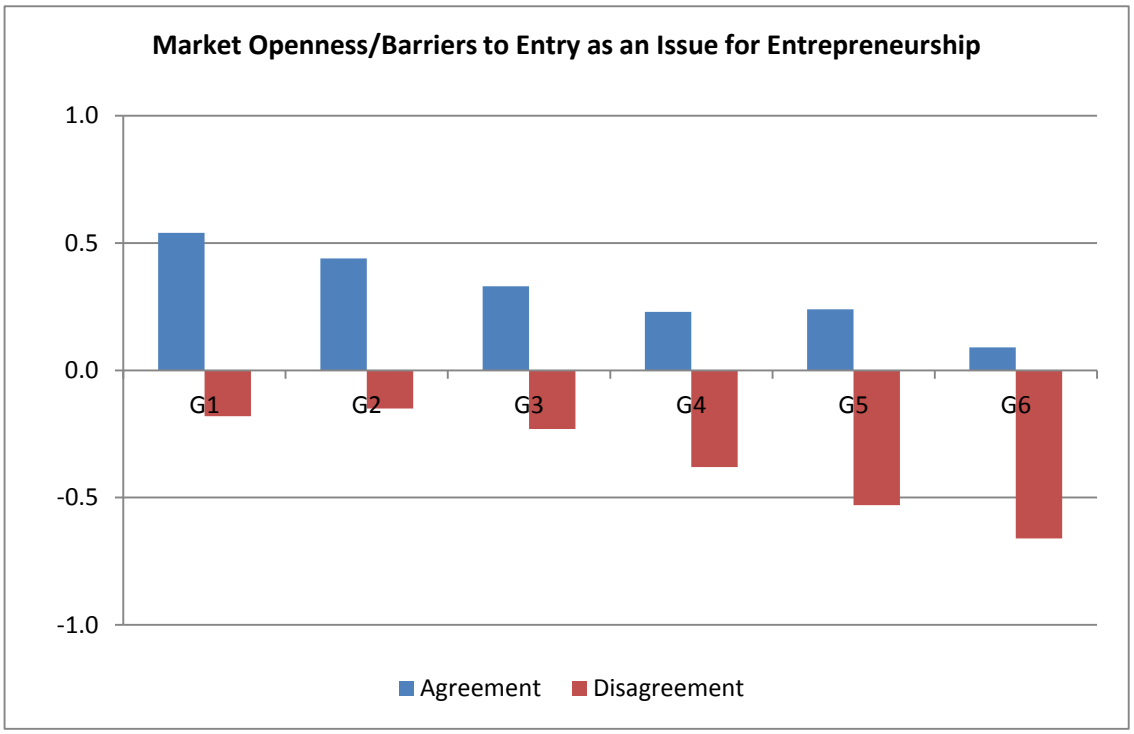


Figure 16 – EFC7 Market Openness/Barriers to Entry as an Issues for Entrepreneurship

G01 The markets for consumer goods and services change dramatically from year to year.

G02 The markets for business-to-business goods and services change dramatically from year to year.

G03 New and growing firms can easily enter new markets.

G04 The new and growing firms can afford the cost of market entry.

G05 New and growing firms can enter markets without being unfairly blocked by established firms.

G06 The anti-trust legislation is effective and well enforced.

This EFC refers to the level of competition and characteristics of the market. It also examines the dynamism of the market, access to market, cost in accessing the market and barriers to entry for new entrants and growing firms. The assessment found that it is slightly decreased in the market for consumer goods and services, and business-to-business goods and services change dramatically from year to year. Although the market is relatively easy to enter, it is difficult for the new and growing firms to bear the cost of market entry which is pretty costly and encounter barriers of entry especially by establish firms. Furthermore, the anti-trust legislation is also not very effective and well enforced which then will affect the entry of new and growing firms to the market.

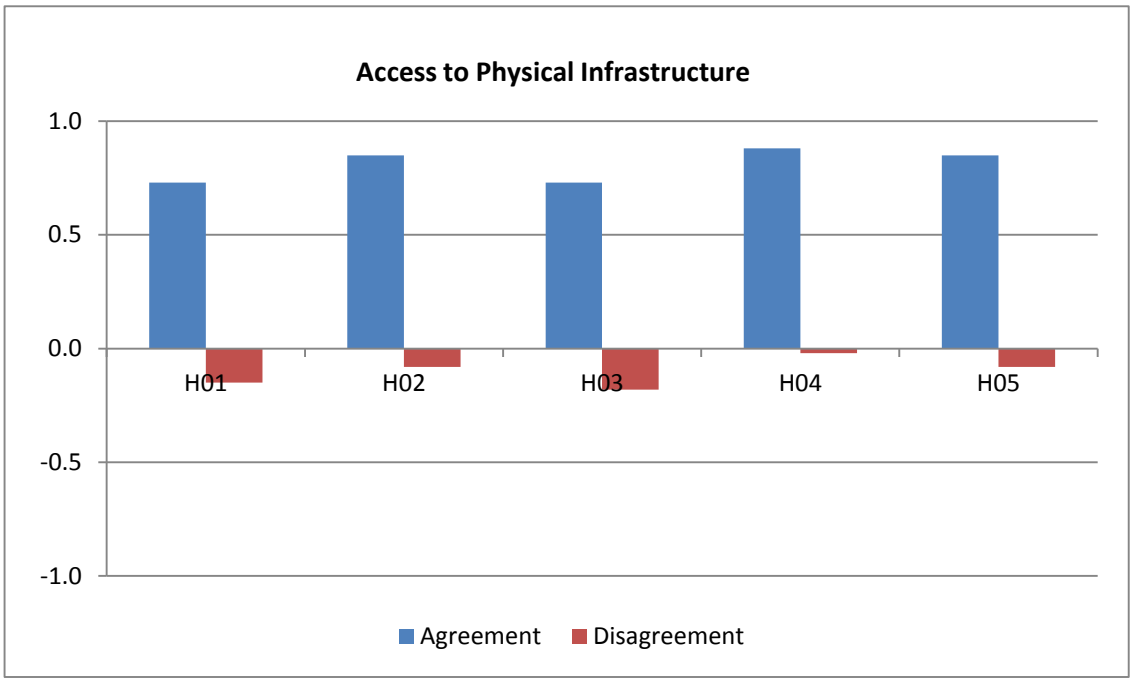


Figure 17 – EF7 Access to Physical Infrastructure

H01 The physical infrastructure (roads, utilities, communications, waste disposal) provides good support for new and growing firms.

H02 It is not too expensive for a new or growing firm to get good access to communications (phone, Internet, etc.).

H03 A new or growing firm can get good access to communications (telephone, internet, etc.) in about a week.

H04 New and growing firms can afford the cost of basic utilities (gas, water, electricity, sewer).

H05 New or growing firms can get good access to utilities (gas, water, electricity, sewer) in about a month

This EFC refers to accessibility and quality of physical resources including physical infrastructure, access to communication and availability of basic utilities that are advantageous for potential entrepreneurial growth and development. Overall, the assessment found that Malaysia is very supportive in providing quality physical infrastructure, communications and basic utilities for new and growing firm.

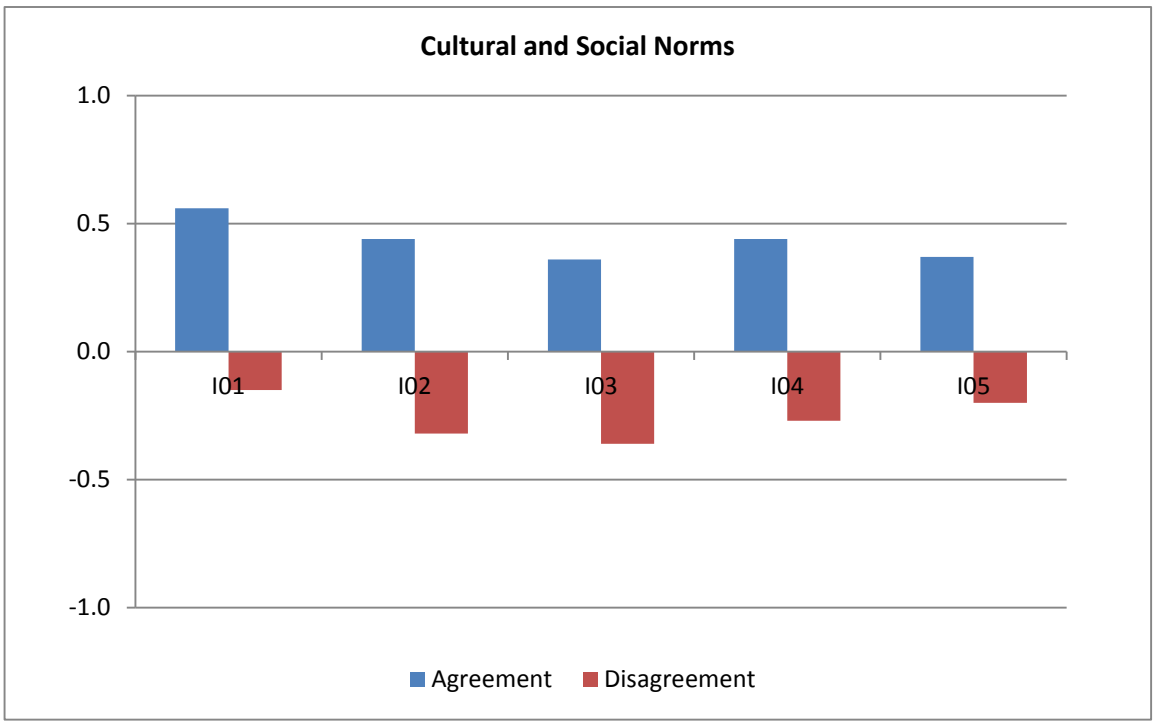


Figure 18 – EFC8 Cultural and Social Norms

I01 The Regional culture is highly supportive of individual success achieved through own personal efforts.

I02 The Regional culture emphasizes self-sufficiency, autonomy, and personal initiative.

I03 The Regional culture encourages entrepreneurial risk-taking.

I04 The Regional culture encourages creativity and innovativeness.

I05 The Regional culture emphasizes the responsibility that the individual (rather than the collective) has in managing his or her own life.

This EFC refers to the extent to which existing social and cultural norms encourage or discourage individual actions that may lead to success through personal efforts, self-sufficiency, autonomy, personal initiative, entrepreneurial risk-taking, creativity and innovativeness. These actions and achievements can spur new ways of conducting business and economic activities, thereby increasing wealth and income. Malaysia is highly supportive of individual success achieved through own personal efforts, self-sufficiency, autonomy, and personal initiative, entrepreneurial risk-taking, responsibility and creativity and innovativeness. The nature of Malaysian society being multi-racial, multi-lingual, multi-cultural as well as multi-religious, presents considerable challenges to the task of successful nation building (Shakila, 2006). Being that way, they will learn on how to compete and have a healthy competition among themselves.

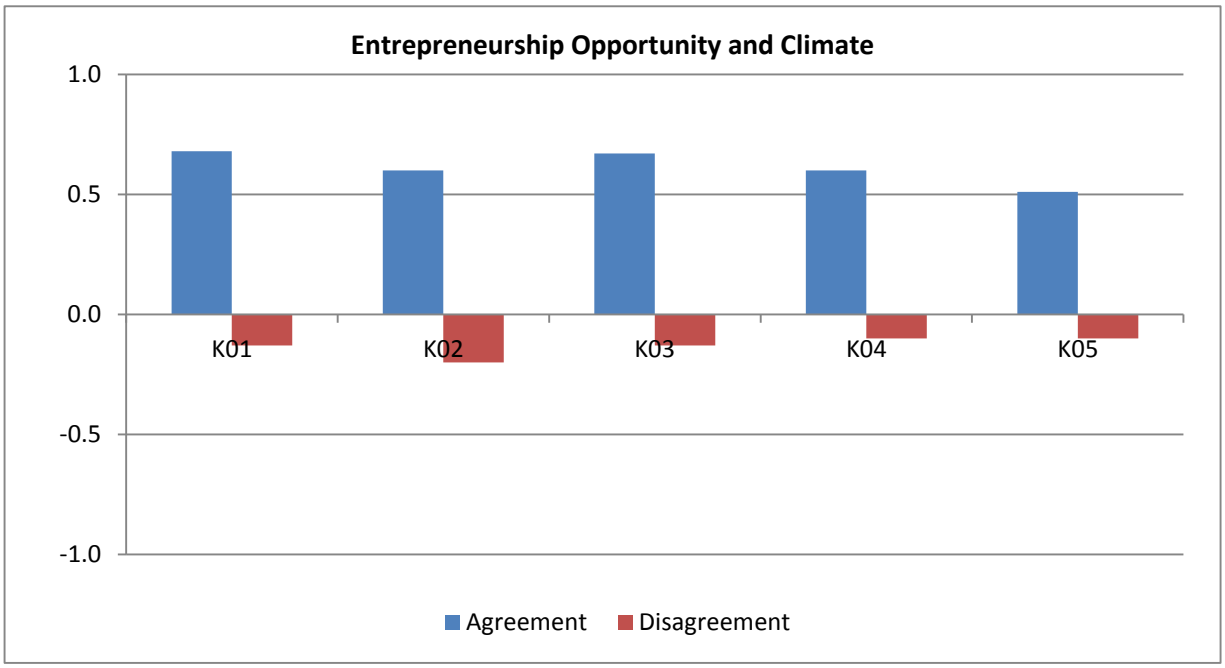


Figure 19 – EFC9 Entrepreneurship Opportunity and Climate

K01 There are plenty of good opportunities for the creation of new firms.

K02 There are more good opportunities for the creation of new firms than there are people able to take advantage of them.

K03 Good opportunities for new firms have considerably increased in the past five years.

K04 Individuals can easily pursue entrepreneurial opportunities.

K05 There are plenty of good opportunities to create truly high growth firms.

This EFC refers to the extent that the environment encourages and offers opportunities for people to create new firms including high growth firms. It also assessed whether there is abundance of opportunities and whether opportunities can easily be captured and pursued. Overall, there are plenty of good opportunities for the creation of new firms which have considerably increased in the past five years. In addition, there are good opportunities to every individuals and firms for those who/which have the vision to move up to their personal and corporate ladder.

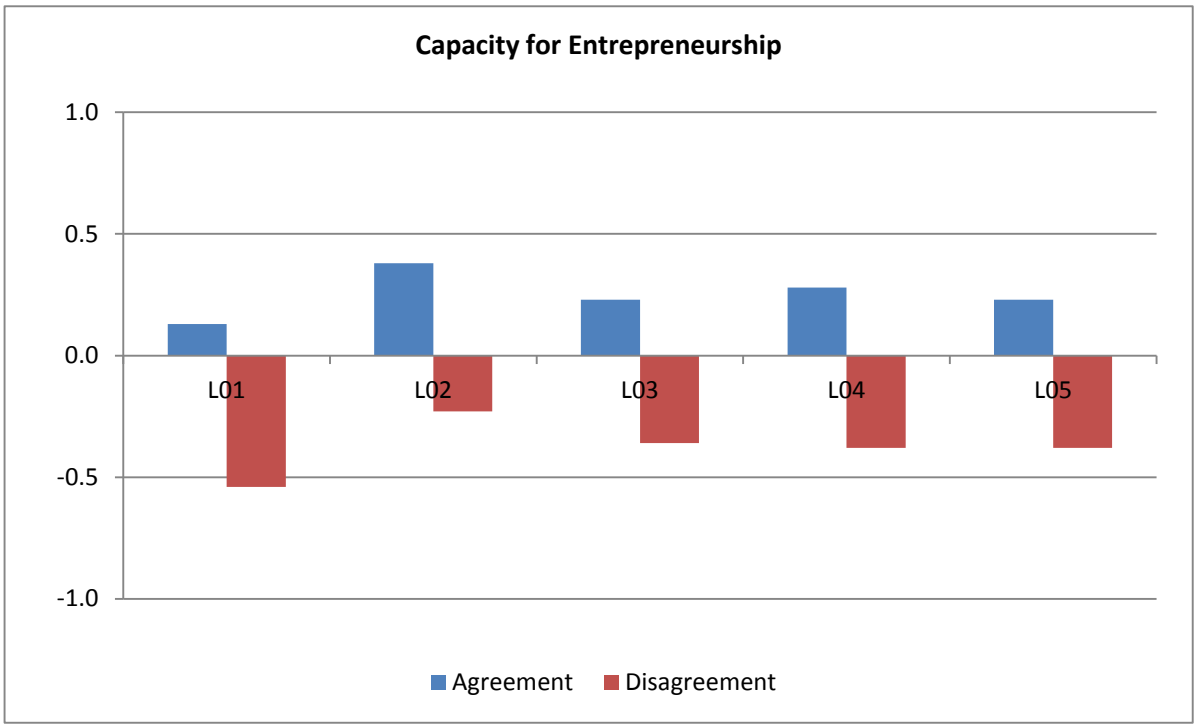


Figure 20 – EFC10 Capacity for Entrepreneurship

L01 Many people know how to start and manage a high-growth business.

L02 Many people know how to start and manage a small business.

L03 Many people have experience in starting a new business.

L04 Many people can react quickly to good opportunities for a new business.

L05 Many people have the ability to organize the resources required for a new business.

This EFC refers to the knowledge, skills, experience and capabilities that people have in creating a business, managing the growth of the business, acting on opportunities and organizing the resources required for the business. This EFC also assessed the knowledge and capabilities of people in starting a small business versus a high-growth business. Overall, it is a descending trend on capacity building for entrepreneurship. Most of the time, many people do not have

experience in starting a new business, managing a high-growth business and organizing the resources required for a new business. They can't really react to good opportunities for a new business. They only know how to start and manage a small business.

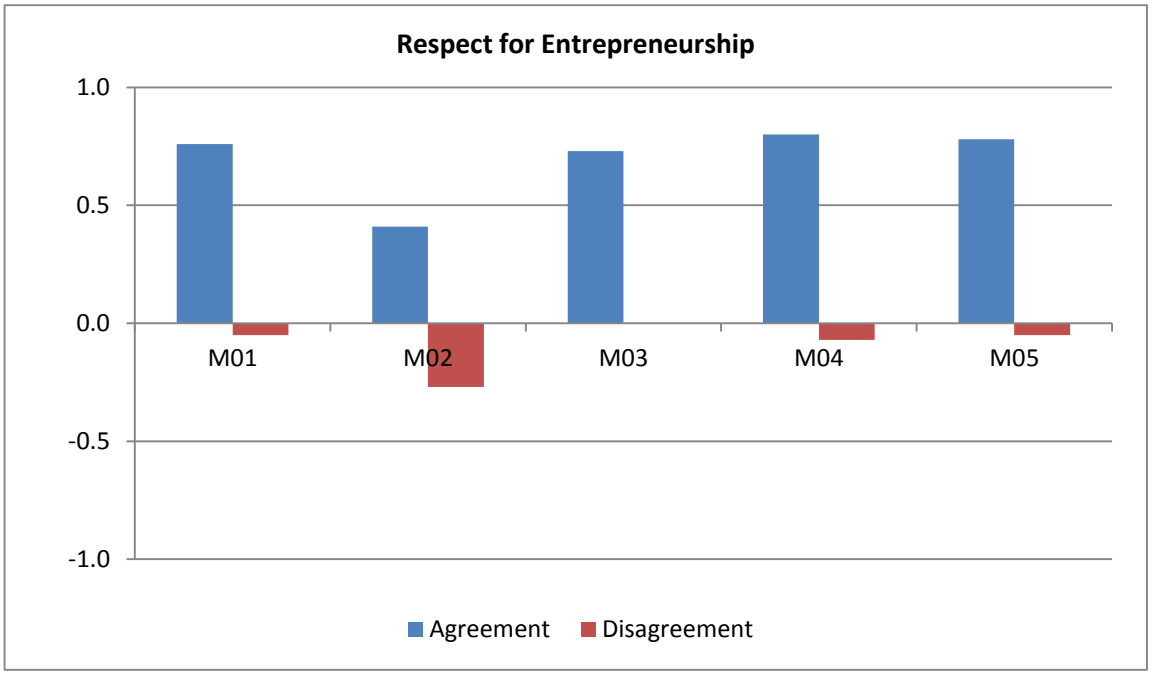


Figure 21 – EFC11 Respect for Entrepreneurs

M01 The creation of new ventures is considered an appropriate way to become rich.

M02 Most people consider becoming an entrepreneur as a desirable career choice.

M03 Successful entrepreneurs have a high level of status and respect.

M04 You will often see stories in the public media about successful entrepreneurs.

M05 Most people think of entrepreneurs as competent, resourceful individuals.

This EFC refers to the perception of the reputation and image of entrepreneurs and the level of respect for entrepreneurs. It also assesses the extent of the desire and regard for entrepreneurs

and entrepreneurship as a career choice. Overall, Malaysia honors and celebrates exceptional entrepreneurs and the role of creativity in their success. Malaysia provides an opportunity especially for young entrepreneurs to celebrate their creativity, and to support business creativity and new enterprise development in general. Successful entrepreneurs have a high level of status and respect and wide coverage in the public media. The creation of new ventures is considered an appropriate way to become rich, less than 50% feel that it should be a desirable career choice.

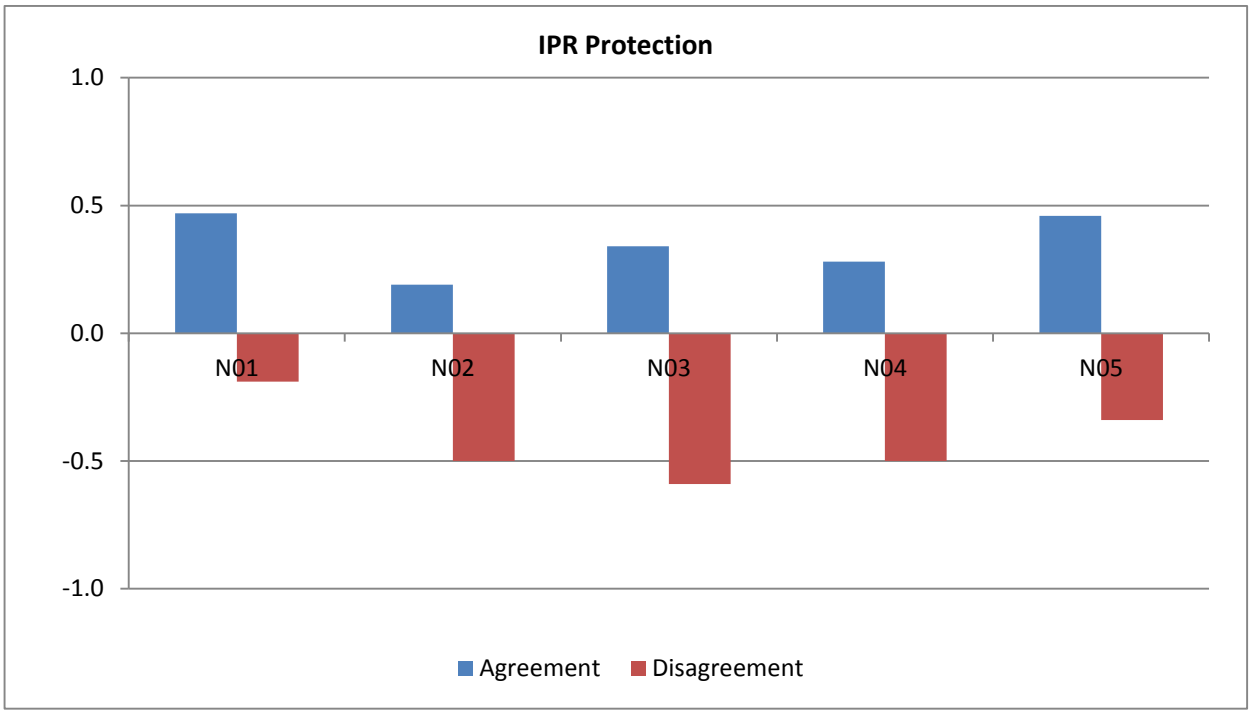


Figure 22 – EFC12 IPR Protection

N01 The Intellectual Property Rights (IPR) legislation is comprehensive.

N02 The Intellectual Property Rights (IPR) legislation is efficiently enforced.

N03 The illegal sale of 'pirated' software, videos, CDs, and other copyrighted or trademarked products is not extensive.

N04 New and growing firms can trust that their patents, copyrights, and trademarks will be respected.

N05 It is widely recognized that inventors' rights for their inventions should be respected.

This EFC refers to the extent that people perceive and respect the Intellectual Property Rights (IPR) protection regime. This includes protection for inventions, patents, copyrights, and trademarks. The assessment found that the Intellectual Property Rights (IPR) legislation is comprehensive but not efficiently enforced. The inventors' rights are also respected for their inventions. However, the illegal sale of 'pirated' software, videos, CDs, and other copyrighted or trademarked products is considered to be extensive. As such new and growing firms do not trust that their patents, copyrights, and trademarks will be respected.

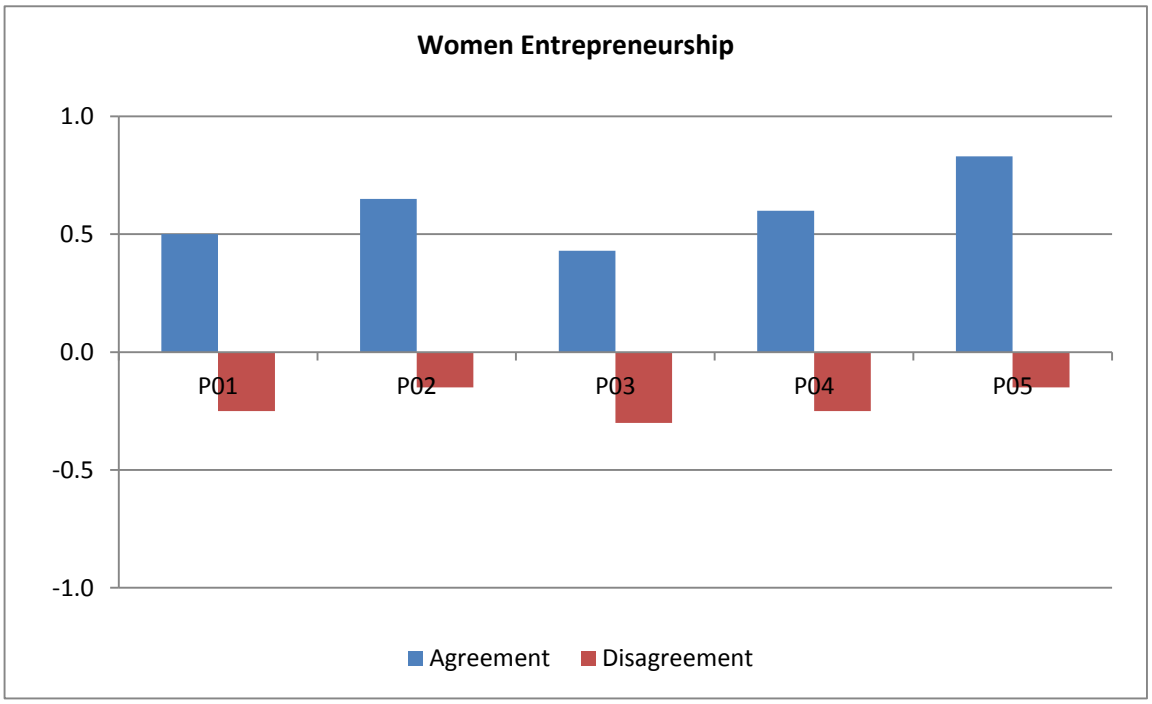


Figure 23 – EFC13 Women Entrepreneurship

P01 There are sufficient social services available so that women can continue to work even after they start a family.

P02 Starting a new business is a socially acceptable career option for women.

P03 Women are encouraged to become self-employed or start a new business.

P04 Men and women get equally exposed to good opportunities to start a new business.

P05 Men and women are equally able to start a new business.

This EFC refers to the support for women entrepreneurship. It also examines whether women are exposed to the opportunities of starting a new business and whether social and environmental conditions are in favor in encouraging women to start their entrepreneurial ventures and enterprises. It also assesses whether women entrepreneurship is socially acceptable. It is not surprising that the number of women entrepreneurs in Malaysia has increased due to the support from many parties such as government, private organizations and international groups. For example, National Association of Women Entrepreneurs of Malaysia (NAWEM) is an organization established with the purpose of harnessing the capabilities and resources of women entrepreneurs for the encouragement and enhancement amongst women who own and operate businesses. These women entrepreneurs get exposed and are treated the same like their opposite gender. In addition, there are sufficient social services available, so that women can continue to work even after they start a family and to be self-employed or it can be a career choice in the future.

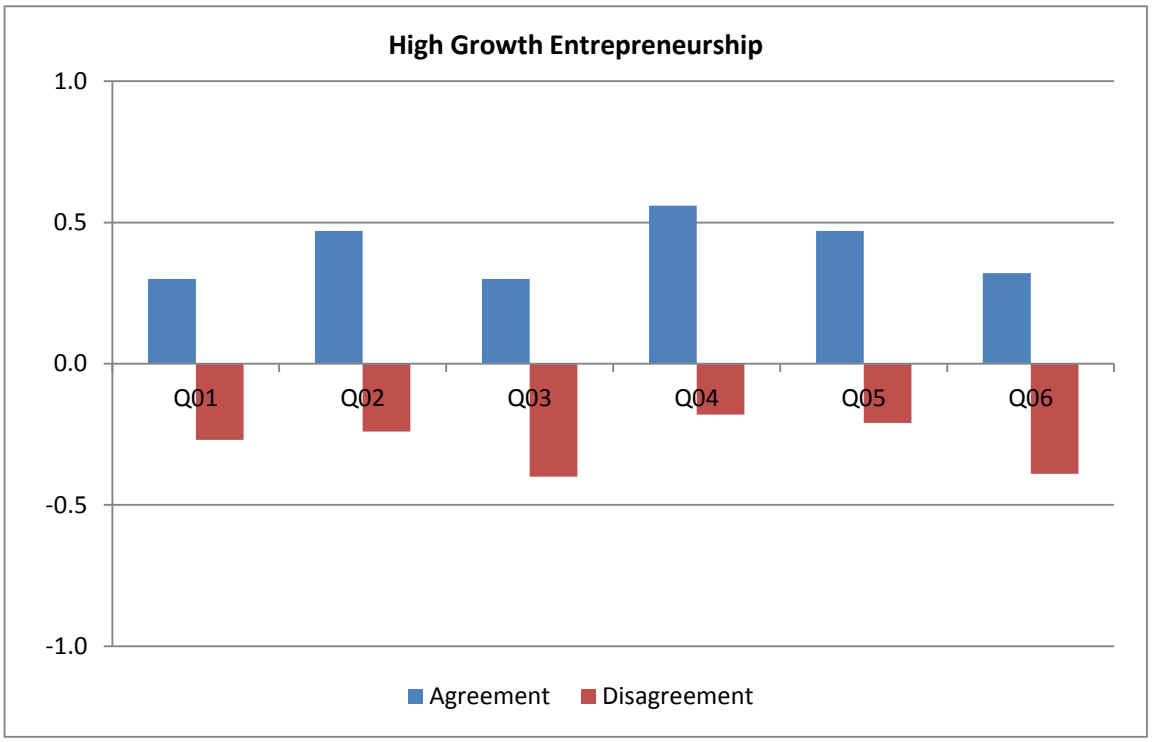


Figure 24 – EFC14 High Growth Entrepreneurship

Q01 There are many support initiatives that are specially tailored for high-growth entrepreneurial activity.

Q02 Policy-makers are aware of the importance of high-growth entrepreneurial activity.

Q03 People working in entrepreneurship support initiatives have sufficient skills and competence to support high-growth firms.

Q04 Potential for rapid growth is often used as a selection criterion when choosing recipients of entrepreneurship support.

Q05 Supporting rapid firm growth is a high priority in entrepreneurship policy.

Q06 Government programs are highly selective when choosing recipients of entrepreneurship support

This EFC refers to the level of support and awareness that has been put in place and developed to encourage, facilitate and nurture high-growth entrepreneurial activities. Overall, the responses indicated that the support initiative was positive and encouraging for high-growth entrepreneurial activity. It was found that the support initiatives that are specially tailored for high-growth entrepreneurial activity and policy-makers who aware of the importance of high-growth entrepreneurial activity are a little bit decreased from previous year. Potential for rapid growth is important as it become a benchmark to be used as a selection criterion when choosing recipients of entrepreneurship support. However, the government is not very selective when choosing recipients of entrepreneurship. It is made up of people working in entrepreneurship support initiatives who do not have sufficient skills and competence to support high-growth firms.

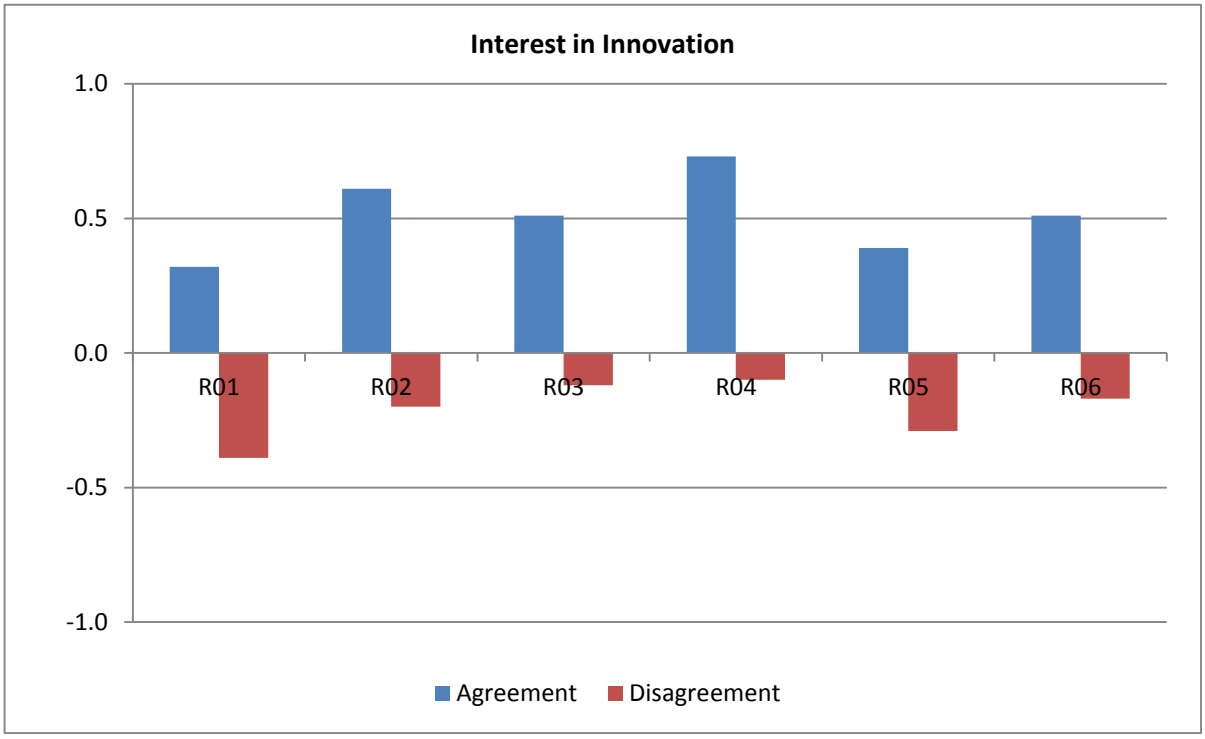


Figure 25 – EFC15 Interest in Innovation

R01 Companies like to experiment with new technologies and with new ways of doing things.

R02 Consumers like to try out new products and services.

R03 Innovation is highly valued by companies.

R04 Innovation is highly valued by consumers.

R05 Established companies are open to using new, entrepreneurial companies as suppliers.

R06 Consumers are open to buying products and services from new, entrepreneurial companies.

This EFC refers to the level of interest in innovation. Although the response is quite encouraging, the data seems to be decline from previous year, 2009. It was found that innovation is highly valued by companies but they are terrified to experiment with new technologies and with new ways of doing things. However, it is another different story for consumers. They highly value innovation and at the same time are interested to try out new products and services. Today, consumers are open to buying products and services from new, entrepreneurial companies, thus established companies should be more open to using new, entrepreneurial companies as suppliers.

5.0 Conclusion

The conclusion for this 2010 report is in concordance with the 2009 GEM report. The experts overwhelmingly recommend that government policies and government support factors play a critical role in contributing and increasing entrepreneurship within the nation. Factors that limit entrepreneurship are mainly also financial support and abilities and knowledge to start-up. Again education and training were both seen as key factors that would contribute and increase entrepreneurship.

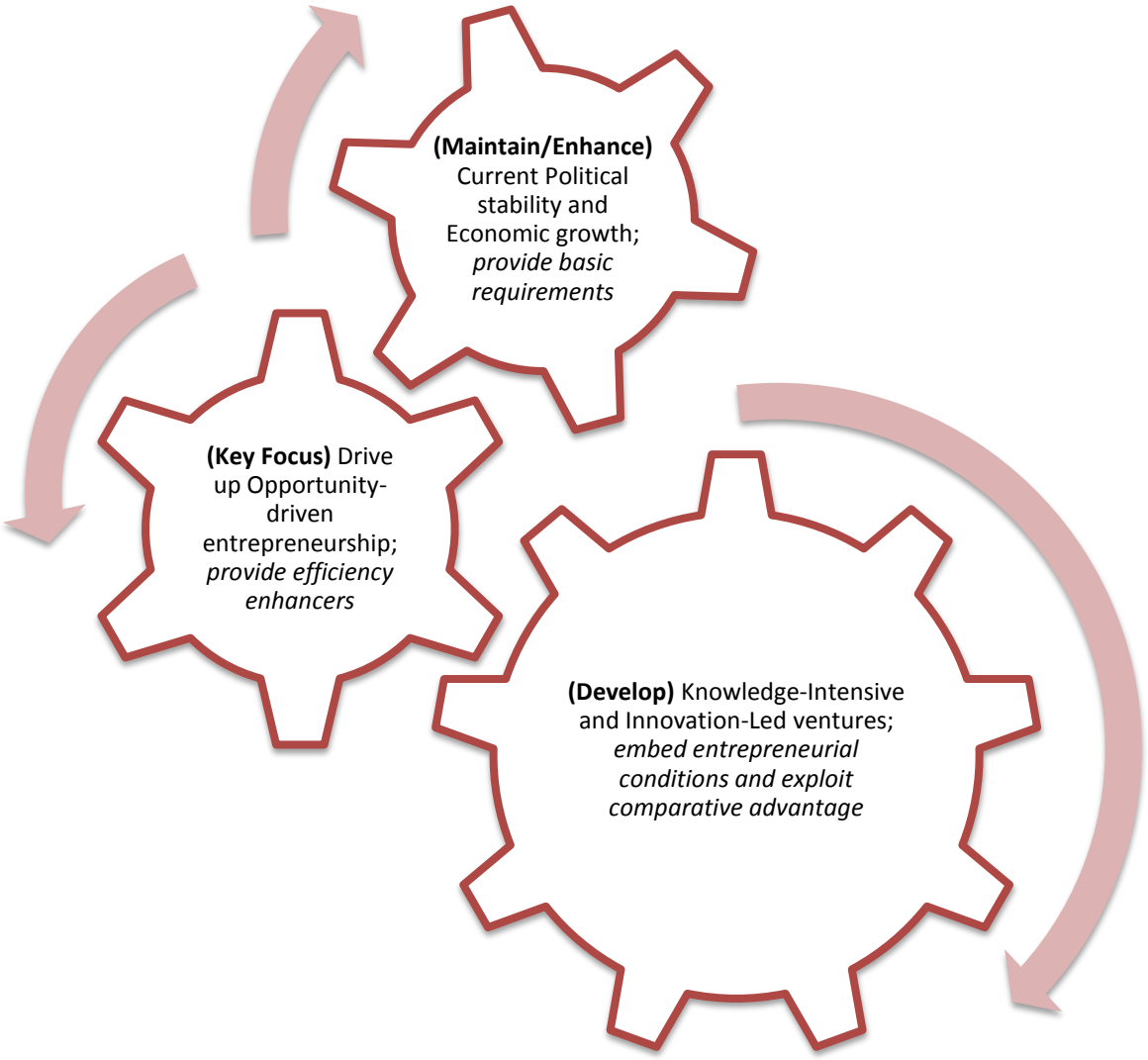
It would appear that for the future the way forward will be to foster opportunity-driven entrepreneurship via innovations as we pursue our Innovation-Led initiatives. This should boost productivity and will push us squarely into an innovation-driven type economy. Ambition for high growth, product and process innovation and internationalization are crucial to Malaysia successfully embracing the 21st century. In this regards for an innovation led approach the key is PEOPLE. And it is people who invest in the future. Nations need to concentrate and develop Attitudes, Ability, Aspirations and Altruism of its people. This has been well highlighted in recent papers.

And for that they need to put in place;

- A raising of awareness and fostering network building
- Education and Skills
- Innovation and Technology commercialization
- Accessibility to finance
- The right and conducive regulatory environment, and
- Entrepreneurial strategies i.e. propose an overarching Entrepreneurship policy framework.

The above research continues to substantiate that the low entrepreneurial activity rates coupled with our relatively low per capita income is an indication of a sustainable scenario and predicates political stability and economic growth i.e. an abundance of opportunities. In summation this recommends that entrepreneurially we as a nation need to go forward exploiting opportunity-driven entrepreneurship. And the way forward is through knowledge-intensive and innovation-

led initiatives/ventures/enterprises. Thus to take a formulaic stance (as in 2009) we see the future for Malaysia as:



Quick Response (QR) Code

In order to aid more effective multinational comparisons and enhance understanding the application of a google app has been provided. This constitutes a selection of GEM indicators that reference online data interfaces by merely scanning the QR code provided below.

References and Notes

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[i] Global Entrepreneurship Monitor 2009 Global Report

[ii] Global Entrepreneurship Monitor 2009 Global Report

[iii] Evidence is documented by e.g. Carree and Thurik (2003), Acs (2006), Audretsch (2007).

[iv] See Wennekers, Van Stel, Thurik, and Reynolds (2005), and Gries & Naude (2008).

[v] See e.g. Gartner (1986) and Shane and Venkataraman (2000).

[vi]Most new businesses do not survive beyond three or four years. This is the main rationale for the choice of 42 months as the cut-off period. However, the choice of 42 months also reflects operational issues. According to Reynolds et al., "The relevant interview question asked only the year when salary and wage payments were initiated and most surveys occurred in the summer months; so the alternatives for choosing a "new firm age" were 1.5 years, 2.5 years, 3.5 years, etc. The shortest time frame that would provide enough cases for stable prevalence rates with a total sample of 2,000 seemed to occur at 3.5 years. Conceptually, any time period under five years seemed satisfactory so this age was considered an appropriate trade-off between conceptual and operational considerations in the early years of the project. There has been no compelling reason to adjust this criteria and a desire for a stable time series has led to its continued use. It should be considered a procedure to capture existing firms less than three or four years old." [Reynolds, P.D., N.S. Bosma, E. Autio, et al. (2005)]

[vii]The sample sizes in the GEM 2009 study typically range from2,000 to 3,500. Notable exceptions are Spain (29,000 respondents)and the United Kingdom (30,000 respondents). For Morocco a survey was administered; the final sample size was 1,500.

[viii]In the Global Competitiveness Reports the countries are classified in three major phases and two 'transition' phases. To create three country groups, we assigned countries in a transition phase to the major phase they were emerging from.

[ix] GEM 2009 Global Report used as backdrop for analysis

[x]The experts were selected according to a strict protocol.Expertise in each EFC was represented by at least one entrepreneur, at least two suppliers of thet EFC, and at least one observer, such as an academic or journalist with specific expertise in that area.

APPENDICES

APPENDIX 5 Authors Contact Information

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Siri Roland Xavier is currently the Acting Dean of Bank Rakyat School of Business and Entrepreneurship at Universiti Tun Abdul Razak, Malaysia. He teaches and researches in the fields of entrepreneurship, new venture development and innovation and technology management.

He has been the Malaysian Global Entrepreneurship Monitor (GEM) team leader since 2009, project leader for GEM in South East Asia collaborating with International Development Research Centre (IDRC), and a member of Malaysia's Successful Transgenerational Entrepreneurship Practices (STEP) research team. Currently he is a board member of the Global Entrepreneurship Research Association (GERA), member of the Global Consortium of Entrepreneurship Educators (GCEE), Editorial board member of Journal of Global Entrepreneurship Research (JGER) and committee member of the Malaysian Association for Entrepreneurship Educators (MyEED).

His professional experience includes being a co-founder of a successful e-commerce company and held senior managerial positions in consulting and a New York listed company over a span of 20 years. He has publications in key journals including Asia Pacific Journal of Innovation and Entrepreneurship, International Journal of Entrepreneurship and Small Business and Journal of Chinese Entrepreneurship and has presented at numerous global conferences. He has consulted and trained both government and commercial agencies in innovation and entrepreneurship.

His training in the field of entrepreneurship and innovation has been with Babson College and Stanford Research Institute (SRI), USA. He has a LL.B (Hons), University of London, MBA in Strategic Marketing and a doctorate (Entrepreneurship) from the University of Newcastle, Australia.

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Leilanie Mohd Nor has been involved with the Global Entrepreneurship Monitor (GEM) study since 2009. Her area of specialization is in Entrepreneurship, and her interest is in Family Business, and entrepreneurial cognition. Leilanie has published in refereed journals namely Journal of Asia Entrepreneurship and Sustainability, Asia Pacific Journal of Innovation and Entrepreneurship, and International Journal of Business Administration. Leilanie is the Team Leader for the Successful Transgenerational Entrepreneurship Practices (STEP) project in Malaysia since 2009, a global research study focusing on entrepreneurship in business families, involving more than 40 countries worldwide. In January 2012, she was appointed the STEP Asia Pacific Leadership Council (Chair). Leilanie is also a member of the International Family Enterprise Research Academy (IFERA), geared towards advancing family business research, theory and practice. Leilanie is expected to complete her PhD in August 2012, a study on family businesses and their decision making processes in creating new ventures.

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Mohar's specialization and research interest are in the field of entrepreneurship, family business and strategy. He has published in several international refereed journals namely the International Entrepreneurship and Management Journal, Indian Journal of Training and Development, Journal of Asia Entrepreneurship and Sustainability, New England Journal of Entrepreneurship, Asia Pacific Journal of Innovation and Entrepreneurship, Asian Journal of Case Research, and an ardent writer of cases for teaching and publication purpose. He has been involved in the Global Entrepreneurship Monitor (GEM) study and the Successful Transgenerational Entrepreneurship Practices (STEP) project on family business since 2009. He has a Ph.D. in Management (by Research) in which he studied the organizational antecedents of academic entrepreneurship. In addition, he holds the Malaysian Institute of Management – Certified Professional Intellectual Property Manager (MIM-CPIPM) certification and has completed six modules of Entrepreneurship Educators training with Babson College, USA.

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Assoc. Prof. Mohd Hanif is currently the Deputy Dean of Bank Rakyat School of Business and Entrepreneurship with Universiti Tun Abdul Razak. He has accumulated over sixteen years of experience in commerce, industry and academia and is much sought after for his working insights into the Malaysian regulatory framework. He has valuable exposure into current issues affecting the profession as he actively participates in international and local seminar, forums and workshops in the area of corporate governance, investments and financial reporting standards.

He has a well-balanced multi-disciplined education, in legal, accounting and finance as well as a member of various professional bodies, namely CPA Australia and Chartered Institute of Securities and Investment, UK. His main area of teaching has always been Corporate Governance, Audit and Financial Reporting. He has written many articles and case studies in the area of economics and investments.

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Dewi Amat Sapuan has been on the faculty at Universiti Tun Abdul Razak since 1999. She is an associate professor at the Graduate School of Business, teaching Organizational Behaviour and Organizational Psychology courses. Her primary research interests are in the area of perception and attribution in organizations, as well as personality and learning. She has written several book chapters and published in international journals, and has also won awards for her academic contribution.

Dewi is currently the Director of Bureau for Excellence in Research and Teaching and has held several administrative roles in the past, including Deputy Dean at the Graduate School of Business. She received her B.B.A (Hons.) from Universiti Utara Malaysia, and her MBA and Ph.D. (Management) from Universiti Tun Abdul Razak. Prior to joining the University, Dewi served several years at the Malaysian International Shipping Corporation.

Her latest article, “Does Making You Happy Make Me Happy? Examining Facets of Emotional Labour and Job Satisfaction in Front-line Workers” is recently published in a book by Athens Institute for Education and Research.

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Noorseha Ayob is a lecturer in Bank Rakyat School of Business and Entrepreneurship at the Universiti Tun Abdul Razak. She obtained her Bachelor of Finance and Master of Business Administration (Entrepreneurship) from Universiti Teknologi Mara. Her area of specialization is social entrepreneurship and finance. She is a researcher for the Global Entrepreneurship Monitor (GEM) National Team for Malaysia and also a faculty advisor for Students in Free Enterprise (SIFE). Currently, she is undertaking a research project entitled “Social Innovation: A Means of Improving the Quality of Life in the Malaysian Society” funded by FRGS (Fundamental Research Grant Scheme) from MOHE.

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