

CONTEMPORARY READINGS ON ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT



edited by:

ABDUL AZIZ AB LATIF

Institute Of Small And Medium Enterprises (ISME)
Universiti Malaysia Kelantan (UMK)

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BUSINESS MANAGEMENT

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Contemporary Readings on Entrepreneurship
and Small Business Management

Editor :

Abdul Aziz Ab. Latif

Publisher: Universiti Malaysia Kelantan

ISBN 978-983-44043-8-3

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Foreword

Entrepreneurship and small business activities are crucial to the country's vibrant economic growth process. Though the contribution of small and medium Enterprises (SMEs) to the economy seen as relatively small the fact remains that about 99% of business establishments are small and medium enterprises (SMEs)

Universiti Malaysia Kelantan, whose main thrust is the entrepreneurship aims at producing and championing human capital with entrepreneurial qualities for global prosperity. My heart and passion is ultimately to see Universiti Malaysia Kelantan (UMK) growth and development in forging a strong and vibrant university-industry-community partnership.

This book, *Contemporary Readings on Entrepreneurship and Small Business Management* will undoubtedly be a useful resource material for not only the academic communities but also other institutions locally and globally who have direct and indirect interest in entrepreneurship and the development of small and medium enterprises.

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Preface

Entrepreneurship as an academic discipline has transformed research outputs and theories into practices that contribute to socio economic development. The competitive and resilient small business sectors championed by successful entrepreneurs is key in accelerating the economic growth of the country. Thus, promoting entrepreneurship and small business sector is an important thrust in supporting the government's aim of achieving balanced economic development and higher standards of living at all levels of society. Based on this premise, initiatives had been taken to gather, select, edit some research outputs and related articles into a volume entitled "Contemporary Readings on Entrepreneurship and Small Business Management."

The chapters in this edition are intended to provide a set of information and analysis to decision makers and other stakeholders in the business community and to inspire readers, especially students and researchers at large, in enhancing their interest and understanding the dynamics of entrepreneurship and small business management.

The intellectual journey in this book is marching through several spots of new developments in the course of conducting small business management, in coping with emerging challenges and issues of the modern era. The journey starts with the general state of entrepreneurship and small business management practices.

While dwelling further into this book, the tourism management is spotted, which focused on the small and medium enterprises activities. It is followed by an in-depth analysis of SMI development and financial support system in the Malaysian context.

At the next level, firm competitiveness and technologies challenges of globalization are discussed. Down to the journey further, there is a discussion on the support system and programme for SMEs while citing case studies from Penang, Malaysia.

Needless to say that the volume 'Contemporary Reading In Entrepreneurship and Small Business Management' blends both 'information centric' and learning centric' views with subtle differences in dealing with allied "management" topics of current interest. The main message of this intellectual exercise is that compliance with changes and facing the emerging challenges in the new era are crucial determining force of the success or failure of the small business organizations. This article in this edition are also intended to be used as references for the research purpose.

On completion of this edition, the editor would like to express sincere thanks and gratitude to the Vice Chancellor and management the Universiti Malaysia Kelantan for giving endless moral and material support. Special thanks to all paper contributors and supporting staff especially Hafizah Mat Nawi, Faidzah Shah Ram, Tuan Mohd Nizam Tuan Mustapa, Nor Hazeera Mohd Zan and Ahmad Saufi Mohd Nawi for putting added value to this edition.

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Section A: Entrepreneurship

1. A sustainable entrepreneur creation model:
A case study of a regional development
program

Abdul Aziz Ab. Latif

INTRODUCTION

This article begins by describing the model for venture creation and entrepreneurship development process in the context of regional development. The components of the model were then discussed. As this model has been tested over a period of 2 ½ years, a substantial amount of data have been collected, analyzed and presented. A number of implementation issues have also been identified and discussed. The paper concludes by highlighting the significance of this model for entrepreneurship development.

THE MODEL

This article discusses a case study of an entrepreneurship development program designed for a regional development agency (The Agency) involved in socio-economic development in one of the states in Malaysia. The Agency's functions include developing, fostering, planning and initiating efforts and activities in property development, agricultural, industrial and commercial sectors in its area. It is also responsible for the overall monitoring and coordinating the implementation of development efforts in the area.

The main development theme lies in improving the livelihood of residents in the area; to eradicate poverty and for the residents to become self-sustaining without continued assistance from the government or other external sources.

The main objective of this approach to entrepreneur development is to create successful entrepreneurs who possess the capability for sustained growth. They in turn may be able to create job opportunities, generate income for the local community, contribute towards the eradication of poverty and a balanced economic growth, overall area development, and encourage immigration into and discouraging emigration from the Agency's region. Furthermore, one of the expected results of this program is to improve the standard of living of the local community.

THE APPROACH TO ENTREPRENEURSHIP DEVELOPMENT

This is a continuous approach which is implemented through a comprehensive concept involving a number of phases which are progressive in nature.

The phases are divided into four distinct levels which are designated as KS1, KS2, KS3 and KS4. A comprehensive and continuous action plan was designed to identify, guide and ultimately create successful entrepreneurs. The definition of the term entrepreneurs varies according to the specified levels in the entrepreneur cycle.

DEFINITION OF ENTREPRENEURS IN THE CONTACT OF THE PROGRAM

A dynamic and not static definition for the term "entrepreneur" has been specifically adopted for the implementation of this program. This approach in definition has been taken as the process of developing entrepreneurs is a progressive in nature. As such, it is a more programmatic approach that allows participants in the program is given guidance and support at the appropriate levels in the entrepreneurship life cycle.

The definition for entrepreneurs in The Agency's region is as follows:

At the start up stage, an entrepreneur is defined as one who has succeeded in starting a new business venture. At this level, the entrepreneur is a person who is able to realize a new product, a new idea or a new innovation using various business vehicles. At the

growth stage, the entrepreneur is defined as one who has successfully harnessed resources, evaluated the risks and exploited existing opportunities while avoiding threats in order to develop a business venture. This person would possess qualities such being motivated, disciplined, committed, trustworthy, confident and forward looking. This entrepreneur would be driven to deepen his knowledge in areas related to entrepreneurship, management and technical skills.

During the mature or developed stage, the entrepreneur is defined as one who has succeeded in creating jobs, provided services and generated income, creating spin-offs and increasing the socio-economic standing of his community.

THE ACTION PLAN MODEL

Basically, this model consists of five main elements that make up the process. These elements are entrepreneurial vision, starting up, creation of a sustainable venture which is also a way of life, entrepreneurship strategy and the tools, skills and entrepreneurship ability. All these elements function within the socio-economic environment (please refer to Figure 1.1).

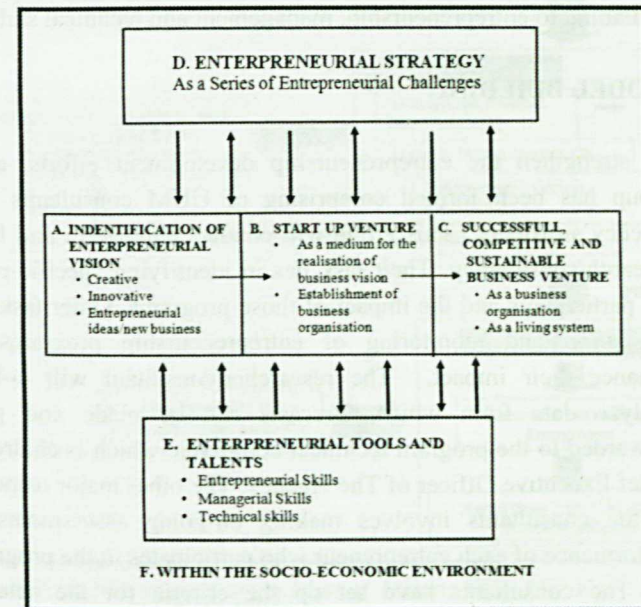


Figure 1.1 : Entrepreneurial development action plan for the agency

Entrepreneurial vision in the entrepreneur development process includes creativity and innovative ideas for new products, new services or new processes.

This vision can be translated into a new industrial or commercial activity through a creation of a venture as a vehicle for realizing the vision. With the establishment of this venture, the entrepreneur can commence operation. This is the start-up or take-off stage. From start up, the entrepreneur would advance towards the growth stage of the entrepreneurship cycle and then on to the maturity stage.

At this point, entrepreneur's business operation will be regarded as a system whose existence requires continuing attention, support, provision of knowledge, tools and skills at each level of development.

As such, The Agency needs to devise policies and strategies while acting as a supporting agency to facilitate the development of entrepreneurs under this program. This can be achieved through making available the infrastructure, technological resources as well as training and consultation. The Agency, through their officers, needs to develop training capabilities to function as trainers of entrepreneurs under this program. The entrepreneurs too, need to prepare themselves with the appropriate knowledge, tools and skills especially those pertaining to entrepreneurship, management and technical skills.

MODEL BUILDING

To strengthen the entrepreneurship development efforts, an expert group has been formed comprising of UUM consultants and The Agency's officers. This group will conduct short-term and long term research/consultancy. Their task lies in identifying specific programs, the participants and the impact of those programs. Other tasks include evaluation and monitoring of entrepreneurship programs and to enhance their impact. The researcher/consultant will collect and analyze data from which forecasts can be made and proposals forwarded to the program technical committee which is chaired by the Chief Executive Officer of The Agency. The other major responsibility of the consultants involves making on-going assessments on the performance of each entrepreneur who participates in the program.

The consultants have set up the criteria for the selection of entrepreneurs who could qualify for the Annual Successful

Entrepreneurs Award by The Agency. This award is designed to inculcate an entrepreneurship culture amongst the local community.

As it was designed by taking into consideration the entrepreneurship life cycle and its stages, the program is divided into three distinct phases: identification, guidance and venture creation (please refer to Figure 1.2).

These phases involve the development of an entrepreneur development information system and the entrepreneurship training program. The consultants will make specific proposals for each phase based on the available data and analysis.

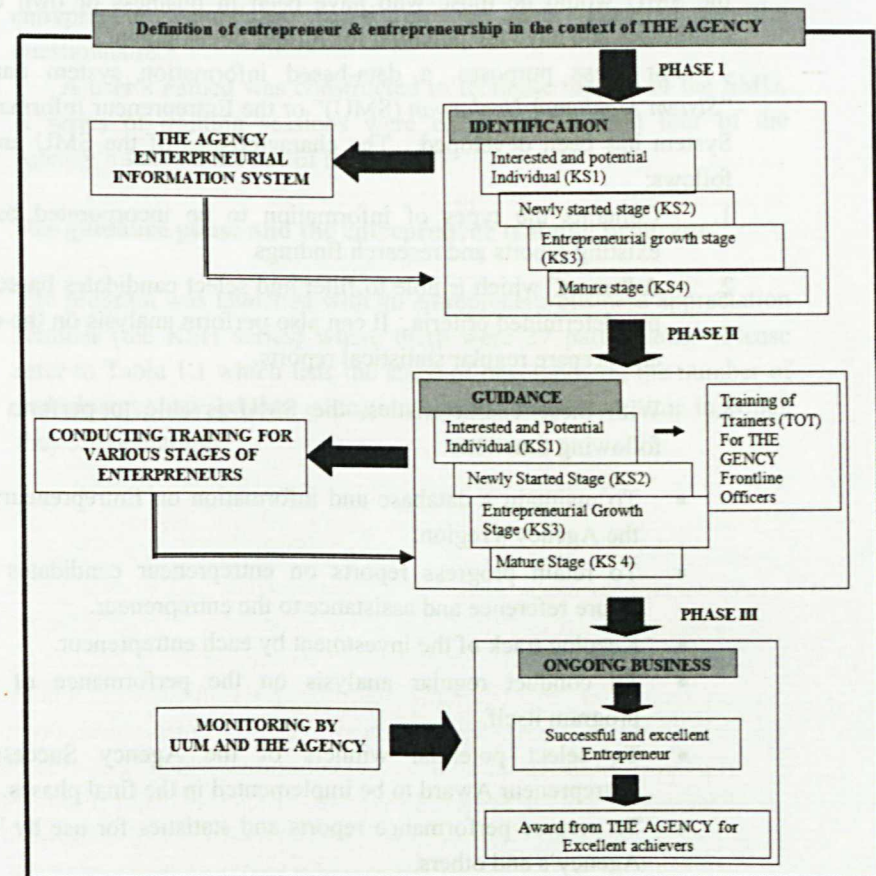


Figure 1.2 : Flowchart for the Plan of Actions THE AGENCY Entrepreneurial Development Program

THE DEVELOPMENT PHASES

The identification phase and the agency entrepreneur information system (the SMU)

This phase involves identifying individuals with the potential to succeed as entrepreneurs. The individuals who have never been in business but have the interest, vision and creativity or with ideas capable of further development.

Another group of candidates which can and has been identified by the SMU would be those who have been in business or own their businesses and have the potential for further development.

For these purposes, a data-based information system named "*Sistem Maklumat Usahawan* (SMU)" or the Entrepreneur Information System has been developed. The characteristics of the SMU are as follows:

1. Contains the types of information to be incorporated based existing reports and research findings
2. A "smart" which is able to filter and select candidates based on pre-determined criteria. It can also perform analysis on the data and prepare regular statistical reports.
3. With these characteristics, the SMU is able to perform the following functions:
 - To maintain a database and information on Entrepreneurs in the Agency's region.
 - To retain progress reports on entrepreneur candidates for future reference and assistance to the entrepreneur.
 - Keeping track of the investment by each entrepreneur.
 - To conduct regular analysis on the performance of the program itself.
 - To select potential winners of the Agency Successful Entrepreneur Award to be implemented in the final phases.
 - To prepare performance reports and statistics for use by The Agency's and others.
 - To link the Agency's SMU through the internet with other systems relating to entrepreneurship such as those its sister agencies at the Ministry for Rural Development, Ministry for

Entrepreneur Development and other government agencies, suppliers, customers, funding institutions and related industries.

The consultants jointly with the Agency's officers designed and developed the questionnaire for the data collection undertaking. Data collection commenced in March 1999 and is an on-going activity. Data collection is undertaken by the Agency's officers. To date about 1000 questionnaires have been returned and of this number 970 have been successfully incorporated as data into the SMU. A small number were incomplete and needed to be reviewed. The SMU is now capable of recording, sorting and reporting information relating to the Agency's entrepreneur candidates based on the data captured in the questionnaire.

A user's named was constructed to facilitate the use of the SMU. A series of training sessions were conducted to train four of the Agency's staff on the use of the SMU.

The guidance phase and the entrepreneur training program

The program was launched with an entrepreneur/business appreciation seminar (the KSH series) where there were 37 participants. Please refer to Table 1.1 which lists the stage of development, the number of participants, new gender, education and the business sector in which they are operating.

Table 1.1: Profile of Participants in the Ketengah Entrepreneurs Development Program

Stage of Development	No. of Participants	Gender	Education	Business sector			
KSH	37	Male	31	Primary school	3 Retail	6	
			26	Secondary school	6 Manufacturing	6	
			3	Others	3 Food	3	
			32		17 Service	17	
					32		
		Female	6	6	Primary school	1 Retail	-
				4	Secondary school	4 Manufacturing	-
				-	Others	- Food	2
				5		1 Service	1
		3					
KS1	84	Male	59	Primary school	19 Retail	4	
			12	Secondary school	3 Manufacturing	3	
			6	Others	5 Food	5	
			38		8 Service	8	
					30		
		Female	25	25	Primary school	2 Retail	3
				3	Secondary school	3 Manufacturing	-
				2	Others	1 Food	1
				7		2 Service	2
		6					
KS2	47	Male	33	Primary school	1 Retail	17	
			14	Secondary school	7 Manufacturing	7	
			2	Others	1 Food	1	
			17		6 Service	6	
					31		
		Female	14	14	Primary school	1 Retail	2
				2	Secondary school	- Manufacturing	-
				-	Others	1 Food	1
				3		3 Service	-
		3					
KS3	16	Male	13	Primary school	1 Retail	2	
			7	Secondary school	7 Manufacturing	-	
			1	Others	1 Food	1	
			9		3 Service	-	
				3			
		Female	3	3	Primary school	- Retail	2
				1	Secondary school	1 Manufacturing	-
				-	Others	- Food	1
1				1 Service	-		
		3					

KSH = General Target Group

KS 1 = Those who are interested in business, have new product, or those who are in innovative and creative

KS 2 = Those who are at the business start up stage

A number of entrepreneurs have been identified for the program. They have been given guidance through a series of formal theory-based training in accordance to the levels within the entrepreneurship cycle the candidates are in followed by visits to their business premises by the consultants.

The levels are divided into four sections according to designated target groups (please refer to Figure 1.2).

KSH consists of who are interested an alternative occupation.

KS1 consists of those who are interested to venture into a business, have new ideas, and have new products or those who are innovative and creative.

KS2 consists of those who are at the business start up stage.

KS3 consists of those whose are in the growth and development stage.

KS4 consists of those whose businesses are at the mature or advanced stage.

It is anticipated that amongst the candidates selected there will be those who are already able to proceed directly to the more advanced levels of training (i.e. KS3 or KS4) based on their previous experience or current involvement in business. Candidates for higher level training can also be chosen subsequent to their participation and satisfactory performance in the lower levels of training provided (i.e. KS1 and KS2).

The Entrepreneur Development Institute, UUM has developed and provided a number of suitable programs and training modules. These programs and modules may also be designed from feedback received at each level. For instance, at the KS1 level, training modules would include motivation, basic management, business decision making, identification of business opportunities and exposure and assessing business support systems. At the KS2 and KS3 levels the candidates have been given training to enhance their management skills in areas such as human resource management, financial management, accounting, inventory management, operations management and marketing management.

The KSH series is a one-off preliminary/introductory program. The KS1 series has been conducted three (3) times. 84 participants were involved together with a number of the Agency's officers as understudies. The third KS1 program was conducted by the Agency's officers under the supervision of the consultants. The KS2 series were conducted twice with a total of 47 participants. The second program