UniRazak explores challenges facing entrepreneurs

“IT takes entrepreneurs to seize the opportunities that technology offers, and it takes governments to encourage, support and facilitate them, and when appropriate, as it often is, to get the hell out of their way.” (Alan Beattie, 2010, False Economy: A Surprising Economic History of the World, p.186).

Unlike managing an established business in a particular industry, entrepreneurship involves identifying opportunities and gaps in the market, generating ideas and sustaining a profitable and replicable business.

Entrepreneurship is first and foremost a mindset. It is a way of thinking and approaching problems to find viable solutions.

It is today well appreciated that entrepreneurship is a key driver of any economy. In fact, it is well accepted that the rise and decline of cities is closely connected with successful entrepreneurship.

Recently, an assessment of the national level of entrepreneurial activity was conducted by UniRazak via the Global Entrepreneurship Monitor (GEM) research programme.

The research programme, based on a harmonised assessment of the level of national entrepreneurial activity for 54 participating countries, involved exploration of the role of entrepreneurship in national economic growth. UniRazak’s Bank Rakyat School of Business and Entrepreneurship deputy dean Dr Roland Xavier, who is also GEM national team leader, said the results were both surprising and unsettling and served as a wake-up call for past policies on entrepreneurship that obviously will need to be reviewed and revamped.

“The early stage entrepreneurial activity monitored depicts a less than satisfactory picture of the state of early entrepreneurial activity in Malaysia,” Xavier added.

It presents one of GEM’s best known measures of entrepreneurial activity, The Early Stage Entrepreneurial Activity prevalence rate (also called TEA index) for each GEM 2009 country.

The countries were grouped by phase of economic development and ranked within groups in ascending order of the national point estimate for TEA.

“This figure serves as a benchmark for Malaysia to see how we compare with other countries in similar phases of economic development,” he said.

Malaysia’s TEA rate is very low within the efficiency-driven economies grouping.

This result is not in tandem with its positioning as an efficiency-driven economy as such low new business ownership rates are more in the domain of innovation-driven economies.

Thus, for countries with low levels of per capita income, a decrease in prevalence rates of early-stage entrepreneurial activity may be a good sign of sustainability, especially if this is accompanied by economic growth and political stability as appears to be the case with Malaysia currently.

Xavier said the main reasons for discontinuing businesses was businesses not being profitable (25 per cent) and problems getting finance (21 per cent) besides personal and other reasons (54 per cent). This is a major issue that needs to be addressed. It obviously calls for more rigorous testing of a business idea and training for the entrepreneur.

In summary, Xavier added that there was a need to improve on areas like maintaining and enhancing infrastructure, physical and electronic, socio-economic policies and economic growth; key focus on government policy-making skills, knowledge, training, incubation, market openness, intellectual property rights, patenting, improving quality of higher and primary education, university-Industry collaboration, finance and funding support; and developing an entrepreneurial eco-system, increase ICT penetration, business sophistication, financial market sophistication, creativity and innovation, comparative advantage developments, scientific research and R&D.

“If we encourage, support and facilitate entrepreneurship in Malaysia in these ways it will ultimately spread its wings, and all we (the government and supporting institutions) need to do is just stay out of the way,” he said.

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Dr Roland Xavier, UniRazak's Bank Rakyat School of Business and Entrepreneurship deputy dean, says there should be more support for entrepreneurship.