CHAPTER I

INTRODUCTION

1.0 Introduction

The need to understand entrepreneurs has become more crucial today. In Malaysia, private sectors, especially entrepreneurs are the catalyst of the nation's economic development. In the Malaysian Seventh Plan, strategic sectors such as infrastructure, utility, transportation and information technology were better known to be developed and targeted by entrepreneurs (Zainab Ahmad, et al., 1997).

Multimedia Development Corporation (MDC) has identified strategic thrust areas to be funded under Eight Malaysia Plan, including the second flagship applications, development of technopreneurs and small and medium-sized enterprises (SMEs)(Dr Mohamed Arif Nun, 2001-Computimes).

With the advent and proliferation of the computer, creation of new knowledge has increased geometrically. It is generally recognized as recently as only the past decade. Technologies invented to simplify our lives have made it more complex by accelerating the change and amplifying the effects upon society. This complexity contributes towards the development of technology knowledge society. This tremendous increment of technology knowledge society has contributed to the development of Information Technology (IT) markets locally and globally. This IT

markets are now the medium of enterprise for Information Technology oriented entrepreneur. IT entrepreneur in Malaysia are also known as IT Technopreneur (derived from the word "technology entrepreneur") will be interchangeably used with the word entrepreneur in order to relate that technopreneurship are the subset of entrepreneurship. This is for the purpose of continuity in this writing.

The level of industrialization obviously influences the entrepreneurial behaviour in an enterprise and on society. This can be seen in the changes that have taken place in Malaysia as it had developed. If we look back a few decades ago, the major economic activities are mining, agriculture, and then come to industry. As Malaysia developed, it has moved into the production of more high technology, consumer electronics, and mostly towards Information Technology. As for Malaysian IT Technopreneur, of necessity, must be internally innovative and able to adjust to rapid technological changes. Malaysian entrepreneurs must be capable of accommodating themselves in this fast paced environment. They must also stay afloat in their enterprise in order to get the highest achievement as entrepreneurs.

Compared with Western counterparts, they appear to be strong work ethics, self-discipline, and acceptance of hierarchy, obedience and respect towards the enterprise. Although Malaysian is made up of three major ethnic and indigenous groups, most entrepreneurs admit that they achieve comfortable level as business owners. Most enterprise has heterogeneous mix of ethnic groups to form their enterprise as employees. This three major ethnic group; Malays, Chinese and Indians definitely have different upbringing and values among them. What makes their enterprise successfully brought up and well managed although they have different culture? Moreover, do they have some similarity in their entrepreneurial behaviour although they came from different cultural environments? The similarity also known

as common culture contributes the entrepreneurial behaviour among Malaysian entrepreneur.

Sekaran (1970) indicates that while research has yet to clarify and conceptualize the concept of "culture", the beliefs exist that culture has an impact on organizations because of cultural norms, values, and roles are embedded in the way that organizations develop, organizational structures emerge, and informal and formal patterns of behaviour occur.

The aim of this study is therefore to better understand the intention to launch a business as a physical firmness within the differences of values among IT Technopreneurship that are consist of the three major ethnic groups in Malaysia. It is based on research in Kuala Lumpur and Johor Bahru, Johor, which was conducted between May 2001 and August 2001.

1.1 Entrepreneurs & Information Technology Technopreneurs

We need to further understand more on the definition of entrepreneur. According to Kao (1995), the entrepreneur is a person who undertakes a wealth-creating and value-adding process, through incubating ideas, assembling resources and making things happen. Entrepreneurs must also function in a framework within the environment, and must act in their interest and the interest of the society (Kao, 1995). There are not many people who can deny that we must create wealth and add value. The wealth creating and value-adding responsibility is not just for businessperson, but also for every single individual on earth. The enterprising culture in Malaysia is the commitment of the individual to the continuing pursuit of opportunities and developing an entrepreneurial endeavor to its growth potentials for

the purpose of creating wealth for the individual and adding value to the society. This comes up the importance of entrepreneurship as a contribution to social responsibilities. The common cultural relation among the three major ethnic groups contributes as a special and unique framework within the environment. This indeed has proven that cultural environment plays an important part in entrepreneurial behaviour.

IT Technopreneurs must have the understanding that can develop enterprise practices and development programmes that are aligned and in harmony with the values that Malaysians have been "programmed" to internalize during the process of seeding and growing up in Malaysian cultures. In Malaysian context, an entrepreneur or a corporate entity is not only established to achieve a specific task and make profit, but also demonstrate a sense of social responsibility for the advancement of the community and the country. The task of building entrepreneurial enterprise or business ventures that are truly Malaysian in its form, fixtures and features has now become an on-going agenda for most entrepreneurs. What are the effects of culture that contributes vital intentions among IT Technopreneurs in Malaysia? Social relevance is for Malaysian society has, during the past few decades, moved from a relatively stable state to one where the only constant is "Change".

Entrepreneurship is transforming rapidly as it forges ahead towards the accomplishment of their goals, profit making and importantly related to their responsibility for the society.

Malicious code programmers, computer security hackers, people in business who deliberately harm others for financial gains, and people exploiting the earth just for the sake of making profit with no consideration for the future, claimed be IT technopreneurs. They might be creating wealth as what Kao (1995) defined, but they

could not maintain the value-adding responsibility for every single individual on earth. Do we consider them as IT Technopreneur? Do they have the cultural values that can actually prevent them from acting in this behaviour? This is more to their decayed values and unethical behaviour in making entrepreneurial decision. According to Kao (1995) definition, this type of entrepreneur does not function in a framework within the environment, because they just function for their own interest and not the interest of the society.

Yet, who are these IT technopreneurs? The concept of technopreneurship, with all its allure, is surrounded with quite a bit of mystique. Those persons who set out to be IT Technopreneurs are often seen as special, brave, strong, or else well connected to sources of start-up income beyond those that could reasonably expect to obtain.

Technology entrepreneurship, the act and process of creating new, technology-intensive start-ups, is a subject of increasing importance in many parts of the world. Entrepreneurship in parts of South East Asia especially Malaysia has recently undergone rapid revitalization. At present, little research has been executed on this field related to Malaysian culture and distinct results are rarely known in Malaysia. There is a shift of terms for technical entrepreneur that involves in Information Technology based enterprise. The term Information Technology Technopreneur (IT Technopreneur) arose from within Malaysian culture to describe an individual whose entrepreneurial endeavours focus on to Information Technology oriented enterprise.

IT Technopreneurial businesses are obviously an enormous part of Malaysian economy. Where as, the government has embraced IT Technopreneurs and has launched initiatives to promote IT Technopreneurship as a means of economic

catalyst to development. Multimedia Super Corridor or MSC in Malaysia has been the breeding ground or incubator for the Small and Medium scale Industries (SMI) to several Multi National Corporations (MNC).

Malaysian government through Multimedia Development Corporation (MDC) is responsible for the establishment of MSC status companies. Until recently, MDC are trying to push up as many SMI to be honored as the MSC status companies. There are 546 locally owned and 45 international MSC status companies as at August 2001 (Othman Yeop Abdullah, 2001-Computimes). The target would be 750 locally owned MSC status companies by 2003. This might be accelerated by more venture capitalist supplying funds for this IT Technopreneurs.

Malaysian's Vision 2020 comprise of nine challenges, the fourth is to establish a developed nation, secure and psychologically liberated with faith and confidence in itself, justifiably proud of what it is, of what it has accomplished, and robust enough to face all manners of adversity. On the other words, establishing a fully moral, liberal, and tolerant society, whose citizens are strong in religious and spiritual values and imbued with the highest ethical standards. The values stressed are religious, spiritual and ethical.

This challenge has impact the formation and development of unique Malaysian entrepreneurial identity which able to express itself with pride and confidence. Regardless of ethnic and religion, entrepreneurs at the Malaysian enterprise have to understand what motivates their workforce to excel their work.

It is the challenge for entrepreneurs to predict their workforce intentions and behaviour with regard to the motivation style acted to excel their entrepreneurial endeavour. How to harness Malaysian cultural values at workplace? What are the values at the individual, cultural and organization levels that are important for

Malaysians? These are just a few type of unstructured question that often produce dilemma for entrepreneurs in Malaysia when they get involved in decision making that affects on Malaysian culture. Discussion regarding this matter will be further talk about in the literature review section.

Critical to Learned's (1992) process is the formation of entrepreneurial intentions. He added, the formation of intentions is the result of the interaction of psychological traits and background experiences of the individual with situations that are favourable to entrepreneurship. Previous research suggests that intentions are the single best predictor of planned behaviour (Krueger, 1993).

Planned behaviour and intentions are to be found posits that entrepreneurs will encounter situation that will interact with their traits and backgrounds such as cultural values to cause an action on decision-making. (Krueger, 1993)

Therefore, the focus of this study is to test a model that explains the unique combination of the individual entrepreneur and his or her experiences and background that ultimately leads to the formation of entrepreneurial intentions to start a business or towards venture creation.

This study will also examine the contribution of the different ethnic aspects related to intention forming of entrepreneurs, this cultural aspect plays an important role in the way entrepreneur think and it is assumed that the way one thinks has a significant impact on the intention to start a business and managing a business. Through this study, we will have a better understanding of the dynamics of IT Technopreneur, in particular capturing their intentions regarding their behaviour.

Today, IT Technopreneurship seem to be on an upswing. As the rates of corporate downsizing and layoffs increase, individuals who fear for their jobs find the prospects of being their own bosses to be quite attractive. Even those persons

who have relatively stable employment reverie about setting their own schedules, making their own strategic plans, and keeping all of their own profits.

However, the risks associated with IT Technopreneurship can be quite daunting. Just as such a business can succeed and reap benefits for the technopreneur, it can also fail, stripping the technopreneur of not only the business itself, but often his or her personal assets as well. Moreover, just as it can be tempting to be in charge of one's own business, the reality of complete responsibility for such an undertaking can be far from the daydream of short hours and long vacations.

To fulfill the purpose of this study, research was conducted as an exploratory basis to determine if the following had a relationship: (a) Perceived Desirability (PD) towards Entrepreneurial Intentions (EI), (b) Propensity for Proactive Behaviour (PPB) towards Entrepreneurial Intentions (EI), (c) Breadth and Positiveness of Past Entrepreneurial Experience (BPPEE) towards Perceived Desirability (PD), and a comparison between racial identification towards PD, PPB and BPPEE.

The elements identified in this entrepreneurial study were essential to the Malaysian IT Technopreneurial intention and behaviour evaluation.

In this chapter, discussion of the statement of problems are the opening issues that will be presented, secondly the objectives, thirdly theoretical framework, hypotheses, scope, definition of terms used in this writing and the final part will be the chapter summary.

1.2   Statement of Problem

The different value of inter-cultural society in Malaysia produces challenges in the study of entrepreneurial intentions and behaviour. As for this study, the entrepreneurial intentions that produce entrepreneurial behaviour among the three major ethnic groups in Malaysia will be the main issues that are to be tested.

This study suggests that, it is more comprehensive to test those entrepreneurs with different cultural background in order to come up with the Malaysian Culture or Malaysian Values in entrepreneurship.

Considering the fact that new entrepreneurial organizations emerge over time because of careful thought and action, entrepreneurship is an example of such planned behaviour (Bird, 1988).

In addition, entrepreneurship is a process that does not occur in a vacuum but is influenced by a variety of cultural and social factors as well as personal traits and characteristics (Reynolds, 1992). Intention-based process models are able to capture the complexity of entrepreneurship and provide a framework to build robust, testable process models of entrepreneurship.

Researchers have developed intention-based models such as the theory of Shapero's (1982) model of the entrepreneurial event. Despite the interest in intention-based models, few studies explicitly use theory-driven intention-based process models of entrepreneurship (Gartner, 1988). Therefore, the current study uses an intention-based model to answer the following research question:

"What are the relation between Breadth and Positivenesss of Past

Entrepreneurial Experience, Perceived Desirability, Propensity for Proactive

Behaviour towards Entrepreneurial Intention and also their comparison between 3 major ethnic groups that are Malays, Chinese and Indians?"

1.3   Objectives of the Study

The study was designed to build effort in exploring the relationship among inter-cultural society in Malaysia. This inter-cultural society contribute to their personal traits and characteristics of the entrepreneur along with predisposing events can be examined for their relationship with the formation of entrepreneurial intentions. The study focused on using a theoretically sound intention-based process model of entrepreneurship that includes traits and characteristics of the entrepreneur along with predisposing events. The theoretical framework will be discussed in the next section. The results are used as the first step in predicting entrepreneurial behaviour.

The following chapter provides an overview of the literature that constitutes the theoretical foundation for the study.

Given the significance of intentions, the objectives of this study was to

a. Investigate entrepreneurship dimension that are perceived desirability toward entrepreneurial intention.

b. Investigate entrepreneurship dimension that are propensity for proactive behaviour toward entrepreneurial intention.

c. Investigate entrepreneurship dimension that are breadth and positiveness of past entrepreneurial experience toward entrepreneurial intention.

d. Compare those variables with three major ethnic groups in Malaysia that are Malays, Chinese and Indians.

1.4 Theoretical Framework

Researchers have developed intention-based model such as the model of the entrepreneurial event introduced by Shapero (1982)(Summers, 1998). The Shapero Model of Entrepreneurial Event is used as the theoretical framework for this study, as shown in figure 1.1. Selection of this model will be discussed further in the literature review chapter.
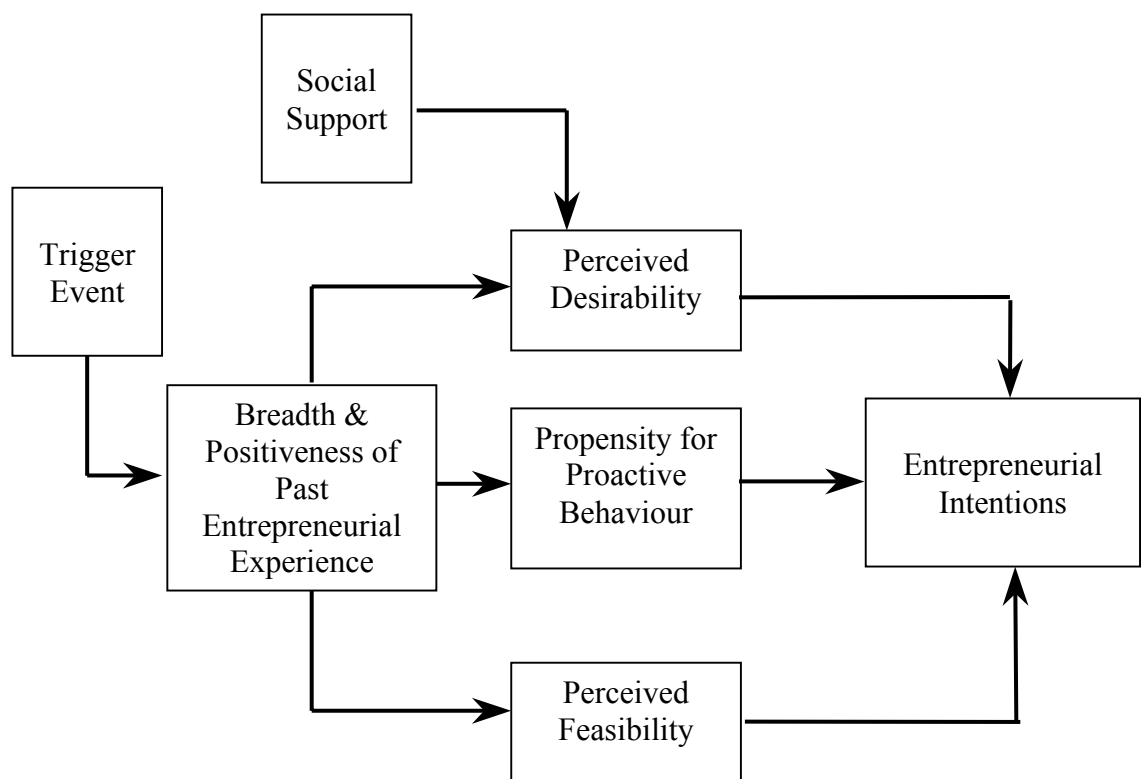

Figure 1.1: Shapero's (1982) Model of Entrepreneurial Event as a Theoretical Framework for this study.

As a purpose of comparing between three major ethnic groups in Malaysia that are the Malay, Chinese and Indian, the model is modified to show the linkages

between the different ethnic groups and the variables involved for the development

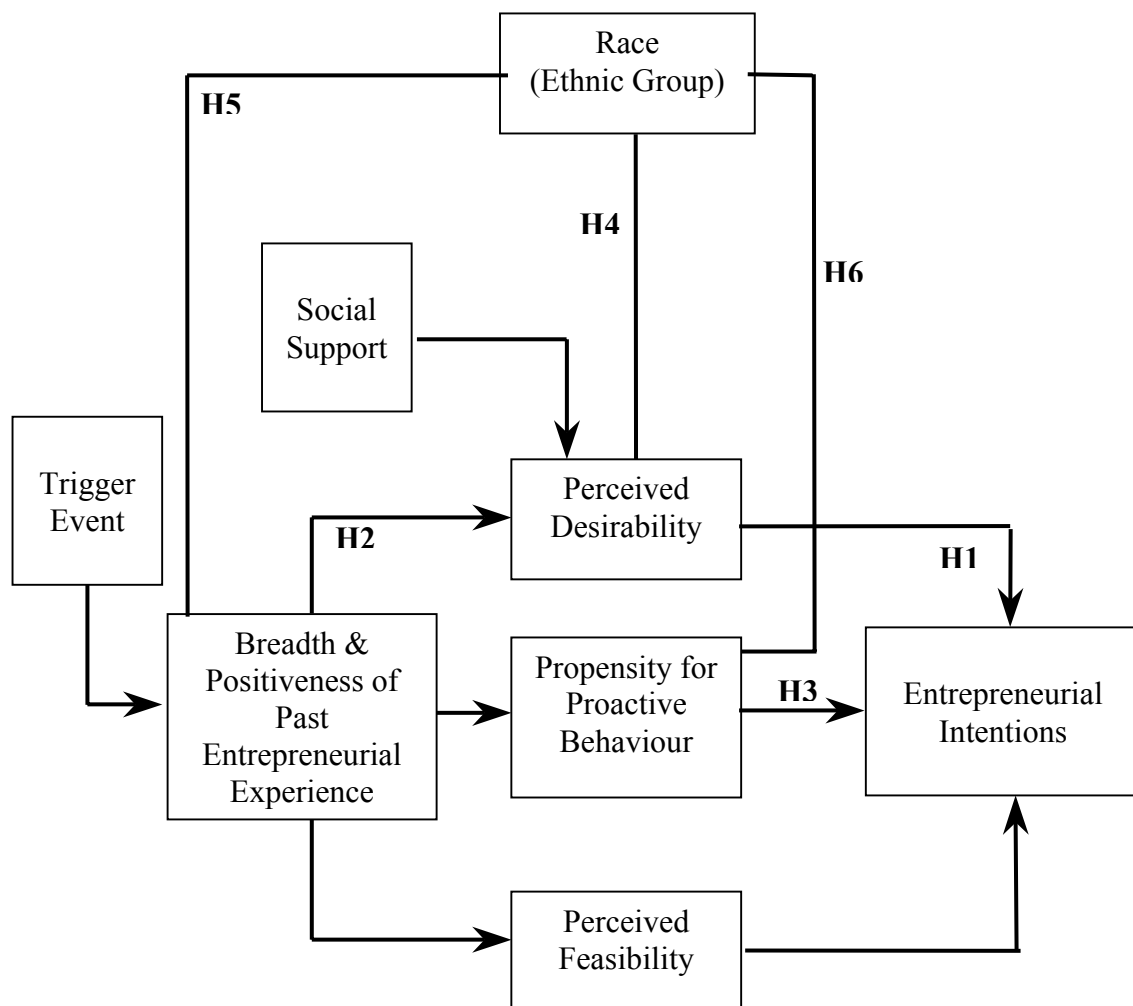of their entrepreneurial intention, as shown in figure 1.2.

**Figure 1.2: Combination of Shapero's (1982) Model of Entrepreneurial Event
and Race (Ethnic Group) Path Hypothesis**

In Malaysian context, the national culture, values, roles, norms and patterns

of thinking plays an important part in entrepreneurial perceived desirability and

propensity for proactive behaviour towards entrepreneurial intentions. This includes

the cultural values that are positively or negatively related to entrepreneurial

intention.

The figure also shows six symbols from H1 to H6 that represent the path hypothesis of the study. The details of the hypothesis will be presented in the next section.

Based on the theoretical foundation, the following specific questions can be addressed in the current research study:

1. How does intention-based models such as Shapero Model of Entrepreneurial Event (1982) can be used to explain the formation of IT entrepreneurial intentions?

2. What are the relation between Breadth and Positivenesss of Past Entrepreneurial Experience, Perceived Desirability, Propensity for Proactive Behaviour towards Entrepreneurial Intention and the comparison between three major ethnic groups that are Malays, Chinese and Indians?

3. Is there any level of difference between the three major ethnic groups in Malaysia that could in their own way contribute on entrepreneurial intention for Malaysian IT Technopreneurs?

4. How does intention-based model such as Shapero Model of Entrepreneurial Event (1982) can be used to explain the formation of Entrepreneurial Intentions among the three major ethnic groups in Malaysia that could in their own way contribute on entrepreneurial intention for Malaysian IT Technopreneurs?

1.5   Hypothesis of this Study

The following Null Hypotheses (Hϕ) and Research Hypotheses (HR) are suggested as a statistical statement used for Chapter IV. Null Hypothesis support for the non-association of the variables related to entrepreneurial intentions and their comparison to Race according to the theoretical framework. Contrary to null hypothesis would be the research hypothesis that support the positive association of the variables related to entrepreneurial intentions and their comparison to Race according to the theoretical framework.

Hϕ1: Perceived Desirability is not associated with the formation of entrepreneurial intentions.

HR1: Perceived Desirability is positively associated with the formation of entrepreneurial intentions.

Hϕ2: The Breadth and Positiveness of Past Entrepreneurial experience is not associated with perceived desirability.

HR2: The Breadth and Positiveness of Past Entrepreneurial experience is positively associated with perceived desirability.

Hϕ3: The Propensity for Proactive Behaviour is not associated with the formation of entrepreneurial intentions.

HR3: The Propensity for Proactive Behaviour is positively associated with the formation of entrepreneurial intentions.

Hϕ4: There is no difference on respondents' perception towards Perceived Desirability related to Race.

HR4: There is a difference on respondents' perception towards Perceived Desirability related to Race.

Hϕ5: There is no difference on respondents' perception towards Breadth and Positiveness of Past Entrepreneurial Experience related to Race.

HR5: There is a difference on respondents' perception towards Breadth and Positiveness of Past Entrepreneurial Experience related to Race.

Hϕ6: There is no difference on respondents' perception towards Propensity for Proactive Behaviour related to Race.

HR6: There is a difference on respondents' perception towards Propensity for Proactive Behaviour related to Race.

1.6   Scope of Study

This scope of this study covers a discussion on the Malaysian inter-cultural society. Inter-cultural societies are the plural type of personality that is confined to the three ethnic groups that are Malays, Chinese and Indians.

Secondly is the investigation of Intention-based models of entrepreneurial behaviour that are the Shapero's Model of Entrepreneurial Event (Shapero, 1982). This shows the relationship of Malaysian IT Technopreneur toward Perceived Desirability, Propensity for Proactive Behaviour, Breadth and Positiveness of Past Entrepreneurial Experience towards entrepreneurial intentions. The comparisons between three major ethnic groups are then analyzed for any differences between those variables.

1.7   Significance of Study

The research study was designed to answer the call of researcher for better understanding of the emergence of a new firm with the effect of their cultural differences.

The development of this study towards inter cultural relationship according to Shapero's (1982) model of entrepreneurial event provides several potential benefits. The research model contains both background and dispositional variables that combine to form the intentions to start a business. The model will help researchers understand how the background of the entrepreneur with regard of his cultural differences and the characteristics of the entrepreneur combine to form entrepreneurial intentions. This is important to researchers because it will provide a framework to help answer a variety of questions, such as "Is there any level of difference between the three major ethnic groups in Malaysia that could in their own way contribute better waves on entrepreneurial intentions for Malaysian IT Technopreneurs?" or "Is there any shared value or common cultural values that plays the biggest role in Malaysian IT Technopreneurial intentions" or "What are the intercultural values that might be positively or negatively related with the entrepreneurial intentions for Malaysian IT Technopreneurs?"

For entrepreneurs and educators, knowing how entrepreneurial intentions are formed within such values of culture will yield a wealth of practical applications. For example, educators could develop entrepreneurial curriculum that would increase the probability of intentions forming. Entrepreneurs could understand how their intentions are formed and take steps to manipulate the critical variables such as to increase desirability, and become more confident in their ability to take action. This

includes the cultural values that might be positively or negatively related to entrepreneurial intention. Entrepreneurs will also develop into being more resourceful in understanding the differences of intention forming among the three ethnic groups.

Public policy makers will benefit from understanding the impact of policy initiatives that would encourage the formation of intentions and ultimately, the formation of new business. For example, the influence on entrepreneurial activity created by special economic incentives or the formation of incubator programs will be easier to assess. With the wave of corporate downsizing and outsourcing, economic stability will hinge on new business formation (Krueger, 1993). This demonstrated that huge corporation has deserted the policy of lifetime employment, eliminating jobs of thousand of worker. Therefore, promoting entrepreneurial intentions is both desirable and feasible for creating own business.

In Malaysian context, the national culture, values, roles, norms and patterns of thinking plays an important part in entrepreneurial perceived desirability and propensity for proactive behaviour towards entrepreneurial intentions. This includes the cultural values that are positively or negatively related to entrepreneurial intention. These cultural values can be assessed and harness to increase our entrepreneurial workforce ability.

This study also suggest researchers to develop tool or psychometric instrument to assess Malaysian IT Technopreneur that can be aligned with the venture's goals, such as better market, profit making and better understanding of Malaysian culture that can be identified and nurtured in the knowledge based economy.

The tools or instrument can be displayed using computer programs to ease the process of entrepreneurial assessment this can be done by publishing as an electronic form on the World Wide Web (WWW). As for the advantage of handheld hardware and software, the survey instruments can also me programmed for the use of PDA devices. The use of WWW and PDA as a medium for assessment is the most efficient and productive way to test entrepreneur with regard to their intentions and to evaluate their behaviour.

1.8   Definition of Terms

The following definitions are provided for key terms that are used throughout the study.

a)   Entrepreneur/Entrepreneurship:

The literature provides no universally accepted definition of an entrepreneur (Gartner, 1989). In fact, the subject has developed a great deal of controversy. Therefore, as Gartner (1989) suggests, each research study should specifically define the type of entrepreneur that is the focus for that particular study. Consequently, according to Kao (1995), the entrepreneur is a person who undertakes a wealth-creating and value-adding process, through incubating ideas, assembling resources and making things happen. Specifically, entrepreneur is a *person* who undertakes a wealth-creating and value-adding process, through incubating ideas, assembling resources and making things happen (Kao, 1995). Entrepreneurship is a *process* of doing

something new (creative) and something different (innovative) for creating wealth for the individual and adding value to society (Kao, 1995).

b)   Information Technology Technopreneurs:

The word derives form Technology Entrepreneur, Information Technology Technopreneurs are entrepreneur that are based on information technology oriented enterprise (Soota, 1998). IT Technopreneurs are those entrepreneurs specifically involves in IT solution, whether it engross software, hardware and communication solution. Retail of computer products without IT solution is not included in this definition.

c)   Culture:

Culture is viewed here as a system of patterned meanings or the collective mental programming of a social group (Hofstede, 1980).

d)   Inter-Culture:

The relation among Malays, Chinese and Indians are likely to observe some common cultural attributes as described by Asma, 1992.

e)   Common Cultural Attributes:

A common culture agreed on for the three major ethnic groups in Malaysia that are the Malays, Chinese and Indians. These accepted values are listed according to Asma, 1992.

f)   Entrepreneurial Behaviour:

For this study, entrepreneurial behaviour is defined as performing behaviour that indicates a dedication to the physical creation of a business venture (Behave, 1994).

g)   Entrepreneurial Intention:

Entrepreneurial intention is defined as the commitment to performing behaviour that is necessary to physically start the business venture (Krueger, 1993). The probability, from 0% to 100% that the entrepreneur will achieve MSC Status Company in the near future is the measurement for this study.

h)   Perceived Desirability:

This study will use Shapero's definition of perceived desirability as described by Krueger (1993). It is defined "…as the degree to which one finds the prospect of starting a business to be attractive; in essence, it reflects one's affect toward entrepreneurship" (Krueger, 1993, p.8)

i) Propensity for Proactive Behaviour:

A person with a proactive personality is one who is relatively unconstrained by situational forces and effects environmental change (Crant, 1996). The proactive personality identifies opportunities and acts on them; it shows initiative, takes action, and perseveres until it changes the environment (Crant, 1996). Therefore, propensity for proactive behaviour is tendency of individuals to act in a way consistent with a proactive personality.

j) Breadth and Positiveness of Past Entrepreneurial Experience:

Shapero (1982) suggest that the quality and quantity of past entrepreneurial experience indirectly influences entrepreneurial intentions. Therefore, breadth of past entrepreneurial experience is defined as to which a person has been exposed to entrepreneurship in the past. Positives are defined as whether the past experiences are perceived as positive, negative, or also known in this study as the degree of positiveness.

1.9 Chapter Summary

This chapter is designed to provide a broad overview of the study. First, a statement of the problem and the objectives provided an introduction to the study. Next, the theoretical framework, hypotheses, scope is presented followed by

significance of the study, and definitions of the relevant terms used throughout the study.

Chapter 2 provides a review of the literature and investigation of the research model, specific research questions and hypothesis to be addressed.

Chapter 3 presents the methodology that introduces the design of the research, respondents involved, procedures using questionnaires, the measurement of instrument regarding entrepreneurial intentions, perceived desirability, propensity for proactive behaviour and breadth and positiveness of past entrepreneurial experience and also the chapter summary.

Chapter 4 presents the analysis of results in relation to the hypothesis that are tested. The first part covers on descriptive analysis that are the respondents' demographic information, percentage, mean, standard deviation and level analysis. The second part covers the inferential analysis that comprise of correlation between variables in H1, H2 and H3. The following will be the analysis of score mean and one-way analysis of variance (ANOVA) to observe the variables in relation to H4, H5 and H6.

The final chapter discusses on the hypothesized relationship, implications of the study, practical implications, limitations of the study, and direction for future research.