

BIBLIOGRAPHIC INFORMATION

Title	Towards a Vibrant Entrepreneurship Policy
Source	http://www.mier.org.my/mierscan/archives/pdf/lim9_5_2005.pdf
Author 1	Lim, Chze Cheen
Author 2	NA
Author 3	NA
Publication/Conference	MIERScan, 9 May 2005
Edition	NA
Document Type	Article
CPI Primary Subject	Governance and Public Admin
CPI Secondary Subject	;
Geographic Terms	Malaysia;
Abstract	The shift towards a knowledge-driven, small-firms-dominated, and highly dynamic industrial structure has prompted policymakers around the world to emphasise the importance of entrepreneurship. Many countries, including Malaysia, are now exploring further what they need to do to create a vibrant entrepreneurship culture and increase the supply of new entrepreneurs (and hence new businesses).

Centre for Policy Initiatives (CPI)

Pusat Iniatif Polisi

政策倡议中心

<http://www.cpiasia.org>

Towards a Vibrant Entrepreneurship Policy

The shift towards a knowledge-driven, small-firms-dominated, and highly dynamic industrial structure has prompted policymakers around the world to emphasise the importance of entrepreneurship. Many countries, including Malaysia, are now exploring further what they need to do to create a vibrant entrepreneurship culture and increase the supply of new entrepreneurs (and hence new businesses).

Thus far, the government does seem to be aware of the need to address certain pressing issues that affect entrepreneurs. Most entrepreneurial development efforts continue to be organised around programmes to enhance individuals' skills, integrate entrepreneurship into national economic development efforts, use the education system to nurture and encourage future entrepreneurs, incubate entrepreneurial companies, encourage the mentor-mentee programme, invest in diverse sources of risk capital for entrepreneurs and growth companies as well as infrastructure, and create a competitive tax and regulatory climate. While these types of "universal" programmes are necessary, we need to fine tune and enhance them.

First, the government should reorientate entrepreneurial development initiatives more towards individuals and individual behaviour and less towards small- and medium-sized enterprises (SMEs) as firm entities. Individual governments seem to have displayed different approaches to the development and promotion of entrepreneurship. Some governments add entrepreneurship policy as a supplement to existing SME programmes, while others undertake niche or overarching entrepreneurship policy, or a combination of both.

In Malaysia, a range of entrepreneurial activities is covered under the SME policy label and much of the promotions focused on technopreneurship (e.g. incubators, venture capital and R&D support) and targeted entrepreneurship. Very often, the boundaries between SME policy and entrepreneurship policy are blurred. Since the problem sets and the solution platter differ considerably across SMEs, entrepreneurship and technopreneurship, it is crucial that these related policies be coordinated.

It is also important to be mindful that potential entrepreneurs are of varying aspirations, with different talents, traits, experiences and management capabilities involving a variety of industries across regions and countries. Policies that succeed in one area may fail in another. Thus, any entrepreneurial development effort should also reflect these considerations by being more specific or tailored to the diverse needs of those budding entrepreneurs.

Second, the government should work more towards developing an entrepreneurship culture, while still maintaining a focus on creating a more conducive business environment. A distinction should be made between a policy to promote entrepreneurship aimed at bringing enterprise culture to all, and a business support policy comprising a range of legislative and operational measures designed to reduce the constraints and stimulate general business development. The emphasis on the removal of obstacles is

necessary but it will not be sufficient in stimulating higher levels of entrepreneurial activity, if entrepreneurship is not already sufficiently embedded in the culture. Therefore, educating the population about entrepreneurship may well be the first step towards bringing about society readiness and preparing budding entrepreneurs.

Once again, the age-old question of “can entrepreneurship be taught?” is raised here. Skills in opportunity recognition, capacity to act on opportunities and respect for entrepreneurship as a career option are necessary conditions for stimulating entrepreneurial activity but insufficient for driving it to high levels in a society.

We need to bear in mind that entrepreneurship is about mindset, whereby innovative ideas and risk taking are blended with sound management to run a business. No matter how much education one has, an entrepreneur needs the vision, the passion, the aggression, the networking qualities and the experience to succeed. Through education, we can motivate and stimulate individuals to become entrepreneurs and surround them with opportunities. But changing the mindset and cultural attitudes of people towards entrepreneurship is indeed a difficult and long-term process.

Moreover, the education of potential entrepreneurs should also be cognisant of the fact that people can become entrepreneurs later in life too and should not, therefore, concentrate exclusively on the young. Promoting apprenticeship and work-linked training, and encouraging trans-national mobility among apprentices are clearly important ways of passing on entrepreneurship.

Third, policymakers, in designing entrepreneurship policy, should look more towards developing the supply of competent entrepreneurs rather than towards “picking winners” among existing firms or sectors. Studies done by the Babson College/Global Entrepreneurship Monitor (GEM) have revealed that the process of selective nurturing (i.e. “picking winners”) has unintended negative effects on the process of early corporate growth while general nurturing (i.e. skills and information flow enhancement) has positive effects. In practice, “picking winners” seems unavoidable, but as long as it is done based on proper merits, there should be no qualms about it.

On another note, the presence of entrepreneurship champions or role models cannot be overstated. They are important in advancing and fostering the entrepreneurship agenda. It would be more so if they can provide entrepreneurs at start-up phases with access to specific and customised forms of business expertise. The launching of the MCA-the Star *i2 Project* (Innovation Initiative) to create and support aspiring technopreneurs in developing their ideas is indeed a good start. On the other hand, we can also learn from new business failures, by addressing their causes and drawing important lessons from them, which will provide valuable insights into the don'ts of becoming an entrepreneur.

As in any policy, it is crucial to track the development of entrepreneurship and to instil some sense of competitive pressures by devising indicators to measure general entrepreneurship trends and entrepreneurship climate/culture. Such indicators include the level of business start-ups, exits, turbulence rates and growth, entrepreneurial potential of

the population, changes in the preconditions for becoming an entrepreneur, reduction in the obstacles faced, and improvements in social attitudes towards entrepreneurship.

Having a policy is one thing but implementing it is yet another. The implementation of an entrepreneurship policy requires not only a shift in mindset or thinking but also necessitates the construction of new institutional structures, relationships and partnerships. Considering the significant implications of the “faster churn rate” of firms and the dynamism associated with the small business sector for agility, innovation and growth, the time is ripe now for policies to be centred on how best to build resilient, competitive, and world-class entrepreneurs with a more global perception.

The Writer is a Senior Research Officer at the Malaysian Institute of Economic Research