THE INFLUENCE OF THE SIX DOMAINS OF ENTREPRENEURIAL ECOSYSTEM ON THE MALAYSIAN SMALL AND MEDIUM ENTERPRISES PERFORMANCE

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DEDICATION

“I dedicate this to my lovely Mom and Dad.”

‘Behind every successful man, there is a mother’s sacrifices’. She is the fire that lights my soul, she is the voice that encourages, she is the ears that listens, and she is everything that one treasures. In every pursuit, she was the only soul who stood side-by-side. To my father who had the fire in him to see me finish my studies. Without his support I would not have achieved this.

I would like to also dedicate this to; my daughter who is the sources of my inspiration. A sincere thanks to my Uncle and Aunt for their love, support, and motivation.

I would like to extent my gratitude and dedicate this to two of the kindest souls that I have been privileged to know; Mr. Ambigaipagan and Dr. Steven. I thank you for the times that both of you stood by me, even when I hated my own presence.

Most important of all, this serves as a reminder to me that “nothing is impossible, when you believe in God and Self.”
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I am deeply grateful to all those who have either directly or indirectly contributed to the success of this study.
ABSTRACT

The government of Malaysia has ensured Small, Medium Enterprises (SMEs) Entrepreneurial Ecosystem is able to increase entrepreneurial activities. Blueprints such as the Malaysian SME Masterplan 2012-2020 are among the notable efforts to aid the development, sustainability, and growth of SMEs. However, the SMEs are still entangled with issues and challenges which is reflected in the high failure rate, close to 60 percent and on a constant rise. Therefore, this study focuses on exploring and examining the SME Entrepreneurial Ecosystem to present a framework and to examine the influence of the domains of the Entrepreneurial Ecosystem on the SME Performance. Mixed-method research design was employed. For qualitative method, a total of 131 entrepreneurs were interviewed, and for quantitative design a total of 877 entrepreneurs were surveyed. The qualitative finding resulted in a detailed framework with the discovery of a new domain called Entrepreneurial Networking, and 6 other domains with 23 sub-categories respectively. The quantitative finding indicated the ecosystem is positively correlated to performance, with Pearson correlation coefficient of $r = 0.682$. And the other variables indicated $r = 0.593$ (Policy), $r = 0.475$ (Finance), $r = 0.550$ (Culture), $r = 0.556$ (Support), $r = 0.651$ (Human Capital) and $r = 0.572$ (Market). Human capital (0.651) was identified to have a strong positive correlation towards the performance. Furthermore, multiple regression analysis indicated that the model explained 51% of the variance ($R^2 = 0.509$, $F (6,870) = 150.373$, $p < 0.001$). Human Capital had strongest ($\beta = 0.345$, $p < 0.001$). Hence, the study revealed that the domains have substantial contribution to the success of SMEs. This study discovered the framework for Malaysian entrepreneurial ecosystem, discovered a new domain, and its influence on performance.
ABSTRAK

Kerajaan Malaysia telah memastikan Ekosistem Keusahawanan Kecil dan Sederhana (PKS) dapat meningkatkan aktiviti keusahawanan. Pelan tindakan seperti Pelan Induk PKS Malaysia 2012-2020 adalah antara usaha yang ketara untuk membantu pembangunan, kemampanan, dan pertumbuhan PKS. Walau bagaimanapun, PKS masih terjejas dengan isu dan cabaran yang tercermin dalam kadar kegagalan yang tinggi, hampir 60 peratus dan m. Oleh itu, kajian ini menumpukan pada meneroka dan mengkaji Ekosistem Keusahawanan PKS untuk membentangkan rangka kerja dan untuk mengkaji pengaruh domain Ekosistem Keusahawanan pada Prestasi PKS. Reka bentuk penyelidikan kaedah campuran telah digunakan. Untuk kaedah kualitatif, sejumlah 131 usahawan telah ditemuramah, dan untuk reka bentuk kuantitatif sebanyak 877 usahawan telah dikaji. Penemuan kualitatif menghasilkan kerangka terperinci dengan penemuan domain baru yang dikenali sebagai Rangkaian Keusahawanan, dan 6 domain lain masing-masing dengan 23 subkategori. Penemuan kuantitatif menunjukkan ekosistem berkorelasi positif terhadap prestasi, dengan pekali korelasi Pearson r = .682. Pembolehhabah lain menunjukkan r = 0.593 (Policy), r = 0.475 (Kewangan), r = 0.550 (Budaya), r = 0.556 (Sokongan), r = 0.651 (Modal Insan) dan r = 0.572 (Market). Modal Insan (0.651) dikenalpasti mempunyai korelasi positif yang kuat terhadap prestasi. Selain itu, analisis regresi berganda menunjukkan bahawa model tersebut menjelaskan 51% daripada varians (R2 = .509, F (6,870) = 150.373, p <0.001). Modal Insan telah terkuat (β = 0.345, p <.001). Oleh itu, kajian itu mendedahkan bahawa domain tersebut mempunyai sumbangan besar kepada kejayaan PKS. Kajian ini mendapati rangka kerja untuk ekosistem keusahawanan Malaysia, menemui domain baru, dan pengaruhnya terhadap prestasi.
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LIST OF SYMBOLS AND ABBREVIATION

VIF - Variance Inflation Factor
Y - Dependent variable
Y - Dependent variable
X - Independent variables
r - Correlation coefficient
R² - Regression
SME - Small and Medium Enterprise
GEM - Global Entrepreneurship Monitor
ANDE - Aspen Network of Development Entrepreneurs
BEEP - Babson Entrepreneurship Ecosystem Project
SME Corp - Small and Medium Enterprise Corporation
OECD - The Organisation for Economic Co-operation and Development
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CHAPTER 1

INTRODUCTION

1.0 Introduction

The prolific impact that entrepreneurship has on the global economic is inevitable, and has triggered a massive transformation in various fields (Shane & Venkataraman, 2000; Yusof et al., 2007; Turker & Selcuk, 2009; Davey et al., 2016). With countries eagerly shifting focuses to entrepreneurship, due to economic stagnancy and unreliable world economic growth. As such, it has made advancement into the new millennium with stronger and wider acceptance level (Schwarz et al., 2009; Rideout & Gray, 2013; Yetisen et al., 2015). Definitely a huge number of research papers have been accumulated to further fill the gaps in the body of knowledge (Varghese & Hassan, 2012).

The evolution of business doesn’t happen in vacuum, and the survival of a business entity depends heavily on its ability to attract resources (Moore, 1993). This gathering of resources are achieved through interaction in a cooperative network, thus this is the essence of the ecosystem. Moore (1993) furthered by pointing out the success of the Silicon Valley, which is a highly dense ecosystem of business entities. He stated that by exploring the Silicon Valley, it is clear of the existence of four evolutionary stages of business namely birth, expansion, leadership, and self-renewal. This provided grounds for researchers to set their boarders and to further expand this concept. However, the researches are tied to certain boundaries where most of the
studies are directed to a specific region. In case of developing countries, the researches are more local contexted and explore local issues. In relation to Malaysian context, although there are researches that focus on the individual domains but there has yet to be studies directed specifically towards the SME business context holistically.

Isenberg (2010) stated that entrepreneurial ecosystem concept has the tendency to adopt entrepreneurship and is based on the evidence that it is able to foster economic growth in the nation. Thus, this economic development strategy is dependent on the “entrepreneurial ecosystem” concept. Most of the governments in the world have adopted a concept of the entrepreneurial ecosystem, which serves as platform for them to upgrade and improvise their ecosystem. Many of the failure cases signifies the misguided understanding and approaches to promote entrepreneurship. The governments must comprehend the differences in each individual ecosystems, and thus based on this understanding formulate policies and programmes (Isenberg, 2010; Mason & Brown, 2014). Aspen Network of Development Entrepreneurs (ANDE) (2013) indicated that it is crucial for governments to map and measure the domains of the existing entrepreneurial ecosystem.

As such it is anticipated that this study on the domains of the SME Entrepreneurial Ecosystem in Malaysia will benefit and contribute to the creation of a globally competitive SMEs. Hence, this study will be undertaken with the intention to provide in-depth understanding of the mechanisms in SME entrepreneurial ecosystem. The result is able to provide an in-depth bottoms-up understanding of the domains of the ecosystem and the influence of the domains towards SME performance. And therefore, providing a diagnostic assessment tool for measuring the domains of the Malaysian Entrepreneurial Ecosystem.

In order to achieve this, a mixed-method research have been adopted to further the body of knowledge, by identifying whether the entrepreneurial ecosystem such as governments initiatives and support have been successful in helping the development of SMEs in reaching SMEs Masterplan 2012/2020 and the objectives of transformational economics especially towards achieving high income society by year 2020.

To achieve this task, this research has started with identifying the issues and setting the direction of the research in chapter 1. This chapter is organised as follows: Introduction; Background of Study, Problem Statement; Research Objective; Research
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