

Entrepreneurs: Challenges and Expectations

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Entrepreneurs are important to the economic development of a nation. The survival, growth and development of entrepreneurs much depend on their ability to deal with the challenges and complexities of k economy. Among the challenges are their ability to spot opportunities and to develop their sub-sector. Technological knowledge, organisational knowledge and marketing knowledge is a need to help the entrepreneurs face the challenges. Government involvement and networking between small and large organisations also help respond to the competitive challenges and market opportunities.

Introduction

Entrepreneurs contribute to industrialisation as well as to economic growth. They improve living standards and contribute to a nation's treasury through tax revenues from their enterprises. Not surprisingly, governments - specifically the Malaysian Government, have been spending a considerable sum of money trying to produce entrepreneurs, especially Bumiputra entrepreneurs. The establishment of the Malaysian Entrepreneurship Development Centre (MEDEC) by MARA University of Technology (UiTM) and other bodies such as the National Productivity Corporation, the Business and Advanced Technology Centre, the Development Bank of Malaysia, National Economic Research Development Association, State Economic Development and the Ministry of Entrepreneurs Development is for the purpose of training entrepreneurs who are important to the economic well-being of the country.

Challenges of SMEs

In particular, firms primarily develop around the ideas of entrepreneurial individuals. For example, the development of Microsoft comes from Bill Gates, RHB from Rashid Husain, AMMB from Azman Hashim and Securicor from Maznah Hamid.

The growth of successful small enterprises into medium-size firms and beyond presents a multitude of managerial and organisational challenges for these entrepreneurs. It has mainly to do with a strongly changing requirement

for which emphasis has shifted to the skill, quality, and image that are associated with the products or services.

Increasingly capricious and diverse consumer preferences; trends such as flexibilisation, deregulation, professionalisation, specialisation and an increasing mobility on employment markets; and developments such as the increasing interest for individual entrepreneurship, network formation, computerisation and internalisation within economic context – altogether have evolved into a knowledge economy, making a society more complex. Entrepreneurs must deal with these developments and will have to make better and smarter use of technological knowledge, organisational knowledge, and marketing competencies in order to stay ahead of all these complexities (*Beijerse 2000*). The use of this knowledge helps entrepreneurs to distinguish themselves from their competitors.

In principle, one should have knowledge of everything. Entrepreneurs with technological knowledge would think of knowledge of products, research and development, core competencies, technological development, information and communication technology, product development and assembly. Entrepreneurs who also possess organisational knowledge would think of management, policy, culture, personnel, career planning, internal processes, cut backs, alliances and teamwork, whilst entrepreneurs with marketing knowledge would think of competition, suppliers, customers, markets, target groups, consumers, clients, users, interested parties, sales, after sales, trade and distribution and relation management. The success of Japanese entrepreneurs is mainly due to their ability to transform implicit knowledge (people-bound – people's creative ideas) into explicit knowledge (system-bound – information) so that it becomes reproducible and usable.

Thompson (1999) identifies entrepreneurs as those individuals who make a difference; they spot and exploit opportunities; find the resources required to exploit; add value; are good net-workers; have “know-how” and “know-who”; create capital; manage risks; are determined in the face of adversity and possess creativity and innovation.

However, spotting opportunities available would be the first challenge to the Malay entrepreneurs (*Mohamed, 2001*). There are vast opportunities for the Malay entrepreneurs to accumulate sufficient fund, knowledge, skills and technology whilst producing their products or services, market it or manage and develop their business transactions. The government and the private agencies have implemented a management-training package to help potential entrepreneurs with new venture start-ups, franchise training, and export development and business advancement. The training programmes are designed in a way that equips entrepreneurs with the necessary skills to avoid the causes of business failure and capitalise on causes of success. Some do not believe that training can do a lot to improve the way in which their businesses are run. Others believe that training is important but they are unwilling to join these programmes because they do not have the time to participate in them. Nevertheless, many of the

Malay entrepreneurs are without proper preparation to understand business mania. Thus, they are not able to realise the opportunities available. They are unable to visualise the opportunities as a process of developing self-economy nor professionally manage, operate and develop their own businesses in an industrial sector. Moreover, opportunities must go together with their abilities. Entrepreneurs lacking the skill, knowledge, interest, financial sources, technology and tools would further aggravate their continued existence.

The second challenge is the lack of encouragement to productively develop the sub sector. This is not due to lack of publicity but due to the unwillingness of big firms (decision-makers) to productively spend towards the development of its sub sector. It applies to all industrial sectors such as travel agencies, publishing, manufacturing, printing, training, education, advertising, consultancy and others.

The third challenge is the inconsistent and extreme bureaucratic red tape. This normally comes from the government, which is supposed to implement policies to ensure the economic development of the country. The red tape slows the process of decision-making and payment. It is aggravated if the personnel involved accept bribery.

The fourth challenge is the limited market for products or services. On the whole, Malay entrepreneurs depend on the government sector market, which could be inconsistent and not fixed. Although the government encourages the Malay entrepreneurs to get an independent, outside market, they could not do so because of great competition among the Malays and the negative perception of other races towards their capabilities.

The entrepreneurs' ability to deal with the above challenges is critical to the survival and development of small and medium-size enterprises (SMEs). It is not unusual, however, for these entrepreneurs to lack qualification and to rely on their experiential learning. Few SMEs are academically contemplative or conventionally rigorous in the way they learn. A study by *Littunen (2000)* shows that over 45 percent of entrepreneurs had no formal education beyond elementary schooling. In a study conducted by *Choueke and Armstrong (1992)* as cited in *Sullivan (2000)*, they found that the key learning method for entrepreneurs (95 percent) is through past experience. Any process that improves learning from this mode must therefore improve effectiveness.

The Malays are still new in entrepreneurship. Thus, the profound challenges faced have forced the Malays to expect an active government role in business. Government policies and bureaucracies could make life much more difficult for entrepreneurs. However, one should admit that some measures have been taken and new laws and regulations have been enacted to support entrepreneurs. Tax exemptions and reductions, protection and regulation of businesses are among the major roles that the government is expected to play. However, the question arises as to whether governments during this or the next decade should intervene in business. This is because the world is witnessing a sweeping trend toward a

freer market – liberalisation (AFTA) and globalisation (WTO) and less intervention by governments. Though the Malaysian government has taken steps in privatising some public companies, Malaysian entrepreneurs are not ready to face these challenges. International bodies such as the International Monetary Fund (IMF) are also pushing in this direction. Thus, the call for direct support from governments is not a realistic demand and does not take into consideration the changes that are taking place in the world economy. However, in an environment where there are giant businesses, sometimes with monopolies, small businesses are helpless and governments should not disengage themselves from any commitment to entrepreneurs.

Expectation of SMEs

With competition driving the need for growth, organisational networking is expected. Its applicability and utility is set to increase in future in a market increasingly governed by competitive considerations. As the impact and complexity increases, the choices for entrepreneurs will grow, so as the interdependence of small and large organisations. It is essential to focus on the most suitable form of networking. A joint venture is not a panacea for expanding the entrepreneurial venture. It should be considered as one of many options (acquisitions, mergers, and leveraged buyouts) for supplementing the resources of the firm and responding more quickly to competitive challenges and market opportunities. For example, SMEs dominate largely unbranded markets. With huge markets of consumer goods selling as commodities, distribution systems which are already in place, a large company buying out or collaborating for marketing with a small manufacturer can usually be assured of the success of its brand.

SMEs usually operate in limited, local or regional markets. Entering a market through a link with SMEs implies multiple agreements with numerous vendors across the country. The long duration of relationship between the SMEs and the vendor is an added advantage to a large company piggybacking on the SMEs distribution system. Thus, joining hands in a relationship already in place substantially reduces the costs of distribution and the time required for setting up the distribution system. A case in point is the consumer products Proton having distribution outlets throughout Malaysia and letting other entrepreneurs to produce Proton parts.

An organisation in an environment that is more competitive would recognise a greater need to adopt information technology (IT) in order to gain a global competitive edge, efficiency, and effectiveness. Much more important than this, is that Malaysia has put serious measures and programmes in promoting information technology advancement through the development of Multimedia Super Corridor (MSC) etc. Moreover, the Malaysian government has launched a

RM20 million fund for entrepreneurs to participate in electronic commerce known as “The Electronic Commerce Grant Scheme.” The aim is to enable entrepreneurs to integrate themselves into the mainstream of e-commerce, communications, information technology, as well as helping them to find a place to survive in the global- market. There is high hope that through IT adoption, entrepreneurs would become accessible to this and would catch up on their market share in line with the global-market challenge.

In many cases, the entrepreneurs have no one within the work environment to reflect on ideas or share experience. Mentoring has become an expected mode of training entrepreneurs, where an aspiring entrepreneur is provided assistance and training through internship in a large organisation, with some organisation managers being assigned to him/her as mentors. Mentors, while not being able to lecture to an entrepreneur can give meaning to, or aid the understanding of an experience.

Causes of Failure

Last but not least, entrepreneurs expect to remain in business. Therefore, they should avoid the major causes of business failure. Among the attributes identified by many researchers, include:

1. poor managerial expertise, inadequate business plan, unclear goals, bad sales strategies, overdependence on one customer, undercapitalisation, lack of teamwork and failure to get good advice (*Barsley and Kleiner, 1990*)
2. lack of financial planning, absence of business records, no understanding or use of business records, poor cash-flow management, poor debt management, poor inventory management, poor costing-prising, poor market research and over-borrowing (*Pech and Mathew, 1993*)
3. management weakness, financial weakness and strategic weakness (*Pousson, 1996*)

Management weakness ranges from technical incompetence, lack of interpersonal skills, or simply lack of general management and business experience. Financial weakness often stems from a lack of understanding of the financial impact of key strategic decisions, inadequate financing, too much debt, little or no debt management, and a wrong financing mix. The main strategic reasons for business collapse include lack of a clear strategy and direction, inability to respond to change and recognise new competitors and taking on too much at one time.

Conclusion

In conclusion, to be successful, an entrepreneur must think less about entrepreneurial activities and more about a set of qualities influencing behaviour and enabling flexibility and creativity.

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