CHAPTER I

INTRODUCTION

1.1. Overview

This chapter aims to introduce the outline for better understanding of this research work. The introductory part includes the problem statement, the research questions and research objectives. In addition, the significance of the study is also discussed in this chapter. The organisation of the study with brief description of each chapter is explained. The definitions of key variables are also described as the final part of the section.

1.2. Introduction to the Study

The commencement of entrepreneurial training is part of the strategic initiatives by the Malaysian government to influence graduates decisions from being salaried workers to creating their own venture in the future. Debate arises on how the institutions should train students with essential entrepreneurial knowledge in order to develop would-be entrepreneurs with the required skills (Cheng & Cheryl, 2004). In equipping future entrepreneurs towards new venture, the process requires a lot of tasks. Therefore, the process of new venture involves understanding knowledge of entrepreneurship, an aptitude to perform business tasks, knowing the value of creating such firms and awareness of the preferences of such business.
Entrepreneurial trainings start by encouraging students to evaluate their Strength, Weakness, Opportunity and Threat (SWOT) strategy in various business start-up, in order to develop a clear sense of understanding of the required venture (Volkmann et al. 2009). The SWOT strategy represents the strength of the new venture in the competitive market, its weakness, various opportunities available and the threat that may likely affect the growth of the new venture. The students are motivated to consider themselves as professional who are in charge of their own lives. As such guided through ways of developing business ideas, how to identify the market gap, follow by ways of acquiring resources, how to organize a workplace and market the firm’s product or service. The procedures involved in preparing an effective business plan are also practised. At each stage, the students are trained to assess how their skills can be utilized to cater to the need in the community. While encouraging independent thought, creativity and initiative, the training demonstrates the benefits of collaborative work by treating selected topics as group activities (UNESCO, 2006).

The collaborative work among the students create a network that will promote economic self-reliance and play a constructive role in the community after establishing such venture (UNESCO, 2006). The training is an avenue to foster human capacity building which is a key element of sustainable development. Many forums are essential in equipping the graduates with a variety of skills and knowledge in order to produce successful entrepreneurs who are not only competitive locally but also globally. Forums, Seminars, workshops and entrepreneurial training programmes organised by educational institutions, government are all ways of creating social networking among the students and are in favour of entrepreneurship development apart from being the subject taught at various institutions (Landstrom, 2005).
Therefore, empowering young people to engage in productive livelihoods and creating new firm in future will not only reduce poverty in the economy but will also promote standard of living of the graduate entrepreneurs.

Furthermore, new venture creation is a concept that any economy that aim towards economic development are emphasising in the recent time. New venture creation involves the process of turning innovative opportunities into a business that can succeed and attract business worlds (Gibb, 2010). Job creation, economic growth, innovation, high management competency are some of the essential attributes of new venture. According to Barringer & Ireland (2010), considering the hypothetical nature of venture creation, in every high growth economy a new venture is created for every five minutes and high new venture creation is positively related to high socio-economic status. Hence, students are the driving force of any nation’s ambition to strengthen the economic development in the future. If the basic principles of business start-up can be developed into students’ mindset at initial stage through entrepreneurial training, the economy will build young entrepreneurs that are ready to take business risks and new venture creation challenges (Mansor & Norasmah, 2011).

The global rise in number of tertiary institutions, each year has witnessed an unparalleled increase in the number of graduates from both public and private higher education institutions. As a result, it is very certain that large number of graduates will seek jobs and, without doubt, not all will be successful. This has prompted serious attention that was paid to entrepreneurial training in the Ninth Malaysia Plan (2006-2010) by virtue of its importance in supporting the economic drive of the national economy as well as narrowing wealth differentials in the population. Various measures have been put in place by the government with the aim to achieve the goal
of complementing and exposing graduates to the world of new venture creation. Undoubtedly, all these methods are being done with one major goal, which is to foster entrepreneurial spirit and expect attitude change in students, after partaking in such entrepreneurial training. Students are also expected to value venturing as a personal and future career development option (Kantis et al., 2002).

It is envisaged that after the trained students have graduated from their various field of study, large number of the students will possess a solid business foundation that can help them to set up the future organisation. However, so far there has been very little empirical proof of the positive relationship of entrepreneurship training and students’ readiness towards new venture creation. Thus, there is a need to carry out a research work on whether the effect of entrepreneurship training can influence students’ readiness towards creating new venture.

1.3. Statement of the Problem

Although entrepreneurship training programs have existed for the past long years, some evidences indicate more institutions and government are offering entrepreneurship training programmes and support for new venture creation. In Malaysia, the level of youth engagement in setting up new firms is not as high as one would imagine and expect, the effect still remains low, as confirmed by previous research paper by Saleh (2002) and Norasmah et al. (2007).

This low effect has raised many questions from government and institutions that had invested in various entrepreneurship programmes on whether training do moderate the relationship between the factors affecting new venture creation and readiness of students towards new venture. Despite the huge resources invested by government on entrepreneurship training programmes, the readiness of students towards acquiring the
necessary skills for new venture creation still calls for concern. Therefore, due to the lack of necessary skills, students’ readiness in this programme has resulted to low level of business opportunity identification in the market niche. Business opportunities are out there but only few students can identify it. The entrepreneurship training may have large effects on how the students can develop a good opportunity. A good idea is not necessarily a good opportunity, for every 100 ideas presented to investors, usually fewer than four get funded (Timmons, 1994).

In addition, some students have the business idea but lack the will to carry out the business activities. This may be due to low level of motivation and low level of participation in entrepreneurship training before engaging in such business activities. High level of participation in entrepreneurship training programmes has positive relationship with desirability to create new venture (Peterman & Kennedy, 2003). Students need high motivation either through funding or other support mechanism from all stakeholders such as government, lecturers, family, friends, religious group. Therefore, in order to create successful business venture, the issue of funding and motivation are of a great concern to any students that are ready to take risk of venture creation.

Furthermore, the issue of job creation in the economy considering the current uncertainties in global market demand and economic crisis situations have led to the need for any society at large to find opportunities in new venture creation through the youths of the nation (Chigunta, 2001; Schoof, 2006). Nonetheless, youth entrepreneurial efforts are lauded by the government and society, especially in these current times of economic crisis. Youths have increasingly responded to this challenge, including the ones in Malaysia. From the following issues, this study has
been able to identified four gaps in relation to opportunity, motivation level, access to resources and low level of entrepreneurial abilities. Hence there is the need to look into possible solutions to these issues and determine the various determinants factors that can prompt students’ readiness to create new firms.

1.4. Research Questions

The main research question is to examine the determinant factors that can influence students’ readiness towards new venture creation and determine whether entrepreneurship trainings do moderate the relationship. Specifically, the details of the research questions are:

1. To what extent does entrepreneurship training moderate opportunity seeking and readiness towards new venture creation?
2. To what extent does entrepreneurship training moderate motivation and readiness towards new venture creation?
3. To what extent does entrepreneurship training moderate resources and readiness towards new venture creation?
4. To what extent does entrepreneurship training moderate ability and readiness towards new venture creation?

1.5. Research Objectives

The main aim of the study is to examine the determinants factors of readiness towards new venture creation and determine whether training do moderate the relationship. The specific objectives of the studies are:

1. To determine whether entrepreneurship training moderates opportunity seeking and readiness towards new venture creation;
2. To determine whether entrepreneurship training moderates motivation and readiness towards new venture creation;
3. To determine whether entrepreneurship training moderates resources and readiness towards new venture creation;
4. To determine whether entrepreneurship training moderates ability and readiness towards new venture creation.

1.6. Scope and Limitation of the Study

This study was conducted to determine the moderating effects of entrepreneurship training on Undergraduate students in Malaysia towards new venture creation. The study uses Malay Muslim students because they are less involved in entrepreneurship compare to Chinese and Indian. The Malay were chosen from Universiti Sains Islam Malaysia because these students are from various religious schools. USIM has 99% of Malay Muslims compare to other Universities that are mixed with other tribes. Therefore, using USIM will enrich the generalization and effectiveness of the study. This new venture creation is one way of enhancing the socio-economic status of these students that are involved in these business activities. Entrepreneurship training is very important for the students to enhance soft skills that can motivate them towards new venture creation. The limitation of this study is based on inability to involve other Universities and inclusion of more research issues. This will therefore pave way for future research.

1.7. Significance of the Study

There are four main significant of this study. There are two main reasons while this study is very important for students. First, students may want to start up their own business. This study will serve as a guide for them on how opportunity can be
identified and resources can be utilised around them to create their own firms. Secondly, students may wish to acquire the entrepreneurial knowledge which will be helpful in their careers in larger organization. Hence this study will establish the important skills that are needed for developing their future career organization. For the business world, this study will show the level of managerial, administrative and financial skills that will be useful in setting up both small and large scale venture.

This study will serve as important guideline for policy on job creation by Malaysia government driven by the shift towards economic development through entrepreneurship knowledge on job creation. This study will suggest possible ways to which government can motivate students to create new firms. Therefore, the government can develop suitable strategies and approaches after identifying the determinant factors for youth to get involve in the business set up.

Also, the conceptual framework of this study adapted from various chapter will serve as new model for new venture creation at the end of the study. This model will be useful for both Islamic entrepreneurship and conventional entrepreneurship and will also introduce new way of looking at new venture creation using behavioural perspectives.

1.8. Structure of the Thesis

This study consists of six chapters that discussed in details the moderating effects of entrepreneurship training towards new venture creation. The chapters are categorised thus:
Chapter one is the introductory part. This consists background of the study, statement of the problem, research questions, research objectives, Scope and significance of the study, structure of the thesis and definition of terms.

Chapter two is the research context represented by Entrepreneurship in Malaysia. This aspect comprises development of entrepreneurship in Malaysia, philosophy of USIM, Centre of Student Entrepreneurship development and Individuals’ Attitudes toward Enterprise Creation in Malaysia.

Chapter three is based on the literature review aspect. This comprises of introduction, empirical literature review, underpinning theory, conceptual framework, stages of entrepreneurship process, entrepreneurs and enterprise and hypothesis development.

Chapter four is the research methodology. This consists of the introduction, research design, population and sample, data collection: instruments and procedures, data analysis procedures and ethical considerations.

Chapter five illustrates the data analysis and the results of the measurement and structural equation model. This part consists of overview, data editing and data coding, data screening and missing data, response rate, demographic characteristics, analysis of results. The validity and reliability as well as empirical evidence of the relationship between determinant factors and readiness towards new venture creation are presented.

Chapter six is the final part of the thesis. It covers summary and discussion, contributions from theoretical, practical and methodological are examined, limitations and implication are discussed, policy recommendations are outlined and conclusions are drawn.
1.9. Definition of Key Terms

In order to provide better understanding of the relevant key words used in this study, the following definitions of key terms are presented thus:

1.9.1. Entrepreneurship

Entrepreneurship is defined as the application of enterprise skills specifically to creating and growing organisations in order to identify and build on opportunities (QAA, 2012:8). The International Labour Organisation (ILO, 2007) defines entrepreneurship as “a way of thinking, reasoning and acting. It is much more than starting a new business. It is the process whereby individuals become aware of self-employment career options, develop ideas, take and manage risks, learn the process and take the initiative in developing and owning a business” (Schoof, 2006).

The European Commission Report (2008) in addition favours the following definition: “Entrepreneurship refers to an individual’s ability to turn ideas into action. It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects in order to achieve objectives”. Entrepreneurship is further defined as an activity which leads to the creation and management of a new organisation designed to pursue a unique, innovative opportunity (Hindle & Rushworth, 2000). Fundamentally, it is about using enterprise to create new business, new businesses and ‘can-do’ organisations and services (Nixon, 2004).

1.9.1.1. Entrepreneurs

Shane & Venkataraman (2000) defined “entrepreneurs” as individuals who recognize and exploit new business opportunities by founding new ventures. Bolton & Thompson (2000) also defined an entrepreneur as “a person who habitually creates
and innovates to build something of recognized value around perceived opportunities”. Further classifications of “who an entrepreneur is?” are discussed in the subsequent chapters.

1.9.1.2. Entrepreneurial process

Korunka et al., (2003) defined entrepreneurial process as one that begins with the nascent entrepreneur and ends with the creation of the new venture. Shane & Venkataraman (2000) further defined entrepreneurial process as consisting of discovery, evaluation and exploitation of entrepreneurial opportunities. Therefore, the following definitions show that new venture creation encompasses just having the business ideas but also involve ways of exploiting and evaluating it.

1.9.1.3. Enterprise

“Enterprise is defined as the application of creative ideas and innovations to practical situations” (QAA, 2012:8). This is a general concept that can be applicable across all areas of education. It combines creativity, ideas development and problem solving with expression, communication and practical action. This definition is quite different from the general use of the word in reference to a project or business venture.

1.9.2. Entrepreneurship Training

According to the Preliminary Report Malaysia Education Blueprint 2013-2025, Entrepreneurship Training is defined as ways of preparing students for career requiring expertise in a specific set of techniques. In contrast to the technical stream which prepares students for further education, the entrepreneurship training stream is more career oriented.”
The United Nations Educational, Scientific and Cultural Organisation (UNESCO, 2002) and International Labour Organisation (ILO, 2002) defines Entrepreneurial training as technical training to aspects of educational process involving, in addition to general education, the study of technologies and related sciences, and the acquisition of practical skills, attitudes, understanding and knowledge relating to occupations in various sectors of economic and social life. Therefore, from the definitions above, it can be further understood that entrepreneurial training entails:

i. An integral part of general education;

ii. A means of preparing for occupational fields and for effective participation in the world of work;

iii. An aspect of lifelong learning and a preparation for responsible citizenship;

iv. An instrument for promoting environmentally sound sustainable development; and


1.9.3. Opportunity Seeking

It is important to understand that there is a difference between an opportunity and an idea. An idea is a thought, an impression, or a notion (Audretsch & Lehmann, 2006). This is a critical point because many entrepreneurial venture fail not because the entrepreneurs that launched them didn’t work hard, but rather because there was no real opportunity to begin with. Before getting excited about a business idea, it is crucial to understand whether the idea fill a need and meet the criteria for an opportunity. An opportunity has four essential qualities: it must be attractive (innovative nature of the products), durable (exist for years), timely (meets customers’ need) and add values for its end users (Barringer & Ireland, 2010).
Opportunity seeking has long been viewed in the field of entrepreneurship as a central aspect of new venture creation (Ardichvili, et al. 2003; Baron, 2006a), and although there continues to be considerable debate over its essential nature (Krueger, 2003). The term opportunity seeking refers to the process of perceiving the possibility of a profitable new business or a new product or service. That is, an opportunity cannot be taken until it is recognized (Mahnke, et al., 2007). Before acting on opportunities, individuals must first identify these opportunities (Krueger, 2000). Shane & Venkataraman (2000) identifies entrepreneurial opportunity as a core attribute of entrepreneurship.

Shane (2003) defines an entrepreneurial opportunity as a situation in which individuals can create a completely new means-ends framework by reassembling resources that they believe will yield a profit. The term opportunity seeking refers to the process of perceiving the possibility of a profitable new business or a new product or service (Mahnke et al., 2007).

1.9.4. Motivation

Motivation is the study of why people think and behave as they do (Graham & Weiner, 1996). According to Webster’s New Collegiate Dictionary, a motive is “something (a need or desire) that causes a person to act”. Motivate, in turn, means “to provide with a motive,” and motivation is defined as “the act or process of motivating.” Thus Motivation, in its broadest sense, can be defined as forces acting either on or within a person to initiate behaviour (Ball, 2012). Motivation can be defined as the act or process of providing a motive that causes a person to take some action (Shanks, 2007). Motivation is a need or desire that energizes behaviour and
directs it towards a goal. Motivation may be Intrinsic or Extrinsic. Extrinsic motivation is something outside the person that energizes behaviour (Money, fame, power) while intrinsic motivation is something within the person that energizes behaviour (Interest, curiosity, personal challenge and improvement).

1.9.5. Resources

In economics, resources can be defined as services, or other assets used to produce goods and services that meets human needs and wants (McConnell, Brue & Flynn, 2011). Economics itself has been defined as the study of how society manages its scarce resources (Mankiw, 2008). Classical economics recognizes three categories of resources: land, labour, and capital (Samuelson & Nordhaus, 2004). Land (physical resources) includes all natural resources and is viewed as both the site of production and the source of raw materials. Labour (human resources) consists of human effort provided in the creation of products, paid in wage. Capital (financial resources) consists of human-made goods or means of production (machinery, buildings, and other infrastructure) used in the production of other goods and services, paid in interest.

1.9.6. Ability

Ability can be described as all sorts of tasks (marketing task, financial task, business plan task, administrative and managerial task) but especially those of a cognitive or intellectual sort (Caroll, 1993). This task can be the quality of being able to do something; physical, mental, financial, or legal power to perform.
1.9.7. New venture

Gartner (1988) uses behavioural perspectives to define new venture as: an independent entity; a new profit centre which has established businesses or a joint venture which satisfies the following requirements:

i. Its founder must acquire expertise in products, process, market and/or technology.

ii. Results are expected beyond the first year in which the investment is made

iii. It is considered a new market entrance by its competitors

iv. It is regarded as a new source of supply by its potential customers

1.10. Summary

This chapter serves as the foundation for this study. The first part is the introduction, followed by the statement of the problem. Next, the research questions and objectives were presented, with the scope and significance of the research also discussed. The structure of thesis was briefly described as a guide line for the study. Lastly, each key variable was defined in order to familiarize readers with the research issues. The next chapter is based on Entrepreneurship in Malaysia.