

The Malaysian Case – How interrelations of external factors influence and contribute to a well-prospering entrepreneurial ecosystem

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Absztrakt

Vállalkozásfejlesztéshez és vállalkozásfejlesztési mentorálási témához kapcsolódóan gyakorta kerül említésre jó gyakorlatként Malajzia esete, ahol magas a női vállalkozói aktivitás; ahol a vállalkozói ökoszisztémát felmérő GEM (Global Entrepreneurship Monitor) felmérés tizenkét vizsgált tényezőjéből nyolc mutató világviszonylatban is a legjobb 20 között található, ahol a gazdaság hatékonyság vezérelt és ahol az ország fejlesztési politikáját a Kék Óceán Stratégia jellemzi. A tanulmány célja szekunder adatfeldolgozásra és kilenc mélyinterjúra építve általánosságban bemutatni azon környezeti-, és hatótényezőket, amelyek szerepet játszanak abban, hogy Malajzia jól teljesít, világviszonylatban is jelentős potenciált képvisel és jó vállalkozásfejlesztési gyakorlattal rendelkező országgént kerül említésre. A két részből álló kutatás, jelen cikket lefedő első részében bemutatásra kerül az a szabályozási környezet, amely hozzájárul egy sikeresen működtethető vállalkozásfejlesztési rendszer kialakításához.

Kulcsszavak

vállalkozás, vállalkozásfejlesztés, vállalkozásfejlesztési mentorálás, vállalkozói környezet

1. Introduction

According to the 18th consecutive *Global Entrepreneurship Monitor (GEM) 2016* – which is tracking rates of entrepreneurship across multiple phases of entrepreneurial activities, which analyses assessed characteristics, motivation of entrepreneurs, as well as explores attitudes of the representatives of the society toward entrepreneurship – Malaysia is accomplishing well. However, examined factors are contradictory: on the one hand certain factors, like being in the top-three in the world, together with *Indonesia* and *Brazil*, *Malaysia* reports higher entrepreneurial female activity rates than men; where entrepreneurs are efficiency-driven; in which country eight examined factors from the twelve according to the GEM survey (HERRINGTON-KEW 2017 p12) is in the top twenty worldwide and where a nationwide, *Blue Ocean Strategy* is built into the development policy of the country; all playing an important factor in boosting entrepreneurship and predestinate extraordinary measures. On the other hand, contrary, less than half of the working-age adults find entrepreneurship as a sufficient career option, because less than a quarter of adults believe to possess capabilities to being entrepreneur; where, comparing with other factors facilitate growth in entrepreneurship is well-developed, where there is an inadequacy in physical, but also commercial-, and legal infrastructure, but also in government polices, like taxation and bureaucracy, also some inauspicious impacts can be traced. In spite or despite of all the above mention facts, Malaysia is well-know worldwide about its vivid entrepreneurial life and ecosystem, which could be even a role-model for other, starving for development countries.

The following article covers the first part of a study on Malaysian entrepreneurial life: it is focusing on the external acting and influencing factors of it; while the second part is focusing on the introduction of the basics and core elements of the entrepreneurial ecosystem, its performers, relations and developmental possibilities. The aim of the current study is to give an insight into the shame of influencing factors of Malaysian entrepreneurial ecosystem with macro-, and micro-environmental facts, as lifestyle, cultural aspects and business issues. The research could be created with the help and procurement of *The Oriental Business and Innovation Center (OBIC)*.

1.1. Methodology

The selected research strategy a qualitative case study, combined with nine in-deeps interviews with different actors – like educators, mentors, program leaders, local and expatriate entrepreneurs – of the Malaysian entrepreneurial life. According to the point of author's view, case study is a joint method to introduce this particular case, as it involves both longitudinal- and depth examination, by using it, a more complete picture of the topic could be gained, while it also adumbrates why things are happening the way, they are, but also draws up possible further research topic(s). However not all of the distinguished marks – like examining unique or complex cases in their own context (1), involving the urge to draw-up casual relationships (2), theorizing (3), helping in generalization (4) and discovering the contiguity in converging data series (5) – concerning case studies (YIN 2014) are fulfilled, therefor case is a more appropriate for the research.

The study itself leans on the one hand on secondary research – mostly in cases of statistical data –, but on the other hand on the spacious, diversified, field gained experiences of the study's author. The nine, in-depth interviews were taken in May 2017, in six cases face-to-face, in three cases via Skype, video call or written form. The interviews were semi structured. Questions were divided into five blocks: named as general view of entrepreneurship in Malaysia (1), the performers of the entrepreneurial ecosystem (2), with a particular focus on the developmental possibilities (3) and entrepreneurial mentoring (4), as well as concentrating the role of accelerators and barriers appearing in the ecosystem (5), from which the author of the study relies mostly on the first question.

There are certain limitations of the research: the author was not able to contact all kind of performers of the Malaysian entrepreneurial ecosystem – at the most important accelerator it was impossible to have a personal appointment or video call –, the respondents were either not competent in all of the questions (one of them was even totally malignant during the first half of the interview), or the available the time for the interview was short or insufficient; also the four weeks of the author's scholarship – in which three long weekends with 3 or 4 days of holiday – proved rather short and tough, which made difficult the complete the research. Here should be also mentioned, that the period of data collections was covering strait the last four weeks before Ramadan, which was on the one hand advantageous, as entrepreneurial life was rather vivid and vibrant, but on the other hand, it was unfortunate, as most of the performers were rather busy and occupied.

2. General facts on Malaysia

Malaysia, as the third largest economy in South-East Asia, is successfully moving towards achieving its goal, becoming an advanced nation by 2020. To achieve this goal, the government has adopted the *Malaysia's National Blue Ocean Strategy* (called later as NBOS) in its strategical planning and operations to deliver programs and services to the public, that are with high impact, low cost and are rapidly executed. (www.blueoceanstrategy.com) However, the countries vision goes beyond this: where people enjoy high incomes and also a higher level of public wellbeing. To accelerate the process, NBOS initiatives formulated an executive board through the NBOS summit, which is a unique and dynamic national strategic platform, brings together ministries, agencies, all levels of government- and private sector on a volunteer basis to develop the economy. The effect of the program could be perceived in several fields of the macro- and micro economical facts.

Official name of the country is in local language is *Persekutuan Malaysia*, in international form *Federation of Malaysia*, or in simply, shortened form, *Malaysia*. The country itself could be divided into two geographical regions: the peninsular *Malaysia* and to *Malaysian Borneo*. On the *Malay Peninsula* it is bordered on inland by *Singapore* on the South and by *Thailand* on the North, while *East Malaysia* – aka islandic *Malaysian Borneo* – is neighbouring *Indonesia* and the *Sultanate of Brunei*. The country also has two maritime borders: on the one hand to *Vietnam*, on the other to the *Philippines*. However, as we will see also later, *Malaysia* is highly a multicultural country – which also means, that it is multi-

religious and multi-ethnic in the same time – it is the third wealthiest and the most developed country in the region. (www.nationsonline.org)

The federation became independent in 1957. In September 1963, the federation was enlarged by the accession of the states of *Singapore*, *Sabah* and *Sarawak*. This is also the date since when, the country is called '*Malaysia*'. The final territory of the state evolved in 1965, when *Singapore* left the federation. The rapid development in all fields started in the late 70s. The influence of the *United Kingdom* could be traced in several fields, like in language, left-handed driving and law. The introduction of the influencing factors will be presented in the followings.

3. Social-related factors

Social factor covers demographic structure of the population (1), cultural specialties (2) and interpersonal characteristics (3). The population of Malaysia was 31,66 million in 2016 according to the *Department of Statistic Malaysia*, from which 16,36 million was male and 15,30 million was female. (www.dosm.gov.my/a) This means totally 5,8 million households. The population itself is an aging one, but not in a way as European societies. The percentage of youngster, aged 0-14 years old decreased 0,4% and numbered as 7,7567 million. Working age population – aged 15-64 years old – is augmenting, during the last years with 0,2 percentage point – numbering 21,97 million – in 2016, as compared to the previous year. Subsequently, elder population, above 65, also increased with 0,2 percent, but it means still only less than 2 million inhabitants. (www.dosm.gov.my/b) According to life expectancy, *Malaysia* is ranking on the 65th place worldwide, with an expected life of 72,7 years for male, and 77,3 years for women inhabitants. (www.worldlifeexpectancy.com)

Malaysia reflects different cultural traditions, as it is highly multicultural, including those of *China*, *India*, the *Middle East*, *Europe* and the entire *Malay Archipelago*. As for ethnic composition, among Malaysian citizens, ethnic '*Bumiputera*' (also referred as Malays) represents 68,6 per cent, followed by Chinese with 23,4% and Indian with 7%. (www.dosm.gov.my/b) The remaining one percent is highly multicultural: it comes mostly from previous expatriates. Taking into consideration international business, the percentage of non-Malaysian citizen in 2016 was at 10.3 per cent out of total population in *Malaysia*. The ethnical diversity gives also religious- and as well as cultural diversity. The country is predominately Islamic in its region, but only the Malay Muslims who are bound by Islamic laws, the rest of the population can freely practice own religion. All ethnic Malays are Muslim, Chinese population is (usually) *Buddhist*, combining *Confucian* and *Taoist* practices, while Indians are (usually) Hindu, and there is also a small minority of *Christian* and *Sikhs*. (www.pluralism.org) Despite the Muslim majority, *Malaysia* is not an Islamic state. (EMBONG 2001 p13) But it is rather a plural society. The mix of population gives *Malaysia* a rich and vibrant culture, and the country is seen as an example of racial harmony as the different populations have existed peacefully together for years.

A collective, but distinctively Malay cultural pattern has emerged out of all these influencing factors, with artistic expressions in literature, music, dance and arts forms.

However, there are traceable certain representative characteristics, like sons are preferred over daughters in order to maintain the family surname through descents, or in the number of public holidays, like religious celebrations, because of the mixture of religions. The cultural differences mean that businesses entering the country will have to adapt their products and business practices to suit the needs of the population, for example in case of food and beverages, it is appreciated to have 'halal' certificate for good. But it also means, that rather easy to find the target market in a diversified society.

Malays have traditionally predominated in politics and government, ethnic Chinese and Indians have been disproportionately successful in the economy. Most of the local businesses are owned by Chinese, ties hinder occupational mobility among Malays. Life in the city and rural living forms are significantly different, which also means, that there is a remarkable difference also in business as about ¾ of the population is rural. The following, *Table 1*, represents the three main caste's indicator according to Hofstede framework.

Table 1 – Hofstede's indicators in Malaysian society

	Power distance	Individualism	Masculinity	Uncertainty Avoidance	Long term orientation	Indulgence
Malay	100	26	50	36	41	57
Chinese	80	20	66	30	87	24
Indian	77	48	56	40	51	26

Source: <https://geert-hofstede.com/malaysia.html>

As it is visible from the table, there are factors, which are significantly different from each other and with the difference, the discrepant attitude towards business could be interpreted. The dimension of power distance describes the equality of members of the society, where the high number represent the difference and inequality. That also means, people in Malaysia accept hierarchical arrangements and the fact, that everybody has role in the society. It also means, that open-office places are not widespread, to share information has an order, there are privileges for people in leading positions, which is widely accepted. Any challenges and opinion towards the leadership are not well-received, as the leadership itself is usually highly autocrat. Hierarchical arrangements are also accepted in Chinese and Indian culture, but differences are less appreciated. The easier and more direct way of communication between different levels could improve business performance.

Despite the high values of power distance, both Malay and Chinese inhabitants are collectivist, where people are characterized according their network – and not according to their own results – where people are living in multi-generational families, where there is a high commitment to be a member of a group, long-term, usually life-long relations are habitual and where loyalty playing an important role. Indians are closer to individualism – with personal achievement, core-families and results orientation – but still collectivist. The collectivist aspect makes capable the members of society to play in teams, learn together and entire network conduce long-lasting business relationships.

The muscularity index of the three ethnical group fall quite close to each other and scores around intermediate level. It means, that in this point of view, there is no extremity, it is difficult to decide whether they are preform according to muscular expectations – where achievement and performance are the commands, where weakness and discrepancy from normal/average are not accepted – or feminine values, as caring and where quality of life are in preponderance. The results of the mean value means, that society is consistent, the saying ‘living for working’ and ‘work for living’ are present in the same time both in private and business life.

There is also not a significant difference in the values of uncertainty index. The low values of UAI predestinate high entrepreneurial activity, as members of the society do not stick to rules, are open to take risk and deviance from the normal or average is easily tolerated. Malay people as other societies with low UAI, that there is not only one right solution, or a single one at all and innovation is not seen as threatening. However, schedules and conditions are rather flexible and punctuality as well as precision do not come alone naturally, hard work is known and undertaken, when it is necessary. These facts contribute highly to the high entrepreneurial rate and success in Malaysia.

Long term orientation reflects the way, how a society could and able to vindicate link towards its past, but in the same time, it describes, how is it possible to fasten past and future and how is it possible to face with challenges – both present and upcoming. Lower scores reflect to a country, where traditions play an important role, while higher scores represent a more open-minded approach, where according to *Hofstede* for example thrifts and efforts in modern education are encouraged. Chinese minority represents within the Malaysian culture a high rate in long term orientation, while both ‘*Bumiputera*’s and Indians core rather low. According to the interviewees and experiences it is also visible in business life: however, all three main casts are as open for setting a business as others, Chinese population is rather involved into non-traditional businesses. While the rest of the culture is rather normative in thinking: they exhibit great respect for traditions, a relatively small propensity to save for the future and focus on achieving quick results. (www.geert-hofstede.com) It can also be traced in business life: especially freshly set businesses and their owners want to achieve high revenues fast and short-time capital return.

Last element of the Hofstede model is indulgence, where Malays score rather high, while the rest of the population extremely low. (Indulgence itself is the situation, when there is a relatively weak control on own desires and impulses, while strong control is called ‘restraint’.) Malaysia score 57, which means that people are usually optimistic and possess a positive attitude, in the same time they are giving way to their desires and impulses, work to live and enjoy life with having fun. These attributes have on the other hand some disadvantage, as Malay people are able to put emphasize to leisure time and holiday, that it would be certainly necessary, therefore attitude towards work is different from that, Europeans are get to used to.

Ramadan, the month-long fasting is the ninth month of the Islamic lunar calendar. ‘During Ramadan, every part of our bodies must be restrained. The tongue must be restrained

from backbiting and gossip. The eyes must restrain themselves from looking at unlawful things. The hand must give in charity and not touch or take anything that does not belong to it. The ears must refrain from listening to idle talk or obscene words. The feet must refrain from going to sinful places. In such a way, every part of the body observes the fast'. (NEUMAN 2015 p166) During *Ramadan* according to interviewees business slow-up, less activity happens, social business activities stop and the feast also has affects consumer habits. Therefore, expatriates and foreigner should count with a slightly different working moral and biorhythm.

Not only the Hofstede model, but also the approach of *Inglehart* [1997] describes the characteristics of a country, which analysis the impact of changing values in two fields: political-, and social life. In the case of Malaysia, the last WVS (World Values Survey) was done in 2011 (n=1.300). From the 11 examined factors, factors named V7, V12, V13 and V14 connects closely to entrepreneurial mind-set and surrounding. According to 37,7% of Malaysians, politics do not play an important role in their life; while other 34,5% suppose it has a rather important effect. Independency appears already in the early years, 71,7% suppose, children should learn it early. Independency doesn't mean the separation from parents, but also refers to financial independency and work for own purposes. Usually entrepreneurial life requires more time and effort, than in case of employee existence. The factor of 'hard work' shows, that however it is required, Malaysian do not prefer it: 56,4% didn't mention it as a value, which could negatively influence efficiency in entrepreneurship. Contrary, Malays prefer responsibility (64,9% mention) in all meaning. These factors also contribute and underline entrepreneurial-focused mind-set (<http://www.worldvaluessurvey.org>).

4. Technology-related factors

As *Lai and Yap* (2004) ascertained, that the number of patents granted to Malaysia is rather low, because two of the influencing internal factors are insufficient. These factors were the insufficient financial resources and the lack of skilled R&D personnel (LAI-YAP 2004 p61) back in 2004. But as the government is highly committed toward its general goal – anchoring growth on people – several programs were started.

As the government is committed to technological development: there are several programs, aiming technological development. Importance of the sector is also represented by the continuously growing rate of research and development expenditure in % of the GDP. In 1996, the value was 0,22. For 2015 it grew to 1,26%, which is 12.858 USD per capita. (www.data.worldbank.org)

There are several explanations for the growth: in 1996, the Malaysian government launched the program, called 'MSC', aka the 'Multimedia Super Corridor', which is a strip of land stretching from the central business district of *Kuala Lumpur* to the out-of-town of KLIA (Kuala Lumpur International Airports). The corridor hosts more than 360 multinationals, including foreign-owned and home growth Malaysian companies; all focused on multimedia

and communication products. The program continued to expand and attract world-leading ICT companies. The high levels of investments in training and education including the creation of number of 'Smart Schools' and an excellent infrastructure, including a brand new town, called *Cyberjaya*, which is a self-contained intelligent city with world class infrastructure. It is the level of technological support, that makes Malaysia an attractive place for foreign firms to do business. In fact, *Cyberjaya* is considered one of the top three destination for business support and outsourcing in the world. (www.worldfinance.com)

Other initiative – the high-tech priority in economical transformation – is the so called 'Multimedia Development Corporation'. The focus on technology starts early, in the pre-educational phase. The government earmarked for 2014 to rise the ratio of computer per students to a ratio, where one device is available for every five students. (www.theguardian.com)

Foreign Direct Investments (FDI) are playing an important role in the technological driven Malaysian economy, as it is the main source for investments, technology transfer and building export possibilities. According to *The Eleventh Malaysian Plan* [2016 p2-6], between 2011 and 2014 a total of RM139 billion (32,5 million USD) of FDI was recorded, with Japan, Singapore, the Netherlands, being as main contributors. According to the Federal Government fiscal policy, there is also a strong emphasize on developmental expenditures. In the period of the 11th plan, the importance of innovation and technology, as well as development of intellectual capital, and also productivity improvement will remain in focus for further development. The openness and commitment can be also traced in financial assistance system, which was totaling up to RM495,2 million (USD 115,7 million). 760 local, settled by *Bumiputeras*, small and medium enterprises in developmental and growth stage was financed by the *Malaysian Technology Development Corporation* (MTDC), *Malaysia Venture Capital Management Berhad*, *Malaysia Debt Venture Berhad* and *Multimedia Development Corporation* (MDeC). (www.epu.gov.my/a)

The programs turned so successful, that in 2012 *Malaysia's* technology and innovation industry was appointed as the most buoyant among Southeast Asian countries. (www.insidinvestor.com p70) As it will be demonstrated later, the success goes back not only to the governmental fiscal politics, but also the educational and supporting frames, to the one, which is represented by the city of *Cyberjaya*, the *Silicon Valley of Malaysia*. (www.insidinvestor.com p72)

As for infrastructural indicators – however country is playing an important role in the ITC sector – Malaysia is doing not exactly well in all fields. This is one of the countries, where, for example 4G networks are not available. (Open Signal Survey 2016) According to the *Internet World Stats*, the number of Malaysian Internet users was a little bit more than 21 million inhabitants in 2016 summer, which means, that there is a coverage of 68%. (www.internetworldstats.com) The rate looks probably low for the first look, but Malaysian government places more priority on the provision of connectivity to, as many areas as possible, in the entire country, than focus more on Internet speed compared to the number of areas that are given service coverage. (www.themalaymailonline.com)

5. Economy-related factors

Setting a business in *Malaysia*, or in any other countries, could be influenced highly by the economic factors, which will represent indicators and trends, as inflation rate, (un)employment rate, fluctuating currency exchange rates, changing interest rates, taxes, fees, and costs of doing business. The economic environment contains aspects dealing with individuals' capacity to obtain products or services given the set of economic conditions. Analysts must properly assess how consumers will react when there are changes within the environment and how their firm should adjust their strategy to remain competitive given the circumstances.

To be able to understand trends and processes on the market and the influencing indicators, it is inevitable to get to know the country's history in a brief. The country got independent in 1967, so the rapid growth can be traced since that date. In the period between 1965-1984 there was a broad diversification, which sustained rapid growth because of both foreign and domestic investments in manufacturing. Within the 70's, there was a dramatically growth, which continued with a growth of 13% in the petroleum sector. In the 1970s *Malaysia* was one of the world's largest producer of tin, rubber, palm oil. During the world recession (1981-82) GNP fall because of foreign debts. But after the recession the further diversification of the manufacturing sector helped to renew growth, as it aimed not to be so dependent on export. This further diversification resulted, that areas as tourism, real estate, export in electronics devises, technology services were encouraged too, which attracted into the country investments. From the 90's, the government altered policies due to size of the public sector deficit and growth of foreign debts.

Economic Transformation Program (ETP) Malaysia has to attract total investments worth RM 1.4 trillion during 2011-2020. (www.pemandu.gov.my p20) Private investments (92%) and the rest through the public sector (8%). In private investments, 73% from Domestic Direct Investments and 27% from Foreign Direct Investments. Mostly into services and than manufacturing (it is more than 80% of all the investments). Most important category in the consumer price index are Food and beverages (non-alcoholic), with 30% of total weight, housing, water and electricity, gas and other fuel (23%), transport 15%, communication 6 percent, recreation and culture 5%, furnishing, household equipment and routine household maintenance 4%. (www.issuu.com p60)

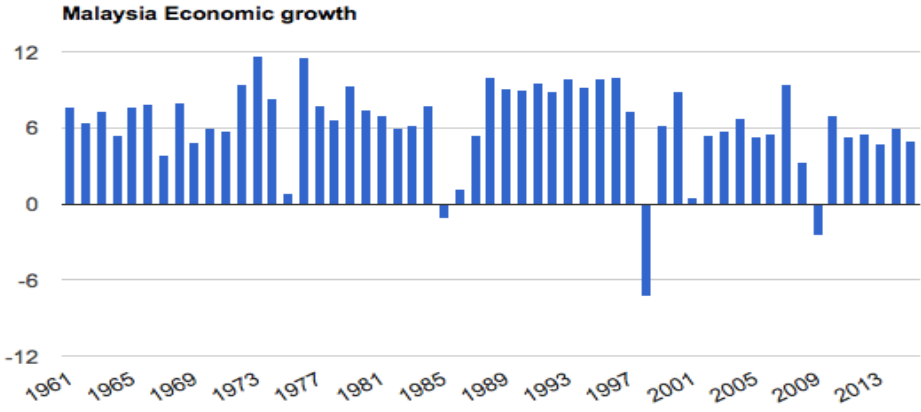
Ongoing economic reforms have enhanced *Malaysia's* competitiveness. The economy is highly open and leading exporter of electrical appliances, electronic parts and component, palm oil and natural gas. *Malaysia* is number 19 according to the *IMD World Competitiveness Yearbook*, with a performance of 83,048% - where *Hong Kong* represents the 100%, *Switzerland* 98,018%, while the *USA* 97,88%. According to *Heritage* – which is a scientific institution measuring *Index of Economic Freedom*, including economic freedom scores and macroeconomics data for 186 countries, cross-country comparisons and highlight economic freedom matters – trade is extremely important to *Malaysia's* economic, as the value of exports and imports taken together, equals 134% of GDP. (www.heritage.org) The average

applied tariff rate is 4,4%. The index further ascertainment is, that investment in some sectors is restricted and state-owned enterprises distort the economy. The financial sector continues to grow, and its competitiveness is increasing. Supervision of banking has been strengthened, and measures to liberalize capital markets have progressed. Most important export partners of *Malaysia* are *Singapore* (14,2%), *China* (12%) and *Japan* (10,8%). (www.matrade.gov.my/a) As for import, most of the good (16,9%) arrives to *Malaysia* from *China*, *Singapore* (12,5%) and *Japan* (8%). (www.matrade.gov.my/b)

The economy itself is vibrant. Over the last 10 years, economic growth was around 7%. Therefore, retailers also appeared because of vibrant economical life during the last years, with a results, that retailers, like Tesco, IKEA or Carrefour, as well as all international textile traders, for example *Inditex Group* appeared in the country. The economic indicators are also demonstrative and convincing, especially taking into consideration the improving trends.

In the followings, the most important economic indicators will be presented. Data collection was made by *Global Economy* (www.theglobaleconomy.com/a) According to the World Bank, between 1961 and 2015 the average value of GDP was 6.35%, with a peak of 11,71% in 1973 and with a minimum of -7,36% in 1998. During the last decade, GDP is not growing as rapidly as before the millennium, but still, *Malaysia* is doing well. With an expansion of 4,97%, *Malaysia* was ranked as 36 on the *World Bank's* list, situated just before *Luxembourg*, the *Czech Republic* and *Iceland*. *Malaysia* is expanding fast during the last years. The GDP trends in *Malaysia* are represented on *Figure 1*. Per capita GDP is about RM38.830, which is approximately 9.100 USD.

Figure 1 – GDP trends of Malaysia



Source: www.theglobaleconomy.com/a

As for the Customer Price Index, *Malaysia* is doing better and better from year to year: there are only a few years of the last 65, when it was lower then nowadays. However, there was a slight increment in inflation rates during last years, according to the World Bank, with a value of 2,1%, *Malaysia* was ranked on the 51st spot. The reason for the average inflation rate could be delivered from value of the capital investment as percent of GDP: the average value for *Malaysia* during the last 65 years was around 26,2%, during the last 5 years (2010-2015), the values are respectively 23,19; 25,75; 25,95; 25,02 and 25,09. (www.theglobaleconomy.com/b)

The country's goal is to be an advanced nation by 2020, where there is general well-being. *Human Development Index*, the indicator of long and healthy life, knowledge, and a decent standard of living, which also represents the development of a country not only according to the ultimate criteria of economic growth, is slightly deficient in case of *Malaysia*, but there is a continuous development in the value of the index, peaked 2015 with 0,789. With this value, *Malaysia* is ranked 59. But if the trends are compared, since the millennium, in case of *Malaysia*, there was an improvement of 9,7% of HDI. However, the household consumption in *Malaysia* became 160,3 USD from 63,42. With this almost 200% expansion, *Malaysia* is still only on the 37th place worldwide. (www.theglobaleconomy.com/c)

Other important indicator of the economy is the total number of labor force and the unemployment rate. Comprehensive analysis is indicated in *Table 2*. As it is recognizable, the average rate of unemployment in *Malaysia* is 3,28%, which means about 500.000 unemployed. During the last two years, this data is somewhat over long-term average, but still *Malaysia* is between the best 30 in case worldwide. There was a visible change around 2010 in the number of participants on the labor market. According to the interviewees, the boom happened because governmental policies and improvement in entrepreneurial development support.

Table 2 – Indicators concerning Labor force in Malaysia (2010-2015)

	Labor force (m)	Unemployment rate	Labor force participation	Age dependency
2001	9,73	3,5%	63,01%	61,37%
2010	12,22	3,4%	59,81%	47,81%
2011	12,73	3,1%	60,86%	46,93%
2012	13,22	3,0%	61,86%	46,33%
2013	13,83	3,1%	63,25%	45,40 %
2014	14,11	2,87%	63,24%	45,02%
2015	14,4	3,1%	63,31%	44,74%

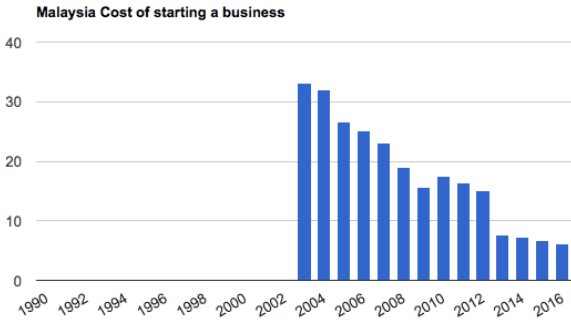
Source: www.theglobaleconomy.com/d; www.theglobaleconomy.com/e

The capital of Malaysia is Kuala Lumpur – locals refer to it as KL – and the currency is ringgit (RM). The exchange is like 1 RM=64,80HUF, or 1USD=4,28RM. (www.x-rates.com) Main industries are rubber, palm oil processing and manufacturing, as well as mining industry. Main business partners are *Singapore, China, USA, Japan, Thailand, Hong Kong, India, Australia* in case of export, while *China, Singapore, Japan, USA, Thailand, Indonesia, South Korea* in import. The total value of export in 2016 was RM785,93 billion, while the value of import is RM 696,85. (www.matrade.gov.my/a) The most important export products were electrical and electronic products (36,6%), chemical products (7,5%), petroleum products (6,9%), palm oil (5,3%), machinery, equipment and parts (4,8%), manufactures of metal (4,2%), LNG (4,1%), optical and scientific equipment (3,7%), crude petroleum (2,8%), rubber products (2,6%). The distribution of the exported products exemplifies, that electronical products play an important

role in the economy and underline the existence of a well-developed IT-based start-up system, as interviewees appointed.

As the goal of this study is to introduce *Malaysia* and give some insight to the entrepreneurial mindset and circumstances, the indicator introducing the cost of starting a business is also relevant. The *World Bank* determine this indicator in percentage of GDP per capita, which is available in *Malaysia* since 2003. As it is indicated on *Figure 2.*, the cost of starting a business is continuously reducing in *Malaysia*. In 2003 it was 1/3 of yearly income, which contribution was reduced to 6,2% of GDP per capita for 2015. As one of the interviewees pointed out, this is also an indication of conscious, enterprise-building governmental policy.

Figure 2 – Cost of starting a business in Malaysia (2003-2015)



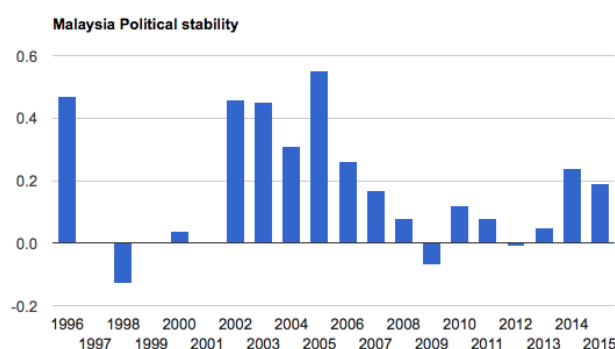
Source: www.theglobaleconomy.com/f

In international comparison, *Malaysia* with this contribution is somewhere in the middle of the field, however, ranks as the 115th most expensive on the total list of 184 countries. According to one of the interviewees, this amount is rather misleading, as there are quite significant differences between setting different type of businesses.

6. Political-related factors

Malaysia is a federal constitutional monarchy and a multi-party democracy country. The ruling *Barisan* national party has been in power over 25 years, with a results of high degree of stability, as an important influencing factor in international business. According to the *World Bank* the index of *Political Stability and Absence of Violence/Terrorism* – which measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism – is 0,19 on a scale from -2,5 to 2,5. (www.theglobaleconomy.com/g) However, interviewees pointed out, that politically, the country is stable, during last last years, there was some fluctuation in the index, see *Figure 3*. The head of the state is the king. Currently *Sultam Muhammad V of Keletan* is ruling. He was selected in December 2016, as there is a quinquennial exchange in the dominant personal, and he was intercalating at the end of April, 2017. Interviewees could colligate the last nadir with the previous change of the head of the state.

Figure 3 – Index of political stability in Malaysia (1996-2015)



Source: www.theglobaleconomy.com/g

Corruption does exist in *Malaysia*, which can accrue as a barrier in international business. *Transparency International* ranks *Malaysia* on the place Nr. 55 of 176 countries. The trends show, that corruption is increasing, as previous data from 2012 to 2015 in time order were 49, 50, 52, 50 (www.transparency.org).

The legal system is based on British common law, although Islamic law is applied to Muslim population. The British law system is ideal and advantageous for firm investing as the law is familiar to Western European. But there are also differences: death penalty and flogging are still widely used alongside *Malaysia*.

There are certain indexes and indicators for representing political status and stability. As it is visible from *Table 3*, there is a case of some indicators, there are quite rapid changes.

Table 3 – Summary of indicators of Governance and political system in Malaysia (2010-2016)

Name of index	Value 2000	Rank 2000	Value 2010	Rank 2010	Value 2013	Rank 2013	Value 2016	Rank 2016
Rule of Law*	0,31	70	0,53	62	0,47	63	0,57	52
Government effectiveness**	1,05	33	1,13	33	1,01	38	0,96	43
Regulatory quality***	0,52	57	0,60	53	0,65	49	0,77	47
Corporate tax rate	n.a.	n.a.	25	61	25	62	30	21
Personal income tax	n.a.	n.a.	26	62	26	72	28	51
Commercial tax rate	n.a.	n.a.	33,90%	111	39,10%	89	40%	82
Number of taxes	n.a.	n.a.	12	130	13	128	13	123

* The index for Rule of Law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence, , scoring from -2,5 to 2,5.

** The index of Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies, , scoring from -2,5 to 2,5.

*** The index of Regulatory Quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development, scoring from -2,5 to 2,5.

Source: according to www.theglobaleconomy.com/h,l,j,k,l,m,n

For example corporate tax rate was increased with 5% during the last years, while total number of taxis staying about the same during the last 10 years. Self-assessment system is applied for all taxpayer on a yearly basis with two main types: direct (income-, real property gains-, petroleum income taxes) and indirect (excise-, import and export-, stamp duty, goods and services Tax). The taxation system is territorial in scope. All income accrued in, derived from or remitted to Malaysia is liable to tax. However, income of any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) derived from sources outside Malaysia and received in Malaysia is exempted from tax. (<https://globalconnections.hsbc.com>)

7. Summary

However, there is no common understanding about the characteristic of the Malaysian entrepreneurial life, it could be stated, that it is continuously developing. The background of the development is on the one hand the support of the government and its policy with the nations wide Blue Ocean strategy, on the other hand the driving force of multiculturalism.

The surrounding – as governmental, institutional, legal and economical – system is congruent supportive. On the one hand government in terms of facilities and support could be mentioned in a positive meaning, but not really in financing. On the other hand, private initiatives could be judged as supportive and successful. Entrepreneurial surrounding in Malaysian context is supportive and positive, too, but maybe not equal, more supportive to people of one community than other. As for newly settled enterprises, the government is also rather adherent with several structured – like formal educational based, university driven programs and courses – as well as non-structured – like accelerator and incubator – programs are offered. This conducive to the boost in entrepreneurial ventures. However, the willingness to be an entrepreneur is differing from cast to cast – depending on multiculturalism – generally the population is open and diverse enough for further development.

To get to know supporting infrastructure, mindset and entrepreneurial development programs of private and governmental initiatives – as *Malaysian Global Innovation and Creativity Centre (MaGIC)*, the operator of the first cyber city of *Malaysia (Cyberview Sdn Bhd)* and *Multimedia Development Corporation (MDeC)*, responsible for Digital Malaysia Program – and also several, in Malaysia widely used good-practices, could highly and positively effect other countries entrepreneurial efficiency and could also outline the direction and frames of a successful and efficiency-driven entrepreneurial ecosystem.

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