

Ethnic Entrepreneurs in Malaysia: Motivations and Challenges

Siti Daleela Mohd Wahid ^a, Shafinar Ismail ^b, Suhaimi Mohd Sarif ^c

^a *Universiti Teknologi MARA, Melaka, Malaysia..*

^b *Universiti Teknologi MARA, Melaka, Malaysia..*

^c *International Islamic University Malaysia..*

Abstract

There is a growing number from 1,002,000 to 1,169,000 (2010 to 2014) of ethnic entrepreneur's involvement in Malaysia especially in small business activities. It is also estimated in 2015 that 6.7 million ethnic entrepreneurs concentrating in all walks of economics activities in the country. Some of them coming as an under-skilled migration, however, ending up with started up their own businesses as jobs opportunities were found to be hard for them. Moreover, certain businesses are changing hands from the local owners to ethnic owners. While this issue has been discussed, unfortunately, only few the study attempts to understand the motivation and challenges of ethnic entrepreneurs that help to promote the economic growth. Therefore, the objectives of this study are twofold: (1) To explore the motivational factors faced by ethnic entrepreneurs (2) To understand the challenges they might face in Malaysia. To serve its objectives, a qualitative method is needed to be employed. A semi-structured interview will be conducted among the ethnic entrepreneurs (owners/managers of businesses) to document their views towards the ethnic entrepreneur's motivation and challenges. The practical implication is contributed to the literature review of ethnic entrepreneurship and reviewing the Industrial Relations Act 1967 and Employment Act 1955 to ensure the law is in line with needs of local and foreign employees-employers, as well as the needs of an industrializing nation's workforce.

Keywords: Challenges, Ethnic Entrepreneurs, International Immigrant, Malaysia, Motivations.

1. INTRODUCTIONS

It is commonly agreed that international migration is as old as human history. This international migration is continuing to redefine and reshape the belief of nation as well as the daily life of many people. Not to surprise, the presence of this minority group in the host country manages to change the whole culture of the nation. In Malaysia, there is a growing number of ethnic entrepreneurs' involvement in small business activities. The number had increased from 1,002,000 to 1,169,000 from the year 2010 to 2014. These ethnic entrepreneurs are mainly from Indonesia, Bangladesh, the Philippines, Thailand, Pakistan and Myanmar. It is also estimated in 2015 that 6.7 million ethnic entrepreneurs are concentrating in all walks of economic activities in the country. Their presence and the establishment of new businesses, in a country usually lead to economic prosperity and job creation (Ribeiro-Soriano & Mas-Verdú, 2015; Munkejord, 2017). Some of them are said to be coming under skilled migration, however, ending up with starting their own retailing businesses as job opportunities were found to be hard for them. Moreover, there has been a noticeable circumstance that certain retailing businesses are changing hands from the local owners to ethnic owners. This is especially in grocery shops, gas stations, café and restaurants, souvenir shops, butcheries and some others.

While this business development has been discussed, unfortunately, only few of the studies focus on motivation and challenges faced by ethnic entrepreneurs to promote our economic growth. It is believed that one of the reasons Malaysia realizes its economic growth and development due to the cheap labor supplied by low-skilled workers. On the other hand, their presence as it has been argued makes Malaysia lose RM6.7 billion per month. Our country is dependent on international migrants due to labor shortages. Therefore, as the first step, we shall understand the motivation and challenge factors as to cater the emerging needs of local and foreign employees-employers. Against this trend, there is little information on their abovementioned factors in small retailing business activities. Understanding these will not only fill in the vacuum or gap of knowledge in the literature but more essentially will contribute to devise appropriate and effective strategies.

2. LITERATURE REVIEW

Globalization has made the world flat. The ethnic entrepreneurship activity is increasing as many ethnic entrepreneurs move to Europe, United States and recently to Asia. Nominated as one of the most economically progressive countries, Malaysia is being aimed to be the host country for many ethnic entrepreneurs. Malaysia is battling to be a developed nation by 2020. To gain the battle, the Malaysian Government has been employing appropriate incentive policies to attract foreign investors and entrepreneurs' knowledge and wealth. On top of that, Malaysia seems to be the focal point of the migrant search for better work opportunities. The development of international migration is not a new phenomenon in Malaysia. Historically, Malaysia has received foreign workers since the beginning of the 20th century, when the British colonial government introduced liberal immigration policies. This phenomenon has become a part of the economic and social development process. Because of these policies, many foreign workers especially from China, India and Indonesia brought in the sector farming, café, retailing, gas station, grocery shop, construction, mining and administrative (Ahmad et al 2014)

There are numerous reasons to understand this minority group. Firstly, the creation of new jobs. The new businesses have helped many ethnic entrepreneurs to benefit from job opportunities there by helping to reduce the barriers for people searching for jobs (Kloosterman & Rath, 2003). In addition, it can increase the quantity and quality of goods and services produced. Hence, people in the host countries can enjoy from a variety of goods and services provided by ethnic entrepreneurs. Secondly, diversification of culture gives new insight for people to appreciate other's culture. Moreover, ethnic entrepreneurs can increase the consumption habits of people and produce large amounts of goods and services to meet up with the increase in consumption (Grilo & Thurik, 2004). Therefore, it is significant to appreciate and comprehend the ethnic entrepreneurship in a broad field. As the ethnic entrepreneur has

sparked interest from many parties (e.g. academician, policy makers), understanding this minority group is not an easy task. Moreover, according to Baycan-Levent et. al. (2002) the motivation and challenges for ethnic entrepreneurs is among the rising topic to be discussed. To date, how far the motivational and challenges factors lead to successful ethnic entrepreneurs in Malaysia is still limited. Therefore, the next section will be discussing in detail on the factors.

Ethnic Entrepreneur

The notion of entrepreneurship started to be viewed differently when the prominent entrepreneurship Gurus; Schumpeter and Kirzner introduce the theory of Schumpeter (1965) and theory of Kirzner (1973) respectively. In Schumpeter's theory, he has defined entrepreneurs as individuals who exploit market opportunity through technical and/or organizational innovation. In contrast, Kirzner claims the entrepreneur should initiate a process of discovery profit opportunities in the marketplace. Their viewpoints create agreement and argument among the scholars. Some like Hisrich (1990) and Bolton & Thompson (2000) were among the scholars that mentioned entrepreneur should sit in between these two theories. Later, Onuoha (2007) defined entrepreneurs as individual who should practice of starting new organizations or revitalizing mature organization, in response to identified opportunities. Therefore, in this present study, we believe, entrepreneur is a person with entrepreneurial traits (e.g. initiative, creative thinking, risk taker, innovative) able to recognize opportunities to turn resources and situations to practical account.

In this present study, ethnic entrepreneurship is recognised as a part of entrepreneurship. Previous study mentioned the term ethnic entrepreneurship, immigrant entrepreneurship, minority entrepreneurship, international migrant entrepreneurship gives similar meaning and definition (Munkejord, 2017; Chaganti and Greene, 2002; Waldinger et al, 1990). This current study used the term ethnic entrepreneur as refers to a set of interaction among people sharing similar national background or migration experiences. Moreover, ethnic entrepreneur refers to the entrepreneurial activities made by the migrants (e.g. starting a venture or engaging in self-employment) (Chaganti and Greene, 2002). Creating jobs then helps to reduce unemployment among immigrants as well as the society's in the host countries.

Motivation Factors

There are many Gurus in expounding the idea of motivation. Among the earliest were Mc Chelland (1961) and Rotter (1966). These prominent scholars have introduced the Theory of Need to Achieve (Mc Chelland, 1961) and the Locus of Control Theory (Rotter, 1966). As closely relate to entrepreneurship field, the theory by Mc Chelland identify those individual with high need to achieve are those who will solve the problem on his/her own. In this present study, it is believing that ethnic entrepreneurs are thought to have strong need for achievement after migrating to a new country, and are more likely to become entrepreneurs (Maritz, 2004). Shifting to Rotter's theory of locus of control; it can be categorized as internal and external control. Internal control refers to control over individual own life that lead to the individual's behaviour. External control refers to the actions of other people, luck, fate or chance. A successful entrepreneur usually has internal control expectations whereby they are willing to absorb new things and motivate themselves instead of blaming others for their results. Here, we can say, ethnic entrepreneurs who have migrated to a new country show the characteristics of internal control necessary for entrepreneurship. As we can see, migrants are more determine, strong and independent (Maritz, 2004). According to Robichaud et al (2001), their findings in studying the North American entrepreneurs have categorized four groups of motivational factors namely: Extrinsic rewards, Independence, Intrinsic rewards and family security. Meanwhile, Wang et al (2006) did a study in Western Australia among the small business owners identified seventeen antecedents under four different groups which are includes: personal development, financial work and family-related and flexible lifestyle. More interesting, Kirkwood (2009) did a study on entrepreneurs in New Zealand and mentions that there are four key

drivers influencing the entrepreneurial motivation. The drivers include: Desire to be independent (Cassar, 2007), monetary gain (Alstete, 2003), work-related factors (e.g. unemployment, redundancy, lack of job prospects) (Dobrev & Barnett, 2005) and family-related factors (Kirkwood, 2009). Later, Kirkwood narrow the category of motivational factors into two key drivers and lead to the development of Pull & Push Theory. The factors related to work and family are mostly considered as push factors, while factors like independence and monetary gain are categorized as pull factors (Kirkwood, 2009). The next section, we will discuss the challenges faced by the minority segment in Malaysia.

Challenges

Forming a new venture is not an easy task for ethnic entrepreneurs. There must be several difficulties and challenges that they must face in the early start-up. Krieger (2011) claims all potential or existing entrepreneurs regardless of their ethnic origin shared similar and common barriers and challenges. The most pressing problems are access to finance, access to support services and knowledge of such services, language barriers, and limited business, management and marketing skills (Krieger 2011; Ribeiro-Soriano & Mas-Verdú, 2015). These barriers and challenges that being faced by the minority segment would be different as according the level of generation (e.g. first generation, second generation, born in host country). Particularly the first generation of ethnic minority entrepreneurs often start in markets with relatively low entry barriers; small capital and under-skilled requirements. Besides, they operate in a competitive environment where price is the main parameter. There are some ethnic minority businesses rely informal networks for obtaining information and assistance. This is partly due to lack of integration into society and a resulting lack of knowledge and lower familiarity with the business culture and the administrative environment (Ribeiro-Soriano & Mas-Verdú, 2015).

3. METHODOLOGY

Qualitative research has become increasingly important modes of inquiry for the social sciences. In the current study, researchers are more interested in obtaining information on 'how things happen' and 'how results are produced' (Creswell, 1994). To accommodate participants' communication styles, we will conduct the interviews in English. Besides that, we have validated the transcripts by sending them to select participants at this stage. Permission was taken for audio taping before the interview begins to ensure that none of the evidences is overlooked. Most interviews were lasted approximately 30 minutes.

The target population is the ethnic entrepreneurship in small retailing businesses mainly in the capital city of the state in Malaysia of the who will consist the owners/managers of businesses. To meet the research aim, this study employed the simple random sampling technique to carry out the interview. For this purpose, the small retail businesses were chosen from the sampling frame representing the population are grouped into three broad criteria derived from their business operation. These are as follows:

- I. The businesses will be selected when they fulfil the criteria of small retail businesses (employing less than 200 employees) and employ a regular basis operational activity.
- II. The respondents who will took part in this study comprised two categories including business owners and managers only.
- III. The respondents of being managers, they are working as the full-time employees in the respective enterprises, and who are familiar with day to day running of the business operations and related activities.

Fundamentally, determining the sample size depends on many aspects such as population size, time and cost, analyzing suitability and so on. As this research used NVIVO software to employ content analysis; NVIVO plays a key role in getting more qualitative research published as it facilitates a rigorous analysis.

4. RESULTS AND DISCUSSIONS

None of the interviewee approached decline to participate in the interview. All the participants were asked similar questions that helped in identifying the key factors for the proposed model.

Participants Profile

In table 1 below, it shows the participant's profile for this study. Participant 1 is origin from Pakistan and had a carpet business, Participant 2 is from Palestine and run a restaurant which is an Arabic food, Participant 3 and Participant 4 both had a restaurant and from Syria and Jakarta respectively, and lastly Participant 5 who came from Pakistan and had a clothing business. All the participant had run the business in Malaysia more than 5 years. They were asked on what factors that motivated and challenges they had faced as some ethnic entrepreneurs.

Table 1: Participant's profile

Participant	Origin	Business Type
1	Pakistan	Carpet
2	Palestine	Restaurant (Arabic Food)
3	Syria	Restaurant
4	Jakarta	Restaurant
5	Pakistan	Clothing

Motivations Factor

Participant 1:

My brother and sister-in-law motivate me through money and encouragement to run the business..

Participant 2:

... started in small business by selling charcoal then hookah, then expand the business due to family influence and encouragement since the product become well known ...

Participant 3:

My family motivate me to continue my father's business in order to improve my family lifestyle..

Participant 4:

...One of the factor is like the money. Besides, I like to promote Indonesian food, especially East Java food in a good taste to Malaysian people...

Participant 5:

One of the factors that made me wanted to start this business because of my own interest. The reason made me wanted to open this business here in Malaysia is because Malaysia is a peaceful country which is good for business activities...

Challenges

Participant 1:

..Don't have any challenges or difficulties due to the business I took over the business from my sister-in-law..

Participant 2:

Huge number of customers and they seek for lower price and also the way to start business when come to Malaysia with nothing...

Participant 3:

The challenges that I faced when starting business in this country are how to introduce Arabic foods to local people and having difficulties to import the raw materials from Syria...

Participant 4:

...The difficulties that I face is I take almost 1 year to get the acceptance from Malaysian people about the real taste about this 'ayam penyet'...

Participant 5:

...In starting up this business in Malaysia, I had faced difficulty in starting this business in terms of money. Currently, im also facing the same problem in this business which is money. Most of the business here are about to collapse due to the currency and GST in Malaysia. People buying power is very low. Moreover, the cost of buying here are also very high.

5. IMPLICATIONS AND RECOMMENDATIONS

It can be argued that numerous studies from the field of ethnic entrepreneurship give less attention to the reasons why migrants cross borders; most of the available literature is borrowed from the field of sociology. This could give a room for future direction in discussing this field. Although this article contributes to the impact of ethnic entrepreneurs especially in Malaysia, it has several limitations that need to be identified. A longitudinal study setting is proposed to be done to have better understanding on motivation and challenges among ethnic entrepreneur in Malaysia. Secondly, this study should have employed survey questions as to confirm the factors accordingly. Next, future research also can explore others variable like personal influence, role of family member and resilience of ethnic entrepreneurship that influence ethnic entrepreneurial activities in Malaysia.

6. CONCLUSIONS

Ethnic entrepreneurship plays vital roles in our economic development. Their presence, role, and contribution to the establishment and growth of new businesses, in Malaysia usually leads to economic prosperity and job creation. If they are successful, ethnic entrepreneurs can create jobs for others as well. This can benefit relatives, friends and many more (Waldinger, 1986). This paper aims to have an overview of the motivational factors and the challenges that they had faced as an ethnic entrepreneur in Malaysia. The interview was conducted successfully for (5) selected ethnic entrepreneurship from different sectors. The entire entrepreneurs have involved in entrepreneurial activities in Malaysia for more than 5 years. Based on the interview conducted, it can be concluded in terms of motivations, three out of five respondents were motivated due to push factors (e.g. work and family related causes). This finding is in line with Kirkwood (2009) who indicate immigrants who have migrated to a new country has been strongly influenced by the family members. Meanwhile, the ethnic entrepreneurs also faced challenges. In this present study, the ethnic entrepreneurs operate a business in a competitive environment where price is the main parameter. Krieger (2001) stated that there are no specific problems that ethnic entrepreneurs faced in detail but in Malaysia the most pressing problems are access to finance.

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