

Indigenous (“Bumiputera”) Malay Entrepreneurs in Malaysia:

Government Supports, Entrepreneurial Orientation and Firms Performances

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Abstract: The research examines entrepreneurial orientation (EO) in Indigenous or Bumiputera entrepreneurs (Malay firms) by taking government supports as the antecedent. This construct is used to explain the influence of entrepreneurial orientation (EO) and its consequence towards firm performance.

Design/methodology/approach

Multiples Linear Regressions (MLR) analysis was conducted to test the hypothesis on surveyed firms selected from the current available list given by MARA (the government agency for Indigenous or Bumiputera SMEs). The specific research question is: Does the relationship between government supports received by entrepreneur and firm performance is mediated by entrepreneurial orientation (EO)?

Findings

In Malay firms, the relationship between government supports with firm performance was not mediates by entrepreneurial orientation (EO). However, the construct is significant as predictor towards firm performance.

Practical implications

This research provides a better understanding of the indigenous entrepreneurs for policy makers, NGOs, business support organizations and the indigenous entrepreneurs themselves particularly in planning or utilizing government supports programmes.

Originality/value

The impact of government supports towards firm performance observed in Malay firms is unique to the paper. Our studies provided the empirical test in understanding indigenous entrepreneurship in Malay firms in Malaysia towards developing a more holistic entrepreneurship theory.

Key words: Entrepreneurial Orientation (EO); Government Supports; Indigenous Entrepreneurship

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BACKGROUND OF THE STUDY

Entrepreneurial Orientation (EO) has recently been recognized as one of the most important factors for a firm's growth and profitability. Research has shown that high growth correlates with a firm's entrepreneurial orientation (Stevenson & Jarillo, 1990). Hence, growth can be associated with innovativeness, pro-activeness and risk-taking behavior of the firm, which refers to an entrepreneurial orientation (EO) dimension. The correlation between the entrepreneurial orientation (EO) of the firm and its performance has been widely discussed, conceptually (Covin & Slevin, 1991); Lumpkin & Dess, 1996) and empirically (Wiklund & Shepherd, 2005; Covin & Slevin, 1989; Lumpkin & Dess, 2001). However, a lot of questions remain unresolved (Moreno & Cassilas, 2008). Given the competitive conditions faced by firms in today's global economy, EO-performance relationship is multidimensional constructs as suggested by Lumpkin and Dess (1996). Further research to redefined measurements, exploring the underlying processes related with entrepreneurial activity and recognizing multidimensional nature of entrepreneurial orientation (EO) will contribute to the greater understandings of entrepreneurial orientation (EO) and its relationship towards firms' performances.

Family firms play a significant role in a country's economic growth through new business venture creation and expansion of existing firm. Some statistics show that these types of businesses contribute up to 64% of the U.S gross domestic products (GDP) and occupy 62% of its' workforce (Astrachan & Shanker, 2003). Globally, half of the world's workforce and over half the world's GDP are contributed by family businesses (Morck & Yeung, 2003; Heck & Stafford, 1999). For instance, family businesses construe 84.4% of all manufacturing companies in Germany in 2002 (Kayser & Wallau, 2002). Furthermore, a report by Anderson and Reeb (2003) stated that family businesses represent 34% of the companies listed on the Standard & Poor's 500. Specifically, 18% of the outstanding equity in those firms is owned by the founding family. A majority of the firms are extremely big. These include large firms such as Walmart, Sainsbury, Parmalat, Fiat, BMW, Betchel, Samsung, Carrefour, and Gallo.

Besides identifying the influence of culture on entrepreneurial orientation (EO), Lindsay (2005) described research on "indigenous entrepreneurship" as being at a developing stage. "Indigenous" can be defined as the original owners of a country's resources. This suggests another perspective of looking at what is offered by mainstream entrepreneurship theory and further study is needed to understand it. Most research into entrepreneurial attitude focuses on non-indigenous entrepreneurs even though there are more than 500 million indigenous people in the world (McCline, Bhat, and Baj, 2000). Indigenous entrepreneurship is increasing rapidly as indigenous people attempt to improve their socioeconomic status and personal lives. Culture is important to Indigenous people (Anderson 1999; Anderson et al., 2004; Foley 2003; Hindle and Lansdowne, 2005) and culture affects attitude (Baskerville, 2003) including their tendencies toward new venture creations. In relation to that, a lot of programmes have been organized by various governments and government bodies to help the indigenous entrepreneurs which include the launching of political reforms and economic development and entrepreneurship programs, training and educational activities (Morrison et al, 2006; Manyara and Jones, 2007). Besides that, the programmes have been supported by the establishment of state institutions, training centres, as well as private consultancy firms that enhances the development of human resource management and entrepreneurial activities.

Although the study of entrepreneurial orientation (EO) on family firms has been a growing concern in recent years, gaps in the canon of literature still remain. Therefore, this research aims to fill this research gap by analyzing the antecedent and consequence of entrepreneurial orientation (EO) in Malay family firms in Malaysia. This research examines entrepreneurial orientation (EO) in Indigenous entrepreneurs (Malay family firms) by taking government supports as an antecedent. This construct is used to explain the antecedent that influences the entrepreneurial orientation (EO) of the firms and its consequence towards firm performance.

PROBLEM STATEMENT

Looking at the Malaysian context, the promotion of Indigenous or Bumiputeras (Malay) into trade and industry is often seen as a socioeconomic initiative engineered by the Malaysian government. The respective policies under the New Economic Policy (NEP) and National Development Policy (NDP) sought

to enhance and intensify the participation of Indigenous or Bumiputera economic and business ventures. The NDP and its predecessor, the NEP, are public policy instruments formulated to promote Indigenous or Bumiputera general economic well-being which was incorporated in the Malaysian government's five yearly economic plans since 1970. The NEP which lasted for twenty years, however, did not meet its objective of managing 30% economic equity shareholding by Indigenous or Bumiputera. According to the Outline Perspective Plan II (OPP II), 1991-2000, Indigenous or Bumiputera ownership of share capital, which was 2.4% in 1970, had increased to only 20.3% in 1990 (Seventh Malaysia Plan, 1996). There is a shortfall of the target by almost 10%. However, non-Indigenous or non-Bumiputera (mainly Chinese) ownership of share capital had increased from 32.3% in 1970 to 46.2%. In 1995, the Indigenous or Bumiputera equity ownership has marginally increased to 20.6%.

The NEP, expired in 1990, was replaced by the NDP which continued the main policies of the NEP. Although called by a different name the NDP seek to provide continuity of policies espoused by the NEP (with two primary agenda of eradication of poverty and restructuring the society so that no particular race is identified with economic function). The NDP however, is more specific in providing emphasis for the creation of an Indigenous or Bumiputera Commercial and Industrial Community (BCIC) which promotes Indigenous or Bumiputera involvement in business and commercial sector.

However, it was widely acknowledged by the government and the Indigenous or Bumiputera Business leaders and intellectuals that the policies have not succeeded as targeted. There were even fears among the community that, whatever little that has been achieved, after more than 20 years, may be lost again. Facts and figures from the Seventh Malaysia Plan seemed to suggest that the Indigenous or Bumiputera economic achievement is not a lasting proposition based on current policies. It can probably be argued that more than public instruments are required to help overcome Indigenous or Bumiputera economic malaise, and for funds spent, for results that do not compensate the efforts of the government policies in increasing Indigenous or Bumiputera economic status. It was reported that from 1966 to 1990, MARA (Council of Trust for the Indigenous or Bumiputera of Malaysia) provided about RM600 million loans to an estimated 108,000 small and medium-sized business enterprises Omar (2006). Further information revealed that only 10% of the borrowers were seriously committed to repaying back their soft loans while the rest were in arrears or avoided paying back altogether.

Inevitably, public policies that have been set in place to foster Indigenous or Bumiputera business participation in the Malaysian context have seen a limited success. Could it be a problem in structuring in public policies, or is it an implementation problem? Or is it simply that the Indigenous or Bumiputera community does not have the economic and cultural structures required for business?

All these point to the fact that the issue of entrepreneurial orientation (EO) in Indigenous or Bumiputera family firms is a relevant and under-researched topic and the antecedents of the entrepreneurial orientation (EO) have an effect on the firms' performance. As entrepreneurial orientation (EO) contributes to innovation in the firms, there is reason to suggest that there could be a positive relationship with firm performance.

LITERATURE REVIEW

Entrepreneurial orientation (EO) has been recognized as one of the important factors for firm's growth and profitability. High growth has been related with a firm's entrepreneurial orientation (EO) (Stevenson & Jarillo, 1990). Thus, growth tends to be a result of innovativeness, pro-activeness and risk-taking behaviour on the part of the firm, as these are the dimensions which refer to an entrepreneurial orientation (EO). The relationship between the entrepreneurial orientation (EO) of the firm and its performance has been widely discussed, conceptually (Covin & Slevin, 1991); Lumpkin & Dess, 1996) and empirically (Covin & Slevin, 1989; Lumpkin & Dess, 2001; Wiklund & Shepherd, 2003). However, many questions remain unanswered (Moreno & Cassilas, 2008).

While a firm's entrepreneurial processes might help the chase of new entries opportunities that enhance its performance, the adoption of a strong entrepreneurial orientation (EO) is considered necessary but insufficient for wealth creation by new ventures (Covin & Slevin, 1989; Ireland, Hitt, & Simmon, 2003; Lumpkin & Dess, 1996). In order to understand the conditions under which an entrepreneurial orientation

(EO) enhances firm performance, a contingency perspective that emphasizes the importance of fit among a firm's strategic posture and other constructs of interest is needed (Lumpkin & Dess, 1996). In fact since the work of Miller (1983), previous entrepreneurship literatures have instead focused on the impact of environmental, strategic, and organizational contingencies on firm level entrepreneurship (Zahra, Jennings & Kuratko, 1999). Miller (1983) suggests the researchers, as they study firm-level entrepreneurship, to consider unique characteristics of different types of firms. A growing literature argues that family firms are very different from other firms due to the unique characteristics among individual family members, the family systems and the business system (Tagiuri & Davis, 1996). Hence, recognizing the factors that enhance or constrain entrepreneurial orientation (EO) and performance represents an important research agenda (Lee, Lee, & Pennings, 2001).

In this way, Kellermanns et. Al (2008) in their concluding remark highlighted the importance of entrepreneurial orientation (EO) study of family firms in order to understand why some family firms grow and some others are making no growth at all. Their study suggests that the entrepreneurial orientation (EO) of entrepreneurs is a key determinant of employment growth in family firms. Despite being recognized as the vital contributor of economic development, family firms still remain under-researched (Goffee, 1996). Since the 1980s one of the major weaknesses of many studies of small businesses is their "global" nature, i.e seeing all firms alike, even though obvious differences existed among them. In addition, during that time, the family firm was observed as inherently flawed; its survival depends on the replacement of family members by "professional management as quickly as possible" (Levinson, 1971). In the organizations literature, it was treated as an aberration (Davis & Stern, 1980). Family business became a field of study in its own right only recently (Lansberg et al., 1988). Today, the study of family businesses has become a major area of investigation among researchers.

Besides identifying the influence of culture on entrepreneurial orientation (EO), Lindsay (2005) described research on indigenous entrepreneurship as at a developing stage. Indigenous can be defined as the original owners of a country's resources and this would offer something different with mainstream entrepreneurship theory and further study is needed to understand it. Although there are more than 500 million Indigenous people in the world, most research into entrepreneurial attitude focuses on non-Indigenous entrepreneurs (e.g McCline, Bhat, and Baj 2000; Robinson et al., 1991). Indigenous entrepreneurship, however, is increasing as Indigenous people attempt to achieve self-determination and improve their socioeconomic circumstances. Culture is important to Indigenous people (Anderson, 1999; Anderson et al., 2004; Foley, 2003; Hindle and Lansdowne, 2005) and culture affects attitude (Baskerville, 2003) including attitude toward new venture creation and development. In relation to that, a lot of programs have been organized by the various governments to help the indigenous entrepreneurs.

Government supports for small and medium sized enterprises (SMEs) is increasing in the wealthy countries and it is based on the view that SMEs contribute to high quality employment generation and are exceptionally innovative (Parker, 2000). There is also a perception that SMEs are more flexible and responsive to the demands of consumers. This is the prevailing view held in Australia, where one of the objectives of the current neo-liberal economic policy stance is to invigorate entrepreneurial activity and promote SMEs. They are widely regarded as a critical factor to solve current economic problems including unemployment and industrial stagnation. Recognizing the strong impact of government policies on the growth of private enterprises, entrepreneurs must be able to respond appropriately to the policies enacted. Recent studies have addressed the political imperatives and strategies needed for firms to deal with the governments (e.g., Bonardi, Hillman and Kiem, 2005; Hoskisson et. Al., 2000). Overall these studies document that corporate politics in relation to governments do influence firm performance.

The relationship between entrepreneurial orientation (EO) and firm performance has become the main subject of interest in past literatures which are concerned with the positive implications that entrepreneurial processes have on firm growth and performance (Lumpkin & Dess, 1996; Wiklund, 1998; Zahra, Jennings, & Kuratko, 1999). Entrepreneurial orientation (EO) is regarded as inevitable for firms that want to prosper in competitive business environment. However, Lumpkin & Dess (1996) suggest that the positive implications of the entrepreneurial orientation (EO) on firm performance are context specific and may vary independently of each other in a given organizational context.

Although past literatures have discussed entrepreneurial orientation (EO) and family firms from various angle, as far as the social sciences as concerned there are still gaps in the literature. In fact, most of the works presented discuss the antecedents of the entrepreneurial orientation (EO) or the consequence of entrepreneurial orientation (EO) on firm growth/performance. The antecedents and consequences of entrepreneurial orientation (EO) have rarely been discussed. This research therefore, approaches the question of the nature of Indigenous entrepreneurship from the perspective of government supports. This construct is used to explain how it influences entrepreneur orientation (EO) and associated firm performance.

THEORETICAL FRAMEWORK, RESEARCH QUESTION AND HYPOTHESIS

Theoretical Framework

Due to mixed results produced from the past literatures discussed above, it is the basic premise of this research to examine possible antecedent of entrepreneurial orientation (EO) and its consequence in Malay family firms in Malaysia. The conceptual framework depicted in Figure 1 below will fill the gaps from the previous works done by earlier researchers in this area:

Figure 1: Theoretical Framework

The independent variable of this study is Government supports. And the firm performance is the dependent variable.

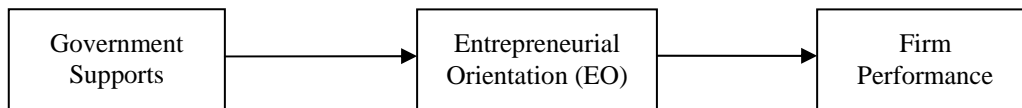


Figure1: Theoretical Framework

Research Question

Based on the gaps and unresolved questions in the past literatures, this research examines the antecedent of entrepreneurial orientation in Malay family firms and its consequence on the firm performance by answering the following research question:

“Does the relationship between government supports received by entrepreneur and firm performance is mediated by entrepreneurial orientation (EO)?”

Hypothesis

Since the discussion on past literatures showed mixed results, this study posits the hypothesis to be:

H1: The relationship between government supports received by entrepreneur and firm performance is mediated by entrepreneurial orientation (EO)

H2: Entrepreneurial orientation (EO) of the Malay family firm will be positively related to the firm performance

RESEARCH DESIGN AND METHODOLOGY

The Population and Sample

The population and sample that have been used for hypothesis testing were the founder/owner/manager of the small and medium enterprises (SMEs) which drawn from the services and manufacturing sectors in Kuala Lumpur/Selangor (Klang Valley) through a postal survey. The surveyed firms were selected from the current available list given by MARA (the government agency for Indigenous or Bumiputera SMEs) as at August 2009. The clients must meet the following criteria:

a) The contact person is the founder/owner/CEO/BOD /manager of the Malay family firm as a unit of analysis in this study.

b) The firms must meet the criteria of the definition of SMEs in Malaysia for both sectors. The definitions of SMEs by SMIDEC (Small Medium Industries Development Corporation), a government agency were adopted for this study as follows (SMIDEC, 2009):

An enterprise is considered an SME in each of the respective sectors based on the Annual Sales Turnover or Number of Full-Time Employees as shown in the table below.

Table 1: SME Category

SME Category	Micro-enterprise	Small enterprise	Medium enterprise
	(Mic)	(Sml)	(Med)
Manufacturing, Manufacturing-Related Services and Agro-based industries	Sales turnover of less than RM250,000 OR full time employees less than 5	Sales turnover between RM250,000 and less than RM10 million OR full time employees between 5 and 50	Sales turnover between RM10 million and RM25 million OR full time employees between 51 and 150
Services, Primary Agriculture and Information & Communication Technology (ICT)	Sales turnover of less than RM200,000 OR full time employees less than 5	Sales turnover between RM200,000 and less than RM1 million OR full time employees between 5 and 19	Sales turnover between RM1 million and RM5 million OR full time employees between 20 and 50

c) The firm must have been in operation at least for 1 to 3 years to make sure that performance comparisons can be made within the firms as well as between the competitors. This study will be based on data for SMEs, active during 2007/2008, 2006/2007 and 2005/2006 financial years which provided complete responses to the variables examined.

d) Besides that, the family firm criteria was identified via questions on whether the ownership and management control are dominated by one family as well as whether they consider the business as a family business. This has been achieved when respondent indicated “yes” or “no” response to the above two conditions.

Stratified proportionate random sampling technique was used to get the amount of samples in this study. Sekaran (2005) postulated that this technique is under probability sampling whereby population is first divided into meaningful segments, thereafter subject are drawn in proportion to their original numbers in the population. The advantages of using this technique are most efficient among all probability designs and all groups are adequately sampled and comparisons among groups are possible.

Data Collection

The basic research design utilized for this study was a survey design. This study will stress on data obtained through primary data collection. The collection of primary data was accomplished through the use of a mail survey instrument. This instrument was used to collect information from questionnaires answered by the founder/owner/manager of the firms who are qualified to answer all the questions given.

To maximize the data accuracy and reliability, the study used Huber and Power’s (1985) guidelines on how to get quality data from single informants. Entrepreneurial orientation (EO) is normally viewed from the perspective of the CEO (Covin and Slevin, 1989; Wiklund and Shepherd, 2003), and CEOs are typically the well-versed persons regarding their overall business strategies and situations (Zahra and Covin, 1995). Likert scales were used to minimize executive response time and effort (Knight and Cavusgil, 2004). A five-point scale has been adopted because research indicates that a five-point scale is as good as any, and that an increase from five to seven or nine points on rating scale does not improve the reliability of the ratings (Elmore and Beggs, 1975). Using mail survey as a methodology instrument is not only cost effective but it is also appropriate for a relatively large sample. The questionnaires were mailed to the respondents on the 01st September 2009. After three weeks of follow-up, we managed to get 162 responses from 520 questionnaires sent out, which made up 31.15% response rate.

RESULTS

Descriptive Analysis

A descriptive analysis was performed to provide the general background of respondents and companies that have participated in this study. Most of the respondents represented mainly by female constituted 60.4% compared to 39.6% female respondents. Respondent's level of education primarily represented by 63% secondary school level (SPM/STPM) and the rest were 18.5% diploma level, 10.5% degree level, 1.9% master level and 6.2% professional qualification level. Age bracket of respondents comprised of 13.6% below 30 years old, 29.6% below 40 years old and 56.8% above 40 years old (40 years old – 65 years old). Most of the respondents were founder/owner/CEO/BOD of the firm i.e. 79.6% and only 20.4% were managers.

Firm's type of SMEs sectors, 78.4% were services, 6.2% were Information & Communication Technology (ICT), 5.6% were manufacturing, 4.9% primary agriculture, 4.3% manufacturing related services and 0.6% agro-based. Most of the firms operated between 1 to 3 years, i.e. 59.3% and 40.7% operated more than 3 years. Majority ownership, 98.1% was Malay Bumiputeras (Indigenous) and 1.9% was other Bumiputeras (Indigenous). Majority of the firms i.e. 96% described their firms as family business where ownership and management control by one family.

Annual Sales Turnover (RM) comprises of 54.3% less than RM250,000, 24.1% RM250,001 – RM1,000,000 and 21.6% above RM1,000,000.00. Number of full time employees employed by the firms indicated 84.5% have employees less than 5 employees, 11.7% 6-19 employees, 3.1% 20-50 employees and 0.7% 51-150 employees.

Factor Analysis

A factor analysis was conducted on 37 items according to the variables grouping proposed in the theoretical framework. The results of the principal components analysis are presented in Table 2-4 below and, according to the 'eigenvalue > 1' rule, all factors are significant and it explains 47% - 71% of the total variance in the three items. The results shows that the Kaiser – Meyer – Olkin (KMO) measure of sampling adequacy at the range of 0.79 – 0.89, indicated that the items were interrelated and shared common factors.

Table 2: Factor Analysis for Government supports

	Component	
	1	2
Our firm gets a lot of information, knowledge and technology from training and R&D institutes	.800	
We had a good education and training condition offered by training and R&D institutes	.778	
The government departments/agencies offer plenty and clear policy information to us		
The tax policy for our firm is preferable	.732	
The legal right and interest of investors and entrepreneurs are guaranteed		
Our firm finds access to start up capital easily	.720	
We could get money from other non-bank financial sources	.545	
Current labour institutions are advantageous for us to attract and retain person with ability		.858
		.822
		.653
Eigenvalues	3.82	1.23
Cumulative Variances Explained (%)	47.71	63.03
KMO	.79	
Bartlett's Test of Sphericity:		
Approx. Chi-Square		516.56
Sig. (p)		.0001

Table 3: Factor Analysis for Entrepreneurial Orientation (EO)

	Component 1
In dealing with competitors, my company typically responds to actions which competitor's initiate	0.819
In general, the top managers of my company have a strong tendency for low risk projects (with normal and certain rates of return)	0.812
In dealing with competitors, my company typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture	0.805
My company has marketed no new lines of products or services in the past three years	0.753
In general, the top managers of my company believe that owing to the nature of environment, it is best to explore it (what is it referring to) gradually via cautious, incremental behavior.	0.753
In dealing with competitors, my company is very seldom the first business to introduce new products or services, administrative techniques, operating technologies etc.	0.747
Changes in product or service lines in my company have been mostly a minor nature in the past three years	0.742
The top managers of my company favour a strong emphasis on the tried and true products or services instead of on R&D, technological leadership and innovations	0.718
Eigenvalues	4.73
Cumulative Variances Explained (%)	59.18
KMO	<u>0.89</u>
Bartlett's Test of Sphericity:	
Approx. Chi-Square	682.35
Sig. (p)	0.0001

Table 4: Factor Analysis for Firm Performance

	Component 1
Profit growth before tax	0.867
Sales growth rates	0.852
Market Share	0.825
Overall performance	0.823
Eigenvalues	2.84
Cumulative Variances Explained (%)	70.89
KMO	<u>0.825</u>
Bartlett's Test of Sphericity:	
Approx. Chi-Square	289.76
Sig. (p)	0.0001

Reliability Analysis

The reliability test was conducted on the variables to check for the internal consistency of the measurement instrument. The Cronbach's alphas for all variables scales were in the range of 0.82 to 0.90, which was well above the minimum accepted reliability of 0.60 as suggested by Sekaran (2005) (Table 5). At this stage, all variables were kept for further analysis.

Table 5: Reliability Analysis for all variables

Variables	Number of Items	Cronbach's Alpha
Government supports	5	.82
Entrepreneurial Orientation (EO)	8	.90
Firm Performance	4	.86

Multiple Linear Regression (MLR) Analysis

A multiple linear regression (MLR) analysis was conducted to test H1 and H2 simultaneously. The results of the analysis are as shown in Table 5. A test on normality or randomness of residuals through the histogram of regression standardized residuals and normal p-plot of standardized residuals seems to indicate a non-violation of the assumption and appropriateness of using MLR as the method of analysis.

Table 6: MLR Results matrix

Component	Firm Performance	Entrepreneurial orientat (EO)	Firm Performance
	Model 1 (<i>p-value</i>)	Model 2 (<i>p-value</i>)	Model 3 (<i>p-value</i>)
1- Government supports		0.25	0.007
2- Entrepreneurial orientation (EO)	0.01		
<i>R square</i>	0.08	0.008	0.044
<i>Adjusted R square</i>	0.08	0.002	0.038
<i>F</i>	14.52	1.313	7.36
<i>t</i>	3.81	1.146	2.71
<i>b</i>	0.23	0.103	0.189
<i>Beta</i>	0.29	0.09	0.21
<i>Std Error</i>	0.06	0.09	0.07

In order to test mediation effects of the hypothesized relationship, we tested three models. According to Kenny and colleagues (Baron & Kenny, 1986), mediation effects can be claimed if three conditions are met: (1) the independent variable significantly predicts the dependent variable; (2) the independent variable significantly predicts the mediator variable; and (3) when the dependent variable is regressed on both the mediator and the independent variable, the mediator significantly predicts the dependent variable, while the predictive utility of the independent variable is reduced. The correlation between the mediator and the dependent variable is not sufficient evidence of mediation because both may be caused by the independent variable. According to Kenny et al. (1998), only Condition 2 and Condition 3 are essential for demonstrating mediation effects.

In Model 1, we regressed entrepreneurial orientation (EO) onto firm performance. There is a significant positive relationship between entrepreneurial orientation (EO) and firm performance, hence supporting H2 ($t = 3.81$; $p < .05$; $b = .23$), thus providing initial partial support for hypothesis 1. To assess full or partial mediation of the hypothesized relationships, we tested two more models. First, we regressed independent variables and dependent variable. The relationship between government supports and firm performance (Model 3) indicates significant relationship ($t = 2.71$; $p < 0.05$; $b = .189$). The relationships met the Condition 1 of mediation effects as suggested by Kenny et al. (1998). In addition, the beta value estimates seem to indicate the government supports as an important predictor of firm performance (beta of 0.21).

Secondly, we regressed government supports (Model 2) onto entrepreneurial orientation (EO). The relationship between government supports and entrepreneurial orientation (EO) found to be insignificant ($t = 1.146$; $p > 0.05$; $b = 0.103$). Thus, this condition suggested that there is inexistence of mediation effect on the hypothesized relationship under this study since Condition 2 was not met (Kenny et al., 1998). In other words, entrepreneurial orientation (EO) in this study did not mediate the relationship between independent variable (government supports) with dependent variable (firm performance). Hence, the test for Condition 3 is not needed for further analysis.

DISCUSSION

Our study provided the empirical test in understanding indigenous entrepreneurship in Malay family firms in Malaysia towards developing a more holistic entrepreneurship theory as suggested by Lindsay (2005). It also inculcated multidimensional constructs of entrepreneurial orientation (EO) – performance relationship as proposed by Lumpkin and Dess (1996). They suggested alternative models such as moderating effects,

mediating effects, independent effects as well as interaction effects for testing the entrepreneurial orientation (EO) – performance relationship.

Contrary to expectations, we did not find a significant relationship of mediation effects of entrepreneurial orientation (EO) with government supports on firm performance. It is possible that this may be a unique finding for *bumiputeras* or indigenous family firm specifically Malay family firms in Malaysia.

Our findings pertaining to government supports showed insignificant relationship towards entrepreneurial orientation (EO) which suggests some possible explanations. Even though previous study produced mixed results, our findings are somewhat consistent with Kuratko, Honsby & Naffziger (1999) when they studied the impact of public policy from the owners' perceptions in micro-enterprises. The study indicates that the public policy (regulation) has an adverse impact on their businesses and put further financial burden on them. Furthermore, they also felt that regulation made competing more difficult. Other finding from micro-enterprises' point of views are that the government creates a competitive imbalance in favour of larger businesses, government officials do not fully understand the needs and problems of small business owners, the government does not become a good innovator in helping small business growth and the government should do a better job in marketing its programmes to the business owners. Furthermore, Michael and Pearce (2009) in their study found that aiding entrepreneurship without a commitment to innovation is unlikely to be as successful as the focus on innovation.

This study reveals that Malay entrepreneurship is still lacking behind the Chinese whose domination of the country's entrepreneurial activities keeps improving. The possible explanation here is that a "dependency" mentality that inhibits initiatives has been cultured in community that receives government supports / assistances. On the other hand, a community who does not receive government-aided programmes / assistances such as the Chinese, are more likely to act more cohesively and proactively, and are likely to be successful in the entrepreneurial venture. It also argued that government privileges and assistance to promote Malay entrepreneurship do not contribute much in terms of enhancing entrepreneurship culture and business competitiveness. In fact, these relative privileges and assistance have conversely made the Chinese more determined to fight these perceived injustices and focus on growing their businesses competitively.

The study also believes that government-aided policies and other initiatives to promote Malay entrepreneurship have not been successful. Although the government had encouraged the Malays to become entrepreneurs by giving all sort of supports and assistances, but the objective of having at least a thirty percent Malay corporate equity has yet to materialize and the number of successful and competitive Malay entrepreneurs are still small. Due to the uncertainties and rapid globalization in the world economy, there is even a fear that the Malays' current equity ownership of 19.4% might not be sustainable. However, it is unfair to blame these non-attainments as a total failure of the government policy or a failure of the Malay as a race.

On hindsight, development and improvement have been made. Many Malays work as professionals and bureaucrats which proved that Malay society has moved from being an agrarian society to being an urban one. Their income levels and standard of living have improved quite significantly and they are better educated than before. Although the Malays might be contented to be just professionals, bureaucrats or salary earners, the study recognizes that the nation of Malaysia cannot be built on civil servants and salary earners alone. Since entrepreneurs are the backbone of a modern market economy, the risk-averse mentality of the Malays must be addressed. The Malays are left with little choice but to boldly break away from their "comfort zone" and to venture further into the business world and engage in entrepreneurship activities.

Our hypothesis relating to entrepreneurial orientation (EO) and firm performance received significant result. This is parallel with previous studies that indicated entrepreneurial orientation (EO) has a direct or indirect impact towards firm performance in various contexts (Zahra, 2008; Kellermanns et al., 2008). Indeed, our findings show that government supports is the predictor of firm performance.

As any other research, a few limitations of our study should be noted. First, the study only examined a single service and manufacturing of SMEs family firm in Klang Valley only. While most of the Malay population is located outside the Klang Valley and the potential moderation by urban modernization as well as highly competitive environment, are factors that may limit the generalization of the results.

Second, every entrepreneur has his or her own reasons for new venture creation which are equally important to that individual and not restricted to the only antecedent under this study. This is where, interpretivist is against the positivist. Interpretivist research believes that people experience physical and social reality in different ways and is socially constructed (Cavana et al, 2001). It must be understood and explored via involvement with the individual subject. Thus, other variables such as cultures (Begley and Tan, 2001; Lee and Paterson, 2000; Mueller and Thomas, 2001), entrepreneurial competency (Man, Lau & Snap, 2008), entrepreneurial marketing and organizational structure (Chaston, 1997) would also influence the entrepreneurial orientation (EO) of the firms and give impact on its performance or growth which could be the agenda for future research in this area.

CONCLUSION

In conclusion, the study of entrepreneurial orientation (EO) of indigenous family firm can provide additional insights in understanding why some family firms grow while other family firms stagnate. In Malaysia context, despite various incentives provided to Malay Bumiputeras (Indigenous) by the government through New Economic Policy or NEP (1970-1990) and other policies after that, the objective of 30% bumiputeras (Indigenous) equity stake in share markets was out of targets. Ironically, the share of the national wealth own by non-Bumiputera (non-Indigenous) races increased beyond the 40 per cent mark (John, 2001). Our study suggests that, in Malay family firm, the relationships between government supports with firms performance was not mediates by entrepreneurial orientation (EO). However, the construct was significant as predictor towards firm performance.

While the construct contributed towards entrepreneurial orientation (EO) in certain studies in the past, the inexistence of relationship would give a unique finding in Malay family firm concerning the government agencies, policy makers and also to the entrepreneurs and entrepreneurial firms themselves. New paradigm is needed to inculcate entrepreneurial culture as well as different approaches towards entrepreneurship. Government in the new economy should supports and encourages innovation. Innovation does raise competition, lower prices, creates jobs, but more importantly it contributes towards wealth of individuals and nations.

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