THE MOTIVATIONAL NEEDS OF ENTREPRENEURSHIP IN MALACCA

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THE MOTIVATIONAL NEEDS OF ENTREPRENEURSHIP IN MALACCA

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This project is submitted in partial fulfillment of the requirements for the degree of Bachelor of Economics with Honours (International Business & Economics)

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Statement of Originality

The work described in this Final Year Project, entitled “The Motivational Needs of Entrepreneurship in Malacca” is to the best of the author’s knowledge that of the author except where due reference is made.

(Date submitted) Ho Tiong Keng 10153
ABSTRAK

KEPERLUAN MOTIVASI DALAM SEKTOR KEUSAHAWAN DI MELAKA

Oleh Ho Tiong Keng

ABSTRACT

THE MOTIVATIONAL NEEDS OF ENTREPRENEURSHIP IN MALACCA

By Ho Tiong Keng

This research is conducted to examine the motives that stimulate Malacca people to establish business and it is based on the motivational needs of achievement, affiliation and power as proposed by McClelland (1961). This research aims to understand the typical profile of Malacca entrepreneurs and identify the gender differences of entrepreneurs in terms of three motivational needs. Moreover, the extent of three psychological needs that differs in between the entrepreneurs and employees would be identified in order to study their psychological needs in business ownership. The significant of entrepreneurs’ demographics in affecting the three motivational needs of entrepreneurs would also be identified. Hence, a survey is carried out at high traffic areas for a time period of three weeks starting from 28/11/05 till 18/12/05. In the end, the findings of the research conclude that female entrepreneurs are motivated by a higher need for achievement and power than female employees. However, female entrepreneurs are not motivated by a lower “need for affiliation” than female employees. Meanwhile, male entrepreneurs are motivated by a higher need for achievement and power as well as lower need for affiliation than male employees. In addition, female entrepreneurs are not motivated by a higher need for achievement and power than male entrepreneurs. However, female entrepreneurs are motivated by a lower need for affiliation than male entrepreneurs. Finally, level of education is significant in affecting the three motivational needs and in addition, gender is significant in affecting need for affiliation.
APPRECIATION

In conducting this research, I have received many guidance and generous assistance from many respective people. At here, I wish to take this opportunity to express my most sincere and heartfelt gratitude to them who have guided and supported me in any way to conduct this study. Without them, this study would not be possible.

First and foremost, I would like to acknowledge and thank my supervisor for her endless guidance. Her patience and contribution of precious time had indeed contributed a lot of suggestions and guidance for me to improve this research. Moreover, her valuable experiences and sharing of knowledge had concurrently increased my learning skills and knowledge of research processes.

In addition, I would like to thank other lecturers for their valuable guidance and knowledge sharing. They gave a high commitment to me in ensuring a good production of research.

Finally, I would like to thank my family and friends for their motivation supports in my life. They had contributed ideas and made suggestions that greatly enhanced this research.

Above all, I owe a debt of gratitude to these people who had helped me in finishing this research.
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CHAPTER 1: INTRODUCTION

1.0 Introduction

Entrepreneurship in Malaysia

The development of entrepreneurship is growing in its importance in Malaysia. This is proven by the high supports given by the Malaysian Government through the establishment of Ministry of Entrepreneur Development in 1995. There have been many new supportive mechanisms and policies developed by the Ministry to encourage more entrepreneurship activities in the country. The Ministry has given high supports in the form of funding schemes, physical infrastructures such as business and entrepreneur parks, business incubators and business consultancy for the entrepreneurs. In the Eighth Malaysia Plan, the Government approves an allocation of RM 4.14 billion for the Ministry to carry out 446 various projects. The Ministry allocates RM 2.24 billion from the total amount for entrepreneurial training and education while RM 576.6 million for funding scheme. Furthermore, the Government has given banking facilities to help the entrepreneurs through the establishment of Small and Medium Enterprise Bank in October 2005. The bank would be the only financial institution in the country dedicated to the development of small and medium-sized enterprises and incorporates most of the financing facilities provided by the Government to help them. Hence, the high supports and facilities given by the Government could further strengthen the entrepreneurial base in the country. Individuals who are still in the pre-entrepreneurial start-up stage would be motivated to join the entrepreneurship sector. The entrepreneurship sector would be in a positive growth
rate and this is proven by the increase of new business and company registered with the Registrar of Companies in Malaysia (refer Table 1).

**Table 1: Business & Company Registration from January 2005 till May 2005.**

<table>
<thead>
<tr>
<th></th>
<th>Companies on register at end of period</th>
<th>Companies on registered during period</th>
<th>Businesses on register at end of period</th>
<th>Businesses on register during period</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>679,378</td>
<td>3,190</td>
<td>2,886,911</td>
<td>15,300</td>
</tr>
<tr>
<td>February</td>
<td>681,864</td>
<td>2,486</td>
<td>2,900,330</td>
<td>13,419</td>
</tr>
<tr>
<td>March</td>
<td>685,954</td>
<td>4,090</td>
<td>2,919,923</td>
<td>19,593</td>
</tr>
<tr>
<td>April</td>
<td>689,298</td>
<td>3,344</td>
<td>2,937,408</td>
<td>17,485</td>
</tr>
<tr>
<td>May</td>
<td>692,470</td>
<td>3,172</td>
<td>2,954,035</td>
<td>16,627</td>
</tr>
</tbody>
</table>

*Source: Suruhanjaya Syarikat Malaysia (2005)*

From Table 1, there are 692,470 legally registered new companies in May 2005 compared to 679,378 in January 2005. Meanwhile, there are 2,954,035 legally registered new businesses in May 2005 compared to 2,886,911 in January 2005. In a short period of five months, the number of new companies registered has increase by 1.9 % while the number of new businesses registered has increase by 2.3 %. The increase shows a positive growth rate of entrepreneurship in the country. Furthermore, the latest registered figure of 692,470 companies in May 2005 shows a significant growth increase compared to approximately 366,000 companies in 1995. In a period of ten years, the start-ups rate represent 47% increase in the establishment of new companies. The increase shows a huge rise in the interest of entrepreneurship and is perceived to be important for the new engines of growth in Malaysia’s economy.
Thus, the increase of new businesses and companies generate revenues for the growth of Malaysia’s economy (refer Table 2).

**Table 2: Revenue of Companies and Business in 2005**

<table>
<thead>
<tr>
<th></th>
<th>Companies (RM)</th>
<th>Businesses (RM)</th>
<th>Total (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>15,124,648</td>
<td>5,424,461</td>
<td>20,549,109</td>
</tr>
<tr>
<td>February</td>
<td>11,907,320</td>
<td>5,023,935</td>
<td>16,931,255</td>
</tr>
<tr>
<td>March</td>
<td>15,088,707</td>
<td>7,187,960</td>
<td>22,276,667</td>
</tr>
<tr>
<td>April</td>
<td>14,313,767</td>
<td>6,025,120</td>
<td>20,338,887</td>
</tr>
<tr>
<td>May</td>
<td>14,126,378</td>
<td>5,674,352</td>
<td>19,800,730</td>
</tr>
</tbody>
</table>

*Source: Suruhanjaya Syarikat Malaysia (2005)*

Table 2 indicates that both of the companies and businesses generate revenues for the year 2005. In January, the companies generate RM 15,124,648 while businesses generate RM 5,424,461. Both of these revenues generate a total of RM 20,549,109 in January month period. For a period of five months, both of these revenues generate a total of RM 99,896,648. Thus, the revenues generated would be a good source of income for the country.
1.1 **Problem statement**

Different individual would have different talent and experience in getting into the labour force. The degree of talent and experience would differ in each of the job seekers’ mind. Hence, they would have the option of pursuing the career of their choice and interest. As an alternative, an individual could choose to pursue entrepreneurship as a career compared to the choice of becoming an employee in other sectors. Every individual has the potential and free choice in choosing entrepreneurship as a career (Kuratko and Hodgetts, 1998). However, an individual needs to realize that entrepreneurship offers personal challenges in managing the business and financial risks. The success would not come easily especially during this period of competitive business environment. Hence, the decision to choose entrepreneurship as a field of career would rely heavily on the motivation of the individual.

The motivation plays an important role in creating new organizations (Herron and Sapienza, 1992). Thus, different individual would have different degree of motivation in influencing them to face the challenges in today’s business world. The motivation factors are derived from the positive and negative influences which are important in contributing to the decision making of career selection. In norm, the positive influences are related to the individual’s aspiration to be independent in achieving high business growth for themselves as well as earning more money. Certain people would prefer to work for themselves and achieve their personal aspirations. Meanwhile, there are others who prefer to work for the employer as to avoid taking the risks associated with entrepreneurship. On the other hand, the negative influences are related to the feeling of discrimination.
or dissatisfaction that is felt in the employment opportunities as well as positions in the society. There are certain people who feel dissatisfy with their current job because of the discrimination working environment. The negative feelings would cause unhappiness in their job and they may have the intention to leave the company. They may choose to work for themselves and involve in the entrepreneurship sector (Morrison, 2001). Hence, these influences pose an important research in knowing the motivational needs that drive the individual to get involve in the business ownership. What kind of motivational needs that drive someone to take the risks and uncertainty of having an independent structure of business?

In addition, there are many studies done on the issue of characteristics and influences in the entrepreneurial behavior. However, these studies focus mainly on the primarily established entrepreneur in the business world rather than the potential entrepreneur who are still in the process of starting a new business (Churchill and Lewis, 1986; Jones-Evans, 1995). The motivational needs are different between the established entrepreneur and potential entrepreneur as both of these groups have different perspective on the motivational concept. In order to gain a comprehensive picture of entrepreneurship, both groups must be studied. It would not be sufficient enough to carry out the research on entrepreneurs who have already fulfilled their aspirations.

Besides that, the issue of gender differences plays an important role in studying a comprehensive employment participation in the labor market. Both genders have different views on their motivational needs in their profession. In
Malaysia, women can be seen in nearly all professions and at all levels of corporate (refer Table 3).

Table 3: Employment Distribution (%) by Occupation and Gender, in 1995 & 2000

<table>
<thead>
<tr>
<th>Occupation Category</th>
<th>1995 (%)</th>
<th>2000 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Professional, technical &amp; related workers</td>
<td>8.4</td>
<td>12.7</td>
</tr>
<tr>
<td>Administrative &amp; management workers</td>
<td>3.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Clerical &amp; related workers</td>
<td>7.5</td>
<td>17.5</td>
</tr>
<tr>
<td>Sales &amp; related workers</td>
<td>10.5</td>
<td>11.6</td>
</tr>
<tr>
<td>Service workers</td>
<td>9.4</td>
<td>14.4</td>
</tr>
<tr>
<td>Agricultural workers</td>
<td>21.9</td>
<td>16.6</td>
</tr>
<tr>
<td>Production &amp; related workers</td>
<td>38.3</td>
<td>25.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Economic Planning Unit Putrajaya, 2001*

Table 3 indicates the employment distribution between males and females in various occupation categories from 1995 till 2000. In a period of five years, the females dominate the professional & technical, clerical, sales, and services sectors. Majority of females choose production as their profession with 25.4% recorded in 1995 and 22.6% in 2000. However, this sector is still dominated by males with 38.3% recorded in 1995 and 38.4% in 2000. On the other hand, the males dominate the administrative, agricultural and production sectors with highest domination on production sector of 38.3% in 1995 and 38.4% in 2000. The production sector indicates a significant gender differences with 12.9% in 1995 and 15.8% in 2000. This is followed by clerical sector with 10% in 1995 and 10.4% in 2000. Hence, the issue of gender differences exists in the participation of both genders in the
labor market. Females are playing more roles in the employment distribution in the country.

In order to improve the female participation in the labor market, the Government has taken various measures such as Employment Act 1955 and Article 8(1) under the Federal Constitution of Malaysia. The Employment Act 1955 permits women especially housewives to be gainfully employed and paid in part-time employment proportionate to those accorded as full-time employees. Meanwhile the Article 8(1) applies all persons are “equal before the law and entitled to the equal protection of this law”. Thus, the Government is serious in bringing both genders to a higher level of achievement. In addition, the Ministry of Entrepreneur Development provides many entrepreneur development courses through the Center for Instructor and Advanced Skills Training. These courses provide some basic and useful skills such as business, organizational and financial management skills for the women to gain opportunities in the job market. Besides that, the Government provides capital fund under the Women’s Entrepreneurs Fund in 1998 with allocation of RM10 million and other efforts under the Small Entrepreneur Fund with allocation of RM65 million. Thus, the Ministry is concerns with the development of female participation in the business ownership. However, with the measurement taken to encourage more female participation, would the gap between women and men reduce? The issue of gender has been in a great interest of study but yet, much of the literature studies tend to ignore the gender differences with regard to the establishment of new business (Allen and Truman, 1991). More studies need to be done to find out the gender differences in entrepreneurship.
1.2 Objectives

Given the growing importance of entrepreneurship, it is appropriate and important to study comprehensive entrepreneurial characteristics and motivational needs. Hence, this study aims to examine key components of motivation that may contribute to the decision to become an entrepreneur. The motivation would be explored based on the concept of occupational choice of becoming self-employed rather than an employee in Malacca.

There are many studies done in the past on the issue of motivational needs. However, different authors have different definitions for the concept of needs. This study is based on the theoretical framework of David McClelland’s psychological motivation needs theory (McClelland, 1961). His study examines on three psychological needs that differ in between self-employed individual and employee. He categorizes the three needs as:

1) Need for achievement
2) Need for power
3) Need for affiliation

Therefore, the main objective of this research is to study the motivational needs of entrepreneurship.

In order to study comprehensive motivational needs, four specific objectives are to be met. The specific objectives are:

1) To identify the typical profile of Malacca entrepreneurs.
2) To identify the gender differences of the entrepreneurs in terms of motivational needs- achievement, power and affiliation.

3) To identify the extent of psychological needs- achievement, affiliation and power that differs in between the entrepreneurs and employees.

4) To identify which entrepreneurs’ demographics is significant in affecting the needs for achievement, affiliation and power for entrepreneurs.

Based on the objectives, there are 9 hypotheses that could be formed through the psychological needs of entrepreneurs with employees and gender differences.
1.3 **Significance of Study**

The findings of the study would have a practical significance in the gaining knowledge of the influences associated with entrepreneurial intentions to be self employed. The influences of motivation would be a good career guidance tool for students who in the future will be in the working world and may have the potential of choosing entrepreneurship as a career.

Besides that, the information of entrepreneurship would be relevant to the curriculum sector as to develop the importance of entrepreneurship courses. The exploration and understanding of perception on the potential entrepreneurs would be a good platform and could be further developed by the government, education institutions, private foundations and financial institutions (Alstete, 2002). In addition, the state government through the entrepreneur development division could adapt entrepreneurship plans that are suitable to the current entrepreneurial situation for the citizens.

Individuals who are still in a pre-entrepreneurial start-up stage are in need of additional exploration and guidance in the motivation perspective. They would be motivated to work for themselves as to gain the freedom in their working environment.
1.4 Scope of the study

Malacca as a focus of research

In view of the high commitment and importance given by the Federal Government, each of the States has its own entrepreneur department that works closely with both Governments. Hence, the study is carried out in Malacca as the State is currently on the course of rapid economic growth development. In addition, Malacca is in the stage of achieving a developed State by year 2010. The GDP improves from year to year as well as the sectors’ revenues (refer Table 4).

Table 4: Malacca’s Gross Domestic Product by Sectors, in 2002-2004
(At constant 1987 Prices- RM Million)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2002</th>
<th>2003</th>
<th>2004*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Million (RM)</td>
<td>%</td>
<td>Million (RM)</td>
</tr>
<tr>
<td>Agriculture</td>
<td>283</td>
<td>4.1</td>
<td>298</td>
</tr>
<tr>
<td>Mining</td>
<td>7</td>
<td>0.1</td>
<td>8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2,044</td>
<td>29.8</td>
<td>2,085</td>
</tr>
<tr>
<td>Construction</td>
<td>202</td>
<td>2.9</td>
<td>219</td>
</tr>
<tr>
<td>Services</td>
<td>4,333</td>
<td>63.1</td>
<td>4,752</td>
</tr>
<tr>
<td>GDP at Constant 1987 Prices (RM million)</td>
<td>6,461</td>
<td></td>
<td>6,884</td>
</tr>
<tr>
<td>GDP at Current Prices(RM million)</td>
<td>10,465</td>
<td></td>
<td>11,361</td>
</tr>
</tbody>
</table>

* Preliminary Data


Table 4 indicates the Malacca’s gross domestic product by sectors from 2002 till 2004. Manufacturing and services sectors play an important role in generating the highest revenue for the State. In 2002, services sector achieves a total GDP of RM 4, 333 million and it increases to RM 4, 802 million in 2004.
Meanwhile, the manufacturing sector achieves RM 2, 044 million in 2002 and it increases to RM 2, 087 million in 2004. Both of these sectors contribute important revenue to the state’s GDP. Furthermore, the total GDP for the State increases from year 2002 till 2004 at constant 1987 prices. In 2002, the State records RM 6,461 million and it increases to RM 7, 395 million. The positive increase in the GDP would be a good indicator to achieving the state’s vision. Hence, this study would be appropriate to be carried out as many efforts would be taken by the state government as well as the citizens to achieve the vision of becoming a developed State by 2010.

Besides the vision, the establishment of new company and business would be important in the engine growth of the State’s economy. The number of new business and company registered in the State shows an unsteady trend from 2000 till 2004. (refer Table 5).

**Table 5: Business and Company Registration in Malacca from 2000 till 2004**

<table>
<thead>
<tr>
<th>License category</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Unit 1: Food</td>
<td>3375</td>
</tr>
<tr>
<td>Unit 2: Advertising</td>
<td>1935</td>
</tr>
<tr>
<td>Unit 3: Hawker</td>
<td>2413</td>
</tr>
<tr>
<td>Unit 4: Industry</td>
<td>3763</td>
</tr>
<tr>
<td>Unit 5: Market</td>
<td>896</td>
</tr>
<tr>
<td>Unit 6: General Business</td>
<td>4449</td>
</tr>
<tr>
<td>Unit 7: Entertainment</td>
<td>0</td>
</tr>
<tr>
<td>Unit 8: Council Stall</td>
<td>764</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17,595</strong></td>
</tr>
</tbody>
</table>

*Source: Malacca State Municipal Council (2004)*