

# Personality characteristics hampering the new economic models

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# Personality Characteristics Hampering the New Economic Models

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**ABSTRACT**— *Malaysia is under economic reform shifting from New Economic Policy to New Economic Model. Unlike the previous model, The New Economic Model implicitly will lead the Malays to market based-economy. Conditioned this way, all ethnics forming 1 Malaysia will compete. Drawing on cultural approach, characteristics of South East Asian Malays (hereafter referred to as Bumiputera) are identified which may account for selected personality characteristics being significant predictors of entrepreneurial spirit. Although numerous personality characteristics have been associated with entrepreneurs, this study is limited to; risk-taking propensity, tolerance for ambiguity, internal locus of control, innovativeness, and independence. Generally, these characteristics are not prevalent in Malaysian Bumiputera's culture. Lack of these characteristics may hamper the effectiveness of the rhetoric of entrepreneurship as expressed in the language of New Economic Model.*

**Keywords**— entrepreneurs, risk-taking propensity, tolerance for ambiguity, internal locus of control

## 1. INTRODUCTION

Identifying and inculcating potential entrepreneurs is one way towards finding solutions to stimulate the economy. This particularly is useful in South East Asian economies, where the economic crisis in the late 1990s has seen rising unemployment and recession. Malaysia is studied because this country has a deep interest in developing an entrepreneurial spirit among its people in an effort to achieve the country mission to be a fully developed country in 2020. Since Malaysia's success has deep roots in Malaysia's history, governments and the public management scholars who seek to adopt the model need to understand both the strengths and weaknesses of administrations like Malaysia's, and understand the character and origins of a policy that they wish to transfer.

Malaysia is a multi-racial country of about 23.27 million people (2010, census) consisting of the indigenous Bumiputeras (65.1 percent), Chinese (26 percent), Indians (7.7 percent) and others (1.2 percent). The study is particularly important for Malayan Bumiputeras as they were historically farmers and fishermen with little interest in business, while, the immigrant Chinese and Indians in tin mines and rubber plantation that later on become the modern economic sectors. Malays formerly were economic laggards. There were two schools of thought; structural and cultural hypothesis, as to their economic predicament [1]. The structural hypothesis blamed the structural impediments erected by non-Malays (especially the colonial British and the immigrant Chinese). The cultural hypothesis proposed that Malay values were instrumental in obstructing their economic advancement.

In 1970, the Malay-led government launched New Economy Policy to eradicate poverty, especially among the Bumiputeras, and to restructure society as well as to diffuse the correlation between ethnicity and occupation. By 1990, Malays were to secure 30% (from only 4.3% in 1970) of the corporate assets as well as their proportionate share of employment in commercial activities. This policy effectively removed the structural impediments, providing the smooth way for Malays to advance into the commercial arena once dominated by non-Malays. However, when the policy expired

1 in 1990, Malays were able to obtain only 19% of the corporate wealth instead of the targeted 30% [2]. In 2000, their share further deteriorated to 16% (Strait Times). From this point, it is obvious that structural hypothesis has only limited power to explain the phenomena. Furthermore, National Economic Advisory Council (NEAC) on the New Economic Model for Malaysia stated:

*Ethnic-based economic policies worked but implementation issues also created problems. The NEP has reduced poverty and substantially addressed inter-ethnic economic imbalances. However, its implementation has also increasingly and inadvertently raised the cost of doing business.*

Based on previous experience, NEM very likely will emphasize the concept of equal opportunity. This way, it is time to observe the cultural hypothesis that proposes Malay values are instrumental in obstructing their economic advancement. Specific to this research, cultural characteristics of Malayan (hereafter referred to as Bumiputera) are identified which may account for selected personality characteristics being significant predictors of entrepreneurial spirit. Since culture affects personality [3],[4], the objective of this article is to develop a model of the predictor personality characteristics that identify individuals with more versus less entrepreneurial spirit.

Three main obstacles to entrepreneurial activities are (1) financial support; (2) social and cultural norms that oppose the entrepreneurial spirit; and (3) inadequate or insufficient governmental policies [5]. Up to this point the Malaysian government has been supportive of entrepreneurship. It has taken various steps to promote the development of entrepreneurs in general (including providing conducive economic environment, various financing and funding schemes, tax incentives, as well as business advisory centers). The government has regarded nurturing entrepreneurs as a way to facilitate and upgrade the industrial structure so as to create industries for the next generation. However a common critique is the extent of the bureaucracy or “red tape” with which entrepreneurs must contend when dealing with. As such this article also highlights empirical findings on the role of government agencies readiness in adopting the concept of New Economic Model.

## 2. ENTREPRENEURIAL PERSONALITY THEORY

Several factors may influence the emergence of entrepreneurship [6]. Economic factors, such as market incentives and capital availability, are necessary to start these ventures. In comparison with the rest of the countries in the region, Malaysia has always had a healthy banking and financial sector. While there were some concerns raised during the height of the crisis, the financial and banking sector is currently regarded as one of the healthiest in the region. The government continues to develop the financial system, implement policies to promote a robust and resilient financial system, and reduce the potential for financial instability. These efforts have been undertaken in order to ensure that the financial sector is able to remain sound and intact despite the severe consequences of the recession following the Asian economic crisis. Before capital is needed for funding, there have to be factors that foster entrepreneurial inclination. Noneconomic factors, such as culture and psychological factors, such as achievement orientation and motivation, have been identified as encouraging entrepreneurship. As this study is on the spirit of entrepreneurship rather than the extent to which such entrepreneurial activities exist, economic factors are not discussed. Instead, noneconomic factors, such as personality characteristics that influence entrepreneurial spirit, are examined.

Entrepreneurial spirit pertains to the entrepreneurial outlook and stance. As an entrepreneur often is defined as an individual who undertakes new, innovative, and risky ventures, entrepreneurial spirit often is referred to as the possession of such personality characteristics as risk-taking propensity [7]. These characteristics enable a person to be entrepreneurial [6]. Although numerous personality characteristics have been associated with entrepreneurs, the more commonly observed and cited ones are risk-taking propensity, tolerance for ambiguity, persistence, achievement orientation, and internal locus of control, innovativeness, and independence [6, 8].

Entrepreneurs are generally believed to take more risks than do managers because the entrepreneur actually bears the ultimate responsibility for the decision. Possible reason for the higher risk-taking behavior is due to entrepreneurs tends to view business situations more positively and perceive them as “opportunities” while non entrepreneurs may see little potential in them. Therefore, they are more likely to undertake these “opportunities” compared to less entrepreneurial individuals. Among the South East Asians, risk-taking propensity is not a common characteristic. South East Asians, including Malays, generally avoid uncertainty and seek assurance [9]. Bumiputera Malayan culture is classically uncertainty avoiding, tends to generate predictable behavior and does not tolerate breaking the rules. They suggested that *bertolak-ansur* (or tolerance), a characteristic of many Malayan relationships, is practiced in part to minimize risk among individuals. Long time ago one of prominent Malaysians leader has emphasized; “it is typical of the Malay to stand aside and let someone else pass.” [10]. Therefore, based on the above discussion, risk-taking propensity is a differentiating cue which is not a common characteristic among the Malayan Bumiputera. An individual who is willing to take risk and face uncertainty is more likely to have an entrepreneurial spirit compared to one who avoids uncertainty.

2

Thus, the following proposition is proposed:

*Low risk taking propensity hampers Malayan Bumiputera to be an entrepreneur.*

Entrepreneurs face an uncertainty that is introduced by the dynamic business world. Besides setbacks and surprises, an entrepreneurial environment often lacks organization, structure, and order. Yet, entrepreneurs thrive in such an ambiguous existence. Therefore, entrepreneurs are said to have a higher tolerance for ambiguity and enjoy situations without structure and procedure [6, 11]. Similar to the above argument forwarded on risk-taking propensity, the low tolerance for uncertainty among Malayan Bumiputera would suggest that tolerance for ambiguity is a significant predictor of entrepreneurial spirit.

Thus, the following proposition is proposed:

*Low tolerance for ambiguity hampers Malayan Bumiputera to be an entrepreneur.*

Entrepreneurs also have a high internal locus of control [12] believing that they can control their life's events. Thus, when failures are encountered, they attribute them to their own actions [6, 13]. In Malay culture, Islam constitutes the key elements in ethnic identity. Almost all Malayan Bumiputera are Muslim and since Independence in 1957 Islam has been adopted 'the religion of federation.' This way Islam permeates every aspects of life in the realm of value and behavior. As Islam teacher that divine law is immutable and absolute, it is in a very rare occasion to find any Malayan Bumiputera opposes the absoluteness of value written in the Quran. The concept of *takdir*, or pre destiny, is endorsed widely. *Takdir* refers to the belief that fate or supernatural forces determine personal outcomes. Therefore, given Malayan Bumiputera's general reliance on external rather than internal locus of control, it is expected individuals who prefer to have control of their own lives to be more entrepreneurial which is very rarely found among Malayan Bumiputera.

Thus, the following proposition is proposed:

*External locus of control hampers Malayan Bumiputera to be an entrepreneur.*

Because entrepreneurs tend to be discontented with routine and regularity, they often come up with new ideas [14] and become more innovative [12]. Their indifference towards making mistakes also serves as an advantage in overcoming the creativity barrier [15]. However, Malayan Bumiputera is lacking of innovativeness and entrepreneurial orientation [16]. One reason is Malayan Bumiputera's paternalistic environment. The well-defined hierarchy, with its explicit roles for each member [9] inhibits creativity and innovation [7]. Further, face—a measure of social value—is an important concept to the Malays. The potential loss of face from failure may discourage innovativeness. Therefore, in a culture where innovativeness is not encouraged, it becomes a differentiating cue that discriminates more from less entrepreneurial spirit.

Thus, the following proposition is proposed:

*Innovativeness hampers Malayan Bumiputera to be an entrepreneur.*

Entrepreneurs also tend to be self-reliant [17]. They are able to work on their own, independent and need less social support than non-entrepreneurs [18]. In individualistic culture, entrepreneurship is promoted because it allows an individual to do and change whatever he wants regardless of whether these are planned, exploratory, or experimental [19]. Further, individuals become entrepreneurs because they are dedicated to certain values that are in conflict with those of their previous employer [20]. These conflicts draw them to be independent and set up their own business.

In contrast, Malays are known to be collectivistic [9] where social bonding plays an instrumental role in many aspects of living. Alike other collectivist South East Asian countries, business are commonly patrimonialistic, where there exists paternalism, hierarchy, responsibility, mutual obligation, family atmosphere, personalism, and protection. This practice has been legally adopted since 1970 under the existence of affirmative action the "New Economic Policy" [21]. These characteristics discourage change, which impedes entrepreneurial growth. Given the relationship between independence and entrepreneurship, we expect such independence to be a predictor of entrepreneurial spirit. Thus, the following proposition is proposed:

*Dependence hampers Malayan Bumiputera to be an entrepreneur.*

Lack of these entrepreneurship characteristics dated back to as Malaysia's first Prime Minister, Tunku Abdul Rahman, put it: 'The Malays have gained for them political power. The Chinese and Indians have won for themselves economic power. The blending of the two . . . has brought about peace and harmony' [22]. Since 'political power' included the power to shape the bureaucracy, 'the bargain' ratified what Crouch (1996) calls: 'The old stereotypes – Malay bureaucrats and peasants, Chinese business and trades people, Indian professionals and estate laborers' [23].

Some observers have suggested that ethnic identity has begun to weaken or fragment [23, 24, 25,26], leading some researchers [21, 23, 27] to make intriguing suggestions that there are now rooms for farsighted leaders to innovate within



the parameters of cultural familiarity, couching initiatives in enough palliatives that they can push cultural change along a desired direction. This is reflected in political moves to sponsor a single Malaysian identity, or *Satu Malaysia* and economic reform under New Economic Model. Governments will only voluntarily adopt a policy if they believe it is successful. Although keen to trumpet Malaysia's achievements, affirmative action is one crucial and distinctive aspect of civil service management, the political reflection of Malaysia's precarious ethnic mix but blamed for bureaucratic inefficiency. Under the rhetoric of New Economic Model government policy demands public sector to reengineer its orientation to be more customer-oriented and entrepreneurial-driven. However, current finding [28, 29] noted that to change traditional bureaucratic culture that has long been embedded in the culture of Malaysian civil service is not an easy task. The finding in Malaysia governmental organizations still indicates that entrepreneurial culture is not supporting the adoption of the market orientation philosophy as carried out in the spirit of New Economic Model.

### 3. CONCLUSION

Since end of New Economic Policy in 1990, Malaysia has been under-taking public sector restructuring until the formulation of the concept New Economic Model. Concerning the concept of entrepreneur government, Turner utilized a metaphor of three types of diners to illustrate this point in South East Asia Country [30]. According to this metaphor, *enthusiastic diners* are represented by Singapore and Malaysia, *cautious diners* are represented by Philippines, Thailand and Indonesia and *diners who are unfamiliar with the menu* are represented by Laos, Vietnam and Cambodia. The enthusiastic diners have bureaucracies that are capable of learning and adapting from successes elsewhere. In Malaysia context, professional attitudes and macro environment (government policy) has been ready to adopt the policy. However attention must be given to organizational leadership and entrepreneurial culture which seem not ready yet to adopt the policy of entrepreneurial government. The cautious diners demonstrate some degree of decentralization and privatization, but with only minimal overall changes having taken place within the centralized state. The unfamiliar diners have yet to build capacity and systemic processes to initiate and sustain public sector reform.

The present study argues that Malaysia is placed between the cautious diners and the unfamiliar diners. If so, pragmatic and contextual application and adaptations of NEM are required in dealing with the menu; that is the entrepreneurial spirit of Malayana Bumiputera and entrepreneurial culture of Malaysia governmental organizations.

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