

JOURNAL OF INTERNATIONAL BUSINESS AND ENTREPRENEURSHIP

Special Issue on

"Entrepreneurship Around The World"

Published by

MEDEC, UiTM:

(Malaysian Entrepreneurship Development Centre, Universiti Teknologi MARA)

Sponsored By:

Universiti Teknologi MARA, Malaysia

Fort Hays State University, Hays, Kansas, USA

Guest Editor:

Professor Dr. Ichiro Shiobara,

Graduate School of Commerce

Waseda University, Tokyo, Japan

JOURNAL OF INTERNATIONAL BUSINESS AND ENTREPRENEURSHIP

SPONSORED BY:

**UNIVERSITI TEKNOLOGI MARA
SHAH ALAM, SELANGOR
MALAYSIA**

AND

**FORT HAYS UNIVERSITY
HAYS, KANSAS
USA**

EDITORIAL BOARD

Editor-in-Chief: **Prof. Dr. Zafar U. Ahmed**
Professor of Marketing and International Business
College of Business and Leadership
Fort Hays State University
Hays, Kansas 67601-4099, USA.
Tel: [1-785]-628-5877
Fax: [1-785]-628-5398
Email: zahmed@fhsu.edu

Managing Editor: **Assoc. Prof. Dr. Ismail Ab. Wahab**
Malaysian Entrepreneurship Development Center (MEDEC),
Universiti Teknologi MARA
Block 13, Intekma Resort & Convention Center
40000 Shah Alam
Selangor, Malaysia
Tel: [603]-55129077, Extension 3002
Fax: [603]-55113284
Email: iwahab@tm.net.my

Guest Editor: **Prof. Dr. Ichiro Shiobara**
Professor of Accounting
Graduate School of Commerce
Waseda University
1-6-1 Nishi Waseda Shinjuku-ku
Tokyo 169-8050, Japan
Tel: [03]-5286-2048
Fax: [03]-3905-4619
Email: shiobara@mn.waseda.ac.jp

Patron and Founder: **Prof. Dato' Dr. Adnan Alias**
Professor of Entrepreneurship
Malaysian Entrepreneurship Development Center (MEDEC)
Universiti Teknologi MARA
Block 13, Intekma Resort and Convention Center
40000 Shah Alam
Selangor, Malaysia
Tel: (603)-55113276
Fax: [603]-55113284
Email: Prof_Dr_Adnan_Alias@salam.uitm.edu.my

REGIONAL EDITORS

Canada:

Prof. Dr. Sam El. Namaki
MISM, Montreal, Quebec, Canada

ASEAN: Assoc. Prof. Dr. Osman Mohamad
University of Science, Penang, Malaysia

East Asia: Prof. Dr. Ichiro Shiobara
Waseda University, Tokyo, Japan.

Greater China: Prof. Dr. Robert Terpstra
University of Macau, Macau, PRC

Subcontinent: Prof. Dr. Udaya Sharma
Tribhuvan University, Katmandu, Nepal

Middle East:

Prof. Dr. Abdul Farooq Khan
Sharjah College, Sharjah, United Arab Emirates

Australiasia: Dr. Matt Ngui
University of Wollongong, Australia

Eastern United States: Dr. Morry Ghingold
Bloomsburg University, Bloomsburg, Pennsylvania

Northern

United States:

Prof. Dr. Mohammad Saeed
Minot State University, Minot, North Dakota

Central

United States:

Dr. Win G. Jordan
Fort Hays State University, Hays, Kansas

Southern

United States:

Prof. Dr. Wolfgang Hinck
University of Texas at Pan American, Texas

Western

United States:

Dr. Ram Sundaresan
Thunderbird: The American Graduate School of International
Management

Eastern Europe:

Prof. Dr. Peter Beidyuk
Kieve Polytechnic Institute, Ukraine

**Latin and South
America:**

Dr. Antonio J. Rodriguez
Texas A&M International University, Laredo, Texas

Africa:

Prof. Dr. Duncan Reekie
University of Witwatersrand, Johannesburg, South Africa

EDITORIAL ADVISORY BOARD

Prof. Dr. Subash Jain, University of Connecticut, Connecticut
Prof. Dr. Shyam Lodha, Southern Connecticut State University, CT
Prof. Dr. Daing Nasir Ibrahim, University of Science, Penang, Malaysia
Prof. Dr. Earl Honeycutt, Old Dominion University, Virginia
Prof. Dr. Syed Akhter, Marquette University, Wisconsin
Prof. Dr. Joel Saegert, University of Texas at San Antonio, Texas
Prof. Dr. Frank Krohn, State University of New York College at Fredonia
Prof. Dr. Donald W. Hendon, Utah Valley State College, Utah
Dr. Madan Annavarjula, Northern Illinois University, Illinois
Dr. James Ondracek, Minot State University, North Dakota
Dr. James P. Johnson, Old Dominion University, Virginia
Dr. Xia Yang, Nanyang Technological University, Singapore
Dr. Syeda-Masooda Mukhtar, PriceWaterhouseCoopers, London, UK
Dr. Peter Robinson, University of Calgary, Canada
Dr. David S. Shaw, University of Macau, Macau, PRC
Dr. George O. Tasie, University of Brunei, Brunei
Dr. Anusuya Yogarajah, Nanyang Technological University, Singapore
Dr. Micol R.C. Maughan, Fort Hays State University, Kansas
Dr. Dosse Toulaboe, Fort Hays State University, Kansas
Dr. Ali Farahani, Fort Hays State University, Kansas
Dr. Matthew H. Roy, University of Massachusetts- Dartmouth, Massachusetts

REVIEWERS FOR THE SPECIAL ISSUE

Dr. Naresh Khatri, University of Missouri at St. Louis, Missouri
Dr. Tan Teng Kee, Nanyang Technological University, Singapore
Dr. Cao Yong, Nanyang Technological University, Singapore
Mr. Gerald Huang, Nanyang Technological University, Singapore
Mr. Ben Chan, Nanyang Technological University, Singapore
Dr. Peter Maresco, Sacred Heart University, Fairfield, Connecticut
Dr. James Santomier, Sacred Heart University, Fairfield, Connecticut
Dr. Gad Salig, Sacred Heart University, Fairfield, Connecticut
Dr. Vallerie Pashtenko, Sacred Heart University, Fairfield, Connecticut
Dr. Mary Trefry, Sacred Heart University, Fairfield, Connecticut
Dr. Vic Heller, University of Texas at San Antonio, Texas
Dr. Bharath Josiam, University of North Texas, Denton, Texas
Dr. Sadiq Sohail, Monash University at Malaysia
Dr. Hormoz Movassaghi, Ithaca College, Ithaca, New York

CONTENTS

Page

Ichiro Shiobara	Preface	ix - x
Mohammad Saeed and Kamal Kishore Jain	Malaysian Model of Entrepreneurship Development for its Indigenous People	1 - 14
Samir Ranjan Chatterjee and Lim Cheng Hwa	Regionalization Strategies of SME Sector: An Empirical Study of Singapore Managers	15 - 31
Mahfooz A. Ansari, Rehina Aafaqi and Sharmila Jayasingam	Entrepreneurial Success, Gender and Leadership Behavior	33 - 46
Andrea Smith-Hunter	Oligopolistic Discrimination: A New Theory on Women and Minority Business Ownership	47 - 64
Anabela Dinis and Marilyn Helms	Women and Entrepreneurship: A Case of Portugal	65 - 88
Eric J. Romero and Kim T. Hinrichs	Teaching an Entrepreneurship Lab: Lessons Learned	89 - 96
John S. Bowers and Ilan Alon	Globalization of U.S. Small Technology Firms: A Practitioner Perspective on Selected Electronics-Related Sectors	97 - 111
Syeda-Masooda Mukhtar	Lack of Commitment or Lack of Resources? Owner-Managers' Attitudes Towards Training Provision Within The U.K. Firms	113 - 131
Peruvemba S. Jaya and Matthew H. Roy	Placing The Entrepreneur in Context: Lessons From The Leadership Literature for Asia Pacific Region	133 - 151

The Editorial Board, Publisher, and the Sponsors accept no responsibility for the views expressed by the authors of the articles published in this Journal.

PREFACE

Prof. Dr. Ichiro Shiobara

Guest Editor

Special Issue on "Entrepreneurship Around The World"

It gives me an immense pleasure to place this special issue of the JOURNAL OF INTERNATIONAL BUSINESS & ENTREPRENEURSHIP into the hands of our esteemed readers. I am grateful to the leadership of the JIBE for providing me this enriching opportunity of acting as a guest editor for this special issue devoted to "ENTREPRENEURSHIP AROUND THE WORLD". I am pretty sure that the readers will find lot of food for thought in the articles that have been carefully selected for this special issue, after a thorough peer reviewing process. I decided to be very selective in accepting articles based on the recommendations of the reviewers, as I intended to provide quality articles representing divergent perspectives on different dimensions of entrepreneurship around the world . It could be possible for me to carry it out only with the help of the colleagues, associates and peers from different parts of the world. I would especially like to record a deep sense of appreciation for the help and support that I got from Professor Dr. Zafar U. Ahmed at all stages of the editing process. My sincere thanks are due to my peers who willingly agreed to act as reviewers.

Most of the books, articles, and research studies in the area of entrepreneurship around the world are confined to the scholarly analysis of the entrepreneurial process, of the traits and characteristics of successful entrepreneurs, guidance on business plans, raising capital, financial projections, venture capital, legal and tax matters, etc. There is another category of scholars and researchers who, out of their excitement, end up confining the discipline of entrepreneurship to motivation and leadership styles, traits, and theories. I don't see a problem either with them or even with those who are churning out literature on "History of Entrepreneurs". But, I hold and support the view that there is a need of concerted efforts on the part of the scholars in the area to examine the multi-dimensional issues of entrepreneurship development from divergent perspectives in order to provide an integrated picture of the discipline rather than

casting reflections, projecting stray thoughts, and coming out with their isolated views, without taking cognizance of strategic implications of entrepreneurial issues.

The success story of Silicon Valley in the United States reveals how universities, governmental agencies, venture capitalists, head hunters and entrepreneurs have joined hands together to create a “unique habitat”, an envy of the globe, that offers an environment fostering the development of new ventures, new industries, new business cultures, and unparalleled growth. It calls for an examination of strategic issues as to how everyone has responded to internal as well as external opportunities and threats.

It is high time for breaking the ground in the area of entrepreneurship research, as there is a great need for a profound research base in order to provide support to the budding entrepreneurs when they strive to enter into business internationally, and to the successful entrepreneurs as they explore virgin and untapped markets. We need research studies to cover the sophisticated topics such as navigating the world of venture capital funding and turning technological innovations into successful market realities, and also at the time to address the political, legal, social, psychological, cultural, and economic dimensions of entrepreneurship problems pertaining to marketing, production & operations, research & development, human resources and finance.

I wish and hope that our business schools and our scholars will respond to the needs of our times, and will play a proactive role in creating an entrepreneurial culture across the globe, for the welfare of the mankind.

**REGIONALIZATION STRATEGIES OF SME SECTOR:
AN EMPIRICAL STUDY OF SINGAPORE MANAGERS**

Samir Ranjan Chatterjee
Lim Cheng Hwa

Abstract

The closing years of the twentieth century have been marked by an unprecedented intensification of global integration for national economies. In recent years, the government of Singapore had responded to this global imperative by vigorously encouraging the regionalization of SME sector. The professionalisation of the management in the SME sector was emphasised as the critical factor in achieving this strategic shift. The study reported in this paper, presents empirical evidency of managerial perceptions and the explorations of this challenge. Considerable range of factors were identified as being the facilitators and roadblocks to the regionalization of SMEs as they responded to new challenges. The driving force of new market opportunity, alliances with other firms, quality of product and design, innovative shift to new industries and similar ideas were considered. The findings outlined in this paper tends to indicate that side by side with domestic growth; regional strategy was becoming more significant in the recent years.

Samir Ranjan Chatterjee is a Professor at John Curtin International Institute, Curtin University of Technology, Australia and Lim Cheng Hwa is a Principal Consultant at the Trans-Innovation Consultants, Singapore.

INTRODUCTION

In about two decades, Singapore has emerged as one of the most competitive economies in the world. This growth can be attributed partly to the element of strategic entrepreneurship of the SME sector in Singapore. SME is defined by the Economic Development Board of Singapore to include companies with local equity of at least 30%, fixed productive assets not exceeding \$15 million and not having more than 200 employees. SME sector is perceived to be the creator of jobs, commercialization of new ideas of the 21st century and assisting Singapore economy to rapidly recover from the recent economic downturn in the region. It may be interesting to note that manufacturing firms employing up to 300 people and with capital up to 100 million yen are classified as SMEs in Japan. The Japanese government is currently encouraging expansion of SMEs by increasing the upper limit of SME capital to 500 million yen.

Traditionally, SMEs in Singapore have been family controlled without much professional expertise in the strategic formulation to regionalize. The financial control of the SME firms is mostly in the hands of small network of family members. There has been extreme dependency on one or two key individuals for all information and knowledge. The accounting and management of information system have been weak. However, as a recent study suggested that the entrepreneurs of Singapore had a higher internal locus of control, a greater need for achievement, a higher propensity to take risks and a greater tolerance of ambiguity (Yap, 1997). A consistent theme expressed in research on Singapore entrepreneurs is the need for a uniquely Singapore brand of SME sector leaders (Schein, 1996; Lee and Low, 1990; Ahmed and Bartels, 1998). The adoption of regional mindset by an increasing number of SMEs reflect new management challenges. These challenges include professionalisation of management, new regional strategies, people management skills and environmental scanning. This paper will focus on the study of factors that affect the business growth of SMEs. The characteristics of the different stages that the companies exhibit are presented in order to give a clearer picture of the growth of SMEs. The objectives for this research are, firstly to investigate and describe what specifically triggered regionalization via strategic planning in SMEs. Secondly, to evaluate aspects of the learning process as practiced by them when investing in overseas markets. Thirdly, to look at the overall process of regionalization as part of strategic planning within the conceptual framework.

MANAGEMENT ISSUES OF SMEs IN SINGAPORE

Singapore SMEs have been traditionally controlled and managed by family members. The decision-making was based on domestic considerations and control of resources and strategies were high culturally determined. The total absence of professionalisation and strong family bonding had its advantages of flexibility but lacked vision and energy to respond to the global age. The capital of SMEs were mainly raised through personal savings and loans from friends and relatives. This imposed severe limitations in the way SMEs could develop. In addition, the type of industry where SMEs were active were essentially domestic oriented. SME sector in Singapore was never strongly involved in 'born-global' sunrise industries until recently. The owner-managers made themselves indispensable as they were the masters of the business. This total dependency on owner created a degree of vulnerability that did not encourage SMEs to look forward to the new challenges of time. Many SMEs did not have a clear financial strategy. Information regarding the performance of the firm, costs, and funding were never clear to anyone including the owners. In addition, modern information generating systems were available for developing alternative pricing-product-market scenarios.

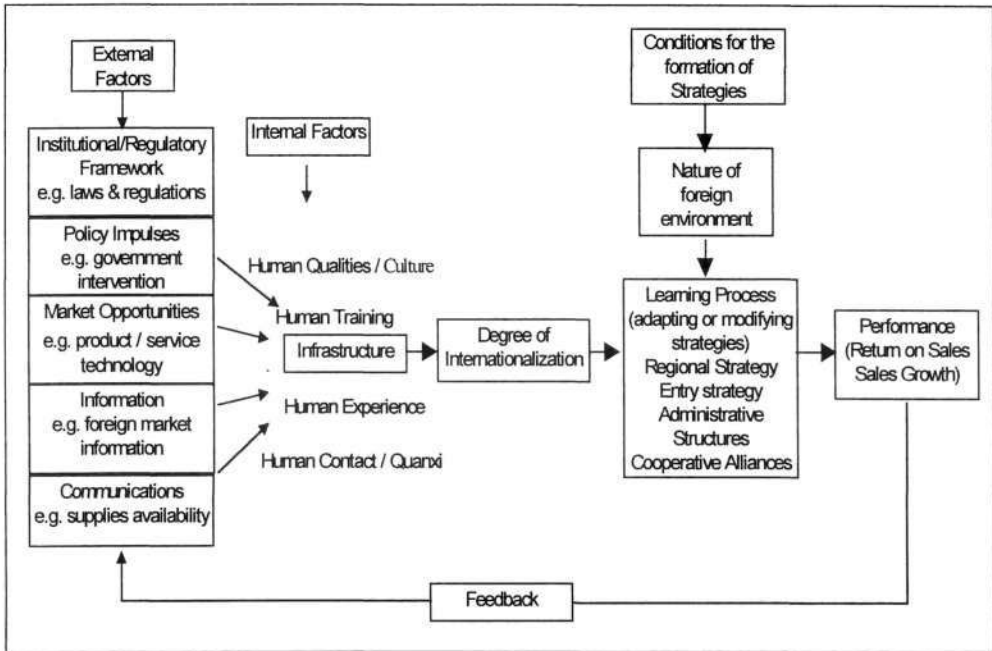
A common characteristic among small businesses was their reliance on the provision of critical resources in order to start-up or assist growth activities. The nature of this interdependence of the elements, as shown in the conceptual framework of this paper, provides a schema for the small business strategic behavior. This level of dependence of external resources is conditioned within the organization by internal resources, which may include the social capital of the firm. Other factors such as training, management or education and the ability to negotiate better deals through contacts or *guanxi* are critical to the new approaches in SME sector. The ideas of adaptive incremental strategies or born-regional strategies need to work as the sector moves to the next phase of development. The success of the performance of small business is then measured not in terms of return on sales and growth but in terms of its ability to innovate.

THEORETICAL FRAMEWORK

The four major factors that have been identified to affect the business growth of SMEs in Singapore are external factors, internal factors, learning process and regionalization. A conceptual framework is drawn in Figure 1 to explain the relationships between these factors.

External environment consists of technological, regulatory and communication infrastructure. SMEs are highly dependent on its external environment. Thus the external environment is very important to the growth of SMEs. As a result of more outward show of support for small businesses by the Singapore government, there are generally greater willingness on the part of financial institutions to support small businesses within the same economy (Murphy, 1996). This is especially important to small businesses, which often faced with resource constraint, had to turn to financial institutions. It is important for the government to strike a good balance between imposing the necessary laws and regulations, on the other hand, and to maintain a conducive environment for initiative and enterprise (Ang *et. al.*, 1985). The low corporate and personal tax rates in Singapore helps to elevate Singapore businesses to competitive level and, thus, improve the “risk reward balance” for entrepreneurs (Ang *et. al.*, 1985, p. 23). The government also plays an important role in promoting greater participation of small businesses in exporting. This is because of the financial and resource constraint in terms of lack of information and other resources experienced by most small businesses (Albaum *et. al.*, 1994). It is in the tradition of Asian history that the government plays a major role in the development of business enterprises in Singapore. These are deemed to be quite sufficient with great efforts put in by the Singapore government to achieve the goal of regionalisation in the 21st century.

The role of market opportunity contributed to the growth of SMEs in Singapore. The rapidly advanced technology also opened the windows of opportunity for small businesses. It reduced the importance of economies of scale and created new modes of production for small businesses (Murphy, 1996). Comprehensive and reliable industry statistics and information helps entrepreneurs to identify market opportunities (Ang *et. al.*, 1985). In fact, Singapore had been identified as one of the countries other than Japan and Hong Kong where it is easy to access information and it has been regarded to be reliable. As the cost of information technology rapidly reduced,

Figure 1: Factors Affecting Business Growth of SMEs

Source: Adapted from Merz, G. R. (1985) 'Strategic Responses to Resource Dependence in New Technology-Based Firms: A Conceptual Framework'. In Roberts, G. B. (ed.), *First Biennial Conference U.S. Affiliate International Council for Small Business: Discovering Entrepreneurship*, US, Kinko's Professor Publishing, p. 104. Mirchandani, G. A. (1987) 'Accelerating the Flow of New Entrepreneurs into the Singapore Economy'. In Kanga, S. (ed.), *Entrepreneurism in Singapore*, Singapore, Rotary Club of Singapore, pp. 4-13. Baird, I. S., Lyles, M. A. and Orris, J. B. (1994) 'The Choice of International Strategies By Small Businesses', *Journal of Small Business Management*, January, p. 50.

communication resources became increasingly available which allow small and medium business enterprises to participate in the world markets. This is apparent in the technologies used in the infrastructure that gave tremendous improvement to communications and transportation (Bonk, 1996). The implication of a highly competitive country like Singapore is that instead of emphasizing on individual businesses to pursue growth, a more difficult environment has made it increasingly important to coordinate businesses to exploit relationships. In South East Asia, there is considerable foreign investment to build an infrastructure base that will support, encourage and promote the development and growth of commercial, manufacturing and mining industries. The infrastructure development includes the provision of utilities, port facilities, roads, highways, bridges, railways, office and shopping complexes and town sites. This can also manifest in technological infrastructure in the number of technological parks being constructed.

Confucianism basically preaches on important human values and ethics. Human resources are very important to the prosperity of Singapore as a result of its lack of natural resources. It is this core competence that forms the basis to be nurtured and groomed. The abilities to get along well with people, awareness of cultural differences, open-mindedness, tolerance of foreign cultures, adaptability to new ideas and challenges, ability to adjust quickly to new conditions, an interest in facts not assumptions and ability to learn foreign languages are some of the key factors to business growth (Rick, 1994). Koh *et. al.* (1989) advocates that “fast growing enterprises often needed a radically different approach to management practices in the different stages of growth. Each stage requires a managerial role that is unique in its skill requirements.” Even if the investor has a bright idea to start with, it is not enough for the firm to succeed and grow (Fulop *et. al.*, 1992). SMEs must possess the necessary management skills to sustain growth (Murphy, 1996). The existence of basic values is the precondition for the development of strategies for competitive advantage. If there is no commitment, people will not want to learn and improve and this commitment to quality, innovation and service cannot be created in a vacuum without fundamental existence of what is right and important (Milton-Smith, 1995). Quanxi in the Asian society evolved as a result of the emphasis on harmony and living peacefully with each other. This can be manifested at the individual level with cordial workplace relations at the organizational level with vertical and lateral integration with another company and at the regional level, for the example, the linkage with Johore and Batam to form a business triangle. The focus of such regional cooperation is on the transnational movement of capital, labor, technology, information and provision of infrastructure, rather than on trade in goods and services. It is the traditional view that only big companies with experience can internationalize. However, the trend is that even companies such as today’s small and medium businesses can also internationalize. The business structure in Singapore has been ranked highly by the World Competitiveness Report (1997).

Continual learning and adaptation enables SMEs to fully utilize the external and internal factors to consolidate its competitive advantage. A more practical approach to economics requires the theory to take into account the dynamics of the changing environment such as the ability to identify sources of competitive advantage and to act on them in a reasonably agile manner and in a process of continuous learning (Hopkins and Cabalu, 1993). This is especially true in the context of Singapore, who

had attained the status of developed country in January 1997. Expected slowdown of growth coupled with global competition means that there is a need to improve competitive advantage. Emphasis had since shifted from growth to performance in a process of continuous learning. Competitive advantage is created not inherited (Porter, 1990). A nation's competitiveness depends on the capacity of the industry to innovate and upgrade. This is done by being able to meet the standards of efficiency and quality of the rest of the world, which requires a business environment of "continuous confrontation between the production systems, social organizations and institutions" (Hopkins and Cabalu, 1993, p. 10). Launching a new business venture in this case in the international markets is always an entrepreneurial act. When an opportunity is identified, the management combines all possible human and financial resources towards this goal of capitalizing on this opportunity. The vision or goal is shared among the members of the organization (Schollhammer and Kuriloff, 1979). Entrepreneurship theories have been used to describe some of the business conditions that are unique to small businesses and how it might affect their decision to internationalize. Small businesses often faced the dilemma of having to decide the use of limited resources whether it is in the ability to adapt to a changing environment, maintaining its stability or to initiating change so as to give them a new competitive advantage (Schollhammer and Kuriloff, 1979). In order to emphasize the importance of dynamism, the model is such that the companies need to have a feedback process to continuously monitor the situation and upgrade itself. One of the decision that the company had to make is that of regionalization versus internationalization. It must be stressed that businesses in Singapore do have a global mindset when exporting. However, intra-regional trade dominates because of its proximity and also because of the similarities in culture and lifestyle. This is also in line with the government's regionalization strategy.

THE HYPOTHESES

Hypothesis 1

- H01 - there is no relationship between the availability of external resources and business growth.
- H1 - there is a relationship between the availability of external resources and business growth.

Hypothesis 2

H02 - there is no relationship between the availability of internal resources and business growth.

H2 - there is a relationship between the availability of internal resources and business growth.

Hypothesis 3

H03 - there is no relationship between company's characteristic to learn and adapt to change and business growth

H3 - there is a relationship between company's characteristic to learn and adapt to change and business growth.

Hypothesis 4

H04 - there is no relationship between regionalization and business growth.

H4 - there is a relationship between regionalization and business growth.

RESEARCH METHODOLOGY

The targeted population is restricted to the winners of Enterprise 50 listing for the past two years in which the contest had been running. The Enterprise 50 list was compiled by Andersen Consulting and The Business Times, which were supported by the Economic Development Board to pick the 50 most enterprising local companies. EDB would then put the 50 winners into the "Promising Local Enterprises" program for grooming into future MNCs. A hybrid methodology of unstructured interviews combined with mailed questionnaires was used which allowed for generalizability as well as detailed observation and interpretation of individual experiences. Participants were allowed to discuss freely on topics ranging from the factors proposed in the paper to problems or difficulties presently experienced by companies when they regionalize and the steps that they were taking in this regional crisis. The responses were then examined to provide further input to the design of the questionnaires. A questionnaire consisting of 56 items pertaining to one dependent variable (business growth) and four independent variables (external factors, internal factors, company characteristics and regionalization) was administered to the non-probability judgement sampling size of 90 respondents. Respondents were also asked to answer another 15

items pertaining to 4 major groupings in terms of personal particulars, company particulars, its financial information and regionalization background. The SPSS statistical package was used in the analysis and interpretation of data. In the descriptive statistics, pie charts, bar charts and histograms were used wherever possible to give a clear picture of the profile of the respondents. These were tabulated using mode and cumulative frequency calculated from the data collected in the questionnaire survey. In the inferential statistics, the hypotheses were tested using mean, standard deviation, p-value and Pearson correlation. The findings were then compared with previous research to seek out congruence and support.

ANALYSIS OF FINDINGS

Synthesis of Pilot Interviews

- Singapore is still deemed to be the critical base for companies even though they are moving their manufacturing overseas because of the rising costs of doing business. The biggest component of business costs in Singapore is wages, which can go up to as high as fifty percent that the businesses face. Sometimes even more for labor intensive industries (as shown in figure 2 below). Other costs include governmental fees and rental costs.

Table1: Comparison of salaries in Singapore, Kuala Lumpur, Jakarta and Bangkok

Salaries	Singapore	Kuala Lumpur	Jakarta	Bangkok
Civil Servant	\$4,000	\$650	\$32*	\$516
Lawyer	\$3,500	\$1,300	\$400	\$1,500
Teacher	\$2,500	\$540	\$65	\$258
Policeman	\$1,500	\$450	\$40	\$280
Clerk	\$1,200	\$300	\$65	\$344
Driver	\$1,100	\$210	\$70	\$430
Factory worker	\$900	\$520	\$30	\$150

* Does not include rice allowance for family

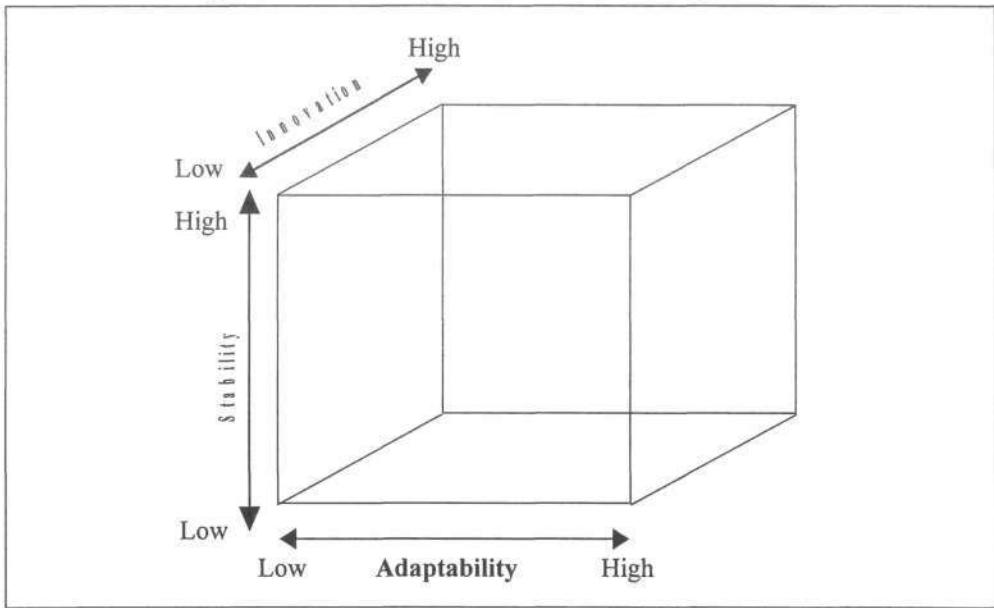
Source: Fernandez W. (1998) "Should costs or the Singapore \$ be cut?" *The Straits Times*. Tuesday, September 1. p. 28.

- There is a general emphasis in SMEs on human resource development. The companies interviewed generally experienced difficulties with skilled labor in

areas such as problems in allocating skilled labor overseas and lack of professional help in areas such as market survey and research.

- The critical skills identified to be necessary for SMEs are focus, flexibility and innovativeness, which coincide with the theory of entrepreneurship where a great deal of strategic planning is needed.

Figure 2: Conflicting Demands on the Organization



Source: Schollhammer, H. and Kuriloff, A. H. (1979), Entrepreneurship And Small Business Management, New York, John Wiley and Sons, p. 237.

Thus, entrepreneurs often try to attain all three elements of stability, innovativity and adaptability. Due to a constraint of resources faced by these small businesses, it is impossible to completely possess all three elements. Thus, a balance needs to be reached with one in terms of the other, in the daily strategic decisions of small businesses. This is embedded in the continuous learning process of companies.

- Regionalization is generally agreed to be the “natural” thing for these companies because of the huge profit potential in neighboring markets. This is evident from the huge intra-regional trade that dominates the Asian countries from the figure below. There are growing economic opportunities in the region, bolstered by the

advantages of proximity and spurred on by the government's regionalization strategy (*Asian Development Bank, 1996; Murphy, 1996 and Jeneter and Jarillo, 1994*).

Table 2: Foreign Direct Investment in Asian Countries

From/To	US	Kong	Hong China	Taipei, Australia	North America	NIEs	ASEAN	East Asia
Hong Kong	0.08	-	416.50	9.31	0.09	23.66	250.59	10.43
Taipei, China	0.97	4.64	-	1.85	0.88	10.71	155.65	4.47
Singapore	0.04	13.06	38.50	7.71	0.04	11.06	318.59	8.75
NIEs	0.10	2.11	335.5	8.69	0.11	20.66	263.00	9.77
ASEAN	0.25	2.35	1357.50	9.46	0.23	69.72	60.59	9.68
East Asia	0.49	3.47	110.50	13.92	0.52	11.84	117.12	4.00

Source: Bora (1996, Table 2.5), as cited by Asian Development Bank (1996), Asian Development Outlook 1996&1997, New York, Oxford University Press, pp. 200-201.

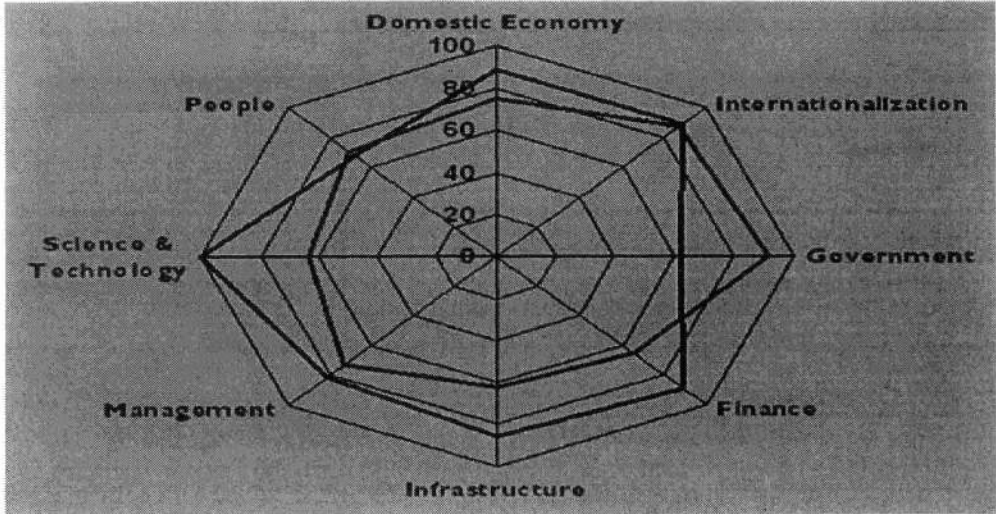
- A surprising development had been that government support is deemed to be insufficient and in some cases unnecessary to companies in Singapore. This is quite a disturbing phenomenon, which does not match the government's drive to groom and nurture its local enterprises. It has been suggested in the ENDEC report that Singapore's next phase of growth will be supplemented by its own small and medium business enterprises if Singapore wanted to achieve the GNP of United States by year 2030 (Lau and Lim, 1996).

SUMMARY ON QUESTIONNAIRE SURVEY

- Hypothesis 1 shows a positive relationship giving evidence that external factors are deemed to have a positive effect on the business growth of SMEs. This coincides with the fact that small businesses often faced with constraint in resources are highly dependent on their external environment. They do not have the resources available to manipulate external resources to their advantage like the MNCs. This is true in some cases where the MNCs can group together and rally against a particular regulation to have it stopped. So far, the external environment has worked in favor of SMEs in Singapore. This is proven by the fact of its second rating in the International Competitiveness World scoreboard where external factors play

a major role. The figure below offers a breakdown of its input factors compared to USA.

Figure 3: Competitiveness Input Factors Evolution



Source: *World competitiveness yearbook (1999)*, IMD Lausanne

- Hypothesis 2 proves that there is no significant relationship between internal factors and business growth because the correlation is greater than 0.05.

Table 3: Partial Correlation Coefficient for Internal Resources and Business Growth

```

--- PARTIAL CORRELATION COEFFICIENTS ---
Controlling for..  MEANF  MEANFIRM  MEXTSPOR
                   MINTSPOR    GROW
MINTSPOR          1.0000    .1325
                  (  0)      ( 22)
                  P= .      P= .537
GROW              .1325    1.0000
                  ( 22)      (  0)
                  P= .537    P= .
(Coefficient / (D.F.) / 2-tailed Significance)
" . " is printed if a coefficient cannot be computed
    
```

Apparently, there is much criticism about the many internal factors of small businesses in Singapore. Skill development in SMEs is deemed to be behind that of the MNCs because of neglect in training of workers on their core skills. The recommendation for SMEs is to make full use of the Skills Development Fund offered by the government to strengthen the technical competencies of their workforce. Meanwhile, the financial management of SMEs also suffered a setback. Even though there are funds available to assist SMEs in their business development and financing, there is a general lack of professional knowledge of SMEs in the sourcing of these funds and identifying opportunities to make full use of funds available within the company. The SMEs are also criticized in their "ability to manage working capital, extend credits and deal with bad debts" which gave a lot of problems to the cashflow of SMEs. The marketing expertise of SMEs especially in the area of identification of opportunities and market development is generally deemed to be conservative even in today's environment (Lam, 1996, p. 152).

- Again hypothesis 3 proves no significant relationship between company's characteristic to learn and business growth with the correlation greater than 0.05.

Table 4: Partial Correlation Coefficients for Company's Characteristic to Learn and Adapt to Change and Business Growth

- - - P A R T I A L C O R R E L A T I O N C O E F F I C I E N T S - - -			
Controlling for..	MEANF	MEXTSPOR	MINTSPOR
	GROW	MEANFIRM	
GROW	1.0000 (0)	.0991 (30)	
	P= .	P= .590	
MEANFIRM	.0991 (30)	1.0000 (0)	
	P= .590	P= .	
(Coefficient / (D.F.) / 2-tailed Significance)			
" . " is printed if a coefficient cannot be computed			

On a more detailed analysis, it seems that all the respondents rated highly on all factors in firm characteristics giving evidence that they believed that company's characteristic to learn and adapt to change is important to ensure business growth. Unfortunately, small and medium businesses often faced with lack of resources, capital and labor. Thus, even though they liked to see all the characteristics present in their companies, putting them to practice is another matter altogether. According to the theory of entrepreneurship, small and medium businesses need to adapt to a changing environment, be keen on initiating change while at the same time be able to maintain a strong focus on meeting customers' needs. The conflict of interest of limited funds used for introducing new products often contradict the need for quality control of products or in improving the efficiency of work processes in the company. Hence, this can perhaps explain why correlation between company's characteristics and actual business growth is found to be not significant.

- Hypothesis 4 shows a strong and significant relationship between regionalization and business growth. Regionalization has been proven to be a successful pathway to the success of small businesses. It is the most reasonable thing to do in view of the small and saturated market in Singapore. Moreover, small businesses tend to regionalize because markets like Malaysia and Indonesia are almost similar in culture, thus, allowing for easier penetration. Their feelings of going regional is well reflected in table 5 where more than 50% of the respondents strongly agree that most small businesses aim for regional businesses before moving to global markets.

Table 5: Frequency Table for Respondents' Opinion of Going Regional

		Frequency	Percent	Valid Percent	Cumulative
Valid	disagree	1	2.9	2.9	2.9
	no comment	3	8.6	8.6	11.4
	agree	13	37.1	37.1	48.6
	strongly agree	18	51.4	51.4	100.0
	Total	35	100.0	100.0	
Total		35	100.0		

CONCLUSION

Although strategic management ideas are common amongst larger enterprises, many smaller SMEs have survived by adopting passive or reactive approaches in the past. The argument that successful SME managers do not waste time but respond quickly to customer requirements in reacting to opportunities needs some rethinking. Unless the SME managers are equipped with global or regional knowledge through professional management programs, such rapid responses may be counter productive. The world of commerce and business will be changing dramatically over the next decade particularly with the expansion of ASEAN and e-commerce. However, SME sector that lacks professional training and limited by resources will be severely limited in taking these expanding opportunities.

The results indicated that regionalization is found to have the most significant relationship to the business growth of local enterprises in Singapore. Two hypotheses of external resources and regionalization were substantiated, as there were evidence in these cases to accept the alternative hypotheses and reject the null hypotheses. The other hypotheses of internal resources and company's characteristics to learn and adapt proved not significant in their relationships to business growth. But all three hypotheses have been supported by theoretical research. As this research was conducted during the regional crisis period (1997 to 1998), companies may appear to be very conservative. Further studies will need to be undertaken to further examine the findings of this study.

In order for SMEs to regionalize, they need to incorporate strategic visioning competencies and develop ability of utilizing a professional management team. This study has uncovered the lack of emphasis on formal management information systems by SMEs. However, in the Singapore context and culture need to remain strongly embedded in any such professionalisation of staff. High degree of trust and skills of intercultural sensitivities need to be the strongest element in winning collaborative endeavors in the region.

REFERENCES

- Ahmed, Zafar U., and Bartels, Frank (1999), "Singapore's Response to the Asian Economic Crisis", *Journal of International Business and Entrepreneurship*, vol.7, no.1, pp.1-24.
- Albaum, G., Stradokov, J., Duerr, E. and Dowd, L. (1994), *International Marketing and Export Management*, 2nd ed., New York: Addison-Westley.
- Ang, K. H., Chang, B., Foo, E., Goh, K. C., Haight, H. H., Ho, K. P., Yong, S., Tan, C. T., Tan, W. T., Tien, S. C. and Yeo, M. (1985), *Report of the Sub-Committee on Entrepreneurship Development*, Singapore: Economic Committee.
- Asian Development Bank (1996), "Asian Development Outlook 1996&1997", New York: Oxford University Press.
- Bonk, E. T. (1996), "The Information Revolution and its Impact on SME Strategy: The Asia Pacific Economic Cooperative forum as a Model", *Journal of Small Business Management*, January 1996, pp. 71-77.
- Economic Development Board of Singapore (1996), *PSB to nurture the Growth of Local Enterprises: Incentive Schemes Liberalized to Benefit more SMEs*, Singapore-inc., [Online]
- Fernandez W. (1998) "Should Costs or the Singapore \$ be Cut?", *The Straits Times*, Tuesday, September 1, pp. 28.
- Fulop, L., Frith, F. and Hayward, H. (1992), *Management of Australian Business: A Critical Text*, Melbourne: Macmilan.
- Hofstede, G. and Bond, M. H. (1988), *The Confucius Connection: From Roots to Economic Growth*, *Organizational Dynamics*, pp. 5-21.
- Hopkins, S. and Cabalu, H. (1993), *International Competitiveness: A Critical Review of the Concept*, Institute for Research into International Competitiveness (IRIC), Western Australia: Curtin University of Technology.
- Jeneter, P. V. and Jarillo, J. C. (1994), *Internationalizing the Medium-Sized Firm*, Denmark: Handelshojkskolens Forlag.
- Koh, J. K., Tan T. S. and Goh, Y. T. (1989), "Country Papers - Singapore". In *Proceedings of the Second Tokyo Conference on Management Development of Small and Medium-Sized Enterprises in Asia*, Singapore, The Foundation for Asian Management Development, pp. 161-177.
- Lam, D. (1996), "Internationalization of SMEs and Human Resource Development in the Asia Pacific Region", In *Proceedings of the International Seminar on*

Internationalization of SMEs and Human Resource Development in the Asia-Pacific Region, Tokyo, Institute of Developing Economies, pp. 152-157.

- Lau, G. T. and Lim, W. B. (1996), "An Exploratory Study of Factors Affecting Small and Medium Enterprises", *Asia Pacific Journal of Management*, vol. 13, no. 2, pp. 47-61.
- Lee, T. Y. and Low, L. (1990), *Local Entrepreneurship in Singapore: Private and State*, Singapore: Times Academic Press.
- Lee, Y. C. (1993/1994), *Local Small and Medium Enterprise (SME) Computerisation*, Academic Exercise, Faculty of Business Administration, National University of Singapore.
- Merz, G. R. (1985), "Strategic Responses to Resource Dependence in New Technology-Based Firms: A Conceptual Framework", In Roberts, G. B. (ed.), *First Biennial Conference U.S. Affiliate International Council For Small Business: Discovering Entrepreneurship*, US, Kinko's Publishing, pp. 101-107.
- Murphy, M. (1996), *Small Business Management*, London: Pitman.
- Porter, M. E. (1990), *The Competitive Advantage of Nations*, London: Macmillan.
- Ray, D. M. (1998) "Distinctive Singapore Patterns of SME Internationalisation", *Journal of International Business & Entrepreneurship*, vol.6, no.1&2, pp.29-62.
- Rick, Y. (1994), "To Reach China's Consumers, Adapt to Guo Qing", *Harvard Business Review*, vol. 72, Iss. 5, pp. 66-74.
- Schein, E. (1996), *Strategic Pragmatism: The Culture of Singapore's Economic Development Board*, Cambridge: The MIT Press.
- Schollhammer, H. and Kuriloff, A. H. (1979), *Entrepreneurship and Small Business Management*, New York: John Wiley.
- "World Competitiveness Yearbook" (1999), IMD Lausanne, [Online], Internet Version, <http://www.imd.ch/wcy/stat/f6.html>
- Yap, T. G. (1997), *The Impact of Culture on Entrepreneurship: A Cross-Cultural Study of Australian and Singaporean Entrepreneurs*, unpublished Honors Thesis, Perth: Murdoch University.