

Entrepreneurial Growth Process of Malay Entrepreneurs- A Malaysian

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Abstract

Entrepreneurship and growth are closely equated with high performance and survivability among entrepreneurs. Growth is also an indication of continued entrepreneurship. Although much has been written about the growth of entrepreneurship, there is no universal theory which can adequately explain it. As entrepreneurs continue on the long and challenging entrepreneurial process towards business growth, they would face many obstacles that could either make or break them. Adopting a case study method, this paper includes in-depth interviews with one Malay entrepreneur to understand how he has successfully grown his business. Two specific lessons learned from the case. First lesson is the importance of risk management among small businesses and second, the religious obligation as driver for business growth. This study is expected to contribute significantly to the wealth of academic literature in the subject of entrepreneurial business growth process. Thus, it can be regarded as a concentrated effort to provide guidance for new and aspiring Malay entrepreneurs to carefully plan their business strategies as well as the projected business growth. This study also plays an essential role to provide recommendations for policy makers to foster and encourage entrepreneurship through targeted policy initiatives by fully understanding the elements that constitute an entrepreneur and the entrepreneurial activity.

Keywords: entrepreneurial growth process, entrepreneurship, Malay entrepreneur, case study

Introduction

The subject of entrepreneurship research has been widely discussed and deliberated by many scholars from the fields of economics, sociology, economic history, psychology, social anthropology, religion, and even economic geography. It is also generally agreed that the field of small business is closely related to entrepreneurship. The importance of the manager, who is often the owner of the venture, is also widely recognized. Moreover, the contribution of small business and entrepreneurship to employment and job creation (Smallbone & Wyr 2000) is also prominently featured in many scholarly journals. Growth is characteristically equated with high performance and offers the opportunity for financial gain, return on investment (ROI) and also increased chances for survival (Davidsson & Delmar 1997; Taylor & Cosenza 1997). Growth is also regarded as an indication of continued entrepreneurship (Davidsson 1991). Although much has been written about growth among small businesses, Gibb and Davies (1990) asserted that there is no single theory which can adequately explain it due to the heterogeneity factor. In addition, many of the studies, which examined similar issues, had only focused on developed countries such as the UK, the US and Australia (Smallbone *et al* 1995; Boardman *et al* 1981; Chaston & Mangles 1997; McMahon 1999).

Thus, there are demands for more studies on entrepreneurship in other areas, especially in the developing countries. In the development of entrepreneurship research, Ucbasaran *et al* (2001) listed six major themes which are mainly discussed by scholars, namely; (1) Entrepreneurship theory; (2) Types of entrepreneurs; (3) The entrepreneurial process; (4) Organizational forms selected by entrepreneurs; (5) External environments for entrepreneurship; and (6) Outcomes. In the context of this study, this paper examines one case study drawn from a PhD research that profiled successful Malay entrepreneurs in Malaysia to understand the entrepreneurial growth process towards business growth. It would provide a greater understanding as to how a Malay entrepreneur overcomes the obstacles and challenges that are ubiquitous in a dynamic and volatile business environment in a developing country such as Malaysia, and turn them instead into opportunities to grow his ventures.

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The Entrepreneurial Process

The entrepreneurial process involves all the functions, activities, and actions associated with the perception of opportunities and the creation of organizations to pursue them (Bygrave & Hofer 1991). Even though the entrepreneurial process is a complex phenomenon (Minniti 2004), this process is important in understanding the entrepreneurial growth. Kobia and Sikalieh (2010) suggested that researchers should focus on the whole entrepreneurial process, including before, during and after the entrepreneurial process. Based on Ucbasaran et al's (2001) illustration of two broad dimensions of the entrepreneurial process; the opportunity recognition and information search, and the resource acquisition and business strategies, this research attempts to understand the entrepreneurial process undergoes by Malay entrepreneurs in their pursuit to grow their business.

Opportunity Recognition and Information Search

According to Smith et al (2009) and Ucbasaran et al (2001), even though opportunity recognition (Kirzner 1973) and information search are often considered to be the first critical steps in the entrepreneurial process (Baron & Shane 2005; Christensen et al 1994; Hills 1995; Shane & Ventakaraman 2000; Timmons et al 1987), limited empirical research has been conducted about this process.

Ventakaraman (1997) argued that one of the most neglected questions in entrepreneurship research is where do opportunities come from. Further questions; why, when and how certain individuals exploit opportunities, appear to be a function of the joint characteristics of the opportunity and the nature of the individual (Shane & Ventakaraman 2000). Ventakaraman (1997) highlighted three main areas that differentiate between individuals that recognize opportunities and those who do not. They are namely, (1) knowledge (and information) differences; (2) cognitive differences; and (3) behavioural differences. According to Kirzner (1973), an entrepreneur identifies opportunities by being "alert" to and "noticing" opportunities that are present in the market. The process of search and opportunity recognition can be influenced by the cognitive behaviour of entrepreneurs. Search behaviour can be bounded by the decision makers' knowledge of how to process information as well as the ability to gather information (Woo et al 1992).

Entrepreneurs may use their experience to guide their search. However, experience may not strictly enhance the opportunity recognition ability (Ucbasaran et al 2001). Entrepreneurs associated with liabilities (e.g. over-confidence, subject to blind spots, illustration of control, etc.) resulting from their prior business ownership experience, may exhibit limited and narrow information search behaviour (Ucbasaran et al 2001). In other words, entrepreneurs having a high level of confidence would, in higher probability, sought less information. The ability of the entrepreneurs to learn from previous business ownership experiences can influence the quantity and quality of information collected (Gaglio 1997). Previous entrepreneurial experience may provide a framework or mental schema for processing information (Ucbasaran et al 2001). In addition, it allows informed and experienced entrepreneur to identify and take advantage of disequilibrium profit opportunities (Kaish & Gilad 1991). On the other hand, entrepreneurial learning goes beyond acquiring new information by connecting and making inferences from various pieces of information that were not previously connected (Ucbasaran et al 2001). Furthermore, these inferences are built from the individual's history and experience, and often represent an "out-of-the-box" thinking (Ucbasaran et al 2001). Gaglio (1997) claimed that some people habitually activate their mental schema for processing information and can notice it in the midst of an otherwise overwhelming number of stimuli. This may explain why the pursuit of ideas and opportunities invariably leads entrepreneurs to additional innovative opportunities (Ronstadt 1988).

Furthermore, McGrath (1999) argued that entrepreneurs have access to numerous shadow options (i.e., opportunities that have not been recognized). Over time, valuable information regarding the real option would become available or suitable venture opportunities would emerge. Although McGrath (1999) focused on the ability to learn from an entrepreneurial failure, shadow options may also arise with the more successful entrepreneurs. Another aspect that is important in opportunity recognition and information search is network (Low & MacMillan 1988). Studies have found that networking allows entrepreneurs to enlarge their knowledge of opportunities, to gain access to critical resources and to deal with business obstacles (Hills et al 1997; Johannisson et al 1994; Floyd & Wooldridge 1999). Businesses owned by teams of partners generally have wider social and business networks (Cooper et al 1994), and a more diversified skill and competence (Slevin & Covin 1992).

Resource Acquisition and Business Strategies

Once the opportunity has been identified and information relevant to the venture obtained, the next step for the entrepreneur is to acquire new resources or effectively manage existing resources in order to exploit the opportunity. Following the resource acquisition, entrepreneurs must develop skills and select competitive strategies to make better use of the resources. Studies have attempted to examine entrepreneurs with respect to their resource endowments and resource acquisition strategies. A useful starting point for this discussion is the literature on the resource-based theory of the firm (see, Penrose 2009 (original edition was published in 1959); Wernerfelt 1984). The resource-based theory posits that a firm's success is largely driven from resources that possess certain special characteristics. The resource-based theory is built upon the theory that a firm's success is largely determined by the resources it owns and controls (Wernerfelt 1984).

According to Penrose (2009 p.66), resources are grouped under a few heads – for example, land, labour and capital, but the sub-division of resources may proceed as far as it is useful for the problem at hand. Hofer and Schendel (1978 p.145) suggested that a resource profile combines the following resources and capabilities: (1) Financial resources (e.g. cash flow, debt capacity, new equipment availability); (2) Physical resources (e.g. plant and equipment, inventories); (3) Human resources (e.g. scientists, production supervisors, sales personnel); (4) Organizational resources (e.g. quality control systems, corporate culture, relationships); and (5) Technological capabilities (e.g. high quality production, low cost plants). Grant (1991) adds the sixth type of resource; intangible resources (e.g. reputation, brand recognition, goodwill).

The resource-based approach (Penrose 1959; Wernerfelt 1984) is attracting the attention of a growing number of researchers from a variety of perspectives (for example, see Mahoney and Pandian 1992), with the mainstream of strategy research among them. Distinctive competencies (Ansoff 1961) of heterogeneous firms, for example, are a fundamental component of the resource-based view. Moreover, the resource-based theory is concerned with the rate, direction and performance implications of the diversification strategy, which are all areas of considerable importance in the strategy field. Based on the resource-based theory of the firm, Chandler and Hanks (1994) suggested that businesses should select their strategies to generate rents based upon resource capabilities. They argue that when there is a synergy between the available resources and the venture's competitive strategies, the firm's performance should improve.

Strategy can be viewed as a 'continuing search for rent' (Bowman 1974 p.47), where rent is defined as return in excess of a resource owner's opportunity costs (Tollison 1982). Rent is the focus of analysis for competitive advantage (Porter 1985). Entrepreneurial rent may be achieved by risk-taking and entrepreneurial insight in an uncertain/complex environment (Cooper et al 1991; Rumelt 1987; Schumpeter 1934). A firm selects its strategy to generate rents based upon their resource capabilities. Firms have a strong basis for competitive advantage if they have the ability to evaluate effectively the resource position of the firm in terms of strengths and weaknesses (Andrews 1971). The firm's unique capabilities in terms of the technical know-how and managerial ability are important sources of heterogeneity that may result in a competitive advantage (Penrose 2009).

Furthermore, Hitt and Ireland (1985) claimed that distinctive competence and superior organizational routines in the value chain functions may also enable the firm to generate rents from a resource advantage. "It is the heterogeneity.....of the productive services available or potentially available from its resources that gives each firm its unique character," (Penrose 2009 p.67). Penrose further argued that a firm may achieve rents not because it has better resources, but rather the firm's distinctive competence involves making better use of its resources (Penrose 2009).

The resource-based view contributes to the large stream of research on diversification strategy (Ramanujam & Varadarajan 1989) in four areas. First, the resource-based approach considers the limitations of diversified growth (via internal development and mergers and acquisitions). Second, the resource-based view considers important motivations for diversification. Third, the resource-based approach provides a theoretical perspective for predicting the direction of diversification. Fourth, the resource-based view provides a theoretical rationale for predicting superior performance for certain categories of related diversification. Fundamentally, it is the resources of the firm which limit the choice of markets it may enter, and the levels of profit it may expect (Wernerfelt 1989). Key resource constraints include shortage of labor or physical inputs, shortage of finance, lack of suitable investment opportunities and lack of sufficient managerial capacity.

Penrose (2009) considered the growth of the firm as limited only in the long-run by its internal management resources. Penrose (2009) also examined the motives for expansion and argued that firms are administrative organizations and a collection of physical, human and intangible assets. Unused productive services from existing resources present a 'jig-saw' puzzle for balancing processes (Penrose 2009 p.62). Excess capacity due to indivisibilities and cyclical demand, to a large extent, drives the diversification process (Caves 1980; Chandler 1962).

Farjoun (1991) claimed that the resource of unused human expertise may drive diversification. Similarly, unused productive services, together with the changing knowledge of management, create unique productive opportunities for firms (Chandler 1977; 1990). As mentioned by Penrose (2009 p.65) in her seminal work, there is a 'virtuous circle' in which the process of growth necessitates specialization but specialization necessitates growth and diversification to fully utilize unused productive services. Thus, specialization induces diversification. Nonetheless, Rubin (1973) illustrated that there is an optimal growth rate for a firm which involves a balance between exploitation of existing resources and development of new resources (Penrose 2009; Rubin 1973; Wernerfelt 1984).

The direction of a firm's diversification is due to the nature of its available resources and the market opportunities in the environment (Mahoney & Pandian 1992). Several studies support the resource-based theory that an enterprise's specific resource serves as the driving force for its diversification strategy. For example, Lemelin (1982) found that industries assigned to categories of producer of goods, consumer convenience goods and consumer non-convenience goods are more likely to diversify into other industries assigned to the same category. Lemelin (1982) argued that this pattern is consistent with the resource-based hypothesis that firms do attempt to transfer intangible capital among related activities. Likewise, MacDonald (1985) found that firms are more likely to enter industries that are related to their primary activities. R&D intensive firms channel their diversification toward R&D intensive industries. R&D expenditure is a reasonably effective proxy for capturing unique knowledge possessed by individuals and teams within the organization (Caves 1982).

Similarly, advertising expenditure is an effective proxy for capturing a firm's intangible assets (such as brand name and reputation) (Montgomery & Hariharan 1991). These empirical studies suggest that firm-specific resources and relatedness of activities are important variables in the diversification process (Mahoney & Pandian 1992). As emphasized by Penrose (2009) and Richardson (1972), companies grow in the directions set by their capabilities and these slowly expand and change. Mahoney and Pandian (1992) stated the resource-based logic for the possible association between firm diversification and performance. Two important empirical studies (Montgomery & Wernerfelt 1988; Wernerfelt & Montgomery 1988) suggested that the resource-based theory of the firm provides theoretical underpinning for explaining and predicting significant firm effects.

Challenges and Obstacles to Business Growth

Despite the importance of growth for the SMEs, there is a wide recognition in the literature about the obstacles and barriers faced by the SMEs (Churchill & Lewis 1983), preventing them from growing further and putting them in a critical position to face new challenges that arise. Some of the existing literature (e.g. Small Medium Industry Development Corporation (SMIDEC) 2006; Saleh & Ndubisi 2006), highlighted many challenges facing the SMEs, such as the lack of financing, low productivity, lack of managerial capabilities, lack of access to management and technology as well as heavy regulatory burden. In the context of this study, according to Gomez and Jomo (1997), since 1980s, the government policies tended to assist larger businesses rather than the smaller companies. Larger, politically well-connected enterprises have enjoyed better access to tenders. The size of the business and political influence interact as part of the new Malay idiom of power in contemporary Malaysia.

In addition, commercial banks have also been more inclined to provide credit to large establishments. These and other problems have restricted the ability of small businesses to accumulate capital, in turn limiting their voice and political influences, and subsequently, access to government patronage. Lack of technological capacity and skilled labour, market limitations and competition have also kept their turnover and profit low, thus inhibiting their ability to grow.

In addition, small Malay enterprises have to compete with companies owned or controlled by politicians who are generally assured of favourable government treatment, particularly in the awarding of licenses and contracts, and in terms of access to finance and information. Therefore, Shukor (2006) suggested that values and attitudes, entrepreneurial skills, managerial skills and entrepreneurial characteristics are required and important for entrepreneurial success. His study was based on Malay businesses and he found that the Malay participation in the economic sector is still lagging behind when compared to non-Malays. According to him, this is due to some cultural aspects and attitudes of the Malays that obstruct their business growth. This conformed to Mahathir's (1970) argument about the Malays. He stated that the Malay culture has certain deficits that impede business growth, resulting in a poor rate of Malays' business successes. The problem of developing Malay entrepreneurs in terms of quantity and quality has been debated by many authors (Kechot & Khalifah 1999; Ahmed et al 2005). Most of them highlighted sociocultural and attitudinal aspects of the Malay entrepreneurs (Chee 1992; Ragayah & Zulkifli 1998; Storz 1999; Shukor 2006; Firdaus et al 2009) because they believed that those were barriers to successful business endeavours. Thus, many other authors have proposed suggestions and recommendations to assist and encourage the Malay entrepreneurship. However, there may be other hidden obstacles and barriers that would slow down their business journey.

Case Study – A Method

This paper adopted a case study approach as suggested by Yin (2003) to gain a more comprehensive understanding and insight of the entrepreneurial process towards business growth by Malay entrepreneurs and also to attempt an idiographic explanation (DeVaus 2004) for the whole case. According to King (1994), in order to explore the underlying (subjective) reasons for entrepreneurs' particular decisions, which in some cases progressed over a number of years, the semi-structured qualitative approach is deemed to be appropriate. This approach enabled the researcher to address the process-based issues concerning why events happened and how they unfolded over time (Denzin & Lincoln 1998). Nevertheless, it was recognized that the interview sessions with the entrepreneurs themselves did not, in a true sense of the word, constitute the case study research and therefore, the interview data were compared (where possible) with information from annual reports and company's publications, regulatory authorities, and magazine and newspaper articles. This was undertaken to enrich and strengthen the evidence for the case study (Yin 2009) and to support the validity of the findings.

In the context of this paper, an in-depth case analysis was conducted on one of the small businesses operating in the gelatine industry in Malaysia. The company's ten years of growth was tracked based on the turnover and total fixed assets. The research was divided into several stages. First, the gelatine industry was reviewed to identify the key players. Several leading companies were approached and their cooperation was sought to ensure the success of the project. Then, an extensive review of the company's documentation for the 10 year period, beginning from its foundation to date, was undertaken. This documentation included its annual reports, financial reports, newspaper interviews, informal records of managers, etc. The current CEO of the company was then interviewed to validate the content of the secondary data and to explore his thoughts on the growth and development of his company. The CEO certainly had played a central role in managing his business throughout the growth period. Therefore, he had a deep understanding of how the business developed and expanded. The interview was tape-recorded and transcribed before it was translated (interviews was conducted in the Malay language, Bahasa Malaysia) and the data systematically checked by the author for patterns. Based on the primary (interview) and secondary data collected, the author narrated a case history of the entrepreneur. The actual name of the entrepreneur and his company are kept anonymous as an ethical consideration for the study. Thus, the entrepreneur and his company are coded as E2 and HG Co, respectively. The case study is vital in order to understand the entrepreneurial process underwent by E2 in growing his HG Company. This case study also identified the barriers and challenges to business growth in Malaysia's dynamic and volatile business environment. This methodology has been successfully used to study the strategy evolution of an entrepreneurial business as proposed by Mintzberg and Water (1982).

Findings - Case Study

Industrial Background: The *Halal* Gelatine Industry

Consumers may not realise that many of the items that they consume contain gelatine because it is actually already a part of countless number of products in the market. Gelatine is pure protein obtained from animal raw materials which contain collagen. This natural and healthy food has excellent gelling strength but it is capable of doing a lot more.

Its broad spectrum of capabilities allows it to be used in many different industries and for a variety of products (Gelatine Manufacturers of Europe (GME) 2009). GME is the organizer for all of the major European gelatine manufacturers. Overall, they accounted for around 45 per cent of the world's gelatine production. The GME, currently based in Brussels, was founded in 1974 as an interface between its members and the European decision-makers. In its working committees, the GME remains steadfast in pursuing its main task of ensuring the production of high quality gelatine for their customers and consumers.

The global production of gelatine is more than 330,000 million tonnes annually. However, according to the GME (2009), only 1 per cent of the gelatine produced is certified ²*halal*. Currently, a majority of the gelatine is produced in Western Europe and at least 80 per cent is derived from pig skin. Another 15 per cent comes from bovines such as cows and buffaloes. While another 5 per cent is derived from the bones of bovines, pigs, fish and poultry. Due to religious concerns and adherence, some consumers may not be able to consume products containing gelatine because its sources are not deemed as *halal*. This would be gelatine derived from pigs or animals that are not slaughtered according to the Islamic requirements. The entrepreneur in this case study, coded as E2, saw the opportunity presented by the demand in the market for *halal* gelatine and established HG Co. to meet the consumers' needs.

Entrepreneurial Background

HG Co.'s establishment has opened many eyes on the strong demand for *halal* gelatine by Muslim consumers worldwide. Incorporated in 1997, HG Co. has now broadened its business activities from trading to manufacturing and distributing an entire range of *halal* products under the HG brand. The meteoric success of HG Co. gave rise to various subsidiaries namely, HG Distributor, HG Plant, HG Products and HG Industries that now form the HG Group of Companies. The person behind the successful stories of HG Co. is the current Chief Executive Officer (CEO) of the company, E2. He obtained his degree in Bachelor of Agricultural Science from ³University Pertanian Malaysia (UPM) in 1986. After completing his degree, he worked as an Assistant Manager at Golden Hope Plantation. Later on, he moved to CIBA Geigy (M) Sdn Bhd as a Medical Representative for Malaysia's northern region. During his service, E2 was awarded the Best Sales Representative based on his excellent sales performance.

Identification of Business Opportunity

The turning point of his life came when one of the Muslim doctors he approached during his sales tenure at CIBA Geigy (M) Sdn Bhd refused to use his products. He was surprised to learn that the products he was selling and promoting at that time were not *halal*. All this while, he was under the assumption that the hard and soft capsules he was selling were *halal* since it was openly sold in Malaysia, a predominantly Muslim country. The incident left a deep mark on his consciousness and changed his life in a big way.

"I had the opportunity to talk to a Muslim doctor who informed me that the capsules I was promoting were not halal and that left an indelible impression on me."

He was curious to know the truth. This led him to conduct an extensive research on the matter and discovered that the gelatine supplied to the pharmaceutical industry worldwide was not certified *halal*. Ironically, many of the Muslim consumers are unaware of the non-*halal* content and sources of the gelatine by-products. In order to gain more information about this matter, he visited the Department of Islamic Development Malaysia (JAKIM), a Malaysian Government institution which was established to develop a progressive and morally upright society based on the Islamic principles. E2 made an enquiry to JAKIM about the status of non-*halal* gelatine being used in many items consumed by Muslims in the country, whether knowingly or unknowingly, and specifically for the pharmaceutical products. Their response was that the current condition was such that it is deemed as ⁴*darurat*. In the event that they could not get any substitutes for the non-*halal* gelatine, Muslims are allowed to consume these products under certain rules and regulations. Dissatisfied with the response and the prevailing situation, E2 felt that, as a Muslim, it was his responsibility to find an alternative. For him, he would either be a part of the problem or the solution.

² *Halal* – permissible for Muslims

³ UPM now has changed its name to University Putra Malaysia

⁴ *Darurat* – a situation where *haram* (not permitted) can become *halal* because there is no alternative, and harm may befall a person if he/she does not opt for the *haram*

One of the vital attributes of an entrepreneur is the ability to find solutions to problems, and for E2, his entrepreneurial attributes naturally made him an essential part of the solution. As a result, he founded HG Co., a company which started by trading and distributing *halal* gelatine. It has now moved up to the next level by starting to produce and manufacture *halal* gelatine in their own plant. This is a mega project for HG Co with a total investment of around RM100 million. The plant is expected to produce about 3000 tonne *halal* gelatine for the worldwide market consumption.

Searching for Information

Realizing the importance of gathering as much information concerning *halal* gelatine and capsules, E2 went on a personal crusade that saw him travelling to India, Pakistan, the Middle East and China. He finally found a reliable source of *halal* raw gelatine from Pakistan. He subsequently started the business of importing these products in 1997 to Malaysia and its neighbouring countries. According to E2, till today, Pakistan is the only *halal* gelatine manufacturer in the world, processed entirely from *halal* bovine sources. Clearly, E2 has successfully steered HG Co. into a profitable business venture and has expanded its operation from importing and distributing to manufacturing *halal* gelatine-based alternative products.

Resource Acquisition

Resource-Based View (RBV) posits that a firm's success is largely driven from resources that possess certain special characteristics (Penrose, 1995; Wernerfelt, 1984). As such, E2 utilises his tangible and intangible resources in his commitment to see his company grow. Currently, he has a factory in Sungai Petani, Kedah, which produces his company's products. Although the main operation is in the northern region of Malaysia, his marketing office is situated in Shah Alam, which is located not far from the capital city of Malaysia. He decided to separate these two important entities of his business due to cost and trade demands.

According to the General Marketing Department, Mr. A, it is easier for the customers to reach them when they moved their marketing department to Shah Alam. On the other hand, the production department remains in Kedah because E2 intends to help the local community in his hometown by providing the much needed employment. Besides the establishment of the factory, machineries and logistics, E2 also developed a R&D team to come out with innovative products based on *halal* gelatine. These products are subsequently marketed using an attractive brand name that is catchy and easy to remember. To date, they are widely recognized and identified by the consumers due to an aggressive advertising and media campaign. E2 is also quite fortunate to have a wide network of clients and customers from his previous industrial background. He made excellent use of his contacts to have access to a broader base of resources, managerial talent and intellectual capabilities. This also provides a quick access to industry-related information and the opportunity to network with industry peers (Heinonen et al 2004).

Selection and Formation of Business Strategy

"The key to HG's success is a thorough and meticulous planning, designed around a corporate mission and vision." E2 asserts that it is vital that the core management team also believes in his mission. The team must have in-depth product knowledge as well as an understanding of Malaysia's domestic market situation. E2's achievement is not an overnight success story. He formulated sound strategies in order for his company to be the market leader in providing *halal* gelatine to the consumers. He has developed a Quality Control Department and he personally leads the Research and Development (R&D) Department that plays an important role in the company's business growth. The Quality Control Department has established a strict quality control system for raw material, in-process, packaging material, finished products and stability samples. The Department has two laboratories for chemical and microbiology testing with staff that is well trained and has years of experience in the related areas.

Both laboratories are also equipped with the most advanced instruments and equipment to enable the R&D Department to develop new and better products as well as carry out research in new product stability and packaging design. HG Co. also is working in collaboration with University Kebangsaan Malaysia (UKM) in an ongoing research to modernise technology in the production and supply of *halal* gelatine for the food and pharmaceutical industries. The technology developed by the UKM team in the laboratory had proven successful in increasing the existing gelatine production. There is a huge potential for *halal* gelatine, which constitutes about 15 per cent of the food industry and E2 saw this as a great opportunity that would spearhead his company's growth. E2 has discovered opportunity while others do not (Kirzner 1979).

He offers contract manufacturing services – a production solution to bring other companies' products to the market efficiently if they lack the capacity to produce themselves. His product development team develops products based on their requirement and provides something extra. This niche market strategy is important to small companies such as HG Co. as suggested by Perry (1987). *Halal* products are closely related to the Muslims' consumption requirement. In this regard, E2's entrepreneurship and keen eyes for expansion not only enable him to expand his market reach to the neighbouring countries, but to members of the Organization of the Islamic Conference (OIC) and the Western Asia region. This geographical expansion has contributed successfully to his company's growth (Barringer & Greening, 1998). When asked about his future plans, E2 responded by saying that he would be focusing on his mega project which is to develop the HG Plant that would cost the company RM100 million. Once operational, the plant is expected to produce about 3000 tonnes metrics of *halal* gelatine.

"I am looking for a suitable partner. I don't really bother to make this company as a family-run business. I believe that every growing company needs a professional advisor. Once the factory is successfully running, I leave it to the professional to run the business."

According to Bennett and Robson (1999) and Robson and Bennett (2000), a small growing company should gain external/professional advisor to ensure the company's growth. The external advisor will inject new capabilities to the company in terms of managerial resources and business strategy. With a modest start from a small room in his own house, E2 currently employs about 110 skilled workers. The company keeps growing along with the increase in terms of the number of employees it has.

Obstacles and Challenges to Business Growth

Rivalry and stiff competition are all part of a business' ups and downs. For E2, his first attempt to find an alternative for the non-*halal* gelatine has opened his rival's eyes on his company's ability to supply the product to the market. His own business journey has not been smooth sailing and was fraught with many challenges and difficult incidents. One of the more unforgettable incidents was when his factory was burnt down not once but twice within a very short period. E2 took it all in his stride and used that experience as a lesson in perseverance.

"Our store was burnt not once but twice in just eight month's time. We have to struggle a lot since I did not take any insurance before."

These unfortunate incidents have made him to be more aware of any possible dangers that may come his way. He became more proactive in protecting his company by buying extensive insurance coverage and providing security for the factory. He also makes it a point to know the background of the people whom his company are dealing with. There has been a lot of discussion on risk management among the SMEs (for example, see Pearson 1992) and how it should be prioritised as a way to help them recover from any damages, especially during this uncertain time. In terms of financial constraints, E2 faces challenges to convince his prospective venture capitalists of his mega project. He emphasizes that it is vital to build a *halal* gelatine plant as a long-term investment, not only for HG Co. but also for Malaysia if it intended to be one of the *halal* hubs in the world.

Growth Orientation

HG Co. is the sole importer, manufacturer and distributor for *halal* food and pharmaceutical grade gelatine, hard gelatine capsules and gelatine soft gels for the local market as well as China, India, Turkey, Sri Lanka, Canada, United Arab Emirates, Brunei and Indonesia. To date, HG has produced 28 wide ranges of products from industrial, consumer, health and nutraceuticals products. In November 2008, HG Co. was appointed by the Islamic Corporation for the Development of the Private Sector, a subsidiary of the prestigious Islamic Development Bank, Jeddah, to be their consultant for a gelatine and capsule project in Saudi Arabia. HG Co. has also received the *halal* certification from the Indonesian Council of *Ulamas'* Assessment Institute for Foods, Drugs and Cosmetics (LPPOM-MUI) and Islamic Central Committee Office of Thailand (ICCT). E2 mega plan is to build a plant to produce *halal* gelatine which is at a critical stage at the moment in terms of a steady supply. He is going to employ the vertical integration strategy which starts from the manufacturing of the *halal* gelatine to the distribution of the end-products to the customers. This would provide a strategic value chain which in turn would lead to a positive impact on his company's growth. As previously mentioned, E2 asserts that he may consider to use the service of a professional consultant to assist him in managing and expanding his business.

Furthermore, he does not have any qualm about getting an external venture capitalist to invest in his company because to him, the most important thing is to ensure the availability of *halal* gelatine to Muslim consumers worldwide.

Conclusion: Lessons & Implications

Profiles of successful entrepreneurs from the respective communities arguably help to bridge the perceived gap between academia and managerial practice (Cunningham 1999). E2's entrepreneurial process has illustrated important lessons and implications for the readers, with a specific aim at potential Malay entrepreneurs. As outlined earlier, this study attempts to provide guidance for new Malay entrepreneurs to strategically plan their business as well as their future business growth. Two main lessons are discussed as follows:-

- **Risk management**

“Sometimes I think I learnt a lot from the fire that burnt down my factory. It was burnt down twice in eight months. And from that, I learnt the importance of having an insurance coverage. And there are many types of insurance. For example, I can claim insurance for products which have not been sold. All these are lessons for me. I believe God wants me to think and work hard in order to succeed in business.”

The tragedy has taught him a specific lesson about risk management. Prior to the fire that destroyed his factory, he did not realize the importance of buying an insurance coverage for his business. This may be due to the lack of information about insurance or the risk-propensity which entrepreneurs tend to possess. Thus, a risk management plan would actually help small business entrepreneurs, especially the Malays, to reduce the risk to their business aside from being more proactive in their business expansion.

- **Religious Obligation – *fard kifayah***

Fard Kifayah is a collective obligation which must be executed by the Muslim community. However, not every Muslim has to carry out the obligation because once it was done by others, the obligation is considered as fulfilled. In E2 situation, he became involved in the *halal* gelatine business because of his obligation towards Islam and the Muslims. He believes that it is a *fard kifayah* for him to solve the problem of producing and distributing *halal* gelatine to the world. He is very concerned about the matter because he is in the position to make a change and if he did not take any action to solve the problem, who else will? E2 is certainly committed to his decision to venture into the *halal* gelatine industry, of which no other Malay entrepreneurs had dared to make the first step. This religious obligation also is a driver for his business growth, respectively.

This case history also offers opportunities for future research. Research could be carried out to identify the training requirements of Malay-owned firms. It is vital for the government to encourage more Malay entrepreneurs to independently grow and develop their business.

It would certainly help to discard the negative perception about the Malays who are generally regarded as a government-subsidized community. It could also serve as a useful educational vehicle to further investigate and identify the characteristics associated with entrepreneurs from various ethnic communities, e.g. the generation of ownership, previous experience, sector operating, etc. Stories from successful entrepreneurs can be shared at the national level and can be further disseminated to other regions. It is also recommended that a more effective way and solution to break the barrier of a business growth be looked into and that it should be based on a particular ethnic composition of the communities.

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