A case study of the Malaysian small-scale enterprise nursery schemes

Nuriyah Noriah Moon

Iowa State University

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A case study of the Malaysian small-scale enterprise nursery schemes

Moon, Nuriyah Noriah, Ph.D.
Iowa State University, 1989
A case study of the Malaysian small-scale enterprise nursery schemes

by

Nuriyah Noriah Moon

A Dissertation Submitted to the Graduate Faculty in Partial Fulfillment of the Requirements for the Degree of DOCTOR OF PHILOSOPHY

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For the Graduate College

Iowa State University
Ames, Iowa
1989
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CHAPTER 1. INTRODUCTION

The attempt by Third World Countries, Malaysia notwithstanding, to industrialize is a novel undertaking in that it involves the process of social change. By social change is meant the modification to established patterns of human interaction, norms of conduct, value orientations and attitudes of members of society.

Implicitly, industrialization involves changes in most aspect of society. Industrial development by necessity requires two preconditions to be met: a) the build-up of certain physical overhead capital which includes communication or transportation facilities, educational facilities and others, and b) the development of an institutional framework based on the legal, familial and motivational orders (Hoselitz, 1970).

Other writers note that industrialization brings forth an industrial culture, characterized by mobility, discipline, and punctuality. An industrial culture helps define new roles as demanded by the production systems. Chodak (1973) identified the key roles of the industrialization process as those of the entrepreneurs, workers, inventors and innovators. In fact, it is commonly agreed that the main obstacles faced by developing countries in promoting industrialization are the shortages of skilled workers and of entrepreneurs. It is therefore not
surprising that the Malaysian Government is intent on promoting small-scale enterprises (SSEs) in general, and Malay small-scale enterprises in particular.

This dissertation is therefore a case study of two small-scale nursery schemes, implemented as a pilot program in 1985 and 1987 by the Development Bank of Malaysia (BPMB) on behalf of the Malaysian Government.

Background

Demographically, out of a total of 12.7 million people in East Malaysia (1984), slightly over half are Malays, about a third are Chinese and about a tenth are Indians. Although the Malays constitute the majority, they are worst off economically. The incidence of poverty among the Malays is exceptionally high. For example, their capital incomes are only half that of the Chinese and two thirds that of the national average (Fourth Malaysian Plan Report, 1981.) Due to this high incidence of poverty among the Malays, the Malaysian Government announced the New Economic Policy in 1970 with the objectives of a) reducing poverty and eventually to raise income levels and increase employment opportunities for all racial groups, irrespective of race, and b) restructuring Malaysian society in order to reduce economic imbalance which eventually will eliminate the identification of race with economic function. This latter process meant the modernization of rural life, and a rapid
expansion of the urban activities as well as the development of a commercially and industrially active Malay community.

The surge of support by most developing countries to promote SSEs is guided by two basic assumptions. First, that SSEs make significant contribution in creating employment at lower capital cost, in developing technical and managerial skills and in mobilizing savings, and therefore are worth supporting. The other assumption is that SSEs operate at a disadvantage, and therefore require governmental assistance.

**Rationale for promoting SSEs in Malaysia**

The most significant rationale for promoting SSEs in Malaysia appears to be that of employment creation. Malaysia is characterized by a rapidly growing labor force. While much of this labor force will be absorbed in traditional agriculture, it is certain that most, if not an increasing number will seek employment in non-farm occupations. A typical feature of such labor force is that they are mostly unskilled and untrained. Thus, one of the ways to alleviate this problem of excess labor is to introduce programs which will encourage the development of small-scale enterprises. This also appears consistent with the policy to reduce poverty and restructure society. This move is particularly pertinent considering the high incidence of poverty among the Malays.
Status of small-scale enterprises

The contribution of SSEs to the Malaysian economy is evident in that 94% of the manufacturing establishments listed by the Census of Manufacturing Industries, West Malaysia may be regarded as operating on a small-scale basis. Its contribution to employment is impressive, employing about 344,000 people (World Bank Report, 1981).

The small-scale entrepreneurs throughout Malaysia are mainly males between the ages of 30-39, and many of them are Chinese (Chee, 1986). In recent years, the number of Malay SSE has increased although the Chinese accounts for about 80% of all SSE in Malaysia (Chee, 1986).

This predominance of Chinese in the manufacturing sector can be attributed to the following reasons: a) historically, the Chinese have always dominated over trade and commerce, which enabled them to extend the same degree of control into the manufacturing sector, b) the Malays lack the technical competence and business acumen to compete with the Chinese, c) the Malay middle class who derive their wealth from the land prefer to re-invest in property, which is more secure and regarded as a better prime investment, d) the well educated Malays are more attracted to join the civil service, a factor considered a drain of potential entrepreneurial talent, and e) the Chinese characteristic of
thrift and industry are important variables in accounting for ascendency of their enterprise (Goh, 1962).

In general, the receptiveness and exposure of the Chinese to modern business practices was enhanced by their relatively higher levels of urbanization and education. Urbanization has had the result of exposing them to the influence of education and the mass media and it brought them into contact with Western business principles. The Malays, on the other hand, are essentially rural in character and are more familiar with the traditional types of business. It is therefore understandable that the Malays have remained in the "backwaters of modern business and economic mainstream of the nation" (Mahmud, 1981:35).

Psychologically, the Malays need to adjust their value orientations and attitudes to the changing needs of the economic environment. A change of attitudes requires not only learning what the new point of view is, but becoming motivated to accept it (Hoveland et al., 1953).

**Definition of small-scale enterprises** The definition of small-scale enterprises vary from one country to another but the most commonly used are capital invested or turn-over, number of employees and sales volume. One recent study found more than 50 definitions in 75 different countries (Neck, 1977).
In Malaysia small-scale enterprises are currently defined as enterprises having a paid-up capital of M$500,000 irrespective of the number of employees. (At the time of the survey, however the definition applied to paid up-capital, fixed at less than M$250,000.)

Statement of the problem

In view of the pivotal role of SSEs in underpinning economic development in the country, and given the government objective to encourage Malays or "bumiputras" (sons of the soils) in the area of commerce and industry, an assessment of an SSE program such as Nursery Factory Scheme (NFS) is crucial in understanding the dynamics of entrepreneurial development for the purpose of planning future NFS.

In regard to the nature of the program, the Nursery Factory Scheme (NFS) was initiated by the Development Bank of Malaysia (Bank Pembangunan Malaysia Berhad or BPMB) with the active support of the Small Enterprise Division (SED) of the Ministry of Trade and Industry. (Currently the SED is under the portfolio of the Ministry of National and Rural development.) It is a pilot program based at the Pengkalan Chepa Industrial Estate, in Kelantan, one of the least developed states on the east coast of Peninsular Malaysia.
The primary objective of the program is to create and develop Malay entrepreneurship through the provisions of suitably designed physical premises along with the delivery of an integrated system of financial, advisory and technical support. The program was designed with a number of basic assumptions: a) the shortage of factory units at reasonably priced premises in Kelantan, b) the lack of managerial know-how and industrial skills among the Malay small-scale entrepreneurs (SSE) in Kelantan, c) the lack of marketing contacts and outlets, d) the lack of business guidance and financial capital among the Kelatan SSE to run a business effectively, and e) Kelantan SSE are enterprising and therefore have great potential.

Under this concept the following stipulations were made: a) participants must be a Malay (bumiputra) between the ages of 21 and 50 years of age; b) partnerships and corporations be 100% Malay owned; c) participants must be a local resident of the state of Kelantan; d) participants must possess a primary education; and e) participants must be prepared to operate on a full time basis and not involved in other businesses.

The participation of these existing and/or potential businessmen will be for a period of between three and five years, after which they are expected to leave and new small-
scale entrepreneurs will be selected for participation. During this time, BPMB shall extend support services such as training, management and technical know-how with the help of other agencies. A scheme manager and an assistant will be placed at the site to ensure close supervision and monitoring of the progress of participants. In 1987, the BPMB implemented its second scheme at Jengka in Pahang, another state in Malaysia.

**Objectives**

The objectives of this dissertation are to:

1) examine Malay value orientations, and explore how such values have influenced participants' attitude toward business. A behavioral model is offered to explain the relationships between value orientation, situational factors, reference groups, and individual characteristics in influencing business performance and the problems they faced in running their business firms within the scheme;

2) examine the performance of business firms in terms of their strategies, utilization of resources and their pattern of communication in adapting to their environment;

3) examine the structural variables and determine those factors which facilitate or impede their business success;

4) discuss intervention measures and the points at which they should be introduced so as to ensure a more effective
implementation of current and future NFS in Malaysia and possibly other developing countries; and
5) discuss the implications of this study for policy makers and administrators in general.

Dissertation format

This dissertation will differ from the conventional approach in that it will not proceed from a review of literature, formulation of hypotheses and finally to hypotheses testing. Instead, this dissertation will take a descriptive and inductive approach. This investigation was largely conducted as an exploratory study guided to some extent by theoretical literature and past empirical studies.

The investigation was conducted using both structured questionnaires and informal but in-depth face-to-face interviews. Data analysis will be aimed at classifying member businesses into types taking a comparative analysis approach (Glaser and Strauss, 1967). The findings of the investigation will be presented along with the discussion of theoretical concepts which guided this exploratory study, and they will be supplemented, where appropriate, with data from past studies on Malay businesses. Therefore, the review of literature becomes part of the presentation of findings. Furthermore, on the basis of these findings, some
inductive effort to arrive at empirical generalizations (Glaser and Strauss, 1967; Wallace, 1971) will be made so that the final objective of this dissertation to propose policy recommendations towards successful nursery scheme can be achieved.

Since this study deals with the entire population itself and not a probability sample, the data are inappropriate for tests of significance. As emphasized by Morrison (1969:133),

significance tests are not legitimately used other than that of assessing the sampling error of a statistic designed to describe a particular population on the basis of a probability sample.

The data analysis will therefore remain essentially descriptive. Some descriptive statistics will be used to examine differences and/or similarities between the two schemes. The methods of data collection were interviews based on structured and unstructured questionnaires, non-participant observation and personal experience of the author as a government official assigned to manage the program. The author's involvement dated back to 1982 when she was in the Ministry of Trade and Industry responsible for the planning and coordinating the NFS with BPMB. She was the chairperson involved in selecting potential participants for scheme 2.
There were 18 small-scale entrepreneurs in scheme 1 in Kota Bahru, Kelantan, and 10 small-scale entrepreneurs in scheme 2 in Jengka, Pahang. All of these owners/managers were interviewed. The data of these schemes will be combined (n=28), where the scheme difference is irrelevant to the subject of discussion.

To accomplish the foregoing objectives, the following order of presentation will be followed. The second chapter will discuss the Malays' value orientations based on the value orientation model, which attempts to account for differential performance of participants based on personal characteristics, situational variables such as perceived threat and their patterns of interaction and attitudes. The organizational model will be presented in the third chapter, focussing on management principles, strategies, and environmental constraints as they impact on business success and survival. In the fourth chapter, the social structural variables are discussed as they relate to participants performance, problems of coordination and other implementation problems as perceived by implementing agencies. This section will also examine the macro policies as they affect the small-scale enterprises sector on the whole. Findings based on collected data will be presented along with the insights gained in each of these chapters.
Intervention measures will be also discussed in each chapter together with findings. Chapter Five will discuss unresolved issues, the implications of the study as well as provide recommendations and intervention measures necessary to better improve the implementation of the nursery factory schemes (NFS). Emphasis is also made on the possible contributions of this study to sociology in general, and to Malaysia in particular.
CHAPTER 2. VALUE ORIENTATIONS OF THE MALAYS

Entrepreneurial development among the Malays has generally been slow compared to that of other ethnic groups. This lack of dynamism in entrepreneurial spirit of the Malays has been a cause of great concern especially to political and bureaucratic elites. It has been suggested by writers on Malay society (Tham, 1977) that this poor performance could be linked to the value orientations of the Malays, generally conservative and traditional.

A number of researches in this field have demonstrated that such conservative value orientations are counterproductive to efforts aimed at economic development. McClelland (1961), for example, posits that the values and motives inherent in individuals or the need for achievement is the central force driving the individuals to work hard. Thus, individual value orientations are critical factors in determining economic progress (McClelland, 1961; Hagen, 1960; 1962; Kunkel, 1965). Since Malaysia is currently emphasizing industrialization, the presence of value orientations more in accord with modern as opposed to traditional seems all the more imperative. Yet, the value orientations of the Malays have often been ignored in attempts to account for the relatively low achievement in the field of Malay entrepreneurship. McClelland (1961) for
example posits a high correlation between the need for achievement and economic growth. His arguments could be traced back to the works of Weber (1935), who maintained that the development of modern industrial capitalism was a consequence of the spirit and attitude of workers and entrepreneurs during the Protestant Reformation. Hagen (1960), in characterizing entrepreneurs as rebels in society, acknowledges that "they carry with them many values of the cultures in which they grow up" (1960:187). Similarly, Inkeles and Smith (1974) have stressed that the key to economic growth is man and that his values and attitudes must be changed in order to accelerate economic growth. In fact, a business and industrial culture demands certain value orientations, for example, achievement orientation, activism, individualism, and the like (Hagen, 1960; 1962). Again, Inkeles (1983) has identified certain traits which accompany modernization, such as a disposition to accept new ideas, a readiness to express opinions, emphasis on the present and the future than in the past.

Thus, on the basis of the foregoing arguments, it becomes necessary to analyze the value orientations of the Malays in order to understand why their business performance has been relatively unsatisfactory. This section attempts to examine those features which have molded not only the
motivational orientation, which includes the cognitive, cathetic, and the evaluative, but also the value orientation of the Malays in their interaction within the larger social system. In this context, the theory of action (Parsons and Shills, 1962) provides a useful framework. Action theory accounts for the following processes: 1) it delineates those variables underlying an individual's responses toward a situation (the cognitive, cathetic, and evaluative); 2) it accounts for the mechanisms which allow for the integration of values; 3) it explains the need-dispositions of the participants; and 4) it analyzes those sanctions and expectations which are crucial for motivating an individual to conform or deviate from the norms.

According to the action theory, behavior is conceptualized as having four basic features: 1) it is oriented towards the achievement of goals; 2) it is situational; 3) it is normatively regulated; and 4) it involves the expenditure of energy or effort. Thus, man's value orientation may commit him to certain norms that will guide him in his choice. (In this dissertation "man" and the pronoun "he" refer to both genders.) This selection among a set of alternatives is a function of his motives or need-dispositions. Implied here is the notion of gratification and deprivation which are crucial in
explaining an actor's inclination to conform or deviate. As emphasized by Parsons and Shills (1962), the actor's actions and goals and their gratification of need-dispositions are regulated by common standards of norms. The actor's orientation, therefore, may be categorized into motivational orientation and value orientation. Value orientation may be defined as (Kluckholn et al., 1962:411)

a generalized and organized conception, influencing behavior, of nature, of man's place in it, of man's relation to man, and of the desirable and non-desirable as they may relate to man-environment and inter-human relations.

In other words, value orientation refers to two composite elements - values and beliefs. Thus, as this definition implies, one's behavior is not random, nor instinctual. It is articulated consistently with the values and beliefs of the individual and the group. Among other things, the value orientation of a particular society determines the pattern of reciprocal rights and obligations which encompass rôle expectations and sanctions. Attitude, on the other hand may be defined (Allport, 1935:798),

as a mental and neural state of readiness, organized through experience exerting a dynamic influence upon the individual's response to all objects and situation with which it is related.

Thus, while value orientation refers to general tendencies and involve a higher level of abstraction, attitude refers to a specific mental readiness associated
with a particular situation or object. Attitude, in other words, deals with a lower level of abstraction. In order to analyze the value orientations of the Malays, Kluckholn and Strodbeck's (1961) classificatory schema or typology will be utilized to examine what are the dominant value orientations of the Malay society that have persistently influenced their behavior and their cognitive framework. This schema provides utility in terms of delineating dominant types of value orientations and their range of variability within the Malay society.

This schema revolves around five basic themes, namely: 1) Man's innate predisposition, which can be categorized as evil, good, or mixed; 2) Man's relation to nature - i.e., whether man is subjugated to nature, man in nature, or man over nature; 3) Time dimension, which refers to the emphasis man gives to time, in terms of the past (tradition), the present, and the future; 4) Personality, or activity orientation, which may be categorized into the being, the being-in-becoming, and doing; and 5) Modality of relationship - i.e., in terms of lineal, collateral or individualistic.

The Malay's value orientations

Before elaborating on the nature of the Malays' value orientations based on the schema devised by Kluckholn and
Strodbeck (1961), it is perhaps pertinent to stress here that although these value orientations are associated in general with the Malay society, a number of variations do exist. The dominant value orientations may vary as a function of such factors as age, education, urban or rural based.

The dominant value orientation of a particular society will emerge more specific as a function of its stratification system. As emphasized by Kluckholn (1950), some value orientations may express themselves more dominantly than others at any particular period of time. This is related to the nature of the structural stratification and the needs of the relevant roles for purpose of pattern maintenance. In general, the value orientations of the Malays can be illustrated in Table 1.

**Man's innate predisposition** Two predominant value orientations that reflect the Malays' understanding of man's innate nature are: 1) mixed nature of man, and 2) man's possession of the faculty of reasoning.

**Mixed nature of man** This concept is derived from the teachings of Islam. Essentially, Islam states that man is made up of two contradictory elements: mud, symbolic of dirt, and the divine spirit of God. Therefore, man is both good and evil. Since all Malays are Muslim, it is
TABLE 1. Malay value orientation scheme

<table>
<thead>
<tr>
<th>Man's Innate predisposition</th>
<th>Evil</th>
<th>Neither good/evil</th>
<th>Good</th>
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<tr>
<td>man's relation to nature</td>
<td>man subjected to nature</td>
<td>man in nature</td>
<td>man vs. nature</td>
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<tr>
<td>time dimension</td>
<td>past</td>
<td>present</td>
<td>future</td>
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<tr>
<td>personality</td>
<td>being</td>
<td>being-in-becoming</td>
<td>doing</td>
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<td>modality of relationship</td>
<td>lineal</td>
<td>collateral</td>
<td>individualistic</td>
</tr>
</tbody>
</table>

^Malay value orientation.

inevitable that this belief pervades all aspects of their life. However, even though the influence of Islam is deep-seated, a number of traditional beliefs in animism still prevails. It should be noted also that Islam is a State religion, and the Constitution does not allow a Muslim to leave his religion. Thus, it could be said that Malays are 100% muslim.

Man's possession of the faculty of reasoning

Related to the concept of man's innate nature of being good and evil is the fact that man is endowed by God (Allah) with the faculty of reasoning (akal). The individual, although governed by base and personal interest, must learn to attain
high principles in life based on Islamic teachings. The Islamic vision of a just society is one in which the individuals are motivated by ethical principles rather than immediate interests (Kessler, 1978). For example, Muslims are forbidden to consume alcohol because of the adverse consequences of getting drunk. In other words, acts forbidden by God might be committed when the faculty of reasoning is lost.

Currently, in Malay society, Islam has been diluted by traditional beliefs among the people in the villages and those belonging to the lower class. For the upper class and those in the urban areas, Islam is weakened by modern values (Ali, 1981).

The point is that, irrespective of class, the endowment of "akal" serves to direct and motivate all individuals to lead a moral and ethical life. The notion that the ruler is all-divine originates from magical animism and popular Hinduism. According to this belief the ruler is God's shadow on earth, and therefore, no commoner may touch him without contracting diseases (Wilkinson, 1932). The commoners' sense of fear and deference for the ruler is felt in all aspects of the social, political and economic life. Thus, to be disloyal to the ruler is to incur God's wrath.
Man's relation to nature

A number of the Malays' value orientation reflects this "man-subjugated-to-nature" relationship. Such value orientations include the concept of fate (takdir), the divinely allotted lot (rezeki), and the notion of spiritual rewards in the life after death. The emphasis is directed towards the importance of external elements or forces in determining one's fate versus the primacy of the inner drives. In other words, the individual has little control over his own life and destiny.

Fatalism

The religious orientation of the Malays dictates that their fate is governed by God. Birth, marriage, and death are events over which the individual has little control. When adversity strikes, one often hears laments like "It is fate". Thus, for those entrepreneurs who failed to make it in the business world, this provides an easy rationalization. Besides, as pointed out by Tham (1977), there is no social stigma attached to those who had failed. A re-entry to the traditional occupation seems to be an easy outlet.

Spiritual rewards versus material progress

Essentially, the Malays regard this life as transitory, and therefore place little emphasis on material gains. In contrast, the other indigenous groups, namely the Chinese and Indians, had internalized the value of the accumulation
of economic power as a means of enhancing social mobility. The Malays have been described as being complacent, with little desire for material wealth (Swift, 1964). Their values emphasizing material progress are recent phenomena (Tham, 1977).

Time orientation The time orientation of the Malays stresses maintaining continuity with the past. This sentiment may be illustrated in value orientations towards occupation and by the emphasis on the conferring of awards or titles. This glorification of the past is best exemplified by the common Malay saying "Let the child die but never custom or tradition." This preoccupation with preserving the past perhaps is related to the nature of the social stratification system. It remains in the interest of the upper class to maintain the status quo (Tham, 1977).

Occupational prestige With the introduction of modernization and its concomitant emphasis on education, the perception of the Malay society has changed very little with respect to prestige accorded to certain occupations. High prestige is accorded to government service. This is understandable and to quote Alatas (1972:91)

It is by virtue of the absorption of the aristocracy into the Government service, together with the fact that it was the only immediate and readily accessible ladder of social mobility among educated Malays, that the occupational prestige of Government appointment has always been rated high by the Malays.
Findings  
Data from this study provide some support to the contention that the Malays do not perceive business occupation being prestigious. Participants' perception towards business is presented in Table 2 below.

TABLE 2. Perception towards business being prestigious

<table>
<thead>
<tr>
<th>Perception</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a very little extent</td>
<td>42.2</td>
</tr>
<tr>
<td>To a little extent</td>
<td>16.0</td>
</tr>
<tr>
<td>To some extent</td>
<td>21.8</td>
</tr>
<tr>
<td>To a great extent</td>
<td>10.0</td>
</tr>
<tr>
<td>To a very great extent</td>
<td>10.0</td>
</tr>
<tr>
<td>Total (28)</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Consistent with this sentiment, the professional and business occupations occupy a relatively low position in the prestige hierarchy. Similarly, participants in the scheme do not appear to perceive themselves as successful businessmen before joining the NFS. This is reflected in Table 3.

The majority (57%) rated themselves 5 or below. This low ratings seem to suggest their little regard for business as a livelihood, or perhaps reflective of their self esteem.
TABLE 3. Perception of success before joining scheme

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>3.6</td>
</tr>
<tr>
<td>10</td>
<td>3.6</td>
</tr>
<tr>
<td>9</td>
<td>10.7</td>
</tr>
<tr>
<td>8</td>
<td>10.7</td>
</tr>
<tr>
<td>7</td>
<td>14.6</td>
</tr>
<tr>
<td>6</td>
<td>32.1</td>
</tr>
<tr>
<td>5</td>
<td>17.9</td>
</tr>
<tr>
<td>4</td>
<td>7.1</td>
</tr>
<tr>
<td>3</td>
<td>0.0</td>
</tr>
<tr>
<td>2</td>
<td>0.0</td>
</tr>
<tr>
<td>Lowest</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Emphasis on the awarding of titles

Another aspect of the need to maintain continuity with the past is the stress given to the conferring of titles and decorations. The highest honors would carry the title of "Lord and Lady". It was estimated that more than one thousand persons receive the honors every year, since Malaysia achieved Independence (Alatas, 1972). The events usually coincide with the birthdays of the Rulers. An interesting feature of change in the structural stratification system of the Malaysian society is the increasing incorporation of the Chinese and Indians into the upper class.
Activity orientation based on the personality

Kluckholn and Strodtbeck (1961) define the "being" as a personality which releases and indulges in existing desires while the "being-in-becoming" refers to a personality which is selfcontained and controls itself through detachment that brings understanding. These are contrasted with the achievement-oriented personality. For the Malay society, the emphasis is more on those values which enhance the virtues of goodness in the self. Concepts like nobility of character or "budi", the importance of good breeding and good manners are factors which determine one's social standing. These ideal personalities override the values of economic achievement. The following value orientations are illustrative of this "being" personality of the Malay society.

Quality of piety  Unlike the culture of the Chinese, in which the possession of knowledge meant the enhancement of status achievement, for the Malays, knowledge of the Koran (the Holy Book for the Muslims) was more or less related to the quality of piety (Tham, 1977). This absence of a mechanism for achieving or acquiring new economic status meant that within one social strata, there is little room for upward mobility. With this stress on the quality of piety, the values attached to achievement did not
gain much significance. Thus, the cultural recognition necessary to give legitimacy and validation to socio-economic mobility was absent in the Malays' frame of reference (Tham, 1977).

**Status ascription versus achievement**

That status is ascribed rather than achieved is a consequence of the rigidity of the social stratification system of the Malay society which had its origin in the pre-colonial era. Structurally, the society was divided into the upper class and the lower class, which comprised mainly the peasants. Since Malay society is basically agrarian, the commoners were largely tied to the land and were a subjugated group.

In the feudalistic days, the conditions to obtain protection required unflinching loyalty and subservience to the masters. In addition, the British colonial powers had contributed significantly to the entrenchment of the peasant class, by policies aimed at maintaining the status quo. As suggested by Tham (1977:16),

> both the direct and the indirect effects of the British rule merged to ensure that the structural differentiation of the social system remained intact.

Psychologically, this trait has been carried over to this modern era. Tolerance is made of misdemeanor - but never a challenge or defiance to the leader. This would include even mere disagreements on issues (Alatas, 1972). A case in
point is the relationship between those in power and those who depended on them, which is typically characterized by personal attachment to the leader or man in authority rather than the principles he stands for.

This point is evidenced from the data in this study. For example, even though the participants had reasons to complain about the manner in which the program was implemented, especially in terms of the scheme manager's role as the ultimate supervisor, they were not ready to challenge his authority. During the in-depth interview, the author was informed that when faced with serious problems with the management, participants had initiated special dialogue sessions with influential individuals not involved with the NFS to bring matters to the attention of higher authorities. An important consequence of this reluctance to confront openly with the authorities is the resultant alienation or the development of anomie among participants. When problems are encountered little attempt is made to seek professional guidance from the bank officials. Passive resignation or submission appears to be the typical patterns of behavior exhibited by participants when faced with problems they could not solve. This submission to authority could be due to lack of confidence or feelings of powerlessness, a trait that has its beginnings in historical
times. It is closely linked to the Malays attitude of submission to the traditional aristocracy (Tham, 1977). Commoners who behaved beyond their allotted status were frowned upon. The proper way was to maintain a wide distance from those with power and prestige. Nevertheless, there was one participant who approached the top management when his business was about to be foreclosed due to a legal case with a supplier.

Absence of entrepreneurial ideology Another significant factor contributing to the lack of Malay entrepreneurial development is the apparent absence of the ideology of success or achievement. To put it differently, Malay society is in need of the ideological and motivational elements necessary to enhance or to direct Malay society into a highly achievement-oriented society based on entrepreneurial talent (Tham, 1977). The cognitive framework of the Malays precludes the symbolic significance of a functional elite necessary to motivate them to channel their energy towards entrepreneurial development. Their frame of reference has historically been the aristocratic class, most of whom have been transformed into the bureaucratic and political elites (Alatas, 1972). As noted by most critics like Tham (1977), although the political and bureaucratic elites have consistently attempted to motivate
entrepreneurial development, the status perception and cultural aspiration of the Malays have continued to stress non-entrepreneurial values and preferences. The elites merely articulate the need for inculcating values pertinent to entrepreneurial development, yet in themselves provide no model for emulation. To quote Tham (1977:62):

the political and bureaucratic elites do not possess the mentality or entrepreneurial qualities necessary for validating these patterns of behavior associated with entrepreneurship.

This commitment to traditional values, norms of behavior and institutions has remained fundamentally unchanged (Tham, 1977). However, in this study the findings reflect a slight orientation toward favorable perception in terms of upgrading their business. Table 4 illustrates the distribution of participants' responses in terms of reasons given for joining the NFS.

The relational principle The value orientations of the Malay society exhibit a hierarchical or lineal relationship. This implies that primacy is given to status, ascription, age and experience. A person gains respect for what he is rather than the role he performs. Although the collateral relationship is also significant, the hierarchical principle tends to dominate. Specifically, the following value orientations reflect this lineal or
TABLE 4. Reasons for joining: to upgrade business

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a very little extent</td>
<td>0.0</td>
</tr>
<tr>
<td>To a little extent</td>
<td>0.0</td>
</tr>
<tr>
<td>To some extent</td>
<td>23.9</td>
</tr>
<tr>
<td>To a great extent</td>
<td>23.3</td>
</tr>
<tr>
<td>To a very great extent</td>
<td>52.8</td>
</tr>
<tr>
<td>Total (28)</td>
<td>100.0</td>
</tr>
</tbody>
</table>

hierarchical principle: status quo maintenance, respect for old age, and respect for those in authority.

As evidenced from these findings, the recruitment methods practiced by participants in both schemes appear to be suggestive of the ascription principle. For example about 24.7% of participants used kins, 27.2% non-kins and 48.1% used both kins and non-kins as a method for employee selection. Similarly, the criterion for hiring personnel seems to emphasize personality-related rather than job-related factors. The majority (52.8%) hired their personnel on such basis and 36% had a combination of both job-related as well as personality-related factors.
Status quo maintenance Within the cultural context of the Malay society, as opposed to that of the Chinese or Indians, the emphasis is on the concept of status and exclusiveness of the royalty and the aristocratic class. This orientation was more in terms of values attached to wealth - namely, the seeking of wealth for the maintenance of status rather than the rational accumulation of it. The emphasis on status quo maintenance can be traced back to the days of the feudalistic era, during which the social structure of the Malay society was rigidly segmented into the upper class and the lower class.

The system of the sultanate, the ruling class and the commoners carries with it religious, social and political implications. For the aristocrats, the sultan was the source of their legitimacy, conferring them with more power and prestige in exchange for their pledge of loyalty. Socially, the relationships between the ruler and the subjects were based on usufructure. This meant that the subjects had certain obligations and rights to perform, including the pledge of loyalty and services.

Respect for the elderly In Malay society, age and generational seniority have traditionally been associated with wisdom, experience and knowledge. As noted by Banks (1983), no Malay kinship patterns are conceived as
symmetrical. Differences in generation, relative age, and sex determines the position of responsibility and dependency. Although relative age demands lesser dependence than generational difference, the feelings of respect and deference are present in the relations between parents and children and also in relations between brothers and sisters. To quote Banks (1983:134):

In terms of behavioral etiquette, deference and respect on the same generation model means that the older party should be accorded the opportunity to speak first. Although advice from the older party is not binding, it should not be rejected too openly.

Thus, on the basis of the foregoing cultural and belief systems of the Malay society it is easy to understand why the Malays have been described as being complacent, with little desire for material wealth. For the upper class the primary motivation for accumulation was for the maintenance of status and prestige, not for change.

The value orientation model

The value orientation model is illustrated in Figure 1. It was formulated by this author based on Kluckholn's (1950) value orientation schema and Ajzen and Fishbein's model (1980). It is argued that the scheme participants are entrapped in a socio-cultural milieu of the Malay society in which the value orientations may have exerted a strong influence in molding their personality.
FIGURE 1. Cultural value orientation model
Malay individuals influence and are influenced by the social structure and the sociopolitical environment in which they find themselves. The individual's characteristic orientation or personality is determined to a large extent by biological needs and the early stages of socialization. The introduction of the Nursery Factory Scheme (NFS) and the entrepreneur participation, suggests that they are part of the change process. Amidst the somewhat traditional setting the program participants are faced with elements of modernity. In other words, running a business enterprise entails value orientations that are essentially modern.

The value orientation model is thus a theoretical device developed to better explain the socio-cultural context of the program participants. It seeks to provide greater insights to factors which account for the success or failures of businesses and make suggestions as to how specific attitude change could ultimately result in the desired behavior.

Before discussing in detail the variables which directly and indirectly impact on behavior, it is necessary to make some assumptions:

1. This model assumes that man is rational to the extent that he will utilize his knowledge to make sense of the world around him. In other words, man is assumed to
seek understanding with the capabilities he possesses in discriminating between good and bad and thereby would use this information to make decisions. However, notwithstanding this rationality, he is most frequently caught in a world where norms and cultural values are operating. This implies that rational as he may be, his acts may appear to be irrational due to the operations of those value orientations which are deep-seated and may influence his perception of his world.

2. A second assumption is that people act in accordance with their attitude. To put it differently, an attitude-behavior behavior consistency is assumed.

3. Thirdly, a change in intention will produce a change in behavior (Ajzen and Fishbein, 1980).

4. A further assumption is that it is possible to change people's behavior after the age of formative years so that the model becomes meaningful in the knowledge that it is possible to change participants' attitude and behavior.

**Attitude towards business** In attempting to explain participants' attitude towards business, it is important to consider the functional bases of the attitude. According to Katz (1960), attitude serves four basic functions: a) as the adjustive function of satisfying utilitarian needs, b) the ego defensive function of handling internal conflicts,
c) the value expressive function of maintaining self-
identity and enhancing the self-image, and d) the knowledge
of giving understanding and meaning to the ambiguities of
the world.

The Malays' attitude toward business is defined by
their need for a secure and stable life involving minimal
risks. Such an attitude, then, is a manifestation of the
adjustive function to meet his utilitarian needs. The risk
inherent in business conflicts with the Malay need for the
security of a stable livelihood and, thus, creates this
somewhat negative attitude toward business.

As to the ego defensive function, this invariably meant
that in order to defend one's ego, the rationalization is
unconsciously made that a business occupation does not carry
any meaning in terms of prestige. Thus, in order to defend
the ego, the Malay entrepreneur attaches a somewhat
demeaning context to the term "business," and others which
are often associated with cheating, and the excessive charge
of interest. These are considered sinful in Islam. Malay
socialization regards excess profiteering as being
"unmuslim". Therefore, in order to defend the ego-function,
the Malays cognitively attribute business as something
unethical. The knowledge function of attitude may be
illustrated in the rationalization that the Malays have
always fallen behind the Chinese in terms of business knowledge and acumen. It is therefore posited that once these functional bases of the Malay attitude are identified, strategies for changing these attitudes could be introduced. These would require, among other things, changing their beliefs.

**Internalization of value orientation**

A system of value orientation is a significant component of culture and, therefore, is transmitted from one generation to another. Through the process of socialization, expectation patterns also become organized into specific patterns of selection. To the extent that such value orientations are internalized, they will become part of the personality system. Related to this is the function of the role of the individual in their interaction with one another. Roles are said to be institutionalized once they are fully congruous with the prevailing cultural patterns and when they are organized around expectations of sanctions and rewards (Parsons and Shills, 1962). When these patterns of culture become institutionalized in the social structure, then the personality systems and the cultural systems become fully integrated.

In the context of the Malay society, and in relation to the value orientation model, the scheme participants'
attitude toward business is largely dependent on the extent or degree of the internalization of the value orientations mentioned earlier. In short, how much of it becomes constituted in the personality system will determine the nature of the attitude of the individual toward business. Besides the influence of this value orientation, the importance of the situational factors should not be overlooked.

**Individual characteristics**

Personal characteristics may not affect attitudes directly, but they must be taken into account in dealing with attitude formation. An understanding of these variables would help in predicting a better relationship between attitude and behavior. They are intervening variables which may impact on their attitudes depending on the extent of the internalization of the value orientations.

The following will discuss the personality characteristics, including variables such as age, education, socio-economic status, business experience, technical skills and early business socialization. They are important factors in accounting for variation in individual business performance or success, and consequently survival.
As age increases, conservativeness tends to increase. In other words, there is a consistent shift in the direction of conservatism as an individual advances in age. Rogers and Shoemaker (1971) and Rogers (1983), have observed this tendency in the adoption of innovation. The general agreement appears to be that an individual's attitude tends to be more rigid and less susceptible to change with increasing age. Also, the theory of reasoned action posits that behavioral change is ultimately the result of change in beliefs. In the case of scheme participants, the older participants were found to be less willing to adopt proper business disciplines. Changing their beliefs may require more extensive efforts by scheme management such as providing new information, the use of persuasive messages and the like.

Empirical investigations, based on interviews with both management, defined here as scheme managers and officials of the bank, and scheme participants, found that the older participants tended to be more rigid and set in their business practices and tended to ignore management's advice on the proper methods of operating businesses. A typical problem according to the Management was to misuse business income for personal purposes.
Some of the younger and the middle-aged participants, on the other hand were more disciplined and had practiced good records of accounts. They had also indicated that the scheme would have had a better success rate if it was confined to those within the 30-40 year group. This is so because, to quote one of them,

it is harder to change the older people because of their fixed values and attitudes.

Mahmud (1981), reported in his study on Malaysian businessmen in Kuala Lumpur that entrepreneurs within the youngest category (20-29 years) and the oldest category (50 years and older) had a higher percentage of unsuccessful business, i.e., 75% of these two categories were unsuccessful. It was also found that those businessmen who went to English school had a 50-50% chance of being successful.

The data from this study also reveal that among the 30-40 age cohorts, about 22% of the 28 participants had good payment records while among those older than 40 years only 10% had maintain good financial records. This was also the group which had close interaction among themselves and with the management. It is argued, therefore that their interaction must have a great influence in re-socializing its members into adopting more positive attitudes and values and consequently resulting in better performance.
According to the Symbolic Interactionist perspective, the peer group constitutes a powerful socializing agent especially when the group is mobilized by explicit goal beyond that of sociability (Gecas, 1981). In the context of the Nursery Factory Scheme, the obvious goal of the group is to obtain the necessary recognition from authorities concerned, thereby legitimizing their positions as small scale businessmen with the objective of making good sales and thus, profits.

In terms of possible intervention, it appears that it would be desirable to encourage greater interaction among members and the management staff to facilitate the socialization of positive attitudes. Based on the concept of socialization at work settings, it is believed that the interaction process between peer groups could have a pervasive influence in changing behavior and conforming to group norms, namely that of inculcating good business disciplines. This deliberate and conscious attempt by participants to internalize the beliefs, values and actions could be seen as a product of and an adaptation to the experience of the work situation.

Although age as a factor is a "given" in this context, it does not necessarily imply that intervention is not possible. Positive steps could be taken to overcome the age
factor. A possible suggestion is to encourage interaction among participants and the management staff so that re-socialization could take place between the younger and older participants and the management. In addition, the less successful participants could take on the values of the more successful participants through role learning. Thus, age as a variable can still be controlled in that participants can be encouraged to freely interact among themselves and with the management.

Formal education

Formal education can be seen to impact attitude directly and indirectly. As an indirect influence education socializes the individual to modernity and therefore enables him to be more open to changes, in addition to acquiring skills for advancement. As a direct variable, education provides the individual with knowledge and information which could influence any prior beliefs he may have on business activities.

A study on 144 Malaysian small businessmen (Mahmud, 1981) found that the performance of entrepreneurs who went to English school was better in that 44% (8 out of 18) of them were successful and that 35% (8 out of 23) who went to Malay school were unsuccessful.

Similarly, the MAMPU Report (1983), noted that only about 51.8% of the 21,655 respondents in their 1978 study on
small businesses in Malaysia entrepreneurs passed the primary school. In terms of the educational level of the Malay entrepreneurs, only 19.3% of the Malays had primary education compared to 68% of the Chinese entrepreneurs throughout Malaysia. Chee (1975) noted that this relatively low level of education among Malaysian entrepreneurs is hardly surprising. He argued that if they had a higher education, they might have joined the Government service or sought a profession. Table 5 portrays the educational level of participants.

TABLE 5. Educational level of participants

<table>
<thead>
<tr>
<th>Education level</th>
<th>percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>3.6</td>
</tr>
<tr>
<td>Primary</td>
<td>17.9</td>
</tr>
<tr>
<td>Secondary</td>
<td>60.7</td>
</tr>
<tr>
<td>College</td>
<td>7.1</td>
</tr>
<tr>
<td>University</td>
<td>10.7</td>
</tr>
<tr>
<td>Total (28)</td>
<td>100.0</td>
</tr>
</tbody>
</table>

As evidenced from the data, the majority of the participants (60.7%) have had only secondary education and that 3.6% did not have any education at all. The percentage having college or university education is only 10.7%.
The numerous functions performed by formal education in society, especially the transformation of the individual is well documented in the literature (Rogers, 1983; Inkeles and Smith, 1983). Other studies attribute education to the possibility of making social comparisons with others. Education is an important prerequisite in the socialization process in that it enables individuals to develop the capability and ability to acquire knowledge and information and to communicate and engage in comparative processes (Festinger, 1954). It is widely recognized that a better education would enable the individual to greater access to change agents and therefore have the advantage of deriving the latest information.

In the context of Malay society, education has not always been regarded as an avenue for social mobility. It was only in recent years that education has taken on great importance. In view of the technical complexities of the manufacturing process that the participants are involved in, a basic education is a necessity if the participants were to perform well. Thus, participants with little education would be in a less advantageous situation to understand the technological complexities of the production processes and ultimately will lag behind. Based on the importance of education it is argued that education serves as a strong
moderator on the attitude variable which determines behavior. In other words, the more educated the participants, the more willing they will be to change and adopt better business disciplines, thereby increasing their chances of survival.

Any intervention to be considered must therefore take into account the educational level of the participants. For example training programs or workshops should be of a level consistent participants' educational attainment. A training program too sophisticated or too complex would result in confusion and ultimately may cause participants to lose interest. As a positive step the Government agencies could provide participants with programs requiring on the job training as well as the class room type to teach basic skills/ principles on how to operate small business successfully.

Socio-economic status Socio-economic status refers to the position an individual occupies in the prestige hierarchy of society. Its importance in sociological research is evidenced in the numerous researches done in this area. Miller (1970:159), for example states that, the socio-economic status position of the person affects his chances for education, income, occupation, marriage, health, friends, and even life expectancy.
Three factors characterize a society's general stratification system: a) the division of labor, b) inequality as reflected by rewards and evaluation, and c) restrictions on people's access to positions (Beeghley, 1978).

As society moves from the traditional to the modern continuum, it becomes more differentiated in its division of labor. Related to this is the idea of inequality. Because different statuses in society are unequally rewarded, it is argued that people's rewards and evaluation create interests. This will result in a situation where people would restrict the chances of others to obtain status similar to their own (Dahrendorf, 1959).

Therefore, it is clear that one's position in society is a result of the process of change. In the NFS context, one's socio-economic status is important in that it determines to a large extent, one's accessibility to resources. The more resources one has at one's disposal, the greater will be the chances of improving the business in terms of better credit standing, better machines, more cash and others associated with good business standing. Operating any business requires capital.

Although the bank is an important source of capital for participants, oftentimes money is needed in short notice. A
case in point is when a participant is suddenly given a contract to produce a particular item at a stipulated time period. It normally takes the bank a few weeks and sometimes months, to disburse the funds, if it should ever be approved. As businessmen, time means money for the participants and this appears to be a major complaint. Thus, it is not surprising to find that participants with little or no resources were trapped in debts with creditors, suppliers and the bank. From the data it was found that about 5 (five) out the total 18 participants in the first scheme (27%) were relatively wealthy in terms of having their own land and property. They were also the group that were more successful in their business operations. This was corroborated by these participants. When in need of cash in short notice, they would utilize their own money which would later be reimbursed by the bank. It is therefore clear that one's accessibility to resources is an important factor determining business success.

Past business experience It is generally agreed that past business experience would directly influence the individual's attitude either positively or negatively through the socialization process. Past exposure to business in general and the manufacturing sector, in particular, would bring the participants into contact with
learning experience. Thus, it is argued that the degree or length of past business experience is expected to enable the participants to perform well in their business activities.

As Inkeles and Smith (1974) have demonstrated, working in the factory makes men more amenable to incorporate and adopt new standards of discipline. If one regards the learning experience of participants involved in the scheme as parallel to that experience working in the factory, then one can conclude that such learning experience would lead to the inculcation of new values through socialization, a process identified by sociologists and psychologists as the bases for learning modern attitudes.

Thus, even though participants have not been successful in business, their involvement in the scheme is by itself a learning experience which could help them in the future. Working in factories encourages, among other things, 1) openness to new experience, 2) concern for orderly advancement, 3) respect for subordinates, and others (Inkeles and Smith, 1974).

The data in this study reveal that 89% of participants have had some experience, either as employees or managers of their own company, while 10.7% did not have any business experience at all. Despite the high percentage of participants with business experience yet the success rate
is low. The operational measurement and discussion of business success will be presented in the section on organizational analysis.

One explanation could be that those participants with business experience were involved more with activities like retailing rather than production and management of manufacturing products. A further analysis in terms of type of business experience revealed that only 17.9% had had such experience in the manufacturing activities.

Any intervention at this stage could perhaps be in the form of widening the participants' knowledge and skills in the manufacturing field. Such a measure would be valuable to help compensate for lack of experience, exposure and skills. An appropriate suggestion would be the introduction of "on the job training" for participants at well established small business manufacturing firms, especially those owned by Chinese businessmen to enable participants to obtain first hand experience of the necessary skills. Technical agencies could play a big role in facilitating this transfer of technology to participants. Courses could be specially tailored to meet the participants' needs.

Skills and training Another important dimension that needs to be considered in accounting for differential attitude and behavior, is the differences in the level of
skills and training possessed by participants. Skills constitute one of the most important prerequisites to successful business performance. Such skills could be acquired through the learning experience and attending courses offered by training institutions. It is therefore logical to assume that participants with appropriate business skills would normally perform better than those having minimal or no skills. It has been well documented that the excellent performance of Chinese businessmen in entrepreneurship is attributed to generations of business experience (Chee, 1986). In the case of the Malays such business skills are definitely lacking. This could be circumvented by providing them with specific technical training appropriate to their needs.

Another way of interpreting skills is the business knowledge acquired by the individuals in the course of the socialization process. The extent to which the individual is exposed to business knowledge will determine the level of his skills. Implicit in this statement is the training (formal and informal) that the individual has attended.

Conceptually knowledge is a diversified notion. For this study, how knowledge would influence the individual decision making relative to his business activities is the issue. The individual, equipped with the business skills
would be better predisposed to evaluate the business choices and to select that course of action that would bring forth consequences most rewarding. A given knowledge or skills of an individual constitute the individual's constructed world of relationship between phenomena (Bohlen and Beal, 1961). Thus, business skills and knowledge are important prerequisites in determining business success. The sum total of such skills possessed by participants would result in differential business performance.

As correctly noted by Mahmud (1981), the phenomena of Malays' business experience is such a recent experience that it would take a few more generations before those skills could be regarded a strong foundation for successful business experience. The Malays usually start their business after working at some technical services for Government jobs, as opposed to the Chinese, most of whom started off as skilled workers in some business firms or inherited the business from their parents.

Some participants have gained considerable business skills from experience in managing their parents' businesses. For example, two of the successful participants had set up their firms from their father's resources or as an off-shoot of their father's company. They were also those who displayed more confidence, knowledge and possessed positive attitudes towards their business. For example 6.6%
of the participants in the first scheme were actually running their father's business, having changed the names of the business firms to their own.

A third contributing factor is that most of the participants were from the non-urban sectors. Besides, Kota Bahru, the state in which the scheme is located is not as developed as Kuala Lumpur, the capital city of Malaysia. It is for this reason, therefore, that the Malay businessmen in Kuala Lumpur were more successful because they were more exposed to modern values than their Kota Bahru counterparts.

Early business socialization Related to the above is the fact that early business socialization constitutes an important aspect in determining business success. As psychologists have agreed early socialization process has great primacy in influencing the life of the individual. McClelland (1961) for example posits that children with strong dominating fathers tend to exhibit certain characteristics different from those of low dominating fathers.

The concept of social learning has been recognized as a crucial process in continuing socialization. Consequently, children with parents involved in business are socialized into a certain pattern of upbringing which nurtures the child with a value orientation highly prized by the parents.
In addition each individual may go through different socialization experiences and this accounts for the differential expectations and goals as defined by the participants. In other words, how he perceives his social world depends on his interpretation of the situation based on past experiences. In terms of possible intervention, management should accelerate efforts to expose participants to modern methods of business operations.

Reference groups and role model

Three general definitions of reference groups have been referred to in the literature. They include the comparative, status and normative reference groups (Shibutani, 1955). The concept of reference groups could be traced back to the pioneering works of Hyman (1942) who defined it as a group with which one compares oneself in the course of making self judgements. Based on this concept, Kemper (1968) widened the scope to include functions which an actor uses to facilitate judgements about issues such as: a) the equity of one's life destiny, b) the legitimacy or validity of one's actions and attitudes, c) the adequacy of one's performance or d) the accommodation of one's acts in relation to the acts of others. Implicit in these functions, especially c) is the fact that an individual utilizes a role model to evaluate one's progress in addition to learning the role. Thus, one's reference group provides
a model for appropriate behavior, including a model exemplifying those desirable attributes.

The reference group concept, whether it is in reference to the normative or status viewpoint, may be defined as (Sheriff and Sheriff, 1964:180),

those groups in which he wants to be counted as an individual which includes the individuals whose opinion makes a difference for him, whose standards and goals are his reference group's

Thus, on the basis of this process of identification, an individual implicitly accepts the group's or individual's values and norms.

As highlighted by Structuralists and Symbolic Interactionists, the individual is always confronted with choices in his own social world. The need to make a selection has given rise to concerns as to what factors influence the choice of such perspective. Some psychologists contend that the choice of reference group is a factor of personal loyalty to "significant others". By significant others is meant those individuals directly responsible for shaping the internalization of one's values.

As mentioned earlier, socialization is the sum total of accumulated experience interacting with certain people, while "significant others" refers to those individuals who are the source inculcating those values and perspectives (Shibutani, 1955). It follows therefore that once this
shared perspective of individuals is identified they become the common properties of the group. How an individual defines the situation is a function of the perspective he uses. In totality, the concept of reference group summarizes the differential association, perceptions, and performances of the participants.

In the context of the Malaysian entrepreneurship development, it has been pointed out that the Malays lacked or are in a great need of role models. The values and norms exemplifying appropriate business behavior was apparently lacking (Tham, 1977). Consequently there was little or no basis for the individual entrepreneur to use a frame of reference with which to compare and evaluate his standards. It is therefore argued that creating entrepreneur role models for the Malays to emulate would motivate them to be successful entrepreneurs. It is also suggested that there be more attempts to encourage interaction among participants, especially with the more successful ones, from or outside the scheme. As a long term measure successful Malay businessmen should be given recognition so that their prestigious position would encourage other businessmen to use them as points of referents.
The process of evaluation

The process of evaluation constitutes an important component in the model on page 33. The participant, by way of comparison, evaluates the adequacy of his performance, the accuracy of his beliefs, and the commensurateness of the rewards. As reflected in the model, there is a continuous process of self-evaluation which is seen as a feedback to the variable "personality characteristics". In other words, to the extent that those value orientations are internalized they will influence an individual's perception, intention and behavior. Subsequently, after the process of enacting that behavior the participants would make self-evaluation and thus make the necessary adjustments. After all, as maintained by the Symbolic Interactionists, how the individual defines the situation will influence the manner of behavior, thinking and beliefs.

Situational factors

In analyzing those variables which make up the situational factors, it is necessary to understand the concept of social roles. This is so because in defining a certain situation, one must necessarily take into account the role one is enacting. Roles are those expectations associated with a person's status, and implied here is the notion of identity; by which is meant any characteristic
that an individual uses to define himself. In other words, what is proper behavior is a function of the individual's identity and those of others.

Within the scenario of the Nursery scheme, the individual's participation can be interpreted as the direct process of interaction with the scheme manager and other participants in attempting to achieve his goal. Such interaction is guided by his definition of the situation. Out of such contexts, roles are assigned to each individual, depending on the function the individual executes. According to the Symbolic Interactionists, the process of interaction is founded on the notion that behavior is purposive and that the general goal or objective is to maximize his profits.

The situational variables to be examined in the model includes: a) context, b) objective, c) time, d) the mood of the environment, (or organizational climate), and e) perceived threat. Since the participants are continuously interacting with other individuals in the scheme, the context of the situation has to be defined.

**Context** The context in which individuals are expected to effect specific behavior, that is successful business performance, is the whole sequence of activities carried out at the Nursery Factory Scheme. The context is specific in time and space, that is within the five year
implementation period and the location refers to the industrial estate whereby the bank, and other technical agencies constitute the environment. Since behavior is affected by situation (Milgram, 1974; Argyle et al., 1981), any attempt to explain and understand social behavior must necessarily take into account the situation which influences the behavior. Similarly, Hill (1981), maintained that the conditions affecting the relationships between attitudes and behavior must be specified, if one wishes to predict such relationships. Evidence abounds as to the primacy of the situational variables as determinants of the connections between attitude and behavior.

Situational variables could perform the following functions in the context of the Malaysian Nursery Factory Scheme. They could a) alter the individual's beliefs about business, b) alter the individual's value orientation which could result in the desirable change, and c) and reduce the association between attitudes, intention and behavior.

Within the NFS framework, the scheme managers and other supporting agencies could facilitate a number of changes with respect to individual's traditional attitudes via information, exemplification, training, etc. Thus, at an early stage of implementation, participants should be exposed to many new and modern ideas of business operations.
and planning. This is an important intervention measure that could prove effective with commitment on the part of supporting agencies. As emphasized in the adoption and diffusion research, there has to be close rapport between change agents and the potential adopter, in order to ensure complete adoption.

**Target** The target or objective in the context of this scheme refers to the five year period, after which, the participants are expected to be viable and to operate their firms independently in a different site. This meant that they have to leave. Imposing such a target may be counter-productive in that participants are faced with uncertainties as to their future. This was mentioned by most of the participants as one of the problems and anxieties they felt in joining the scheme. An unintended consequence of this is behavior involving overindulgence, in taking risks and excessive miscalculation.

**Rewards/Punishment** Social-psychologists argue that individuals who are rewarded for a certain behavior, are not only likely to have positive attitudes toward that particular object, but that they are likely to repeat it (Homans, 1961). This is tied to the concept of reinforcement. Behavior is maintained by the reinforcement of rewards and weakened by aversive stimuli.
In the framework of the NFS, there is a need to provide a system of incentives, in order to reinforce positive values such as those promoting business culture. Rewards may be in the form of personal recognition, praise, or materially, like better credit arrangements. In terms of punishment the bank has sufficient measures to ensure compliance.

**Organization climate**

Organizational climate is a molar concept, referring to characteristics found in the work environment, as a result of actions taken consciously or unconsciously by an organization (Steers and Porter, 1979). In this study, the organization climate that will be discussed pertains to the working environment within the larger organization of the NFS in which member participants interact with the scheme manager in their daily business operations. This concept, therefore, will not be discussed in the context of each business organization.

This concept is useful because of its utility in accounting for differential business performance. It has been described as subjective in the sense that it reveals the member's perceived definition of the working environment. Notwithstanding this limitation, research on organization climate has indicated its value as an intervening variable and that the perception of organization
climate by members is influenced by a number of internal and external factors. Internal factors include dimensions of organization such as size, structure and context, while external factors refer to variables such as environmental uncertainty dependence and ownership (Dastmalchian, 1986). It was also reported that organization climate can be manipulated by leadership styles and principles. Another facet of organization climate is that a favorable climate will motivate members to perform more effectively (Payne and Pheysey, 1971; Child and Ellis, 1973). In other words, organization climate is a function of a complex set of variables including cultural influences and philosophies (Dastmalchian, 1986).

Data from this study appear to be consistent with the above findings. It was observed that participants were frustrated by the bureaucratic nature of the whole set up, especially rules governing loan application, leasing arrangements and procedures regarding purchase of machines. The climate as perceived by members was one of rigidity and inflexibility. Members were concerned that loan application was subject to normal banking procedures and they felt that there was very little privilege given as members of the scheme. As a result there were feelings of anxiety and uncertainty following loan applications. Dastmalchian
(1986) maintained that uncertainties of outcomes of various
decisions tended to create an environment of tension and
ambiguity. This study also found that the scheme manager
was conferred with little power and that most of his
responsibilities pertain to administrative functions. Power
was very much centralized at the headquarters in Kuala
Lumpur.

Another important implication of the concept of
organization climate is that studies have shown that
management can create an appropriate climate that will
produce less uncertainty and ambiguity on its members. The
ultimate result is the creation of a climate of openness and
trust, thereby encouraging free flow of ideas, at the same
time motivating members to increased productivity and
effectiveness.

Given the above, and based on the assumption that
leadership style can be manipulated, it is therefore
suggested that scheme managers be vested with more power and
responsibility to effectively exercise his functions. He
should have the power to approve small amounts of loans.
Another intervention measure that will be appropriate at
this juncture is to suggest that members be allowed to
participate in decisions affecting their interests.
Perception towards management and perceived threat

An important component of the situational variable is participants' perception of management. Perception is used in social psychology to describe the manner in which one perceives or makes inferences on the traits and intentions of others. Experimental studies done in this area indicate that social factors induce types of selectivity in what a person perceives and how he interprets it (Bruner, 1958). When an individual perceives a social object he is, in fact, categorizing it mentally, on the basis of his past experiences and as a member of his society.

It is assumed in this study that, since participants' experiences vary as a function of their personal attributes, exposure and environment, their perceptions of the scheme manager, who represents the management, will therefore differ. It is posited that this differential perception will elicit different reactions and interpretations of management's intentions and motives. In other words, participants' interpretation of the manager's intentions are based on their interaction, which will definitely have consequences for the participants' performance.

The data from this study suggest that participants in both schemes perceive the scheme manager to be very approachable (77.7% in scheme 1 and 90% in scheme 2), but
based on interviews it was indicated that the scheme manager did not have the necessary authority or power to make decisions involving approval of loans. The powerless manager was likened to the postman who delivers messages without any say in matters involving their interests. Hence, participants were discouraged to openly discuss their problems. To quote "it was futile to discuss anything official with the scheme manager, since he could not do anything to help us."

An important implication from this set-up is that scheme managers do not have the necessary responsibility required to effect change in participants. The ultimate consequence is a feeling of frustration and alienation. This is especially true of the less assertive participants. A common feeling was that the bank was interested only in getting back their loans and was not in the least interested in helping them. Such perception of threat or fear will result in little motivation to change. As Zaltman and Duncan (1977), have pointed out when the target audience perceives that it has little control over the change process, then the potential for change is reduced. The perceived need for change is defined as the readiness and capacity to accept change.
Besides this feeling of helplessness, participants also perceive management as interfering too much in how they run their business. This was resented particularly when the scheme manager did not have the experience in running a business. It was felt that scheme managers lacked the practical experience, and thus the advice offered by scheme managers was not taken seriously.

An intervention that is proposed is therefore to create an environment that would be conducive to change. This could be done by ensuring that scheme managers have the following attitudes and values:

1. primary concern for the benefit of the participants,
2. possess a sense of his own identity and his own power to help others,
3. respect for those values held by others,
4. do more than comply routinely with the rules and regulations of the institutions, and
5. have the ability to motivate others.

**Intention** An important feature of the model is the notion that attitude does not relate to behavior directly, rather it is mediated by behavioral intentions, consistent with the Ajzen and Fishbein model (1980). As the model suggests, the effects of attitude on behavior are first mediated by intentions, which subsequently are influenced by
attitude toward the behavior (that is based on the individual's beliefs toward the specific object) and by subjective norms.

A change in behavior is assumed to effect change in attitude or subjective norm. Another assumption is that a change in behavior will result in change of intentions, which ultimately will lead to behavioral change.

Thus, unless change agents can change participants' intentions, it is difficult to expect a change in behavior. Implicit in this argument is the need to identify intentions that are highly related to the behavior that needs changing. In other words, the identification of intentions will allow change agents to detect its source, whether it is derived from norms, or beliefs.

In the context of the NFS, unless the scheme manager can identify participants' intentions, it is difficult to expect any behavioral change. One way to achieve this is for managers to interact closely with participants to better understand their attitudes, beliefs, and intentions to effect any behavioral change.

Behavior Behavior in the model refers specifically to acts which will result in successful business operations. It encompasses behavior such as proper maintenance of business records, hard work, discipline and others. As
indicated in the model, behavior is dependent on a number of variables, such as beliefs, norms, attitude, intentions and situational factors.

From the NFS perspective, the implication is that the scheme manager needs to understand the complex interaction of these variables, in order to effect any change in participants' behavior. The importance of being able to empathize with participants is indeed crucial.
CHAPTER 3. THE ORGANIZATIONAL FRAMEWORK

While the preceding section attempts to relate individual characteristics and performance of participants based on the psychological approach, specifically, by analyzing the value orientations of member participants, this section will examine participants' business performance using organizational analysis. The author argues that, although value orientations are important factors influencing behavior and ultimately business performance, value orientations per se are inadequate to account for variation among organizations in terms of success. This is especially true considering that member participants do not operate in isolation. There is the issue of environmental factors or contextual situation.

It is recognized that while value orientations are central to the understanding of Malay business behavior, other factors such as organizational dynamics, problems of adapting to environmental constraints and accessibility to critical resources are some of the issues that need to be examined in order to answer the question of organizational survival and success.

A close scrutiny of business organizations within the scheme reveals that organizations may be categorized as very successful, moderately successful and unsuccessful. Given
the fact that these organizations are located within the same physical environment and institutionalized in terms of support and financial services by the bank, what accounts for the mortality of some of these organizations? Why have some of these organizations been more successful than others? An important point to note is that these are all Malay businessmen coming from the same ethnic origin, and having a common socio-cultural background. Yet they have exhibited considerable differences in terms of achievement. In other words, the differential performance among member participants warrants further investigation.

For this purpose, three organizational theories will be drawn to analyze this issue of organizational survival and success. They are: 1) resource dependence, 2) population ecological theory, and 3) strategic choice perspective. These theories will provide the general framework within which the issues of organizational performance and survival will be discussed.

The NFS which is a pilot program of the bank and the Malaysian Government, is illustrative of the problems and constraints typically faced by organizations in attempting to survive in a competitive world. It is demonstrative of organizational actions and strategies in efforts to avoid dependencies, uncertainties, and control by other
organizations. Organizations have managerial competence and consequently have devised strategies to adapt to the environment.

It is also argued that these business organizations operate at two levels of environmental contexts: firstly, the institutional environment which comprises the bank's mandated and regulatory system of operations; secondly, the larger societal environment or the market environment, which includes customers, suppliers and competitors.

Before discussing the organizational model, it is appropriate at this point to review the theoretical underpinnings of the concept of institutionalization as conceived by Parsons (1951).

**Institutionalization**

The concept of institutionalization can be traced back to the early works of Parsons (1951). It is embedded in the theory of social action which posits that all social actors pursue ends but that such pursuits occur within the constraints or conditions of regulated norms. In other words, an important prerequisite for this process of institutionalization is when conformity to such norms becomes patterned and routine in society.

Institutionalization provides understanding as to the conception of rights, of appropriate modes of conduct, of
ideals and expectations in the process of establishing patterns of interaction (Parsons, 1951).

Specifically, Parsons (1951) analyzed the institutionalization of social life as comprising four elements: 1) specification, 2) ideology, 3) interest, and 4) jurisdiction.

**Specification** Specification refers to the consensus as to what should constitute the implications of the values for conduct. Related to this notion is the issue of mechanisms for implementation of the norms as defined by society, i.e., specification of the particular value which is to be institutionalized and its mode of implementation. In the context of the scheme, specification applies to the terms and conditions of participation in the scheme including the various rules and regulations of loan application, methods of loan disbursement, terms of contract with respect to rentals, leasing, and the like.

**Ideology** A second condition for institutionalization is the ideology of the system. It becomes the valid conception of the reality of the social world as envisioned by actors of the social system. Patterns of beliefs by members will mold the shape of the social institution. In terms of the scheme, the emerging ideology would be the need to make good sales and profits in
order to be financially stable and thus be able to pay back money owed to the bank. Another way of interpreting it, is to be successful businessmen. There may not be consensus in this ideology but the rules and regulations stipulated by the bank meant either survival or demise. Such ideology may also act as re-enforcers in participants' attempt to survive. Thus, those participants who do not play the game by the rules will find themselves lacking the legitimacy needed to remain viable.

**Interest** The institutionalization of social values is said to occur when patterns of interest are maintained and regulated and when actors are motivated to conform. Interest may depend to a large extent on systems of rewards and sanctions. Within the NFS, interest or motivation of member participants is a function of rewards and punishment apportioned out to members. Participants who performed well in their business operations will receive greater attention and support, both financially and psychologically, and consequently will be further motivated to do well.

**Jurisdiction** Jurisdiction refers to the accessibility of systems of control to members of the group. Implied is the issue of territorial conditions of jurisdiction (Mayhew, 1982). This is not necessarily restrictive only to those who comply but also to those who
pose as obstacles to effective implementation of its goals. The jurisdiction of the NFS refers to the powers of the bank in executing actions such as confiscation of collateral, foreclosures and the like, to organizations who were delinquent on their loans.

Institutional environment

On the basis of the foregoing theoretical conception of institutionalization, this section discusses the significance of institutional environment which may be posed either as threats or opportunities as perceived by member organizations. Institutional environment refers to the norms, sanctions, regulations and contracts prescribed by the bank as implementor of the program on participating organizations who are clients of the bank. These rules are henceforth binding and any breach of the contract results in punishment provided for by the law. Rental rates, loan payments, leasing conditions and others constitute elements which are institutionalized in the legal and normative rules of the bank.

The argument here is premised on the fact that these business organizations are subject to a highly institutionalized environment, a factor which must be borne in mind in analyzing participants' performance. This will be supported in the empirical section where it will be shown
how such rules have somehow had the effect of stifling business operations. However, with a little foresight, the use of strategic choices, and with the right attitude, some participants have been able to maneuver their organizations around such institutional barriers. Besides, these organizations are also confronted with the larger social environment, defined here as the market environment consisting of suppliers, consumers/clients, competitors and the socio-political set up (government agencies). These forces have further compounded the problem of survival.

**Organizational theories**

The resource dependence theory, the ecological theory and the strategic choice theory will be discussed as they constitute the most relevant paradigms to explain the model of the NFS in accounting for business success and survival. The conceptual model in Diagram 2 (see p. 84) tries to capture the whole essence of organizational actions and strategies, as business participants try to cope with the two environments. Strategies utilized will differ in terms of participants' perception of adequacy of resources, effective interorganizational relations, adaptation capabilities and perceived environment uncertainty. In addition, planning activities will necessarily impact on the type of strategies undertaken and henceforth success.
Resource dependence theory

In recent years the resource dependence theory has emerged as the dominant theory replacing exchange theory. This theory posits that organizations, while preferring to remain independent and autonomous become inextricably linked to other organizations for resources in order to remain viable. Such resources include financial, information, technology, labor and others. A basic premise of this perspective is that organizations, as open systems, must rely on others for critical resources and in the process become interdependent with external elements. The environment plays a key role in the sense that organizational functioning is tied to several environmental conditions (Pfeffer and Salancik, 1978).

The two dominant themes that this perspective emphasize are resources and information. Since groups and other organizations make different demands on organizations, an essential requirement for organizational survival is how best to manage these demands. How organizations relate to the environment in order to obtain resources and reduce dependence is the fundamental issue addressed by this perspective. In fact, organizations will attempt to reduce their dependence on other organizations. In cases where this is not possible, they will try to widen their task environment (Aldrich, 1979; Pfeffer and Salancik, 1978). In
the process, concepts such as the environment, interorganizational relations (IOR), perceived environmental uncertainty, adequacy of resources are important issues. Thus, for this theory, organizational survival is partially a function of its ability to cope with environmental demands and constraints as well as the need to maintain a continual process of negotiations to ensure the perpetual supply of resources they need.

Notwithstanding the importance of the environmental constraints, the basic focus is on the internal dynamics of the organizations, as manifested in the political decision-making process and in the manner in which organizations attempt to strategically adapt to the environment (Aldrich and Pfeffer, 1976). Within the resource dependence perspective, there is an element of rationality in the choice of strategies by management in adapting to external constraints.

Thompson (1967) described organizations as having three levels: 1) the core technology, 2) the management, and 3) the institutional level. The organizations in dealing with the environment will utilize each of these levels to perform specific functions. The institutional level, in direct contact with the environment, will resort to different kinds of actions to protect the management level, which in turn
will devise strategies to reduce the over-exposure of the core technology to environmental turbulence, variability and contingencies. Strategies to protect the core technology include: a) buffering, b) levelling, c) resource exchange d) forming informal coalitions, and e) others (Thompson, 1967).

Within the scenario of the NFS, it becomes apparent that participating organizations are heavily dependent on the bank for their critical resources, namely financing, vital business information and moral and psychological support. To the extent that the bank controls the allocation of required resources, it will influence the actions and behavior of participants. But such influence could be mitigated by those involved in the relationship by seeking alternative sources of supply, for example by: 1) borrowing money from each other in times of need, 2) exchange information on market, technical and management issues, 3) exchange resources like labor, equipment and others, and 4) simple social interaction to gain moral support.

Viewed from this perspective, it appears that participants exert considerable flexibility in resource exchange, reflecting a little element of "loose coupling". Loose coupling conveys the image that events are responsive,
but each event preserves its own identity and distinctiveness (Weick, 1976). It refers to the versatility of organizational actions (March and Olsen, 1976). These are manifestations of attempts by participants to protect their core technology.

**Population ecology perspective**

The population ecology perspective, like the resource dependence perspective views organizations as being subject to their environment, defined as those elements beyond the focal organizations. Such an environment includes concentration of resources, power, political domination and other organizations (Aldrich, 1979). Organization birth, change or demise is attributed to the nature of distribution of such resources in the environment. This theoretical orientation, first developed by theorists like Hannan and Freeman (1977; 1984), Aldrich (1979), Campbell (1969) and others, was based on the original works of Hawley (1950).

This approach assumes that external events determine population characteristics of organizations. In other words, environmental selection operates as conditions external to the organization in determining its form and growth. If the organizational structure fits the environment then it is selected. The implication is on environmental determinism. There is little credit given to
management decision-making. Also known as the natural selection perspective, this theory relies heavily on environmental factors in determining that only effective organizations will survive.

Other ecological theorists (Cameron and Zammuto, 1983) in their research on organization-environment relations, maintain that organization niches will change its form depending on many factors, some of which are beyond their control. Depressed economic climate, increased government regulations and public sentiment are some such factors. For example, according to their study on the automobile industry, the environment had dictated the form of industry that would survive. Due to the increase in prices of gasoline, world trade barriers and government regulations, the automobile industry changed, catering eventually to small vehicles requiring less gasoline.

This theory is selected in part due to its utility in explaining organization survival. In the context of the NFS, it can be seen that member organizations participating in the scheme were subject to the institutional environment and the larger societal or market environment. The institutional environment, in the form of the NFS comprises the political, social and legal ramifications that participants have to deal with in their daily business
operations. In addition, there is the market environment constituting different elements (consumers, competitors, suppliers, and government agencies) that participants need to transact with in their business operations. Thus in analyzing participants' performance, the crucial role of these environments must be recognized.

The natural selection perspective proposes a number of assumptions. First, organizations are basically characterized by inertia. Second, organizations are entrapped within their environment. Third, any change or variation among the population of organizations is attributable not to changes within the organizations but due to entry of new organizations. Fourth, the immutability of the external environment.

The heavy focus on differential survival rate of organizations within a given environment makes this perspective an appropriate framework to discuss participating organizations' vulnerability to external forces. The concept of survival is especially relevant to the NFS considering the mortality rate is about 20% after less than two years of inception (Ali and Salleh, 1986).

As regards the advantage of institutionalization, Meyer and Rowan (1978), in their study on the structure of educational organizations have aptly noted that the
institutionalization of the educational system has resulted in a situation whereby schools have come to be at the mercy of the ritual classifications. When instructions are not organized around topics conforming with accreditation rules, conflict and illegitimacy will surface. But an obvious benefit of institutionalizing the system is that it provides educational organizations with plenty of resources.

In the case of the NFS, the institutionalization of the scheme provided legitimacy to the bank in the sense that it was mandated by the government and therefore consistent with the legal and normative rules of the wider society. Organizations are said to derive power and resources when such rules are institutionalized. For participating organizations, the institutionalization of the NFS meant accessibility to critical resources like financing, technical advice and others. The imposition of rules on matters such as payment period, interests on loans, leasing agreements, collateral and the like were made to ensure the prevalence of order, thus leading to integration of the whole system. Any deviation from the legal and the normative will result in punishment. Thus, the survival of organizations is a function of its ability to play the rules of the game.
Strategic choice perspective  This perspective, which is the other extreme of the natural selection perspective, leans heavily on the notion of adaptation and organization learning. Organizations will scan the environment for opportunities and threats and consequently formulate strategies to adjust their structures to those environmental constraints (Thompson, 1967; Parsons, 1960; Miles, 1982).

Some theorists have regarded this orientation as contingency behavior, since the element of strategy is dependent on the fit between structure and environmental constraint. An underlying assumption of this perspective is the quality of leadership which gives the organization the driving force to maneuver its way around external threats.

A related assumption is that of rationality of decision-makers. Decision makers attempt to mitigate the relationship between environmental contingencies and the structure of the organizations by using strategies appropriate to their organizational needs (Child, 1972). As managers of the organization, they will choose patterns and domains of activity that will enhance their performance. Activity patterns is defined as a general construct that comprises relationships among multiple dimensions of organizational activity, e.g., strategy, structure,
political processes and norms (Romanelli and Tuschman, 1984). Chief executives or business owners must seek ways of conforming their organizational activity to suit the demands of political forces in order to legitimate their positions. In other words, as emphasized by Meyer and Rowan (1977:352), structures which conform to institutional meanings "maximize that legitimacy and increase their resources and survival capabilities". Thus, organizations devise ways to adapt, and strategic management is a vehicle for this organizational adaptation (Crozier, 1964; Thompson, 1967). Since decision-makers seldom have much choice to change contingent variables (Donaldson, 1987), strategies will largely determine the structure of organizations.

The organization model

The organization model presented in Figure 2 is used as a heuristic device in guiding the discussion of the NFS. Its utility is in providing the theoretical underpinnings of the scheme. As such, the arrows indicated in the figure will not be tested to accept or refute the theory. The model is used merely to guide empirical findings as they reflect the reality of the situation. In other words, empirical data will be analyzed, based on the organizational model to make comparisons between the unique characteristics of successful and unsuccessful organizations in scheme 1.
Other variables like individual characteristic (e.g., age, education, skills, business socialization), perceived environment uncertainty (PEU), strategic type, adequacy of resources, planning, and interorganizational relationship (IOR) will also be analyzed to determine their relationships with success.

The following section discusses briefly the literature review pertaining to business organizations, their rationale for existence, mortality issues and factors contributing to success.

Numerous studies have focused on profits as measures of success. It is generally used in business organizations as an indicator to help determine the extent to which the business is able to attract new capital and therefore growth, ultimately implying the chances of survival. The implicit assumption is that growth is synonymous with success. However, other studies have shown that business existence is not solely to strive for profits (Simon, 1957; 1962; Spencer and Siegelman, 1959; Stepanek, 1960; Yaacob, 1981). The goal of some businesses is mere survival. This is especially true for small businesses, whose survival rate is usually short. Most businesses that failed, do so in the early years of establishment (Duval, 1962), indicating the vulnerability of small businesses.
FIGURE 2. The organizational model
A study by Ali and Salleh (1986), which was funded by the United Nations Industrial Development Organization, on the NFS in Kelantan (scheme 1) revealed that of the total number (24) who joined in 1985, three were no longer operational while 5 had been phased out, a mortality rate of about 20%. Some of the reasons attributed were disagreement among business partners, financial mismanagement, inadequate cost control and inability to expand their product markets. The demise of these organizations is reflective of their inability to respond to environmental demands as well as the weakness of the management level to adapt to the needs of institutional forces, thereby losing the necessary reinforcement for "selection" by the environment.

Success in this study is operationally defined as: 1) good loan payment records, 2) ratio of sales achieved vis-a-vis those targeted and 3) perceived credit standing as evaluated by the bank. The first two criteria were standards set by the bank as a method of monitoring and control. (Payment records refer to loan payment status, rentals, leasing and other money owed to the bank.) But for the purpose of the study, loan payment status, ratio of achieved to targeted sales and perceived credit standing were combined to form the success index. The criteria used for loan payment status follow the bank's grading scheme.
This is to reflect delinquent loans. The criteria adopted by the bank are as follows:

A = all payments made
B = 1 and 2 months in arrears
C = 3 and 4 months in arrears
D = 5 and 6 months in arrears
E = 7 and 12 months in arrears
F = more than 13 months in arrears

Credit standing is measured on a scale of 1 (lowest) to 10 (highest), a grading created by the author. The coordinator of both schemes was asked to evaluate participants' performance based on this scale. Sales ratio was derived by dividing sales achieved by targeted sales for 1987. (See Appendix A for details.)

Since scheme 2 was established in late 1987, and no loan payment status was made available, no attempt was made to evaluate success of participants. References will, however, be made in cases where it will highlight significant attributes of scheme 2.

Market environment As emphasized by most organization theorists, the market environment may pose a severe constraint as well as provide opportunities to organizations. The ability to harness the market potential is a function of managerial competence, which includes
leadership qualities, foresight, commitment and effective lobbying (Miles, 1982). But the overriding importance is perhaps the type of production line involved and the market population it serves. Surplus production of some products requires serious efforts by regulatory agencies to expand existing markets. Market expansion, accompanied with effective marketing network, will help compensate for the inefficiencies of some business organizations, particularly small-scale enterprises.

The market potential of Malaysian SSE, Bumiputra SSE in particular, is usually limited. As Chee (1975) noted, Malaysian SSE are usually suppliers of consumers from low income groups and in the rural areas. As a result, the demand expansion of these products is largely a function of income growth within these groups. A slow income growth will imply little expansion in consumer demand. Since marketing is one of the major problems faced by Malaysian SSE, the growth of potential income of prospective consumers must be considered in any efforts to enhance SSE development.

A related factor is the nature of Malaysian SSE products. Most of these goods are concentrated within the traditional sector. Items such as food, furniture and the like, have proliferated in recent years. The popularity of
the traditional sector is understandable since production of these items require low capital, skills and technology. In addition, SSE experience is largely confined to these areas. A good case in point is the production of "kicap" (soy sauce). Its recent proliferation has led some cynics to label the phenomenon as the "kicap syndrome". The market becomes so saturated that any new entrant will imply stiffer competition for existing producers. As Haron (undated) noted, the market growth becomes smaller and business growth potential becomes constrained and limited.

The marketing problem of participants in scheme 1 is readily seen in Table 6 below, taken from a recent study by Ali and Salleh (1986). The study was prepared for the United Nations Industrial Development Organization. As demonstrated, about 36% of participants' goods find their way to Kota Bahru, which is the capital of Kelantan. It is about six miles from the NFS complex. (The total population of Kelantan was 637,000 in 1970.)

Table 7, on the other hand, indicates the various problems related to marketing of participants' products. Intense competition appears to be the major complaint, followed by lack of product promotion and exposure.

Scheme 2, on the other hand, has a good market potential in the form of settler population around its
TABLE 6. Sales distribution\(^a\) of scheme 1 organizations

<table>
<thead>
<tr>
<th>Sales Distribution</th>
<th>Percentage of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kota Bahru</td>
<td>36.27</td>
</tr>
<tr>
<td>2. Other districts in Kelantan</td>
<td>31.27</td>
</tr>
<tr>
<td>3. Other States</td>
<td>1.58</td>
</tr>
<tr>
<td>4. Government sector</td>
<td>30.88</td>
</tr>
</tbody>
</table>

\(^a\)Source: Ali and Salleh, 1986:57.

TABLE 7. Problems related to product marketing\(^a\) of scheme 1

<table>
<thead>
<tr>
<th>Types of problem</th>
<th>Percentage of entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Product of lower quality</td>
<td>6.70</td>
</tr>
<tr>
<td>2. Intense competition</td>
<td>33.28</td>
</tr>
<tr>
<td>3. Prices regarded too high by consumers</td>
<td>6.70</td>
</tr>
<tr>
<td>4. Lack of promotion and product exposure</td>
<td>20.00</td>
</tr>
<tr>
<td>5. Shortage of salesmen</td>
<td>13.3</td>
</tr>
<tr>
<td>6. Do not face any problem</td>
<td>20.00</td>
</tr>
</tbody>
</table>

\(^a\)Source: Ali and Salleh, 1986:57.
vicinity. It was set up in late 1987 in a settlement area known as the Jengka Triangle in Pahang, one of the least developed states in Malaysia. Despite its isolation in the middle of the virgin jungle, it has however the advantage of exploiting the market potential of the settlement families. The population of the Jengka Triangle Project is 85,000 (BPMB Report, 1984) of which 10,000 are found in the town center. This settlement project was developed by the Federal Land Development Authority (FELDA) to reduce regional disparity among the Malaysian states and one of the objectives was to improve the incomes of the settlers. Young men and their families who were chosen to settle on the schemes were given plots of land to cultivate produce such as palm oil, rubber trees, and coffee. The settlement population, therefore provides ready market for products of scheme 2 participants. Another excellent potential of the settlement program is the ability of the participants to supply to the Perbadanan Niaga Felda (PNF), a business arm of FELDA, created to meet the needs of settler families. PNF operates a number of small retail shops in these areas.

Success

This section will give an in-depth account of successful and unsuccessful participants in schemes 1. There are two successful and 7 unsuccessful organizations in this scheme.
Firm A. One of the successful organizations, herein called firm A, is managed by a 33 year-old man, who has attained a secondary level of education. He is from a sound socio-economic status (SES) background with parents also involved in business. He was involved in another unrelated company for about two and half years prior to joining the NFS. His training includes short stints (1 day) in the area of production, management and quality control. An important point worth noting is that his production line is in the modern sector. Although competition is keen in his line of production, his business has expanded considerably, and he now occupies two units of the NFS. His success can be attributed among other things, to hard work, good disposition and competent managerial foresight (according to the author's observation).

His first break came when he obtained a Government contract to supply plastic bottles for the Ministry of Health. He subsequently managed to get other contracts from the private sector. The government contract has been renewed for another two years in 1987. His products are distributed in the states of Kelantan, Trengganu and Pahang, mainly through contracts with government hospitals and private clinics. His sound credit worthiness has enabled him to secure overdraft facilities from other commercial banks, which further stimulated his business growth. At the
end of 1987, his sales achievement was 211% over the targeted set. Table 8 highlights his sales performance since 1985, the date he joined the scheme.

TABLE 8. Past business performance of firm A

<table>
<thead>
<tr>
<th></th>
<th>1985</th>
<th>1986</th>
<th>1987^b</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales ('000)</td>
<td>104.7</td>
<td>599.4</td>
<td>444.3</td>
</tr>
<tr>
<td>2. Gross profits ('000)</td>
<td>72.5</td>
<td>290.8</td>
<td>240.4</td>
</tr>
<tr>
<td>3. Net profits ('000)</td>
<td>(25.5)</td>
<td>209.8</td>
<td>139.4</td>
</tr>
<tr>
<td>4. Return on sales (%)</td>
<td>-</td>
<td>35</td>
<td>31</td>
</tr>
<tr>
<td>5. Accumulated profits ('000)</td>
<td>(25.7)</td>
<td>184.0</td>
<td>323.4</td>
</tr>
</tbody>
</table>

^For the months of January-July only.

Firm B
Firm B, technically has been operational since 1967 but is currently managed/owned by a 39 year-old man who in 1980 inherited it from his parents. In 1984, the participant joined the NFS. The socio-economic status of this owner is relatively higher than that of other participants. A unique aspect of this firm is that it is illustrative of a family business succession. This vast experience in the same product line has given the firm a
better edge over other participants. Thus, even though the products involved are traditional in nature, they are well established and known in the market. The level of education achieved is secondary schooling.

The owner/manager had undergone short training courses at institutions like the National productivity Center (NPC), Malaysian Indigenous Trust Fund (MARA) and BPMB in the various areas of entrepreneurship development. In addition, he had also attended a one week accounting course organized by a commercial bank.

Indeed, the age of a firm is definitely a factor in influencing success. Firm B does not have to deal with the "trials and errors" of a new business organization. Most new businesses have greater liabilities in that they have to rely on social relationships among strangers, making trust to be highly precarious (Starbuck, 1965). But Firm B is less constrained by environmental forces, enabling him to concentrate more on the internal aspects of business management such as quality control, technical production and general administration.

Another interesting phenomenon about firm B is that it has no written plans. Although some informal planning does take place, written plans were considered unnecessary, a fact reflective perhaps of the owner's competence and ability.
In terms of strategic change, firm B has not attempted to increase either labor, raw materials or production. The only increase made was in terms of equipment. An apparent strategy appears to be the desire to maintain the status quo. This tendency to remain cautious resembles somewhat the "analyzer" typology created by Miles and Snow (1978). The "analyzers" typically attempt to maintain a stable line of products/services while simultaneously seeking to offer new products in the market. This is precisely what firm B is doing. At the time of the interview, firm B had introduced a new product in the market. As emphasized by March and Simon (1958), high performance firms have more organizational slack to embark on diversification or reorientation than low performance firms.

The marketing aspect of firm B reveals a striking picture. Firm B caters mainly to the open market via: 1) supply to retail shops and mini-markets, and 2) through distributors. In terms of coverage, his products have found their way to the states of Kelantan, Trengganu, Pahang and also in the northern states of Kedah and Perlis. The average sales per month in 1987 was about M$20,000. Of the M$249,000 sales made in 1987, firm B made a gross profit of about M$99,600, and a net profit of M$39,722. The gearing ratio is rather low, about 3.5:1. The profit/loss account
of firm B is displayed in Table 9. It clearly shows a stable business organization compared to the rest within the scheme. As a point of comparison note that the monthly average sales per participant in the food subsector in 1987 was about M$16,000. As regards production, about 70% of the participants operate below break even points (BPMB Report, 1987).

TABLE 9. Profit and loss account\(^a\) of firm B: (Jan-Dec, 1987)

<table>
<thead>
<tr>
<th>Sales (M$)</th>
<th>249,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early stocks</td>
<td>11,282</td>
</tr>
<tr>
<td>Production cost</td>
<td>154,862</td>
</tr>
<tr>
<td>(-) Final stock</td>
<td>16,744</td>
</tr>
<tr>
<td>Gross profit</td>
<td>149,400</td>
</tr>
</tbody>
</table>

OPERATIONAL COST (M$)

| Manager's salary     | 18,000  |
| Employees' salary    | 4,320   |
| Employees Provident Fund | 3,156   |
| Road tax and Insurance | 550   |
| salesman             | 9,480   |
| Commission charges   | 1,440   |
| Bank interest charges | 2,880   |
| Depreciation on equipment | 2,400   |
| Leasing              | 11,800  |
| Gas                  | 3,852   |

Firm B clearly exemplifies a business organization that has successfully carved a niche in a highly competitive environment.

**Unsuccessful organizations** Out of the 18 organizations in scheme 1, 7 or 38.8% of the firms may be regarded as unsuccessful. The characteristics of these firms are described below.

A common factor among these unsuccessful firms is that they are involved in the traditional type of production, with the exception of one. As mentioned earlier, competition is strong among traditional products and its proliferation usually makes the market fully saturated. Producers need to create better customer loyalty, good brand image and set lower prices. In addition, for these participants, advertising strategy is almost non-existent. Their high overhead costs have prevented them to take an aggressive marketing strategy. With poor marketing networks and below production capacity, the poor performance hardly comes as a surprise. In fact, according to the bank, most of these low performance firms are making sales below their break-even point.

Another common factor in all these firms is that they all have written plans covering a one-year period. A few of these firms have even engaged consultants to advise on
business planning. However, the author had no way to verify the information, without breaking their trust. If indeed this fact was true, then a logical conclusion is that business planning has no direct influence on success.

A third common feature is the date these firms joined the NFS; that is in 1985. Firm C, however, is managed by a participant who had taken over from a previous management who had run into problems. As such the owner of firm C technically started the business in 1987.

In terms of age, about 28.6% of these entrepreneurs (2) are over 50 years old, while the others are in their 30s. On education, these firms exhibited moderate to high level of educational attainment. Except for one, 50% had completed the secondary level and another 50% college level. A surprising revelation is the high proportion of college graduates falling into the unsuccessful category, highlighting the point that education per se is no guarantee for success.

On training, all these participants had attended some form of training or another in areas such as accounting, management and motivation. As emphasized earlier, entrepreneurship training provided by training institutions in Malaysia are short and meant to cater to the needs of businessmen. The courses range from a few days to a few
weeks. The reason for the short duration is that businessmen can ill-afford to stay away too long from their business.

Although there are some 15 institutions offering entrepreneurship development courses, only 12 provide courses considered relevant to entrepreneurs (MAMPU Report, 1983). As the report further noted, as regard these training institutions, there appears to be no sense of direction and growth in entrepreneurship development programs.

In terms of capital acquisition, almost all these firms had obtained their loans from the bank, but the amount approved was much less than that for which it was applied. One requirement of the bank is that participants contribute 10% of their working capital, an imposition that subsequently, was to result in participants' big debts. The shortage of initial working capital had affected their cash flow which made them more vulnerable to the threatening environment. Besides, participants in general have to pay cash for the raw materials they obtained from their suppliers, but they would receive payments on credit for their products. This ties down further their liquidity position. Table 10 illustrates the status performance of firm D, a picture almost typical of these unsuccessful firms.
TABLE 10. Status performance\(^a\) of firm D

<table>
<thead>
<tr>
<th>INDEX</th>
<th>OBJECTIVE</th>
<th>1985</th>
<th>ACHIEVED</th>
<th>1986</th>
<th>1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Sales ('000)</td>
<td>160.0</td>
<td>20.8</td>
<td>48.8</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>2) Gross Profits ('000)</td>
<td>80.80</td>
<td>(5.5)(^b)</td>
<td>2.4</td>
<td>(5.5)</td>
<td></td>
</tr>
<tr>
<td>3) Net Profits ('000)</td>
<td>11.88</td>
<td>(28.1)</td>
<td>(16.6)</td>
<td>(14.6)</td>
<td></td>
</tr>
<tr>
<td>4) Gearing(^c) (1:1)</td>
<td>2.9</td>
<td>74</td>
<td>105</td>
<td>127</td>
<td></td>
</tr>
<tr>
<td>5) Break even point(^d) ('000)</td>
<td>139.36</td>
<td>20.8</td>
<td>48.0</td>
<td>20.0</td>
<td></td>
</tr>
</tbody>
</table>

\(^b\)Losses.
\(^c\)Debt to equity ratio.
\(^d\)Point at which sales=costs.

As clearly shown in the table above, firm D managed to achieve, on average, a maximum of 30% sales for the past three years and accumulated losses was M$59,300.

In general, unsuccessful firms are constrained by the shortage of working capital. Also, loans obtained from the bank must be backed by some form of security in terms of land, bills of sales or guarantors. In cases of business
foreclosure, failure to repay these loans will result in seizure of these collateral. As for guarantors, the bank will take legal actions requiring them to pay bad debts of their guarantees. One of these organizations (firm D) has stopped production since July 1987 and is currently employed by BESTA Company Incorporated, a marketing firm set up by BPMB to distribute their products. Another entrepreneur who is awaiting foreclosure by the bank had voiced his worry and concern since the land he had mortgaged belonged to a relative.

Besides the problem of finance, these unsuccessful firms usually face other problems like quality control, raw materials purchase, and the like. The following gives a detailed account of problems faced by firm D, as a point of illustration.

Firm D had started as a backyard business and as such had serious problems of adjusting to modern and complex production processes. With high overhead costs and below capacity production, he was unable to make enough sales to pay for the excessive costs of equipment, transportation, and others. In addition he suffered great losses when his product was found to be defective, having failed to comply with the requirements of the Food Act, 1985. Other problems include: 1) product image and presentation, 2) unsuitable packaging, and 3) serious cash flow problems.
These are some of the problems that have precipitated feelings of skepticism among participants' of the bank's true intentions. Although the NFS was designed to guide, train and extend financial, technical and marketing services to participants, it was felt that the bank has lost sight of its original purpose.

BPMB, on the other hand, like any banking institutions, has to ensure good use of its money. As it is, bad debts and social costs incurred from the NFS, amounted to M$187,000 per year (BPMB Report, 1987).

The bank is in a great dilemma. While it is entrusted to help Bumiputra development as defined by its own statute, it faces the problem of accountability. According to one bank official, the practices, currently adopted by BPMB to help participants, defy all banking principles. A good case in point, is the relaxation given to the grace period for payment of loans. The usual bank ruling is six months, but for some participants the period was extended up to one year. Similarly with the gearing ratio. The policy on the debt equity ratio is 3:1, but in practice the bank has allowed a 6:1 ratio.

The total subsidy element for the NFS participants has remained 100% for the past three years, although the plan was to gradually reduce the subsidy from 100% to 0% at the end of the fifth year.
Taking both perspectives into account, the author is of the opinion that both parties have a basis for concern. The underlying problem appears to be a mismatching of goals. The BPMB, although geared towards development, is basically a financial institution. Money loaned out to clients was made available to it at a cost. Hence BPMB has to ensure that repayments from participants are made. The participants, on the other hand, operate business organizations. They can ill-afford the delays, paper work, and interruptions by the bank. Independence from the bank's close supervision is preferred.

**Empirical findings**

The following section presents the empirical findings as they relate to the conceptual model. In other words, the relationships between success measures and other variables are presented, guided by the model on page 84. Success was measured by combining loan payment status, ratio of achieved sales to targeted sales and credit standing as mentioned on pages 85-86. (For computation of composite score see Appendix A.)

**Strategic type and success** Strategy in the organization literature may be defined as a ploy, a plan, a pattern, a position and a perspective (Mintzberg, 1987). A strategy connotes the notion of a plan with which an
organization sets its course of direction in order to outsmart its competitors and to ensure the most suitable way of maneuvering around the constraining environment. A strategy helps an organization to focus on internal management for the promotion of coordination. An important assumption for a strategy is its potential contribution to stability. Another assumption is that a better strategy shall make a difference in performance. Organizations therefore have in-built strategies to direct their activities.

In recent years, theorists have focused on strategic types in attempts to classify organizations in discussing their predominant orientation. The typology ranges from generic strategy (Porter, 1980; Miles and Snow, 1978) to product line (Lahti, 1983) and competitive strategy (Des and Davis, 1984). Porter's strategic type was based on strategies like differentiation, low cost and focus. Miles and Snow, on the other hand focused on the organizations' selection of production/market domain. The basis for creating these typologies is to enable discussions on industry groupings.

In this study, the author developed a typology based on past strategies of participating firms, in terms of organizational structure, i.e., expansion, no change or
reduction of their labor, raw materials and equipment. These variables were combined to form a composite scale. (See Appendix A for details.) The rationale was to determine the type of strategy undertaken in adapting to the NFS. The strategic type variable was then cross-tabulated with the success score index.

As can be observed, in Table 11, the relationship between strategic type and success is somewhat positive. Of the total expanding firms, about 37.5% (3 out of 8) were unsuccessful, while within the non-expanding firms, 67% of them were unsuccessful. This finding appears to be consistent with the literature. Expanding organizations tend to exhibit more success than non-expanding or reducing types of organizations.

PEU and success One of the earliest theorists to recognize the need for management to cope with PEU was Thompson (1967). He maintained that organizations faced two main sources of environmental uncertainty; technology and environment. Uncertainty measures were used by Lawrence and Lorsch (1969) and Duncan (1972), to assess decision-makers' perceptions on customers, suppliers, competitors, technology and raw materials. Duncan (1972) analyzed the environment in terms of internal and external elements. Following Duncan (1972), the author operationalized PEU as a combined
TABLE 11. The relationships between success, strategic type, perceived environment uncertainty, and business planning

<table>
<thead>
<tr>
<th>SUCCESS</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRATEGIC TYPE&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No change</td>
<td>No.</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>66.7</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Expanding</td>
<td>No.</td>
<td>3</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>37.5</td>
<td>50.0</td>
<td>12.5</td>
</tr>
<tr>
<td>PERCEIVED ENV. UNCERTAINTY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certain</td>
<td>No.</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>40.0</td>
<td>40.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>No.</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>40.0</td>
<td>40.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Uncertain</td>
<td>No.</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>75.0</td>
<td>25.0</td>
<td>0.0</td>
</tr>
<tr>
<td>BUSINESS PLANNING</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>No.</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Medium</td>
<td>No.</td>
<td>3</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>37.5</td>
<td>50.0</td>
<td>12.5</td>
</tr>
<tr>
<td>High</td>
<td>No.</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>60.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
</tbody>
</table>

<sup>a</sup>No cases fell in the category of 'Reducing'.

measure of two composites, one consisting of responses to five questions (alpha=.89) on the adequacy of information
and another consisting also responses to five questions (alpha = .86) on ability of decision-makers to predict. (See Appendix A for details.)

Table 11 summarizes the relationship between success and perceived environmental uncertainty (PEU). There is moderate contingency between the two variables. Participants uncertain of their environment tended to be more unsuccessful (75%) than those less uncertain (40% in each category). It is interesting to note, however, that those having low uncertainty recorded only low success (2 entrepreneurs). This is perhaps reflective of the simplicity with which they perceive their task environment. As observed by Aldrich and Pfeffer (1976), uncertainty could be also attributed to the organization's search and methods of analysis. Since the environment is, to a large extent, created by way of the attention process (Weick, 1969; Child, 1972) and given that these are small-scale entrepreneurs with average educational background, their choice of environmental enactment may be simplistic. Such perceptions of reality may have influenced their actions. It is therefore not surprising to find how those certain of their environment were unsuccessful.

Business planning and success Planning is premised on the need to assess future environment, both within and outside the organization. It is a tool to guide decision
makers on the right choice on current and future courses of actions. Short range planning usually refers to less than one year plans, involving monthly budgets, raw material purchase schedules and others, while medium range plans usually refers to two years (Steiner, 1967).

Theorists who studied the relationship between planning and performance have found it to be positive (Wood and LaForge 1979; Sapp and Seiler, 1981). However, there were skepticism as to the relationship between business planning and performance in small businesses. As Shuman (1975) observed, very few small business have plans covering more than one year. Similarly, Uni (1981) discovered that while small business owners agree that planning leads to greater success, few really have such plans. Although the general conclusion was that planning was thought to be inadequate for small business, theorists recently have argued that planning was beneficial to small business owners. Mulford et al. (1988) in their study of small business employing from 10 to 100 employees found that only a third of these businesses have strategic plans, while almost all use operational planning. This study also found that strategic planning did not correlate with past financial performance and with PEU. High performance firms and those experiencing PEU tended to involve themselves in operational planning.
In this study, planning was defined as a composite score consisting of a written plan, planning period, and factors taken into account in their planning such as business conditions, inventory, storage and targeted sales. Each of these items was assigned scores ranging from 1 (low), 2 (medium) to 3 (high). They were then transformed into the composite planning index. (See Appendix A for details.)

In the case of the NFS, business planning and success appear to show no explainable relationship. That is, irrespective of planning, success was found to be low. For example 60% of those who claimed they had elaborate plans were found to be unsuccessful, and 100% of those who had low business plans were also unsuccessful, while 37.5% with medium planning were unsuccessful. Only one business with elaborate plans emerged successful.

**Interorganizational relationships (IOR)**

Considerable research has been done in the area of IOR, especially the benefits to be derived from interacting with other organizations. The main thrusts of the IOR studies is the extent of cooperation versus conflict as well as coordination among interacting organizations. The underlying premise of the IOR studies is that organizations lacking resources will enter into exchange relationships.
Exchange may be defined as any voluntary activity between two or more organizations that have consequences on their realized goals (Levine and White, 1961).

The IOR concept in this study was measured by a composite score of the following items: discussion, giving and receiving in terms of financial, technical, marketing and management matters. (See Appendix A for details.) The IOR score was then cross-tabulated with the success score. Table 12 gives an analysis of the IOR composite as well as its components namely, DISC, RECEIVE and GIVE.

As seen in Table 12, IOR and success are not strongly related, in that irrespective of the IOR level, success scores were low. High IOR category was found in the medium and high success slightly more than the rest. This is suggestive of the fact that closer interaction among participants may have resulted in some information and resource exchange that was beneficial to participants. In fact the author was informed that participants had borrowed money, labor and vehicles from each other.

When success was cross-tabulated with the individual items of IOR, a similar finding is observed for each item. In other words, enterprises in high levels of DISC, RECEIVE and GIVE, were found more in the mid or high success categories than in the rest. Two enterprises or 50% of those having low levels of DISC and RECEIVE had low success.
TABLE 12. Relationships between success, IOR and composite items

<table>
<thead>
<tr>
<th></th>
<th>SUCCESS</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>IOR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>50.0</td>
<td>1</td>
<td>25.0</td>
<td>1</td>
<td>25.0</td>
<td>4</td>
</tr>
<tr>
<td>Medium</td>
<td>3</td>
<td>100.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>3</td>
</tr>
<tr>
<td>High</td>
<td>2</td>
<td>28.6</td>
<td>4</td>
<td>57.1</td>
<td>1</td>
<td>14.3</td>
<td>7</td>
</tr>
<tr>
<td>IOR ITEMS</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>DISCUSSION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>50.0</td>
<td>1</td>
<td>25.0</td>
<td>1</td>
<td>25.0</td>
<td>4</td>
</tr>
<tr>
<td>Medium</td>
<td>2</td>
<td>100.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>2</td>
</tr>
<tr>
<td>High</td>
<td>3</td>
<td>37.5</td>
<td>4</td>
<td>50.0</td>
<td>1</td>
<td>12.5</td>
<td>8</td>
</tr>
<tr>
<td>RECEIVE</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>50.0</td>
<td>1</td>
<td>25.0</td>
<td>1</td>
<td>25.0</td>
<td>4</td>
</tr>
<tr>
<td>Medium</td>
<td>1</td>
<td>100.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>1</td>
</tr>
<tr>
<td>High</td>
<td>4</td>
<td>44.4</td>
<td>4</td>
<td>44.4</td>
<td>1</td>
<td>11.2</td>
<td>9</td>
</tr>
<tr>
<td>GIVE</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>3</td>
<td>60.0</td>
<td>1</td>
<td>20.0</td>
<td>1</td>
<td>20.0</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>2</td>
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<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>2</td>
</tr>
<tr>
<td>High</td>
<td>2</td>
<td>28.6</td>
<td>4</td>
<td>57.1</td>
<td>1</td>
<td>14.3</td>
<td>7</td>
</tr>
</tbody>
</table>
Adequacy of resources and success  The resource
dependence theory recognized that resources are distributed
in the environment and that organizational survival is a
function of its ability to acquire and utilize them
effectively. In this study, participants' perception of
adequacy of resources was measured by their perception of
resources such as working capital, plant lay-out and
machinery in terms of their adequacy. These items were then
transformed into a composite scale. (Details of the
composite index transformation are shown in Appendix A.) It
is assumed that perception of adequacy will influence
utilization of resources. Perceptions of adequacy was then
cross-tabulated with success.

Table 13, reveals that adequacy of resources and
success are slightly related, if at all. Those perceiving
low adequacy of resources tended to exhibit low to medium
success (100%). On the other hand those perceiving moderate
adequacy of resources were distributed among the three
dimensions of low, medium and high success, though the
majority were in the low success category (57.1%). An
interesting finding is that both of the most successful
organizations perceived resources to be moderately adequate.
This could be rationalized that successful organizations had
few problems of resource acquisitions and therefore were
more inclined to perceive them to be adequate.
As some theorists have suggested, factors influencing an organization's ability to secure resources include the extent of its linkages with resource bases outside the local community (Levine and White, 1961; Warren, 1967; Warren et al., 1974), the nature of its internal activities as well as its organizational structure (Whetten and Aldrich, 1979). It should be noted that the two most successful participants have strong vertical linkages with organizations outside Kota Bahru.

TABLE 13. The relationship between success and adequacy of resources

<table>
<thead>
<tr>
<th>ADEQUACY OF RESOURCES</th>
<th>SUCCESS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Total</td>
</tr>
<tr>
<td>Low</td>
<td>No.</td>
<td>3</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>42.9</td>
<td>57.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Moderate</td>
<td>No.</td>
<td>4</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>57.1</td>
<td>14.3</td>
<td>28.6</td>
</tr>
</tbody>
</table>

*No cases fell into the high adequacy.*

(PEU) and strategic type (SIZE). The PEU and SIZE composites were cross-tabulated and presented in Table 14. The findings reveal that there is a relationship.
Participants who were certain of their environment were found to have expanded (71.4%), whereas those uncertain (100%) appeared to make no change in their labor, raw materials and equipment. These expanding firms appear to fit in the Miles and Snow (1978) "reactor" category. Similarly Miles (1982) has indicated in the study on the tobacco industry, that "reactors" tend to perceive uncertainty in their product-market domain. But they argued that reactors were not able to respond effectively because they lacked the necessary mechanisms to move swiftly. One source of the problems was management's failure to articulate a viable organization strategy.

**Strategic type (SIZE) and business planning**  
The relationship between SIZE and PLAN is also reflected in Table 14. It appears that regardless of planning, the majority of the participants tended to expand their firms (100%). In the high planning category, 50% were expanding. One entrepreneur in the low planning firms was also expanding. Within the moderate planning firms, 55.6% were expanding. This finding suggests that planning has no effect on strategic size of the firms.

**Interorganizational relationship (IOR) and planning**  
The relationship between IOR and planning, is presented in Table 15. No relationship appears to emerge. Participants
TABLE 14. The relationships between strategic type, perceived environmental uncertainty, and business planning

<table>
<thead>
<tr>
<th>STRATEGIC TYPE</th>
<th>Reduce</th>
<th>No Change</th>
<th>Expand</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PERCEIVED ENV. UNCERTAINTY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncertain</td>
<td>No.</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0.0</td>
<td>100.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>No.</td>
<td>0</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0.0</td>
<td>28.6</td>
<td>71.4</td>
</tr>
<tr>
<td>Certain</td>
<td>No.</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>14.3</td>
<td>14.3</td>
<td>71.4</td>
</tr>
<tr>
<td><strong>BUSINESS PLANNING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>No.</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Medium</td>
<td>No.</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>11.1</td>
<td>33.3</td>
<td>55.6</td>
</tr>
<tr>
<td>High</td>
<td>No.</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0.0</td>
<td>50.0</td>
<td>50.0</td>
</tr>
</tbody>
</table>

with low IOR had medium planning (80%) and those with high IOR were split between the medium and high planning categories, and there seems to be no contingency between IOR and planning.

**ADEQ and SIZE**

Table 16 depicts the relationship between adequacy of resources (ADEQ) and strategic type
TABLE 15. The relationships between interorganizational relations and business planning

<table>
<thead>
<tr>
<th>IOR</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>No.</td>
<td>0</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0.0</td>
<td>80.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Medium</td>
<td>No.</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>25.0</td>
<td>0.0</td>
<td>75.0</td>
</tr>
<tr>
<td>High</td>
<td>No.</td>
<td>0</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0.0</td>
<td>55.6</td>
<td>44.4</td>
</tr>
</tbody>
</table>

A negative relationship is observed. The majority who perceived low adequacy of resources had expanded (70%) and a good proportion (62.5%) who perceived moderate adequacy did not expand.

**Individual characteristics and success**  
Individual characteristics in this study were assumed to influence success. Thus age, education, socio-economic status (SES), business socialization (BUSSOC) and skills (SKILLTR) were cross-tabulated with success (SUC). The SES score was developed by combining the various items pertaining to sources of loans to reflect participants' accessibility to resources. The business socialization score was created to
TABLE 16. The relationships between adequacy of resources and strategic type

<table>
<thead>
<tr>
<th>STRATEGIC TYPE</th>
<th>Reducing</th>
<th>No Change</th>
<th>Expanding</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADEQRES&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>No.</td>
<td>1</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>10.0</td>
<td>20.0</td>
<td>70.0</td>
</tr>
<tr>
<td>Moderate</td>
<td>No.</td>
<td>0</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0.0</td>
<td>62.5</td>
<td>37.5</td>
</tr>
</tbody>
</table>

<sup>a</sup>No cases fell in the high adequacy category.

determine whether participants' parents had any business experience. Skills represented a composite score consisting of participants' experience in other businesses as well as training they had attended. As for age, participants were divided into three age groups and scores assigned. In terms of education, participants' educational attainment were given scores to indicate level achieved. (See Appendix A for details of all composite scores.)

**Success and age** The relationship between success and age appears in Table 17. The findings suggest that success seemed to increase with age and tended to peak between 31-44 and then moved downhill. For example, all of
those in the youngest age group (21-30) had only moderate success, while more than half (66.7%) of the oldest group were unsuccessful. Although a high proportion (55.6%) of the middle-aged group (31-44) scored low success, the remaining participants were distributed between moderate (22.2%) and high (22.2%) success. It was also in this category that the highly successful participants (2) were found.

This fact is corroborated by the Pearson correlation coefficient which recorded negative correlations between age and loan payment status, as well as age and credit (r=-.27 and r=-.50) respectively.

Success and education As evidenced in Table 17, there appears to be no clear relationship between education and success. Among those having low levels of education, 33.3% had low success while 66.7% reported moderate success. But then all of the highly educated participants (100%) also were in the low success category. Those having moderate levels of education were distributed between low, medium and high success, that is 44.4%, 33.3% and 22.2% respectively. It is noteworthy to mention that the two most successful participants had moderate levels of education. When correlations between education and composite items of success were computed, it was found that
TABLE 17. The relationships between success, age, education, and socio-economic status

<table>
<thead>
<tr>
<th>INDIVIDUAL CHARACTERISTICS</th>
<th>SUCCESS</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oldest</td>
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<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>66.7</td>
<td>33.3</td>
<td>0.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Youngest</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>0.0</td>
<td>100.0</td>
<td>0.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Middle-Aged</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>55.6</td>
<td>22.2</td>
<td>22.2</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>EDUCATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>3</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>33.3</td>
<td>66.7</td>
<td>0.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>44.4</td>
<td>33.3</td>
<td>22.2</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>SES</td>
<td></td>
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</tr>
<tr>
<td>Low</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>50.0</td>
<td>50.0</td>
<td>0.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>50.0</td>
<td>37.5</td>
<td>12.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>50.0</td>
<td>25.0</td>
<td>25.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

education and credit standing were weakly but positively correlated (r=.12), while negative relationships emerged.
between education and sales ratio ($r=-.24$) as well as between education and loan payment status ($r=-.31$).

**Success and SES** It has been well-documented that one's socio-economic status (SES) plays a major role in determining one's life-chances. A high SES will ensure accessibility to needed resources essential for operating a business. It is therefore argued that participants with high SES will have better chances of survival than their counterparts with low SES. In this study SES was measured by participants' access to financial resources, which could be from their own or borrowed from others such as family and friends. Weights were assigned to the responses. (See Appendix A for details.)

When success was cross-tabulated with SES a similar finding is observed. In other words regardless of low, medium or high SES, success was low. However the two most successful participants had moderate to high SES. The majority (50%) with moderate SES had low success.

**Success and early business socialization** The primary function of socialization is to reproduce existing forms of ideology within a group. It is therefore argued that participants with parents in business would internalize business values early in life. Thus early business socialization was defined as participants who grew up in a family business environment.
The relationship between success and early business socialization was positive, as reflected in Table 18. Among those having high early business socialization the success scores were distributed between moderate (50%) and high (33.3%). One exception was noted in the low success category. This finding appears consistent with the literature in that the socialization process had contributed a strong influence on participants' values thus increasing their chances of success. The two most successful participants had exhibited high early business socialization.

It is interesting to find that those having low business socialization (40%) recorded only moderate success. A closer analysis reveals that these two participants were in their 40s and had considerable business experience. One of them had about 19 years experience working in large business corporations and semi-government agencies. The other entrepreneur had about 6 years experience operating his own business prior to joining the NFS. Thus, even though their business socialization score was low, their vast experience in business had worked to their advantage making them moderately successful.

**Success and skills** Skills were defined as the extent of business experience as well as the various types
TABLE 18. The relationships between success, business socialization and skills

<table>
<thead>
<tr>
<th>INDIVIDUAL CHARACTERISTICS</th>
<th>SUCCESS</th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
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of training attended by participants. Details of the composite measures are found in Appendix A. It is argued that participants with more experience, especially in operating their own business prior to joining the NFS have better chances of success.

Table 18 reveals that success and skills are not related. That is, greater skills had not contributed to high success. Among those in the low skills about 46% were
unsuccessful, 36% moderately successful and 18% highly successful. Participants with medium skills were all (100%) unsuccessful. Of those highly skilled, success was between low to medium.

A possible reason could be that their skills and experience were in an unrelated field. Very few of the participants had experience in the manufacturing sector. Thus their experience did not contribute to success.

There were four missing cases. Two of the participants had joined the NFS in early 1988 and therefore had not taken out any loans. They are currently regarded as mere tenants. Another entrepreneur did not have details on his loan status payments. While the fourth never really started his operations from the time he joined the NFS in 1985 due to technical problems.

Individual characteristics and other variables

The following is a descriptive analyses of the individual characteristics such as age, education, SES, skills and early business socialization which are cross-tabulated with PEU, IOR and planning. The analyses are guided by the model on page 86, while the tables are illustrated in Appendix B.

Individual characteristics and IOR

When the individual characteristic items and IOR were examined, with the exceptions of education and early business
socialization, all the other items showed no relationship at all. (See Table 19 in Appendix B.) While early business socialization and IOR revealed a somewhat positive relationship, the relationship between education and IOR was negative. For example, a closer examination of the relationship between early business socialization and IOR reveal that among those low in early business socialization, the majority tended to be distributed more towards low (3), and medium (3) IOR, while for the medium category of early business socialization there was equal distribution among low, medium, and high IOR. However for those in the high early business socialization group, the majority (6 out of 7) scored high IOR.

This finding is expected in that participants with high levels of early business socialization would show more interest in interacting with other participants. Such interaction could be motivated by the commonality of their business values, such as concern for their business performance and the need to seek more information from other participants. As for education and IOR, the negative relationship was evident in that all of the participants having low education tended to have high IOR (3), while among those with high education, the majority (2 out of 3) had low IOR. In other words, the higher the education, the
lower the IOR. The only possible explanation is that highly educated individuals were spending most of their time running their business rather than interacting with other participants. Their level of education may have given rise to the feeling that they know best. Undoubtedly, some boundary spanning activities could be taking place, albeit in an informal manner.

**Individual characteristics and PEU**  
Among all the individual characteristics that were cross-tabulated with PEU, only one relationship was found; age and PEU. The relationship between age and PEU was found to be positive, revealing a "J" shaped curve. (See Table 20 in Appendix B.) For example, all of the youngest aged group emerged with only medium PEU (3), while the middle-aged group had between medium (4) to high (7) PEU. All (3) of the oldest group had indicated high PEU.

The above finding appears somewhat consistent with the value orientation literature in that the younger individuals with more modern values would be more inclined to seek more information from the external environment, thus reducing their uncertainty. As noted by Duncan (1972) the degree of uncertainty and the complexity of the environment may vary depending on individual levels of tolerance for ambiguity and uncertainty.
Individual characteristics and planning

In terms of the individual items of individual characteristics, only age was found to have any relationship with planning. (See Table 21 in Appendix B.) The relationship appears to reveal a "U" shaped curve. The youngest as well as the oldest groups scored between moderate (1) to high (2) planning each, while for the majority (7 out of 12) in the middle-aged group, planning was moderate. In other words, planning was especially high for the youngest and the oldest groups.

Summary of findings

It is evident from the foregoing analysis that success was weakly dependent on perceived environmental uncertainty (PEU), strategic type and business socialization. Contrary to what was suggested in the model, business planning, interorganizational relations (IOR) and perception of resource adequacy were not related to success. In other words, success was not dependent on either planning activities, interorganizational relations or how participants perceive their resource adequacy. Similarly, with most individual characteristics, with the exceptions of early business socialization and socio-economic status, the rest of the variables were not related to success.
In view of the extremely small number of cases in this study, it is difficult to make any predictive judgement as to what types of entrepreneurs would succeed by joining the schemes. Therefore, rather than making such an attempt, the characteristics of the two successful enterprises will be summarized here.

**Characteristics of successful enterprises**  
A number of common features appears to typify these successful entrepreneurs. From the personal characteristics perspective, both entrepreneurs were in the same age category, namely the middle-aged group (between 31-44), attained moderate level of education, low levels of skills (as defined by this study), and early business socialization. They, however, differ in terms of their socio-economic status (medium and high).

An analysis of their individual characteristics reveal that both entrepreneurs received early business socialization in that their parents were businessmen. In fact, one of them had actually inherited his parent's business, thus enabling him to maintain well-established markets. Early business socialization, therefore, is an important variable impacting on success. This was expected since the theoretical argument suggested by the model was that business values which were inculcated early in life
would strongly influence their chances of success. The low level of skills as appeared in the findings was a little unexpected. Theoretically, skills would determine one's success. However, in view of the nature of the training programs provided by most agencies, this came as no surprise.

Both these two entrepreneurs also differed in their scores on other variables found in the model, such as IOR, PEU, planning, and strategic type. The only common variable between them was their perception of resource adequacy which was moderate. The findings in terms of resource adequacy seem to suggest that these enterprises found moderate levels of resources provided at the NFS. This could have been due to the fact that they had access to outside resources. Their sound socio-economic status could have provided them with higher credibility thus, ensuring better access to credit facilities outside the schemes.

Although they both differed in terms of planning, their scores tended to exhibit moderate to high planning activities which was consistent with the model. There is theoretical precedent for expecting a relationship between planning and success. Thus, it could be used as a strong point to urge participants to practice business planning. On IOR, the difference seems to diverge greatly, with one scoring low and the other high.
As far as PEU was concerned, they both perceived moderate to high environmental uncertainty. This was contrary to what was expected. An argument could be made that although these entrepreneurs were fairly uncertain of their environment, the fact that they had managed to obtain institutional support from the bank and other organizations outside the scheme, serves to reinforce their stable position, thus ensuring success.

On the whole, both participants displayed characteristics typical of successful entrepreneurs. From the social-psychological perspective, their values seem to be consistent with an industrial culture emphasizing action-orientation, openness, planning and others.
CHAPTER 4. SOCIAL STRUCTURAL FACTORS

While the earlier sections focused on the social-psychological factors and organizational analyses at the micro level, this section attempts to critically examine the industrial and administrative policies as well as the complementary roles of other institutions, whose full participation is crucial to the success of the NFS. A secondary purpose is to determine the extent of their support and commitment to ensuring the achievement of the NFS objectives. The following section therefore will review the structural features of the Malay social system as they relate to the policies, institutional set-up, and highlight those factors which facilitate or impede entrepreneurial development specific to the NFS. In other words policies impacting on small-scale enterprises are analyzed with the view to highlighting issues considered relevant in the context of promoting SSE in the NFS.

Most analysts have been critical of Malaysia's industrial policies, which are said to be bias towards large-scale enterprises. It has been argued that a policy balance is critical to the enhancement of entrepreneurial growth. Since those involved in the NFS program share a common political reality, their contributions are of utmost importance if the program is to be effective and meaningful.
Functional theory will set the framework within which issues on policies and institutional constraints will be discussed. Functionalist theorists would argue that the institutional structures and the attendant policies enforced in a social system constitute elements or forces necessary to ensure social control. The allocative function of resources and facilities are for purposes of meeting societal goals. A fundamental assumption of this theory is that systems will survive to the extent that they are able to meet their basic needs. These system requisites imply the need for integration of the personality and the cultural system into the social system (Parsons, 1951).

Embedded in the social system are the social structures, defined as the patterned inter-relationships between units/components which consist of statuses and roles of actors in the social system (Parsons, 1951). The significance of statuses and roles is that they serve as the mode of articulation between the individual and the collectivities.

Institutions, on the hand, are seen as the process in which social structures are created and maintained. Institutions are said to have universal properties which include norms activities, functions and others.
Within the context of the Malay society, the institutionalization of the industrial policy can be seen as a process to ensure the attainment of specific goals and the emergence of institutions such as the technical agencies and the commercial banks are mechanisms by which such policies are regulated and controlled. A related issue is the interchange between economy and politics (Mayhew and Smelser, 1982) manifested in the control of funds (by BPMB) via subsidies, loans and a variety of support services and the right to intervene as suppliers of such funds. Other sanctions within the industrial sphere include the role and mandated functions of technical agencies to fulfill the industrial needs of society. The values and attitudes of the polity are reflected in the specific policy instruments such as interest rates, accessibility to loans and the like.

At the macro level, the control by political powers over the allocation of resources is derived from the articulation of policies designed to promote certain sectors of the economy. The implementation of the various incentives, fiscal and monetary constitute social sanctions in the allocation of resources with the view of meeting social and political objectives.

The following highlights the main functional activities of relevant agencies, their problems, as well as how the
lack of coordination among them that have inadvertently affected participants at both schemes. A supportive and integrative networks are crucial factors in ensuring success of NFS implementation, particularly that of participants.

Malaysian industrial policies

Development analysts have always advised against having policies which provide excessive advantages to large-scale enterprises and those which encourage sophisticated capital-intensive production processes. This is especially true in cases where labor is in abundant supply. In the case of the Malaysian experience such have been the trends in the past decades.

Malaysia's industrial policies were geared towards encouraging direct foreign investments, resulting in an increase in the growth of the manufacturing sector, from 9% to 10% and 13% during the Second and Third Malaysian Plans respectively (World Bank Report, 1981). The rationale provided was that it needed the foreign investments to stimulate the economy. A good example of such policies include the Malaysian Incentives Act which provided numerous incentives in the form of total (or partial) relief for income tax (40%) and development tax (5%) to new companies investing in products considered pioneer in status or to existing companies. Six basic types of tax reliefs currently enforced include: 1) pioneer status, 2)
investment tax credit, 3) labor utilization relief, 4) export incentives, 5) local incentives and 6) hotel incentives.

Although these incentives have proven beneficial in stimulating economic growth, they have however, an in-built bias towards large-scale enterprises. The World Bank Report (1981:23) noted that,

Small industry in Malaysia could not develop to its full potential due to the inherent difficulties that it faces and to an unfavorable albeit unintended government policy environment which favored growth of relatively large establishments through a variety of incentives.

Since these incentives were tied to the size of capital invested they have benefited mainly the large-scale enterprises. For example companies with investments of more than M$1 billion and having 350 full-time paid employees or more are eligible for tax exemptions for a period of ten 10 years while SSEs meeting the capital investments of less than M$250,000 (the definition of SSE at the time the scheme was implemented) are eligible only for a five year tax exemption. Yet it was clear that between 1974-1977 only 27% of the companies had gross sales over M$1 billion (Chee, 1986).

Other incentives which reflect bias toward the large-scale enterprises include the following:
1. The tariff setting and granting of tariff exemptions are done on a case-by-case basis. SSEs generally do not have the information in order to qualify for such exemptions.

2. The SSEs, by virtue of their size generally do not qualify for the labor utilization relief which allows enterprises tax holidays of up to five years for employing between 50 to 350 workers.

3. The export allowance and the accelerated depreciated allowance usually benefit large-scale enterprises since very few SSEs fall into this category.

4. The subsidized industrial estates and other infrastructural facilities were designed in such a way that they were more suitable, in terms of affordability, for large-scale enterprises.

Policies on small-scale enterprises Policies on SSE stem from the socio-economic objectives of the Malaysian Government which is imbedded in the New Economic Policy (NEP) adopted in 1971. They were subsequently incorporated in all of her development plans. Emphasis is given to creation of employment, participation of "bumiputras" in the manufacturing sector and the encouragement of growth and
development of resource-based and export-oriented industries. For example according to Malaysia (1984:27), the policy was spelled out as follows:

Efforts to promote small-scale enterprises will be reviewed as an integral part of the strategies to development the manufacturing sector. Among the measures to be undertaken include improvements to the production capacities of small-scale enterprises, and the provision of support services incorporating marketing, credit, consultancy and technology development.... The move towards integration of small enterprises with medium and large-scale industries will be undertaken in the context of overall industrial planning. This is to be implemented through the development of self-contained mini industrial estates or through location of small-scale industries within the existing industrial estates to facilitate common sharing of industrial support facilities.

The setting up of the NFS was seen to be consistent with the above-mentioned strategy to enhance SSE development. A review of Malaysia's development shows a gradual shift in the policy from one of neglect to that of earnest concern.

The government's recognition of these problems brought about a number of changes in its policy measures. In the 1981 Budget, for example, a special loan scheme (SLS) was introduced which encouraged commercial banks to grant unsecured loans up to M$50,000 to eligible SSEs at an interest rate of 7% percent per annum. Other measures include the granting of relief from the 5% surtax imposed on the import of raw materials, and the relief from the development tax. The development exemption relief was
raised from M$3000 to M$5000 for an individual and for a partner in a partnership.

Subsequent budgets witnessed further attempts by the Government to simplify administrative procedures pertaining to the fiscal incentives. However such measures were mainly to streamline procedures and not specifically to benefit SSEs (Chee, 1986). Currently the Government is studying the structure of the tax relief incentive systems to ensure better deals for SSEs.

The functions of the NFS support services The services of the following institutions, by virtue of their technical expertise, are considered highly crucial to the needs of NFS participants. These institutions are the nation's research organizations specifically created to promote scientific research.

The role of SIRIM The Standards and Industrial Research Institute (SIRIM) was created to provide technical assistance to the industrial sector in general in terms of promoting improvements in quality control through standardization, industrial research, and consultancy services. Their services to the SSE sector have been towards providing among other things techno-feasibility studies and cost studies of industrial plants and plant location. The expertise coverage includes the areas of
canning, food processing, ceramics, foundaries, chemicals and packaging.

The role of NPC

The major focus of the National Productivity Centre (NPC) is to provide management training and entrepreneurial development. Courses offered by NPC include motivation, marketing, accounting, business management, project and credit analysis. The Bumiputra Service section provides consultancy and advisory services to small-scale Bumiputra entrepreneurs. Other functions include the provision of information on exports and imports and the type and quantity of specific products manufactured in Malaysia.

The Role of BESTA

BESTA is the marketing arm of BPMB and is a company established to help in the distribution and marketing of manufactured food products. Bumiputra SSEs which meet the requirements of BESTA will be required to enter a contract to supply their products for distribution at mini markets and government departments such as Ministry of Defense and others. BESTA provides the recipe, the raw materials, and the necessary packaging which means that the name of individual SSEs companies will be lost. Some critics have argued that this method leads to the loss of identity of SSEs participating in the program. But, one advantage is that markets are almost assured.
BESTA employs their own distributors who are located in all the states of Malaysia. The principal idea is to produce in bulk and then channel these finished products via government contracts and the open market. BESTA undertakes the responsibility for promotion, advertising and distribution. In terms of its plans BESTA intends to increase their sales to M$10.21 in 1988, of which M$6.2 will be for government contracts and M$3.97 for the open market.

**The role of the FTD of MARDI**

The Food and technology Division (FTD) was established within the MARDI to provide research in food processing methods and provide extension and consultancy services to Bumiputra enterprises. Under the World Bank program the FTD was strengthened considerably in terms of infrastructure facilities, personnel and others. The FTD is responsible to monitor participants under the World Bank program and incidentally for some of the NFS participants who received the BPMB funds which came under the World Bank allocations, visits were made by FTD extension officers on a monthly basis.

**The role of the SED**

The Small-scale Enterprise Division (SED) was set up in 1981 in the Ministry of Trade and Industry (MTI) but subsequently moved to the Ministry of National and Rural Development sometime in 1986. Among the important objectives of the SED are to coordinate industrial
development activities carried out by the various government agencies, intensify efforts to develop SSEs through specific programs, create linkages between small and medium enterprises, and strengthen SSE activities of other agencies already identified. The task of coordinating SSE programs of other government agencies is through the Coordinating Committee, chaired by the Deputy Minister of MTI.

Institutional problems and constraints A major institutional problem is that of coordination with relevant government agencies involved in the delivery of support services. Although the planning of the NFS took into consideration the need to work closely with other agencies, this was not effectively carried. Based on the BPMB Report (1987), it was stated that one of the functions of the scheme manager is:

To assist scheme participants in obtaining licenses, permits and other necessary approvals. Close working relationships with government agencies such as Scientific Industrial Research Institute (SIRIM), National Productivity Centre (NPC), MARA (Indigenous Trust Funds for the Malays), Malaysian Agricultural Research Institute (MARDI), etc. are to be fostered so that each participant will obtain maximum assistance from such agencies.

Although the intention was clearly stipulated the actual implementation saw some derailment. Reasons for derailment may be described as incidental and in other cases inevitable.
It was learned that some of the assistance needed were too specific and such expertise was unavailable from these institutions. In other cases, the participants affirmed that relationships with such agencies resulted from their own initiatives and that the BPMB was not involved.

Other institutional problems which have been acknowledged by the Ali and Salleh (1986) on the NFS at Pengkalan Chepa in Kelantan include the following:

1) Technical agencies like MARDI and SIRIM were consulted in most cases only after purchase of equipment or machinery was made, a fact which aggravated further the technical problems faced by NFS participants. When faced with machine breakdowns it would take days and in some cases even months before any help was forthcoming. This coupled with their lack of technical knowledge and know-how put the participants in serious disadvantage.

However, according to some of these technical agencies, a number of the machines were bought without guarantees, thus depriving participants of the period during which machine suppliers are mandated to provide repairs and simple training.

2) Ali and Salleh (1986), also emphasized that almost a third of NFS participants felt that the lack of technical support by government agencies was a major problem resulting in their inability to produce efficiently.
3) A third problem derives from their physical location from these agencies. Except for MARDI, which has a branch office in Pasir Puteh about 30 miles from Kota Bahru, all these agencies are located in the federal capital, making immediate attention difficult if not impossible.

4) The lack of coordination among these agencies is attributed to their concern for protecting their domain and the implicit fear of losing their autonomy. For some agencies, their reluctance to be actively involved was due to the fact that their services were never requested. This was indicated by one senior official of a technical agency. To quote "it would appear as though we were the ones trying to push our services when it was never requested (by BPMB) in the first place." This is a common problem of agencies involved in program sharing. Joint programs tend to result in situations where decision-makers are constrained through obligations, commitments and greater interdependence (Aiken and Hage, 1968). The underlying fear appears to be that of possible threat to their autonomy.

Based on the foregoing observations, it is evident that although there were attempts to seek other organizations' assistance an obvious problem appears to be the weak linkages in the inter-organizational networks of agencies involved in the NFS. The exception was BESTA, which did not
pose much problems due to its set-up. Since BPMB is the parent company, the issue of threat is almost non-existent.
CHAPTER 5. IMPLICATIONS AND RECOMMENDATIONS

The scope of this study did not include evaluation per se or testing of specific hypothesis leading to its acceptance or rebuttal. However, based on information gathered in both schemes and interviews with relevant agencies, as well as the personal experience of the author, the following highlights some of the major implications of the study, delineating possible recommendations for the purpose of improving current NFS and guide future schemes.

A major conclusion of this study is that the NFS serves as a good vehicle for mobilizing and transferring of scarce resources to Malay SSEs. However, there are areas which need considerable strengthening and rationalizing to ensure a more effective implementation of the NFS and, therefore success of its participants. It appears that in general, some success was achieved in the transfer of technology to the target group, particularly the financial component. Nevertheless, as far as the technical element was concerned, a more concerted effort is required to improve participant efficiency. A greater collaboration by support agencies is vital and necessary for meeting the desired NFS objectives.

A primary focus of this section is, therefore, to discuss major implications of the study by shedding light on the weaknesses and strengths of the NFS so that intervention
measures could be introduced at appropriate stages of the implementation. Three approaches or perspectives are utilized to guide this discussion: 1) the social-psychological perspective, 2) the organizational and the institutional perspectives, and 3) the macro-policy level.

Social psychological perspective

As has been widely reported, successful industrialization requires a shift in the social and cultural values of societal members particularly, in terms of inculcating value orientations that are consistent with modernism, such as prestige associated with entrepreneurship, universalistic principles versus particularism, willingness to postpone immediate needs for future gratification, and the importance of external-directed orientations as opposed to fatalism.

An inevitable phenomenon of industrialization is the structural changes taking place in which society becomes more differentiated in terms of labor, norms, rewards and sanctions. When traditional values conflict with values necessary for the process of industrialization, then the polity needs to intervene through the encouragement of the proper incentive systems. The inculcation of such values could begin with recognition by its elites of the importance of rewards or incentive systems necessary for validating the
desired values. It is crucial that the motivational system coincide with the new roles and functions of the modern social structures. While it is recognized that values take time to change, however, with appropriate support of the polity these traditional values could gradually be supplanted with those encouraging modernism and culture consistent with industrialization. The following strategies are considered desirable in the framework of instigating social-psychological changes among NFS participants.

**Using group influence** An approach suggested by Schafer and Tait (1980) is to involve individuals in groups which reward the desired attitude. The power of situational forces in influencing behavior has important implications in social-psychological research (Zanna and Olson, 1982). Peer group pressure, reference groups, norms, role requirement, incentives and sanctions may singly and collectively appear impossible to ignore.

An important strategy is therefore to provide incentives to NFS participants who perform well in the NFS. Incentives may take the form of liberalized credit arrangement such as reduced rentals, overdraft facilities, as well as sponsorship for training and others. In addition, positive steps may be taken by producing newsletters, highlighting participant achievements, which
will have the effect of encouraging and motivating participant toward better performance.

**The strategy of effective communication** The communication research posits that a number of factors influence the effectiveness of persuasive communication (Hoveland et al., 1953). It is argued that the effects of source, message and the audience factors on attitude change are assumed to be mediated by attention, comprehension and acceptance. The effects of communication depends on two factors: 1) learning of message content and 2) acceptance of what is learned. The purpose of persuasive communication in the context of the NFS is the need to change the primary beliefs that underlie one or more behaviors. Such beliefs may concern aspects of business culture. For example, participants need to know that success involves hard work, commitment, and perseverance. It has little to do with fate. The change agents involved in providing messages, such as bank managers, trainers and others, need to convince participants of their expertise. They must, in short, be credible sources of such information.

**Developing confidence** McClelland (1961) for example has been one of the early proponents to promote the need for motivational training for SSEs to ensure program success. Similarly, the United Nations Industrial Development
Organization (UNIDO) has been using this training technology in reinforcing their SSE programs. Results have been positive as reflected in higher returns on investments (Hunt, 1983).

In fact studies on SSE development have emphasized the importance of creating self-confidence, interpersonal skills and others as a basis for all economic and development activities (Goulet, 1979; Freive, 1970). Arguments were made that programs without such a basis would have a limited chance of success.

In view of the apparent lack of confidence among NFS participants as discussed on p. 27, it is proposed that motivation and assertiveness training be provided at an early stage of the program implementation. Although some form of training was provided to participants when they first joined the NFS, such programs were mainly in accounting and management. This is not to deny the importance of such training, but for purposes of tackling the psychological aspects of individual needs, they should be complemented with sessions emphasizing motivation, self-confidence and assertiveness. In addition, these training needs to be organized regularly, for example every six months.
The need to foster more group interaction

From the perspective of the Interactionists, the process of group socialization has been reported to produce positive results. Considering the potential for peer influence and the importance of maintaining resource exchange, it is proposed that more meaningful meetings be structured at the NFS to enable valuable exchange of information on business and economic matters.

Thus, to ensure better understanding of problems encountered by bank managers as well as participants it recommended that closer working relationships be fostered. Any perceptions of threat should be removed, since this might encourage the potential for conflict. As suggested on page 62, the organizational climate with which participants operate needs to be one characterized by openness and trust so as to encourage better understanding among all parties concerned. Also, as discussed on page 62, participants should be allowed to participate in decisions involving their interests. It is argued, that full participation by members will avoid feelings of helplessness that usually accompany alienation and anomie.

Institutional and organizational perspective

At the institutional level, a number of implications have emerged from this study. Firstly, according to the
author's work experience and interviews, there appears to be lack of domain consensus among institutions, in terms of program objective, types of services to be rendered, time perspective, and mechanisms for linking administrative and technical support. Emphasis is currently geared to internal priorities of individual agencies. Thus, there is lack of consensus on program objectives. In view of this feeling of wariness, there is therefore a greater need to ensure better understanding of agency needs so that coordination could be attained.

Possible strategy intervention includes organizing joint activities, such as the sharing of expertise, more structured meetings of technical agencies at the planning stage as well as during the implementation periods and others. A possible solution is to have mandatory coordination. Through Cabinet directives, agencies will be mandated to deliver services at the required time. The author is aware that even this method may not be very effective, but it will, at the very least, ensure that agencies come together and be aware of the potential problems so that differences could be ironed out.

Administrative constraints From the perspectives of NFS participants, the bank's administrative rules and procedures have caused numerous problems as discussed on
pages 98-99. Delays in loan approval, the lack of mechanisms to obtain immediate financing, and others proved to be stumbling blocks or bottlenecks for participants. Although a revolving fund was initiated, it was learned that its implementation had stopped and was no longer accessible to participants, due to some flaw in the program design.

The bank as well as the technical agencies constitute important institutional environment for the NFS participants. As this study implies, a strong reinforcement by the institutional environment will influence success of participants. In other words, creating an environment conducive to business operations is deemed crucial for organizational survival. The type of support must necessarily vary according to participant needs, for example, in terms of participants' education level, training and skills required and others as emphasized on page 51. Specifically, the areas in which support are required are listed below.

Marketing Studies on SSE development have pointed to marketing as one area which needs serious attention. Marketing issues are usually associated with problems such as information, accessibility, quality standards and economies of scale (Harper, 1984).
In terms of access, it implies having the required information as well as the facilities of transportation. But most important of all, the hardware necessary for communication like telephones and basic services must be made available. Currently, only a few participants have telephone lines. Institutionally, there are a number of areas that the bank could do to help in the marketing of participant products.

Sub-contracting and government procurement

One potential area is by tapping the government and semi-government procurement and contracting system. It is true that some participants have access to such facility, but there is a need to expand the scope to include more participants. The potentiality of this facility has yet to be exploited. This recommendation is consistent with that made by other studies on NFS (Ali and Salleh, 1986; Salazar, 1987). It is recognized that BPMB on its own may not have the necessary power to influence these government departments and ministries, as such it is recommended that the SED of MTI be the focal organization to deal with such matters in conjunction with the Treasury.

Inter-industry linkages

Another domain which offers potential source of marketing outlet is the area of subcontracting activities between participants and other
medium and large-scale enterprises. Studies on the international scene have indicated great potentiality of subcontracting arrangements. Some of the obvious advantages include increasing returns to sales, upgrading of quality and an ensured market. However, it is acknowledged that such attempts may be a little problematic in Malaysia. This is in view of the fact that most of the large SSEs are owned by foreigners who prefer to source their components from their subsidiaries overseas. One strategy is to provide incentives to LSEs and MSEs to buy from participants.

Joint efforts by NFS participants

The importance of collaborative efforts by NFS participants should not be ignored. As suggested by Ali and Salleh (1986), cooperative efforts by participants should be encouraged in terms of joint procurement of raw materials and others.

In fact studies on the Japanese cooperatives have illustrated the merits of collective ventures (Lee, 1984). Joint activities include purchase of hardware items, sale of used machinery, joint loan applications and sharing common facilities.
Organizational problems of NFS participants  Based on the findings as discussed on pages 104-106, as regards perceived environmental uncertainty, it is proposed that measures such as the following, be introduced to reduce participants' uncertainty.

It is recommended that an information center be set up at the NFS so that participants may avail themselves of important information on matters pertaining to business, such as items being called for tender by government and semi-government agencies, dates for tender or contract application, names of suppliers and others. As frequently suggested in the literature organizations can be designed in ways that would reduce uncertainty and unequivocality; for example structural characteristics of organizations may be utilized to meet information needs of technology, environment and others (Daft and Lengel, 1986). The use of associations, like the chamber of commerce should be tapped to provide vital information on business and economic conditions. Information processing is an important prerequisite to uncertainty reduction.

Another method of reducing uncertainty is to avoid organizational dependence on suppliers of critical resources. This could be done by encouraging participants to seek substitutes for their crucial sources of inputs, like financing and the like.
As far as the analysis on strategic type was concerned, the implication seems to be that expanding firms have greater chances of success. It is, however, not expansion, per se, rather the use of strategies appropriate to the structure and process of the individual organizations. Strategies adopted are contingent on the cognitive structures of decision makers. In other words, strategic choices are determined by the manner in which strategists conceptualize the environment and industry (Schwenk, 1988). This points to the issue of the need to have information on the environment.

The other implication from the organizational analysis is that early socialization is an important determinant of success. This fact suggests that late socialization may be developed by fostering close relationships among participants and scheme managers. An assumption here is that, personality can be developed into adulthood and that basic change is possible. In line with the arguments made by Inkeles and Smith (1974), late socialization can bring about changes in men working in factories or a parallel work-place, like the NFS. By fostering interaction it is expected that participants will be more exposed to new ideas, business principles, and therefore be pre-disposed to innovation and changes.
Macro-policy

As other studies have indicated, Malaysia's industrialization policies have had the indirect effects of suppressing the potential growth of SSEs. This is by way of legislating investment incentives and by undertaking public sector investments. In view of this in-built bias, there is a need to introduce further measures that could off-set these disadvantages. It is interesting to note that currently there is no specific law to register or coordinate the development of SSEs in the country. The instruments utilized are in the form of administrative rulings.

In light of the circumstances, it is urged that some form of protection be introduced, such as declaring certain industries as infant industries requiring protection. As indicated on page 88, one of the major problems faced by participants involved in the marketing of their products is lack of demand. A possible solution is to tap the international market. The office of the trade commissioners located overseas could be utilized to look into the feasibility of implementing this recommendation. Responsibilities may range from conducting market surveys to identifying potential food items, especially those highly demanded by Malaysian students studying in all parts of the world.
Unresolved issues

Viewed from a macro perspective, there are a number of issues that remain unresolved. These issues will be discussed in the following section.

The issue of providing factory buildings  The first issue pertains to the whole concept of providing factory buildings in an industrial estate. Some SSE experts have questioned the merits of industrial estates as a means of promoting SSE (Steel, 1977; Harper, 1984). The likely consequence, it is argued, is to raise the capital intensity of SSE investment located in the industrial estate above the average of other SSE producing similar products (Steel, 1977). Similarly, Harper (1984:152) cautioned as follows,

Any one who suggests a small business industrial estate must be sure that it will not damage the enterprises which occupy it and that it will not deprive the remaining business outside the estate of whatever benefits are available.

According to Harper (1984) industrial estates will not meet its objective of bringing industrial activity to places which did not have the appropriate environment. The experience of India, United Kingdom, and others have attested to the failure of industrial estates where empty sheds are left behind.

Alternatives to NFS  This study has revealed the unique concept of the NFS as a temporary arrangement for
providing shelter to participants, in addition to providing delivery services. As the program implementor, the bank may have a stake in its success, in that money was loaned out to participants, but the relationship is one based on a client-lender situation. Besides, employees are transferable and pressure is therefore not as great as that placed on the owner, as in the case of the incubator program in the United States. An examination of incubator programs implemented in the United States (Allen et al., 1987) shows that incubators are owned/run by investors or their agents. This places a strong pressure on incubator managers to perform well because of the high stakes involved. An incubator facility is defined (Allen et al., 1987:6)

> as a multi-tenant facility where the manager, as project owner or agent of the owner, has a stake in the tenants success above and beyond their ability to pay the rent.

The key functional concerns of incubator managers are:

1) management of the stake-holders (political as well as partnership process), 2) management of the physical facilities, and 3) management of the incubator and growth process of tenants. The implementation of the incubator program involves three phases and the management's functions differ according to these phases. The United States' experience in this area may be described as successful perhaps due to the fact that it was managed by the private
sector, thus avoiding problems of red tape, shortage of professional staff and others. In view of the conceptual difference between the NFS and the incubator program, comparisons may not be appropriate.

Another parallel program is the concept of industrial estates as practiced by countries like Japan, India, Ireland and others. However, this possibility has been tried by the Malaysian Government in the form of large industrial estates which were operated privately as well as industrial estates managed by government departments.

In terms of the industrial estates run by the private sector, currently there are 98 fully developed or partly developed, but these cater more for the large and medium enterprises (Malaysian Industrial Development Authority Report, 1985). As for government industrial estates, they are currently being developed with the state governments to provide factory sites as well as delivery services. But development has been slow, at best. This is due, among other things, to problems such as availability of strategic land, and in some cases the lack of takers. These industrial estates are usually located in isolated areas, causing problems of marketing and inaccessibility to infrastructure. The above constitutes alternatives that have been considered by the Malaysian government, but success of their implementation, remains to be seen.
Conclusion

The above issues and findings have highlighted some important implications in the implementation of the NFS as a mechanism for directing change, in general, and for promoting SSEs, in particular. Although this study has its limitations, in that it cannot be generalized to NFS in other settings, its major contribution has been to reveal the weaknesses as well as the strengths of the NFS and by making recommendations necessary to further improve its implementation. The implementation of the NFS has above all, met the primary objective of the Malaysian Government, namely to encourage participation and the training of bumiputras (Malays) in the area of entrepreneurship development. Lessons derived from the NFS may be used as a basis for further modifications by policy makers and administrators, alike.
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March, J. G. and H. Simon
Mayhew, L. H.

Mayhew, L. H. and Neil Smelser

McClelland, David

McClelland, David C. and David G. Winter

Meyer, Marshall and Brian Rowan

Miles, R. E. and C. C. Snow

Miles, Robert

Milgram, S.

Miller, Delbert

Mintzberg, Henry
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Romanelli, E. and Michael L. Tuschman

Salazar, S. Melito

Sapp, R. W. and R. E. Seiler

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World Bank

Yaacob, Mohd Fauzi
Zaltman, Gerald and Robert Duncan

Zanna, P. and James M. Olson
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Last, but not least I wish to express my deepest gratitude to my parents whose love, support and understanding have helped me through my graduate study.
# APPENDIX A: VARIABLE TRANSFORMATION

<table>
<thead>
<tr>
<th>VARIABLE NAME</th>
<th>DEFINITION</th>
<th>SCORES</th>
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<tr>
<td>1. SUCCESS</td>
<td>sales+credit+loan status/3 (from secondary data)</td>
<td>1= 1-1.6, 2= 1.7-2.3, 3= 2.4-3</td>
</tr>
<tr>
<td>1.a. SALES</td>
<td>actual sales by target sales per yr. (1986) (from secondary data)</td>
<td>1= &lt;40%, 2= 40%-80%, 3= 80%-170%</td>
</tr>
<tr>
<td>1.b. CREDIT</td>
<td>scale 1-10 (highest) (see questionnaire for coordinator)</td>
<td>1= 1-4, 2= 5-8, 3= 8-10</td>
</tr>
<tr>
<td>1.c. LOAN STATUS</td>
<td>A= 6 (highest) (from secondary data)</td>
<td>1= 1-2</td>
</tr>
<tr>
<td>2. STRATEGIC TYPE</td>
<td>change in labor, raw materials and equipment/3 (see Block F. quest.1.e)</td>
<td>1= 1-1.6, 2= 1.7-2.3, 3= 2.4-3</td>
</tr>
<tr>
<td>3. ADEQUACY OF RESOURCES</td>
<td>working capital + plant</td>
<td>1= 1-1.6</td>
</tr>
</tbody>
</table>
lay-out + machines/3  
2 = 1.7-2.3
3 = 2.4-3

3.a. RESOURCES 1  
aequeacy of working  
1 = 1-2

capital  
2 = 3

(see Block B.quest.a.3)  
3 = 4-5

3.b RESOURCES 2  
aequeacy of plant  
1 = 1-2

lay-out  
2 = 3

(see Block B.quest.b.2)  
3 = 4-5

3.c RESOURCES 3  
Adequacy of machines  
1 = 1-2

(see Block B.quest.b.4)  
2 = 3

3 = 4-5

4. INTERORGANIZATIONAL Disc.+ Resv.+ Give/3  
1 = 1.6

RELATIONS (IOR)  
2 = 1.7-2.3

3 = 2.4-3

4.a DISCUSSION  
Discussion:

financial problems

technical problems

marketing problems

management problem

(see Block C.quest.3.a.)  
1 = 4-11

2 = 12

3 = 13-20
4.b RECEIVE INFORMATION

- financial 1 = 4-11
- technical 2 = 12
- marketing 3 = 13-20
- management

(see Block C. quest. 3.b)

4.c GIVE INFORMATION

- financial 1 = 4-11
- technical 2 = 12
- marketing 3 = 13-20
- management

(see Block C. quest. 3.c.)

5. BUSINESS PLANNING INDEX

- bus. cond.+invent+ store 1 = 0-.6
- target sale+planpd/5 2 = 1.7-2.3
- planpd/5 3 = 2.4-3

5.a. Planning period (see Block D. quest. 1.a,b) 1 = .(99)

- 1=0 (none) 2 = 0
- 2=< 1 yr 3 = 1
- 3= >1 yr
5.b  Written plans (see Block D.quest. 1.c.)  
       unwritten = 0  
       written = 1  

5.c.  Elaborate plans= plan period+written plans 
       1= written=1, pd=1  
           1= 2-4  
           written=1, pd=2  
           written=2, pd=2  
           2= written=3, pd=2  
           written=2, pd=3  
           3= written=3, pd=3  

5.d  Forecast in plans:  econ. cond.  
       (see Block D.quest.2.a)  
       1= 1  
       2= 2-4  
       3= 5  

       storage needs  
       (see Block D.quest.2.d)  
       1= 1  
       2= 2-4  
       3= 5  

       inventory needs  
       (see Block D.quest.2.c)  
       1= 1  
       2= 2-4  
       3= 5  

       forecasting sales  
       (see Block D.quest.2.f.)  
       1= 1  
       2= 2-4  
       3= 5
6. PERCEIVED percep+ predict/2
   ENVIRONMENTAL 2= 1.7-2.3
   UNCERTAINTY(PEU) 3= 2.4-3

6.a. PERCEPTION = perception on
   technology 1= 5-10
   competitors 2= 11-19
   consumers 3= 20-25
   suppliers

(see Block E.quest.2.b.)

6.b. PREDICTIBILITY = predictibility of
   technology 1= 5-10
   competitors 2= 11-19
   consumers 3= 20-25
   suppliers

(see Block E.quest.2.a)

7. INDIVIDUAL CHARACTERISTICCS

7.a. Age
   Oldest =1 1= 45-54
   Youngest=2 2= 21-30
   Mid.age =3 3= 31-44

(see Block A.quest.3.)
7.b. Education
Formal yrs.
- 0 = no schooling
- 2 = primary
- 3 = college
- 4 = University
(see Block A. quest. 5.)

7.c. SES
Money owned/borrowed
- 1 = 0 - .3
- 2 = .4 - .7
- 3 = .7 - 1
(see Block A. quest. 2)

7.d. SKILLTR
Skills + training/2
- 1 = 0 - 1.6
- 2 = 1.7 - 2.3
- 3 = 2.4 - 3

Skills
yrs. exp. as
- 1 = 1 - 3
- 2 = 4 - 7
(see Block A. quest. 6.a)
- 3 = 8 - 15

as employee
- 1 = 1 - 4
- 2 = 5 - 9
- 3 = 10 - 26
TRAINBUS Training in the areas of:
finance 1 = . - 0
technical 2 = 1 - 2
management 3 = 3
(see Block A. quest.7)

7.e. BUSINESS Parents' business
SOCIAL-
IZATION manufacturing 1 = . - 0
management 2 = 1
marketing 3 = 2 - 3
(secondary data)
APPENDIX B: ADDITIONAL TABLES

TABLE 19. The relationships between individual characteristics and IOR (Appendix B)

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APPENDIX C: SURVEY QUESTIONNAIRE FOR ENTREPRENEURS

IDENTIFICATION INFORMATION

Respondent Number __________________________
Date of Interview __________________________ (Day)/(Month)
Time of Interview __________________________
Type of firm ________________________________

Block A: Individual Characteristics

1. Sex and Marital Status
   a. Sex
      _____ 0 Female
      _____ 1 Male
   b. Marital Status
      _____ 0 Never married
      _____ 1 Currently married
      _____ 2 Widowed
      _____ 3 Divorced
      _____ 4 Others (Specify)

2. Resources Owned besides BPMB financing (CHECK AS MANY AS APPLICABLE)
   _____ Personal savings
   _____ Loan from relatives
   _____ Loan from friends
   _____ Tontine
   _____ Money lenders
   _____ Associations
   _____ Loan from other agencies
   _____ Others (Specify__________)

3. Are any of your parents in business?
   _____ 0 No
   _____ 1 Yes

4. Age and Date of Birth
   a. Age in completed years _____________
   b. Date of birth _____________ (Month)/(Year)
5. Educational Attainment
   ☐ 0 No schooling
   ☐ 1 Primary education
   ☐ 2 Secondary education
   ☐ 3 College
   ☐ 4 University

6. Business Experience
   a. Were you engaged in other business(es) before joining the scheme?
      ☐ 0 No (SKIP TO 7)
      ☐ 1 Yes (CONTINUE)

      (ASK QUESTIONS b TO f IF ANSWER IN a IS "YES", OTHERWISE PROCEED TO Q 7)

   b. Please describe the types of your business experience in the past (ENTER R'S DESCRIPTION IN COL 1 OF TABLE 1)

      (FOR EACH OF THE TYPES DESCRIBED IN COL 1 T 1, ASK Q c TO f)

   c. How many years were you in (type of business)?
      (ENTER RESPONSE IN COL 2)

   d. Were you an owner or employee? (CHECK APPROPRIATE CATEGORIES IN COL 3)

   e. (ASK e ONLY IF R WAS AN OWNER, OTHERWISE SKIP TO f)
      Did you also manage it yourself? (CHECK APPROPRIATE CATEGORY IN COL 4)

   f. (ASK f ONLY IF R WAS AN EMPLOYEE, OTHERWISE SKIP TO 6) Please state the job description. (ENTER DESCRIPTION IN COL 5)

7. Technical Training
   a. Aside from the training required by the BPMB, did you undergo any other training before joining this scheme?
      ☐ 0 No (SKIP TO 8)
      ☐ 1 Yes (CONTINUE)

      (ASK QUESTIONS b TO c IF ANSWER IN a IS "YES", OTHERWISE SKIP TO 8)

   b. Please describe the types of training you underwent. (ENTER R'S DESCRIPTION IN COL 1 OF TABLE 2)

   c. (FOR EACH OF THE TYPES OF TRAINING DESCRIBED IN COL 1, ASK Q c) How many times did you undergo the (type of training)? (ENTER TOTAL NUMBER OF TIMES IN COL 2)
### 8. Knowledge of Scheme and Attitude towards Scheme

#### a. Please indicate the extent to which each of the following considerations is applicable to you.

*(ENCIRCLE APPROPRIATE CATEGORIES: 1 = TO A VERY LITTLE EXTENT, 2 = TO A LITTLE EXTENT, 3 = TO SOME EXTENT, 4 = TO A GREAT EXTENT, 5 = TO A VERY GREAT EXTENT)*

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#### b. Please indicate the extent to which you agree with the following statements:

*(ENCIRCLE APPROPRIATE CATEGORIES: 1 = STRONGLY DISAGREE, 2 = DISAGREE, 3 = UNDECIDED, 4 = AGREE, 5 = STRONGLY AGREE)*
### STATEMENTS

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#### b.1 Financing
The scheme is financed:
- b.1.1 solely by the BPMB
- b.1.2 solely by the MTI
- b.1.3 both by the MTI and BPMB

#### b.2 Policies
The policies are formulated by:
- b.2.1 the program coordinator
- b.2.2 the selection committee
- b.2.3 the management committee

#### b.3 Conditions/Regulations
The following stipulations are reasonable:
- b.3.1 rental rate
- b.3.2 rental collection time
- b.3.3 work schedule
- b.3.4 provisions regarding breach of contract

#### b.4 Facilities
The following facilities are adequate and accessible:
- b.4.1 storage facilities
- b.4.2 garbage disposal facilities
- b.4.3 canteen
- b.4.4 prayer room
- b.4.5 common-user facilities/machines
- b.4.6 recreation

#### b.5 Capital and Leasing Arrangements:
- b.5.1 loan disbursements are prompt
- b.5.2 financial assistance adequately covers amount requested
- b.5.3 overdraft facilities are reasonable
- b.5.4 leasing arrangement is reasonable
- b.5.5 utilization arrangement regarding common facilities is efficient

#### b.6 Overall Scheme Implementation:
- b.6.1 I am satisfied with the way the scheme is implemented
- b.6.2 the scheme needs to be improved
Regarding the extension and support services, namely financial, technical, and marketing assistance, please indicate how often you feel that:

1. Utilization
   The amount of assistance you need for each of the following can only be obtained at the scheme.

2. Adequacy
   The amount of assistance you obtain from the scheme is adequate for your purpose.

(ENCIRCLE APPROPRIATE CATEGORIES: 1=NEVER 2=SELDOM 3=OCCASIONALLY 4=OFTEN 5=ALWAYS)

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<td>c.4 excess inventory problems</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
Block C: Inter-Organizational Relations

1. Frequency and Intensity of Interactions
   a. On the average, how many times per month did the management schedule meetings for the past 12 months?
   ______ Number of times
   b. How often did you attend such meetings arranged by the management?
   ______ 1 Never (SKIP TO 2)
   ______ 2 Seldom (CONTINUE)
   ______ 3 Occasionally (CONTINUE)
   ______ 4 Often (CONTINUE)
   ______ 5 Always (CONTINUE)
   c. On the average, how do you rate your participation in those meetings?
   ______ 1 Did not participate at all
   ______ 2 Participated a little
   ______ 3 Participated moderately
   ______ 4 Participated quite substantially
   ______ 5 Participated fully
   d. Generally, how long did each of these meetings last?
   ______ Number of hours
   e. In general, how are the resolutions arrived at per meeting?
   ______ 1 Without any participation by members
   ______ 2 With little participation by members
   ______ 3 With moderate participation by members
   ______ 4 With quite substantial participation
   ______ 5 With full participation by members
   f. How do you rate the effectiveness of these meetings in resolving your problems?
   ______ 1 very ineffective
   ______ 2 somewhat ineffective
   ______ 3 effective
   ______ 4 quite effective
   ______ 5 very effective
2. Power-Dependence Relationship

Please indicate to what extent you agree or disagree with the following statements.
(ENCIRCLE APPROPRIATE CATEGORIES: 1=STRONGLY DISAGREE, 2=DIGREE, 3=UNDECIDED, 4=AGREE, 5=STRONGLY AGREE)

<table>
<thead>
<tr>
<th>STATEMENTS</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.a The program coordinator has exerted more authority than what was given</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.b The program coordinator has used his position in the bank to get your compliance</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.c The program coordinator may have felt that he has more authority because the BPMB controls the funds</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.d I depend on the BPMB for money, therefore, I am at their mercy</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

3. Regarding business problems, namely, financial, technical, marketing, and management, please indicate how often:
   a. You discuss each of these problems with other participants
   b. You receive advice on each of these problems from other participants
   c. You give advice/help on each of these problems to other participants.

(ENCIRCLE APPROPRIATE CATEGORIES: 1=NEVER, 2=SELDOM, 3=OCCASIONALLY, 4=OFTEN, 5=ALWAYS)
Block D: Business Planning

1. General Planning
   a. Do you have plans covering a period of less or more than one year?
      - 0 None (SKIP TO h)
      - 1 Yes, less than one year only (CONTINUE)
      - 2 Yes, more than one year only (CONTINUE)
      - 3 Yes, both less than and more than one year

      (ASK b TO g ONLY IF ANSWER IN a IS "YES", OTHERWISE SKIP TO h)

   b. Please indicate the exact time period covered by this plan.
      Less than one Year
      from _____ to _____
      mo/yr       mo/yr
      More than one Year
      from _____ to _____
      mo/yr       mo/yr

   c. Is this plan written or not?
      - 0 Not written (informal)
      - 1 Written (formal)

   d. Does this include any of the following? (CHECK AS MANY AS APPLICABLE)
      - Earnings
      - Return on investment
      - Capital growth
      - Share of the market
      - Sales/earnings ratio
e. Does this plan include the following proforma (future) financial statements (CHECK AS MANY AS APPLICABLE)
   ______ Balance sheet
   ______ Cash flow analysis
   ______ Income Statements

f. Does your plan include budgets for any of the following? (CHECK AS MANY AS APPLICABLE)
   ______ Hiring personnel
   ______ Plant expansion
   ______ Advertising

g. Does your plan attempt to specify any of the following factors? (CHECK AS MANY AS APPLICABLE)
   ______ Political development
   ______ Socio-economic conditions (e.g., Malay preference)
   ______ Personal family incomes

h. (ASK R ONLY IF ANSWER IN a IS "NO") If you do not have any plan, please indicate the reason(s). (CHECK ALL THAT APPLIES)
   ______ Too costly
   ______ Lack of skills/expertise
   ______ Lack of time
   ______ Unnecessary
   ______ Others (specify: ________________________)

2. Operational Planning
   Please indicate the extent each of the following is considered part of your business activities.
   (ENCIRCLE APPROPRIATE CATEGORIES: 1=TO A VERY LITTLE EXTENT, 2=TO A LITTLE EXTENT, 3=TO SOME EXTENT, 4=TO A GREAT EXTENT, 5=TO A VERY GREAT EXTENT)

<table>
<thead>
<tr>
<th>ACTIVITIES</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.a Forecasting the future economic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and business conditions</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2.c Monitoring inventories and stocks</td>
<td></td>
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<td></td>
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<tr>
<td>2.d Determining storage needs</td>
<td></td>
<td></td>
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<tr>
<td>2.e Estimating the time between ordering and arrival of raw materials</td>
<td></td>
<td></td>
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<tr>
<td>2.f Setting of target sales volumes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.g Anticipating alternative sources of raw materials/supplies</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Block E: Environmental Characteristics and Uncertainty

For the following environmental characteristics, please indicate:

1. Their importance in influencing the outcome of your decisions (ENCIRCLE THE APPROPRIATE CATEGORIES: 1 = NOT IMPORTANT AT ALL, 2 = ONLY A LITTLE IMPORTANT, 3 = SOMEWHAT IMPORTANT, 4 = CONSIDERABLY IMPORTANT, 5 = EXTREMELY IMPORTANT)

2. How often do you feel
   a) you are able to predict the reaction of the various factors to decisions you made
   b) the information your firm has on the various factors is adequate to make decisions concerning them
(ENCIRCLE APPROPRIATE CATEGORIES, FOR 2(a) AND 2(b), RESPECTIVELY: 1=NEVER, 2=SELDOM, 3=OCCASIONALLY, 4=FAIRLY OFTEN, 5=ALWAYS)

<table>
<thead>
<tr>
<th>ENVIRONMENTAL CHARACTERISTICS AND UNCERTAINTY</th>
<th>(1) IMPORTANT</th>
<th>(2a) ABLE TO PREDICT</th>
<th>(2b) INFO ADEQUACY</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Supplier</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>a.1 raw materials</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>a.2 labor</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>b. Marketing</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>b.1 adequacy of distribution channels</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>b.2 Final consumers</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>c. Socio-political</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>c.1 government incentives</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>c.2 non-Malays attitude</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>c.3 relationship with Chambers of Commerce</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>d. Technology</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>d.1 appropriate technology</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>e. Competitor</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>e.1 competitor for your products</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>e.2 competitor for your supplier</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
Block F: Success

1. Objective Success
   a. Date current business was set up?
      (Month/Year)____________________

   b. Total number of employee(s) in current business
      _______ total number full-time employees
      _______ total number part-time employees

   c. Profits for 1985-1987
      c.1 Please describe the type of product(s) you produced (will produce) in
         1985 (ENTER DESCRIPTION IN ROW 1 OF COL 1 TABLE 3)
         1986 (ENTER DESCRIPTION IN ROW 2 OF COL 1 TABLE 3)
         1987 (ENTER DESCRIPTION IN ROW 3 OF COL 1 TABLE 3)
         1988 (ENTER DESCRIPTION IN ROW 4 OF COL 1 TABLE 3)

         (FOR EACH OF THE TYPES OF PRODUCTS LISTED IN ROWS
         1-3 OF COL 1 TABLE 3, ASK QUESTIONS c.2 TO c.8)

      c.2 On the average, how much did you produce for each
         type of product per month? (ENTER RESPONSE IN COL
         2 OF TABLE 3)

      c.3 In general, what is the selling price of your
         product per unit? (ENTER RESPONSE IN COL 3 OF
         TABLE 3)

      c.4 How much raw materials did you utilize in the
         production per month? (ENTER RESPONSE IN COL 4 OF
         TABLE 3)

      c.5 Please state your source of raw materials/supplies
         (ENTER RESPONSE IN COL 5 OF TABLE 3)

      c.6 How much was the cost of labor per month? (ENTER
         RESPONSE IN COL 6 OF TABLE 3)

      c.7 Other overhead costs per month? (ENTER RESPONSE
         IN COL 7 OF TABLE 3)

      c.8 Please state the expected profits (ENTER RESPONSE
         IN COL 8 OF TABLE 3)
2. Subjective Success
   a. Please indicate at which rung of the ladder you were before you joined the scheme, in terms of your success before joining scheme.

<table>
<thead>
<tr>
<th>10</th>
<th>highest rung</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
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<tr>
<td>6</td>
<td></td>
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<tr>
<td>5</td>
<td></td>
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<tr>
<td>4</td>
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<tr>
<td>3</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>lowest rung</td>
</tr>
</tbody>
</table>

   b. Please indicate at which rung of the ladder you consider yourself more successful before joining scheme after joining scheme.

<table>
<thead>
<tr>
<th>10</th>
<th>most successful</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
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<tr>
<td>6</td>
<td></td>
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<tr>
<td>5</td>
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<tr>
<td>4</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>least successful</td>
</tr>
</tbody>
</table>

   c. Please indicate at which rung of the ladder you consider that success has given you more prestige before joining scheme after joining scheme.

<table>
<thead>
<tr>
<th>10</th>
<th>most prestige</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
</tr>
<tr>
<td>7</td>
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<td>4</td>
<td></td>
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<tr>
<td>3</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>least prestige</td>
</tr>
</tbody>
</table>

d. Please indicate at which rung of the ladder you feel that after you will leave the scheme you will gain more confidence staying in business

_______ 10  very confident
_______ 9
_______ 8
_______ 7
_______ 6
_______ 5
_______ 4
_______ 3
_______ 2
_______ 1  least confident

e. Since you joined the scheme, have you increased each of the following:

<table>
<thead>
<tr>
<th></th>
<th>No (1)</th>
<th>Neither (2)</th>
<th>Yes (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.1 amount of labor used</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>e.2 amount of raw materials used</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>e.3 amount of output produced</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>e.4 quantity of equipment used</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

END OF INTERVIEW
Entrepreneur number _____

If you were to rate the credit standing of (_______) on a scale of 1 (lowest score) to 10 (highest score), what would be your rating for each of the following years?

<table>
<thead>
<tr>
<th>Year</th>
<th>1985</th>
<th>1986</th>
<th>1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Highest)</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
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<tr>
<td>8</td>
<td>8</td>
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<td>7</td>
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<td>3</td>
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</tr>
<tr>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(Lowest)</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

END OF INTERVIEW