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DIGITAL ENTREPRENEURSHIP ADOPTION AMONG THE SMALL AND MEDIUM-SIZED ENTERPRISES IN MALAYSIA

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ABSTRACT

The development of entrepreneurship in Malaysia has received the government's support over the past two decades by taking long-term measures to promote it, including world-class infrastructure and various financial incentives. Today, digitalization in entrepreneurship has helped improve economic development and change the Malaysian economic scenario based on digital. Adopting innovation during this transition to a new economy will equip entrepreneurs for digital transformation. Based on this scenario, strengthening the digitalization of the economy is essential for Small and Medium Sized Enterprises (SMEs). A Digital Entrepreneurship plan is one of the most dynamic methods to change and develop society. It closely relates to private sector development, SME policy, job creation, innovation, and competitiveness. Malaysia needs to see entrepreneurship as an essential component in the viability and competitiveness of the country's economy. Government support has implemented various initiatives and programs to address the unique needs of SMEs and entrepreneurs by providing financial assistance, human capital development, and market access assistance. A study on the use of digital entrepreneurship among SMEs needs to be conducted and, based on the geopolitical impact of the COVID-19 pandemic, may create a new economic model today. In today's SME business, sustainable entrepreneurship is led by an entrepreneur who practices sustainable management through innovation and value creation. The summary of these findings will show that this study is relevant for future studies and can be used as a literature reference in future research

KEYWORDS: Digital Entrepreneurship, Entrepreneurship, Digital Economy, Small Medium Enterprise, and Government Support

Introduction

Malaysia's digital economy or MyDigital development aligns with the *Wawasan Kemakmuran Bersama 2030* (WKB 2030) and Twelfth Malaysia Plan (RMKe-12), aiming to provide fair and equitable economic growth among all walks of life by 2030. Therefore, the Malaysian Digital Economy Blueprint has been tabled, fully exploiting the economic potential. For inclusive, responsible, and sustainable socio-economic development. The digital economy is one of the Key Economic Growth Activities in WKB 2030, and Malaysia aims to drive its growth (Economic Planning Unit, 2021). The Malaysia Digital Economy Blueprint 2021 was introduced to benefit the community, businesses, and government. Many ministries and organizations have attempted to integrate digitalization into their strategic plans. More must be done to keep the country abreast of change, especially regarding technical advances, labor market needs, business model innovation, and changing public expectations.

The government's long-standing commitment to utilizing the potential of technology for national transformation began in 1996, emphasizing a knowledge-based society and the effective use of information and communication technology (ICT). The Multimedia Super Corridor's (MSC) establishment is the first step in this transformation journey. The MSC established high-tech business zones and special economic zones to transform Malaysia into a developed country by 2020. Since then, the government has implemented various policies and measures to accelerate Malaysia's technological and digital transformation. Based on these scenarios, it is clear that an entrepreneur needs to be prepared to face the changing economic landscape that requires skills and knowledge in this digital technology. This has led to new business settings, new thinking, new techniques, new rules, new concepts, and sweeping changes in so many ways that it has become difficult for managers, politicians, and academics to keep up with these new "global businesses" (Murthy et al., 2021).

Digital Entrepreneurship Adoption

Over the last two decades, digital entrepreneurship has expanded entrepreneurial opportunities and transformed the inherent uncertainty of the business world into entrepreneurial processes and outcomes (Nambisan, 2017). Digital entrepreneurship, described as seeking "new business prospects given by new media and internet technology," is gaining international attention (Davidson and Vaast, 2010; Ngoasong, 2018). Digital entrepreneurship identifies and pursues entrepreneurial opportunities by developing digital artifacts, platforms, and infrastructures that enable services via technology (Giones and Brem, 2017; Samara and Terzian, 2021). According to Sahut et al. (2021a), it is the process by which entrepreneurs create digital value by applying various socio-technical digital enablers that facilitate the effective acquisition, processing, distribution, and use of digital information. Endres et al. (2022) and Varotsis (2022) argue that transforming new ideas, inventions, and business processes into market value is a defining characteristic of digital entrepreneurship.

Digital entrepreneurship also encompasses all activities related to establishing businesses that generate income through digital means and technology, and electronic networks (Varotsis, 2022).

European Commission (2015), in a report on the Strategic Policy Forum on Digital Entrepreneurship, concluded that digital entrepreneurship encompasses new business startups and the transformation of existing businesses. This situation will drive economic and social value by creating and using new digital technologies. New digital technologies, including mobile applications, social media, cloud computing, big data analytics, and the internet of things, are being utilized to improve digital business operations. It also aims to create new business models, strengthen business intelligence and engage with customers and stakeholders. Next, create jobs and future growth.

The Digital Entrepreneurship plan is one of the most dynamic methods to transform and develop society. It is closely linked to private sector development, Small and Medium Sized Enterprise (SME) policy, job creation, innovation, and competitiveness. Malaysia needs to see entrepreneurship as an essential component of the country's economic viability and competitiveness. Based on the above discussion, reviewing the Digital Entrepreneurship policies and programs is critical to understanding the barriers to SMEs in Malaysia. In the RMKe-12 in 2021-2025, the government still places digitalization as the primary strategy to intensify the digital economy. The RMKe-12 is also a medium and long-term economic recovery plan to address the effects of the COVID-19 pandemic. COVID-19 has become like a storm in 2020 and 2021, causing technology advances to scale up and boosting digital entrepreneurship in many parts of the world to meet various challenges (Iivari et al., 2020; Secundo et al., 2021; Modgil et al., 2022). Thus, the study of digital entrepreneurship adoption is significant and needs to be given attention nowadays. The impetus of this study will also contribute to a more profound knowledge of digital entrepreneurship as a diversity of transdisciplinary and systems science approaches in the management field (Satalkina and Steiner, 2020). Much of the literature on digitalization and its impact is related to management and marketing information systems but not the business, especially digital entrepreneurship (Sussan and Acs, 2017). Based on this discussion, it is clear that "digital entrepreneurship" is an essential foundation of this study, adding to the literature and appropriateness of its first emergence in the 2000s (Ben Saad and Choura, 2022).

Small and Medium Sized Enterprise in Malaysia

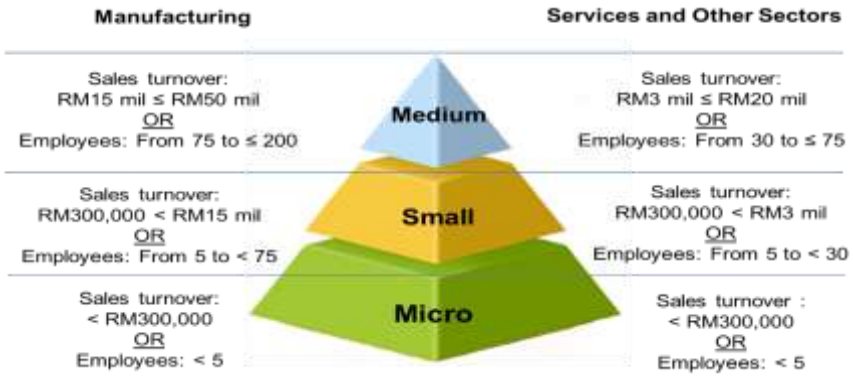
Malaysian enterprises contributed RM167.4 billion towards export value in 2017 (17.3% of total export value). Most of these export values came from three main sectors: services (50.4%), manufacturing (47.2%), and agriculture (2.4%). This number is increasing every year, and SMEs in Malaysia have contributed 98.5% of total business growth in the country (MEDEC, 2020). According to the statistics, SMEs account for 38.9% of GDP and 48.4% of the employment year 2019 (National Entrepreneur and SME Development Council, 2020). Based on the findings of Productivity and Investment Climate Surveys by the World Bank (SME Corp.

Malaysia, 2012), the factors of the adoption of innovation and technology are among those that influence the performance of Malaysian SMEs. At the firm level, the growing digital economy in developing countries does not automatically lead to expanding opportunities for local digital firms (Foster et al., 2018). However, the government's support and encouragement are essential in helping SMEs in Malaysia continue to grow.

The 14th National SME Development Council (NSDC) meeting in July 2013 defined Small and Medium Sized Enterprises and came into use on 1 January 2014 due to the review's feedback. The endorsement has been adopted across ministries and agencies, financial institutions, and regulators involved in SME development programs. The concept covers all industries, including services, manufacturing, agriculture, construction, mining & quarrying, and agriculture. This situation is due to many economic developments since 2005, such as price inflation, structural changes, and changes in business trends (SME Corp. Malaysia, 2022). According to SME Corp. Malaysia (2020), there are three (3) conditions to determine the classification of SME eligibility criteria: Qualifying Criteria, Type of Establishment, and Shareholding Structure.

The conclusion is clear that understanding the definition of SMEs in Malaysia is very important based on three main conditions: Qualifying Criteria, Types of Establishment, and Shareholding Structure determined by SME Corporation Malaysia. The detailed definition according to the categories of micro, small, and medium can be illustrated in Figure 1 as follows:

Figure 1 Micro, Small, and Medium Enterprises (MSMEs) by Size in Malaysia



Sources: SME Corp. Malaysia, 2022

SMEs are an evolving and dynamic population. Their composition varies significantly across countries and industries, which affects their capacity to thrive and contribute to an open and digitalized economy. Based on the latest data in the Malaysian Statistical Business Register (MSBR) released by the Department of Statistics Malaysia (DOSM), the total number of small and medium enterprises in Malaysia in June 2022 was 1,253,272 of the total SME business establishments. This is shown in Table 1, statistics of the number of establishments by SMEs since 2018. This indicates that the number of SMEs has increased yearly in the last five years.

Until June 2022, micro businesses will contribute the most to the number of companies at 77.31%, followed by small, medium, and large companies.

Table 1 Statistics of the Number of SMEs by Category in 2018 – June 2022

Category	2018	2019	2020	2021	June 2022
Large	31,009	32,237	32,669	32,269	31,783
Medium	17,539	18,593	18,289	19,459	19,397
Small	232,083	237,321	229,876	242,540	233,149
Micro	900,213	925,717	903,174	964,495	968,943
Total	1,180,844	1,213,868	1,184,008	1,258,763	1,253,272

Sources: Malaysia Statistical Business Register, Department of Statistic Malaysia (DOSM), 2022

Table 2 also summarizes the statistics of the number of SMEs by sector/subsector within five years, finding that the service sector is the highest contributor with 45.17%, followed by the Wholesale & Retail Trade sector with 38.68%. Next, the construction sector contributed 7.97% of businesses, the manufacturing sector 6.25% of companies, the agriculture sector 1.53%, and the mining and quarrying sector 3.76% in June 2022.

Table 2 Statistics of the Number of SMEs by Sector/Subsector in 2018 – June 2022

Sector/Subsector	2018	2019	2020	2021	June 2022
Services	519,119	559,214	539,478	596,286	566,110
Wholesale & Retail Trade	498,790	480,582	471,703	458,270	484,827
Construction	81,061	87.643	87,284	99,911	99,902
Manufacturing	59,665	61,044	61,217	74,390	78,440
Agriculture	18,940	21,381	20,644	25,134	19,271
Mining & Quarrying	3,269	4,004	3,682	4,772	4,722
Total	**1,180,844**	**1,213,868**	**1,184,008**	**1,258,763**	**1,253,272**

Sources: Malaysia Statistical Business Register, Department of Statistic Malaysia (DOSM), 2022

According to SME Insights 2019/20, the new branding of the SME Annual Report was released in March 2021 by SME Corp. Malaysia, Secretariat to the National Entrepreneur and SME Development Council (NESDC) states that SMEs in Malaysia have contributed to the national economy by 98.5% of all business establishments in 2015 and 38.3% of the Gross National Product (GDP) (National Entrepreneur and SME Development Council, 2020). With the high number of SME establishments in the country, the economic downturn will affect various sectors and the country's economic development. The COVID-19 pandemic has indeed threatened the financial well-being of citizens and businesses. That is why SMEs will continue to be competitive in the post-epidemic period by leveraging technology. In addition, this

internet-based technology has enabled SMEs to grow their enterprises. Through ICT, such as e-commerce, the internet has helped SMEs compete with larger enterprises (Jere and Ngidi, 2020)

Issues and Challenges

Entrepreneurs generate business ideas that harness technology's potential in a world undergoing a continuous and radical transformation. Entrepreneurs can contact users through social media platforms and use artificial intelligence to track their impact and reach. A digital platform is a collection of standard and shared digital artifact sets that allow entrepreneurs to process production, marketing, and distribution (Samara and Terzian, 2021). Based on this situation, several issues and challenges exist in adopting digital entrepreneurship among SMEs. According to Gupta et al. (2021), digital technology is not always successful due to the severance of the link between strategy formulation and implementation. When digital technology is misused, it can result in disruptive changes that increase risk and uncertainty during the transformation process. Big data has become a critical domain of business technology that is gaining interest from various industries because of its potential to accelerate the transition to Sustainable Development (Gupta et al., 2021). Firms must adapt their organizational structures, client relationships, and business strategies to keep up with the data revolution.

The centralized digital platform ecosystem is operated by a sole proprietor, such as Facebook, Apple iOS, the SAP Cloud Platform, etc. Only the platform owner determines, establishes, and maintains the digital platform governance mechanism. This situation has changed, as Google 2019 has excluded compliments from their platform or limited collaboration with hardware partners (Hein et al., 2020). Google ranks first as a search engine with 270 million visitors from mobile and desktop. This shows that digital entrepreneurs must be more positive and prepared for evolving technological developments.

According to Soltanifar et al. (2021), digital platform business models present various challenges for entrepreneurs in developing and validating their platform business models. Most digital startup companies use a lean approach in the early stages, subsequently struggling to determine the minimum viable product through testing and design (Ghezzi and Cavallo, 2020). Small businesses' lack of resources is a challenge. The use of ICT to overcome some of these in seeking new market opportunities, such as diversification or internationalization. Findings show that digital potential can enhance these opportunities (Bowen and Morris, 2019).

By providing technical elements such as hardware or software devices, the capabilities of which can be extended through complementary modules and a set of rules, standards, and organizational processes to coordinate third parties and adapters, digital platforms are posing a challenge to traditional business propositions (McIntyre and Srinivasan, 2017; De Reuver et al., 2018; Cenamor et al., 2019). For example, financial or non-financial incentives for employees engaged in meaningful creative data-based experimental and exploratory activities

and internal collaboration of innovative data-based projects that require high risk and responsibility assumptions (Ciampi et al., 2021). Financial resources are also needed to ensure advertising activities on digital platforms, especially in digital marketing, to effectively obtain customer data in decision-making.

In the digital economy, the challenge of consolidating resources in business is paramount. Consolidation of organizational resources is by providing the interoperability and capability of two or more information systems or components to exchange information and also use information (Zatsarinnyy and Shabanov, 2019). This requirement requires an organizational commitment to effective planning. In particular, firms have struggled with digital technology for more than a decade, forcing changes in the industry and organizational operations, core procedures, competencies, and intellectual capital strategies (D'Ippolito et al., 2019)

Conclusion

The summary of these findings indicates that this study is highly relevant for future studies and can be used as a literature reference in future research. In current SME businesses, sustainable entrepreneurship is led by an entrepreneur who practices sustainable management through innovation and value creation (Gast et al., 2017; Kraus et al., 2018). While most entrepreneurial theories focus on identifying and exploiting economic possibilities, sustainable entrepreneurship transforms society to achieve environmental, social, and economic balance through a more outstanding sustainable entrepreneurial orientation (Cohen and Winn, 2007; Croitoru, 2012; Kraus et al., 2018). Resource and capability factors are identified as a firm's investment towards sustainability and a competitive advantage in improving business performance using digital entrepreneurship.

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