

ENTREPRENEURIAL READINESS TOWARDS VENTURE CREATION AMONG BOP COMMUNITY

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ABSTRACT

Converting the Bottom of Pyramid (BOP) community into active entrepreneurs has become the agenda of the Malaysian government to eradicate the poverty by the year 2020. However, little is known on the factors influencing BOP community readiness to venture into new business. The paper aims at providing preliminary insights into the under-researched area of understanding the influence of government, information and training support on their entrepreneurial readiness. A questionnaire-based survey was distributed to BOP community in Northern Malaysia and a total of 110 usable responses were received. The analysis was conducted via SMART PLS and findings suggest that government support influences the BOP entrepreneurial readiness (attractiveness and learning). Training support provides significant relationships with all dimensions of entrepreneurial readiness. Surprisingly, information support does not produce any relationship with entrepreneurial readiness. This study generates insights for researchers to reach more conclusive evidence about the entrepreneurship among the BOP community in Malaysia.

Keywords: Bottom-of Pyramid Community, Entrepreneurial Readiness, internal and external challenges of BOP readiness

INTRODUCTION

Most of the developing countries have put major consideration to embrace entrepreneurship as an agenda to help the poor or the bottom-of-pyramid community to improve the standard of living. The BOP community which is often located within least developed countries and the more rural and regions of developing and emerging countries are the potential market for new venture development (Prahalad & Hart, 2002). The popularity of BOP has not only spread into all developed countries but also in developing countries including Asian region. Asian countries, despite their impressive growth, have a huge population of poor people who lie at the bottom of the economic pyramid. The BOP comprises of three broad segments based on the income levels (Rangan et al., 2011), labelled as low income, subsistence and extreme poor. The top segment has received most academic attention due to their relative buying power compared to the other two segments that fight for survival. The BOP includes around four billion low-income people in which the majority of world's population, who survive on incomes below US\$3000 per year in local purchasing power, or approximately US\$8 per person per day (WEF, 2009). The income per day in Brazil is less than US\$3.35, US\$2.11 in China and US\$1.56 in

India. According to WRI (2007), Asia countries has by far the largest BOP market in which 2.86 billion people with a total estimated income of US\$3.47 trillion. In this respect, BOP community represents 83% of the region's population.

Based on the initial assertion of BOP 1.0, large organisation would earn profit by providing goods and services to this community (Prahalad and Hart, 2002). Poor people are regarded as the potential opportunity to expand the market for profit oriented organisations. Nonetheless, many researchers criticize that by considering the BOP segment as the consumers particularly in developing countries is actually lead to exploitation of the poor (Ansari et al., 2012; Karnani, 2007). As such, proposition of BOP 2.0 was proposed to create income opportunities for people who are at the bottom of the pyramid (London and Hart, 2004). In this respect, the BOP community should be encouraged and exposed to become active participant in the socio-economic development by providing more opportunities towards the practices of business venture development. Researchers have posited that the entrepreneurial opportunities for BOP community are an endeavour for inclusive growth, which improves the poverty situation (Hall et al., 2012; London & Anupindi, 2012; Azmat & Samaratunge, 2013).

Comprehending this situation, the Malaysian government embarked on several initiatives through various government policies such as National Economic Planning and Malaysia Plans (Tenth Malaysia Plan 2011-2015) as efforts to provide supportive and conducive business environment for BOP community to start their own venture. Among the examples of initiatives provided are Rural Economy Funding Scheme (SPED) and One-District-One Industry (ODOI). The SPED is special funding schemes for BOP community to obtain capital for purchasing or procuring raw materials, and also to upgrade their business premises. By having this, the community is expected to become dynamic, competitive and resilient entrepreneurs. Whereas, ODOI is a program to boost rural income by utilising the natural resources and labour efficiency to facilitate the growth of small enterprises as well as to assist in commercialising the products and services of the BOP entrepreneurs (Kader, Mohamad & Ibrahim, 2009). In addition, Rural Transformation Centre (RTC) is also one of entrepreneurial initiatives for BOP community or rural entrepreneurs. RTC is a site to implement integrated initiatives, which has been introduced by the government under the National Blue Ocean Strategy 4 (NBOS4). These initiatives have been executed in RTC and within 100km radius of RTC. The main aim of RTC is to reduce the extreme hard-core poor household to zero and also to halve the number of the BOP community. In this manner, RTC is to optimize the potential of rural areas as the generator and growth of new economy. Malaysian Government realized that by doing this, poverty eradication which has become the main agenda in Malaysia will be reduced. In fact, Malaysia has embarked on many poverty eradication programmes and evidenced by the sharp decline in the incidence of poverty from 52.4% in 1970 to 12.4% in 1992 and further decreased to 3.8% in 2009 (Tenth Malaysia Plan, 2011)

Although Malaysia has done remarkably well, there are challenges to serve this segment. They need specific interventions to increase attention and readiness in order to eliminate persistent inequalities between rich and poor, between those living in rural, remote areas or urban slums and better-off urban populations (Muhamed and Haron, 2011). The BOP community in has been facing great significant problems and constraints for several years despite of government entrepreneurial initiatives to prepare them to start their own venture. In other words, BOP readiness in business venturing becomes a main problem. Relying on motivation alone is not sufficient to encourage BOP community participation in business venture. They need more support in terms of comprehensive government assistance, information on various aspects in

starting the business, solid business ideas as well as training support to improve their skills, abilities and knowledge prior to venturing into a start-up. Therefore, it is very imperative to grasp the elements that promote the BOP community to embark on new business development. In this respect, the main objective of this study is to understand factors behind the readiness of the BOP community to start on a new business venture. As such, this study attempts to investigate whether government support, information support and training support may support the entrepreneurial readiness among the BOP community.

LITERATURE REVIEW

Entrepreneurship and Potential of BOP Entrepreneurs

As mentioned above, the terms bottom of pyramid or also known as the base of pyramid; refer to the largest and poorest socio-economic group in the economic chain (Pervez et al, 2013). Prahalad and Hart (2002) introduced this term in business strategy and subsequently this term has been used in strategic management (Munir et al., 2010) and marketing (Ireland, 2008). Prahalad and Hart (2002) also argue that the BOP presents a huge opportunity for businesses, as there is a possibility of converting the BOP market into profitable business venture. Since this untapped market represents two-third of the world population, it would become multitrillion dollar industry. Nevertheless, Karnani (2007) postulates poor people as producers rather than consumers and London & Hart (2011) have suggested that creating fortune with BOP will benefit the development of the BOP community and may tackle the problem of poverty among them.

If people stop thinking that BOP community as a burden and start recognising them as resilient and creative entrepreneurs, a whole new world of opportunity will open up. Serving the BOP consumers will require innovations in technology, products and services, and business model. However, market development at the BOP will create millions of new entrepreneurs at the grass roots level – from women working as distributors and entrepreneurs to village-level micro enterprises. These micro enterprises will be an integral part of the growth of the economy in the country (Prahalad and Hart, 1999; Jyoti et al, 2011). The opportunities at the BOP cannot be unlocked if large, medium and small organisations, government, external agencies and the BOP community themselves do work together with a shared agenda. In this scenario, the BOP community must also be willing to experiment, learn and change so that they could embark on their own business ventures (Jyoti et al, 2011; Anderson and Billou, 2007).

To define entrepreneurs is a challenging and thought-provoking for academic researchers and practitioners. This is because, there is generally no absolute model of what the entrepreneurs is or does (in Dahalan, Jaafar and Mohd-Rosdi, 2013). In this manner, previous researchers have established various insights for underlying values, responding to the future, business strategies and management styles of an entrepreneur (Kuratko and Hodgetts, 2004; Cunningham and Lischeron, 1991; Rahman, et al. 2015). Entrepreneur is seen as the process in which individuals pursue opportunities without regard to resources they currently control (Barringer and Ireland; 2012). This also indicates that entrepreneur is a process of innovation and generating new venture through four dimensions namely individual, organization, environment and process that is supported by collaborative networks in government, education, and institutions (Kuratko and Hodgetts, 2004). Obviously, the definition of entrepreneurship remains broad and could be deduced that entrepreneurship involves individual(s) who are driven to act on opportunities

and/or environmental catalysts by employing innovative processes in the face of limited resources (Nga & Shamuganathan, 2010). From the perspective of community development entrepreneurship is referred as a group of people in a locality initiating a social process to change their economic, social, cultural and environmental situations (Korsching & Allen, 2004; Christianson & Robinson; 1989).

Formation of new venture requires environment that is conducive for potential entrepreneurs. The environment needs not to be rich in entrepreneurs, but has the potential for increasing entrepreneurial activities (Dahalan et al, 2013). Katz (1990) suggests “three hurdles model” of business start-up process namely aspiring, preparing, and entering. Aspiring hurdles occurs when individual has the intention to become self-employed and prepare for entry through environmental scanning, resource gathering, networking, or obtaining training. This scenario is consistent with entrepreneurial event theory in which individual decides to create a venture when the entrepreneurial activity is perceived to be more desirable and more feasible than other alternatives (Liñán, Santos & Fernández, 2011). Various researchers have linked business start-up with entrepreneurial intention and readiness (Ali, Topping, & Tariq, 2011; Liñán et al., 2011). Moreover, the early stage of business start-up process deals with how opportunities are detected and acted upon and thus individual need knowledge to recognize the opportunity.

Factors Affecting the Entrepreneurial Readiness of BOP Community

The studies on serving the world’s poor are insurmountable (Prahalad and Hart, 1999; Simanis and Hart, 2006), but many past literatures have not analysed the potential of the BOP community to become resourceful entrepreneurs. Although, the concept of BOP 2.0 encourages the BOP community to become entrepreneurs, research has posed many challenges in increasing the entrepreneurial spirit among them. Apparently, past studies have indicated that poor infrastructure, corruption, non-existence distribution channel, lack of education and knowledge, lack of robust and enforceable legal framework, religious or racial conflicts and many other reasons are among the factors that hamper the BOP community to become entrepreneurs. The resources, skills and knowledge, which create entrepreneurship business success and support from large companies or government, are still ambiguous. Simanis and Hart (2006) posit that enterprise-driven approach to poverty alleviation is important because it has empowered over 30,000 income-poor people to start or expand their own income-generating business on their own terms. Nevertheless, this approach may pose a daunting set of challenges. One of the main challenges is that the BOP community is not ready or prepared to run their own enterprises. Readiness in this scenario may be linked to the arguments made by Beringer & Ireland (2010) in which there are two main factors that may affect the entrepreneurial readiness namely entrepreneurial opportunity and person’s tendency towards entrepreneurship. Entrepreneurship opportunity is a promising set of situations that creates a need for new product, service or business while person’s tendency towards entrepreneurship is defined as an entrepreneurial intention or readiness (De Clercq et al., 2013). As such in the entrepreneurial context, readiness may refer to a person’s readiness to carry out certain behaviour (Ajzen, 1991). It indicates the “self-acknowledged conviction” by a person that plan to create a new business start-up and intentionally plan to do so at some point in the future (Thompson, 2009; page 676; Ajzen, 1991)

Despite of the BOP markets that are characterized by a completely different set of geographic, structural (e.g. absence of roads, telecommunications network), institutional and cultural or life aspirations factors, there are a number of factors that are assumed to have an

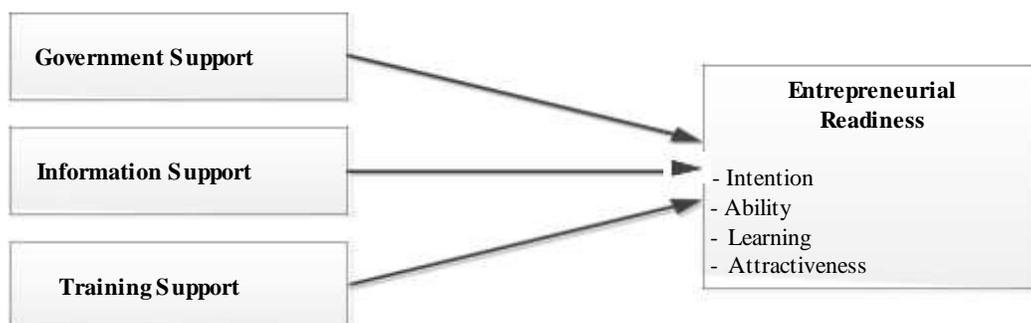
impact on encouraging them to become entrepreneurs. In this respect, entrepreneurial readiness is observed from the perspective of entrepreneurial intention – individual intention to set up business in the future; perceived ability – potential with which people see them capable of becoming successful entrepreneurs; Perceived attractiveness – perception of the attractiveness for becoming an entrepreneur; learning orientation – people’s tendency to update and expand their knowledge continuously; passion for work - the degree to which people love work-related activities (Rakićević, Ljamić-Ivanović & Omerbegović-Bijelović, 2014).

Basically the potential factors that may encourage the readiness of the BOP to become entrepreneurs are basically the assistance from government (Hindle & Rushworth, 2002), information and knowledge in entrepreneurship and the training support provided to the BOP community. The cumulative body of information support, knowledge, skill, practice and learning that is acquired over an extended period of time are said to be the most important resource that most entrepreneurs would possess. Lack of information on many aspects of business operations such as government regulation, excessive taxation, high inflation rate, commercialization activities and technological improvement may hamper the BOP community to start a new venture.

A factor that will exert an impact upon the BOP community tendencies is availability of the government support; financial support, friendly business environment, technical support and expand new market as well as training and education programs. Typically, the financial assistance and commercial credit is frequently unavailable to the BOP community. Even if it was possible to access a bank, without collateral, it is hard to get credit from the banks and venture capitalists (Prahalad and Hart, 1999). Furthermore, support mechanisms in terms training and development, advisory support, mentoring and leadership may foster creativity, imagination, tolerance for ambiguity, stamina, passion, empathy and courage as well as analytical skill, intelligence and knowledge (Andeson and Billou, 2007). If a society is supportive of independent entrepreneurial endeavour as part of encouraging the BOP community to commence their own companies then more individuals are likely to start or run their own business than would otherwise be the case. Finally, it has become clear that the interventions of government and multinational companies must be put together. It is very critical for NGOs, MNCs, local and state government be involved in the development process of encouraging the BOP community embrace the concept of intrapreneurship (United Nations, 2004).

Based on the arguments above, the framework of the study is depicted in Figure 1.

Figure1
RESEARCH MODEL



Hence, on the basis of this discussion, this study derives the hypotheses to be tested in this study:

H1: There is a positive relationship between Government support and BOP Entrepreneurial Readiness.

H1a: There is a positive relationship between Government support and BOP Entrepreneurial Readiness (Intention).

H1b: There is a positive relationship between Government support and BOP Entrepreneurial Readiness (Ability).

H1c: There is a positive relationship between Government support and BOP Entrepreneurial Readiness (Learning).

H1d: There is a positive relationship between Government support and BOP Entrepreneurial Readiness (Attractiveness).

H2: The relationship between information support and BOP Entrepreneurial Readiness

H2a: The relationship between information support and BOP Entrepreneurial Readiness (Intention).

H2b: The relationship between information support and BOP Entrepreneurial Readiness (Ability).

H2c: The relationship between information support and BOP Entrepreneurial Readiness (Learning).

H2d: The relationship between information support and BOP Entrepreneurial Readiness (Attractiveness).

H3: The relationship between training support and BOP Entrepreneurial Readiness

H3a: The relationship between training support and BOP Entrepreneurial Readiness (Intention).

H3b: The relationship between training support and BOP Entrepreneurial Readiness (Ability).

H3c: The relationship between training support and BOP Entrepreneurial Readiness (Learning).

H3d: The relationship between training support and BOP Entrepreneurial Readiness (Attractiveness).

METHODOLOGY

The data collection was carried out in Northern, Malaysia among the BOP community. Table 1 shows the demographic profile of respondents. Total number of 110 data were obtained and used for data analysis. About 19.1 per cent of them plan to be involved in manufacturing type of business, 46.4 per cent in service, 16.4 per cent in agricultural type, and the remaining 18.2 per cent aims to be involved in other type of business. About 71.8 per cent of respondent were male and the rest were female. In terms of the marital status, 30.9 per cent were single and 69.1 married entrepreneurs. About 84.5 per cent were Malay, 13.6 per cent Chinese, and 1.8 per cent Indian. In term of education level, around 30.9 per cent holds certificate, 24.5 per cent obtained diploma, 10.9 per cent has degree, and 3.6 per cent of the respondents' carries master and above degree. In terms of their income information, 3.6 per cent has income less than 500 RM, 23.6 per cent has income between 500 to 1000 RM, and 71.8 per cent has income above 1000 RM. The respondents' age was between 16 to 50 years old.

		Frequency	Per cent
Type of Business	Manufacturing	21	19.1
	Service	51	46.4
	Agriculture	18	16.4
	Other	20	18.2
Gender	Male	79	71.8
	Female	31	28.2
Marital Status	Single	34	30.9
	Married	76	69.1
Race	Malay	93	84.5
	Chinese	15	13.6
	Indian	2	1.8
Education	High school	33	30
	Certificate	34	30.9
	Diploma	27	24.5
	Degree	12	10.9
	Master and above	4	3.6
Income	< RM 500	4	3.6
	RM 500 - RM 1000	26	23.6
	> RM 1000	79	71.8
Age		Between 16-50	

DATA ANALYSIS

Due to the single source data collection common method variance was examined, as suggested by Podsakoff et al. (2003). The Harman's single factor test (Podsakoff & Organ, 1986) by entering all the principal constructs into a principal component factor analysis shows that 6 factor explains 75.564% of the variance. In addition, the first factor describes 43.228 % which is less than the 50% and indicates that common method bias is not an issue in this study. Partial Least Squares analysis by the SmartPLS software (Ringle et al., 2015) has been employed in this study and the measurement model (validity and reliability) and structural model (testing the relationship among variables) were assessed.

Measurement Model

To assess the measurement model, we examined the convergent validity and the discriminant validity. The convergent validity is determined through the factor loading, average variance extracted (AVE), and composite reliability suggested by Hair et al. (2014). The results shows that all the items loading were higher than 0.5, the AVE were higher than 0.5, and also the CR are above 0.7 (Table 2).

To assess discriminant validity (the degree to which items differentiate among constructs or measure distinct concepts), the Fornell and Larcker (1981) criterion was examined. Fornell and Larcker (1981) criterion is comparing the correlations between constructs and the square

root of the average variance extracted for that construct. Table 3 shows the results of discriminant validity in the study. All the values on the diagonals were greater than the corresponding row and column values indicating the measures were discriminant.

Variable	Item	Factor loading	AVE	CR	R ²
Government support	GS1	0.843	0.731	-	0.000
	GS2	0.830			
	GS3	0.851			
	GS4	0.872			
	GS5	0.878			
Information support	IS1	0.765	0.679	0.927	-
	IS2	0.794			
	IS3	0.814			
	IS4	0.883			
	IS5	0.822			
	IS6	0.860			
Training support	TS1	0.889	0.769	0.943	-
	TS2	0.921			
	TS3	0.864			
	TS4	0.871			
	TS5	0.838			
Intention	EI1	0.921	0.866	0.928	0.203
	EI2	0.940			
Ability	ABILITY 1	0.866	0.769	0.869	0.369
	ABILITY 2	0.888			
Learning	LEARNING 1	0.835	0.510	0.827	0.456
	LEARNING 2	0.284			
	LEARNING 3	0.785			
	LEARNING 4	0.792			
	LEARNING 5	0.728			
Attractiveness	ATTARC 2	0.899	0.844	0.942	0.396
	ATTRAC 1	0.924			
	ATTRAC 3	0.932			

		1	2	3	4	5	6	7
1	Ability	0.877						
2	Attractiveness	0.743	0.918					
3	Government support	0.411	0.484	0.855				
4	Information support	0.442	0.376	0.560	0.824			
5	Intention	0.815	0.646	0.276	0.379	0.930		
6	Learning	0.610	0.672	0.547	0.384	0.449	0.714	
7	Training support	0.604	0.601	0.591	0.688	0.438	0.627	0.877

Note: Values on the diagonal (bolded) are square root of the AVE while the off-diagonals are correlations

Structural Model

To assess the structural model, we looked at R^2 , beta, t-values via a bootstrapping procedure with a resample of 1000, and the predictive relevance (Q^2) suggested by Hair et al. (2014).

The results (Table 4) indicate that six hypotheses out of 12 have significant relationship with entrepreneurial readiness. Government support has positive relationship with attractiveness (H1d) with $\beta = 0.230$ and $p < 0.05$, and learning (H1b) with $\beta = 0.314$ and $p < 0.01$. Training support has positive relationship with ability (H3b) with $\beta = 0.539$ and $p < 0.01$, attractiveness (H3d) with $\beta = 0.561$ and $p < 0.01$, intention (H3a) with $\beta = 0.339$ and $p < 0.01$, and learning (H3c) with $\beta = 0.565$ and $p < 0.01$.

The R^2 value for intention is 0.203, ability is 0.369, learning is 0.456, and attractiveness is 0.396 indicating a substantial model as suggested by Cohen (1988).

Hs	Relationship	Beta	SE	t-value	Decision
	Government support -> Ability	0.076	0.110	0.691	Not supported
	Government support -> Attractiveness	0.230	0.123	1.873*	Supported
	Government support -> Intention	-0.009	0.118	0.079	Not supported
	Government support -> Learning	0.314	0.129	2.435**	Supported
	Information support -> Ability	0.029	0.122	0.235	Not supported
	Information support -> Attractiveness	-0.139	0.195	0.712	Not supported
	Information support -> Intention	0.151	0.123	1.231	Not supported
	Information support -> Learning	-0.181	0.176	1.028	Not supported
	Training support -> Ability	0.539	0.108	5.003**	Supported
	Training support -> Attractiveness	0.561	0.156	3.595**	Supported
	Training support -> Intention	0.339	0.119	2.843**	Supported
	Training support -> Learning	0.565	0.122	4.616**	Supported

** $p < 0.01$, * $p < 0.05$

In addition, we assessed the predictive relevance of the model through the blindfolding procedure (Table 5). If the Q^2 value is larger than 0 the model has predictive relevance for a certain endogenous construct (Hair et al., 2014). Based on the results, the Q^2 values for intention, ability, learning, and attractiveness are more than 0 suggesting that the model has sufficient predictive relevance. Hair et al. (2014) stated that values of 0.02, 0.15, and 0.35 indicate that an exogenous construct has a small, medium, or large predictive relevance for a certain endogenous construct.

Endogens variables	Q^2	R^2
Intention	0.192	0.203
Ability	0.266	0.369
Learning	0.232	0.456
Attractiveness	0.334	0.396

DISCUSSION AND CONCLUSION

The purpose of this study is to highlight the influence of government information and training support on the four dimensions of entrepreneurial readiness namely intention, ability, learning and attractiveness among BOP community. Apparently, the BOP community agreed that they are ready in terms of the attractiveness of the type of business and they are prepared to venture into a new business when they received government support. The support of government through its relevant authorities should be involved more actively with the BOP entrepreneurial readiness. Surprisingly, information support does not support the entrepreneurial readiness at all. This indicates that the BOP community feels that information on starting up a new business is not an obstacle for them. In fact, the community believed that training support is more important in assisting them to start a new venture.

The findings draw attention to the importance of the concept of BOP readiness towards entering into the entrepreneurial activities and it has becoming an important agenda in the Malaysia Government Transformation Program. In this respect, the role of government should go extra mile by providing more business advice and guidance centres, particularly to assist the inexperience BOP community to set up a new business. The community should be equipped with sufficient training and development programs. Entrepreneurship is an ongoing lifelong learning experience and as such, the best way to learn is to combine experience with formal training programs. In order for the training programs to be effective among the BOP community, learning must be based on real work situations, so that the BOP community can better understand on how to operate new business.

It is assured that good research in the area of BOP community readiness to embrace the concept of entrepreneurship will add to the existing body of entrepreneurship knowledge, business fundamental, knowledge management and business innovation. It is important to have a better description of the BOP community inclination towards entrepreneurship and to comprehend of what elements that will hamper them in operating their small ventures as well as to ensure its sustainability. Subsequently, insights obtained from this research will further enhance the internal and external elements that impact the readiness of BOP community to start their own ventures. This finding also provides valuable knowledge to many parties such as governments, agencies, large organisations, SMEs and non-profit organisation.

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