

# Entrepreneurship and Growth in Emerging Mini-dragon Economies: A South-East Asia Perspective<sup>\*</sup>

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Entrepreneurship and growth are driving forces in the development of emerging economic systems. In this exploratory study we discuss emerging economies within a South-East Asia context. In particular, we expand on a previous study on the East Asian Tiger economies, and introduce the mini-dragon economies of Indonesia, Malaysia, Thailand, and Philippines. We explore the role of various economic indicators and indices, entrepreneurship and SMEs as drivers of growth in these emerging economies. Growth factors unique to the region are also identified, and institutional and government interventions are recommended. Furthermore, we elaborate on the interdependence of the entire region on each of the mini-dragon economies. Since we have highlighted only a few of the emerging economies in the region, opportunities exist to expand the base for further study.

*Keywords:* entrepreneurship, growth, SMEs, mini-dragon economies

## Introduction

Emerging economies throughout the world are at a renaissance to economic growth, prosperity, and overall wellbeing of individual nations (GEM, 2010). This study develops an exploratory paradigm on such emerging economies in a South East Asia context, an extension of a previous study on the Asian Tiger economies of South Korea, Hong Kong, Taiwan, and Singapore (Maritz, 2011). We chose a distinct subset of emerging South East Asian economies based on a smorgasbord of factors, including the role of small to medium enterprises, entrepreneurship activity indicators, growth rates, and nascent entrepreneurship rates amongst others. In addition, we included factors typically drawn from the internationalization process perspective (Tiwari & Matascu, 2011). Such indicators include risk and uncertainty, knowledge, networks, culture, and personal background. After an

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initial screening process, the economies of Indonesia, Malaysia, Thailand, and Philippines were nominated. Whilst paradoxically similar, yet contrasting in many ways, these emerging economies were nominated as it was deemed appropriate to benchmark these economies from an entrepreneurship and geographical proportionality perspective.

Since the financial crisis in 1997, several countries in Asia have bounced back economically, whether with the bitter pills of International Monetary Fund (IMF) as the medicine, or without IMF assistance. Economists are still reaching the consensus yet whether the intervention from IMF is the panacea to the economic problems in Asia in late 20th century. Currently, those Asian countries worst affected by the 1997 financial crisis (e.g., Indonesia, South Korea, Thailand, and Malaysia) and other Asian countries, such as China, Hong Kong, Singapore, and Taiwan, have been growing admirably amid the shadow of global financial crisis in 2008-2009.

Some causes of the Asian economies resilience are due to the fact that after the structural adjustment in late year 2000, their economies had been enjoying strong export growth, robust domestic consumption and investment, sound and credible fiscal and monetary policies (Das, 2012), and low private-sector debt (The Economist, 2012), which partially explained how these factors are the determinants of the link between economic growth and Foreign Direct Investment (FDI) (Anwara & Nguyen, 2010). Furthermore, Shahbaz and Rehman (2010) showed that FDI as determinant of economic growth. Also, Jayachandran and Seilan (2010) identified that FDI and exports are among the factors affecting economic growth. In their intensive study, covering 23 Asian countries and employing data from 1986 to 2008, Tiwari and Mutascu (2011) concluded that FDI and exports enhance the growth of Asian countries. However, recent studies (for example, Hessels & van Stel, 2011; Augustin-Jean, 2010) confirmed that entrepreneurship in general has positive impact on economic growth. Lawrence Summers, former Director of the US' National Economic Council, said that entrepreneurship "drives economic growth by fostering competition and dynamism in a world economy whose shape is rapidly changing" (redcliff.com, 2011). Therefore, in this paper we will look at the entrepreneurship and growth in Asian Tiger economies (i.e., Hong Kong, Taiwan, Singapore, and South Korea), and South East Asia countries, especially on the countries grouped as Mini-Dragon economies (i.e., Indonesia, Malaysia, and Thailand) and Philippines for the comparison purpose.

We commence this explorative study with an overview of the Tiger economies, and then delineate the indicators from each of our mini-dragon economies.

### **Asian Tiger Economies**

Tiger economies such as Hong Kong, Taiwan, Singapore, and South Korea are also called Asia's Newly Industrializing Economies (NIE) (Yu, 1998; Regnier, 1993). From 1980s to mid-1997, these NIEs enjoyed almost double-digit growth, led by the export industries, such as electronics, computer parts, textile, and others. Several theories have been proposed to explain this "miracle", and one of the popular ones is that all these four economies share the same heritage, Confucianism, which emphasizes hard work, frugality, and education. However, according to Chen (2010), these Asian countries significantly have adoptive entrepreneurship, especially in Hong Kong and Taiwan where entrepreneurs play an important role (Chen, 2010). The prosperity of these two countries is also related to market power rather than government intervened policies (Chen, 2010). Nonetheless, the government has been actively involved in promoting entrepreneurship activity. For example,

while Hong Kong is famous for its free market policy and non-government intervention in business, there are government interventions to support entrepreneurship and SMEs, which are backbone of the economy (Augustin-Jean, 2010; Man & Lau, 2005). Hong Kong has been regarded as one of the most dynamic entrepreneurial economies in the world with a business environment favouring entrepreneurship (Yu, 2000; Man & Lau, 2005), which is shifting towards a knowledge economy (Man & Lau, 2005). Likewise, the Taiwanese's economy is almost entirely supported by small and medium enterprises (SMEs) (Chen, 2010). Its entrepreneurs are independent owner managers compared with other Asian Tiger economies (Chen, 2010). According to Global Entrepreneurship Monitor (GEM) Report, the Total Early-stage Entrepreneurial Activity (TEA) in Hong Kong (10%) and Taiwan (7.9%) was relatively high. Also, the Nascent Entrepreneurship Rate (NER) in both countries was quite impressive, i.e., 5.7% (Hong Kong) and 3.6% (Taiwan).

While Taiwanese enterprises have superior adoptive entrepreneurship and flexible supply networks (Chen, 2010; Yu, 2000), which helps them to react quickly to the changing markets, the entrepreneurs from Hong Kong have a short-term view on production, flexibility, and rapid-reactions to market changes (Yu, 1998). In Hong Kong's context, entrepreneurship is related to its competitiveness (Augustin-Jean, 2010), which is same as in Taiwan. The high entrepreneurial attitude also has its contextual factors such as influence of Chinese cultural values (Man & Lau, 2005), and they are hard workers and achieve social status through business success.

Until late 20th century, South Korea's political economy positively discriminated against SMEs (Sohn & Kenney, 2007). According to Moskovitch and Kim (2008), the Korean economy traditionally dominated by Cheabols or big businesses where as Taiwan on SMEs. Due to heavy government intervention with favouritism towards the Cheaboles, Korean economy experienced spectacular growth, and was part of Asian Miracle economies (Sohn & Kenney, 2007; Kwon & Kang, 2011). Consequently, true to the spirit of traditional Confucianism which disdained the merchant class or business people, the entrepreneurship was not supported. Furthermore, some other hindering factors of entrepreneurship include unavailability of technical labour and early stage venture capital (Sohn & Kenney, 2007). The most valued entrepreneurship frameworks in Korea were general national policy, dynamic internal market, and physical infrastructure (GEM, 2010). However, the Asian financial crisis in 1997 has triggered the positive changes to entrepreneurial activities coupled with intentional government policies (Moskovitch & Kim, 2008). And currently, spurred by young start-ups, the Korea is moved toward innovation driven economy (GEM, 2010). While not as high as Taiwan or Hong Kong, the Korea's TEA and NER are improving (7.8% for TEA and 2.9% for NER).

Another Asian Tiger economy is Singapore, a city-state with 80% Chinese population (Dahles, 2008), it currently has a pro-business stand by government (Choo, 2005). Rapid economic growth based on manufactured exports has made Singapore a newly-industrializing economy like Hong Kong, Taiwan, and South Korea (Low, 2005). However, presence of already established multinational and local firms and the cultural norm, which does not support risk taking, creativity, and innovativeness, are cited as barriers in developing entrepreneurship culture (Choo, 2005; Low, 2005; Pereira, 2007). Singapore has a well-educated and skilled labour force with a preference for paid employment (Low, 2005). Even educational system focusing on sciences and mathematics is blamed for low creative and critical thinking necessary for entrepreneurship (Choo, 2005; Low, 2005). There are calls for more strategic moves by government to support entrepreneurship culture including educational reforms (Choo, 2005; Low, 2005). And, in the past 10 years, the government has been trying to accelerate the growth of

entrepreneurship. For example, the Singaporean government (via Economic Development Board) has established Startup Enterprise Development Scheme (SEEDS) in 2001 (now it is called SPRING Seeds) to assist the young and innovative firms across diverse industries. However, for Singapore, cultural, social norms, education and training and government policy are mentioned as affecting the entrepreneurial culture (Low, 2005). Among four Asian Tigers, Singapore has the lowest TEA (6.6%), and its NER is comparable to Taiwan (3.8%).

Table 1

*Asian Tiger Economy Country Comparison-General Indicators*

	Hong Kong	Taiwan	South Korea	Singapore	Source
GDP Per capita (2010 in US\$)	45,900	35,700	30,000	62,100	CIA Factbook
Growth rate (2010) %	7.0	10.8*	6.2	14.5	World Bank
Population (in million) (2011)	7.1	23	48.7	4.7	CIA Factbook
Corruption ranking	12	32	43	5	Transparency International
People living in poverty % (2010)	NA	1.16	15#	NA	CIA Factbook
Literacy rate %	93.5	96.1	97.9	92.5	CIA Factbook
Total early-stage entrepreneurial activity@	10% (2007)	7.9% (2011)	7.8% (2011)	6.6% (2011)	GEM
Nascent entrepreneurship rate@	5.7% (2007)	3.6 (2011)	2.9 (2011)	3.8 (2011)	GEM
Inflation % (2010)	2.3	1*	2.9	2.8	World Bank
Unemployment % (2009)	5.2	5.2*	3.6	5.9	World Bank
GDP (millions of US\$) (2010)	224,457	821,800*	1,014,483	208,765	World Bank

Note. # 2006 data; @ Latest available data; \*CIA fact book data.

### Entrepreneurship in Mini-dragons and Philippines

In this section, we will look at entrepreneurship and growth in Mini-dragons (Indonesia, Malaysia, and Thailand) and Philippines for the comparison purpose.

#### Entrepreneurship in Indonesia

Indonesia is the fourth largest country in the world in terms of population and the world's third largest democracy, the world's largest archipelagic state, and home to the world's largest Muslim population (Bhasin & Venkataramany, 2010). It is facing numerous challenges, including alleviating poverty, controlling overpopulation, improving education, fighting terrorism, consolidating democracy after decades of authoritarian rule, stemming endemic corruption, coping with natural disasters, environmental damage, and implementing economic and social reform (Bhasin & Venkataramany, 2010).

The role of Small and Medium Enterprises (SMEs) in Indonesia's economy is very significant as their contribution to the Indonesian Gross Domestic Product accounted for 53.6% in 2007 (Kusumawardhani, McCarthy, & Perera, 2009). They also account for nearly 99.9% of total business and employ 96.18% of the total Indonesian workforce (Sari, Alam, & Beaumont, 2008; Kusumawardhani, McCarthy, & Perera, 2009).

In terms of entrepreneur development, Indonesia was too dependent on external factors that included lack of funding, high interest rates, high taxation, and burdensome government requirements in seeking support (Bhasin & Venkataramany, 2010). Globalisation and trade liberalisation issues pose serious challenges to Indonesian SMEs. They have to prepare themselves for severe competition, not only from domestic but also from international companies (Kusumawardhani, McCarthy, & Perera, 2009). Tambunan (2011) notes that the

majority of SMEs, especially small enterprises, are scattered widely throughout rural areas, and likely to play an important role in developing the talents of villagers, particularly women, as entrepreneurs. Many of these Indonesian SMEs are self-employment enterprises without wage-paid workers with low productivity largely producing basic, low value-added goods for local markets (Tambunan, 2011). Thus current situation in Indonesia demands development of SMEs that are capable of competing in the global marketplace (Bhasin & Venkataramany, 2010).

Indonesian SMEs face constraints such as lack of capital, business information, technology, and skilled workers; difficulties in procuring raw materials; marketing and distribution challenges; and government policies and regulations (Tambunan, 2011). Only a small proportion of Indonesian SMEs receive credit from banks or other financial institutions reflects the underdeveloped financial markets and institutions in the country (Tambunan, 2011).

A study conducted by Cole (Bhasin & Venkataramany, 2010) found that in addition to the lack of knowledge and structural support as constraining factors for entrepreneurs, the influence of the government to hinder entrepreneurship was far greater. The study also identified that a lack of understanding, confidence, and education acted as barriers to the entrepreneurial potential of the Indonesian community. According to Bhasin and Venkataramany (2010), in developing entrepreneurship, Indonesia faces challenges such as lack of professional institutions for educating and training entrepreneurs, lack of experienced entrepreneurs who could teach, train, and educate common people to become entrepreneurs, lack of good programs for entrepreneurship development and social and cultural impediments to entrepreneurial development such as preference of people to work in government after completing their tertiary education.

Training in entrepreneurship has become an important part of development government supported programs for the development of SMEs in Indonesia (Tambunan, 2007). Entrepreneurship development is also a current important issue related to economic development in Indonesia (Tambunan, 2007).

However, Indonesian culture has been traditionally averse to entrepreneurial activity (Bhasin & Venkataramany, 2010). Also, Becoming an entrepreneur in Indonesia is still dominantly a man culture (Tambunan, 2007). The average level of education of male is higher than that of female, and the illiteracy rate for women is still higher than men, especially in rural areas (Tambunan, 2007). In Islamic countries like Indonesia, that makes female behavior or attitude less open than male to “doing modern business” culture. Especially in rural society, women are more restricted than in urban areas to do activities outside of the home (Tambunan, 2007).

Entrepreneurial development should consider policies such as promoting risk-taking by changing the mindset through education, creating an environment that accepts failure and allows free expression, very strong financial incentives, and tax breaks that increase entrepreneurial risk-taking (Bhasin & Venkataramany, 2010).

### **Entrepreneurship in Malaysia**

Malaysia comprises 13 states and all states were segmented into three regional growth corridors the northern corridor of economic region (NCER), the Iskandar development region (IDR), and the eastern corridor of economic region (ECER) (Awang et al., 2010). Malaysia has a vibrant entrepreneurial base with a huge potential to become a global player (Ariff & Abubakar, 2003).

Malaysia is a multi-racial country where the dominant races are Malays, Chinese, and Indians (Osman et al.,

2011). Local ethnic groups dominance in entrepreneurship and immigration is a more recent phenomena in developing countries such as Malaysia (Osman et al., 2011). Current context of Malaysian entrepreneurship has to consider the historical practice of segregating economic activity by racial lines (Ariff & Abubakar, 2003). Even the attitude towards enterprise creation has been previously divided along racial lines due to the identification of race within economic activity (Ariff & Abubakar, 2003). The policies supporting existing and potential Bumiputera entrepreneurs helped in increasing the number of businesses being established in Malaysia (Ariff & Abubakar, 2003).

Abdullah and Muhammad (2008) categorize the entrepreneurial development of Malaysia into four phases, where the fourth phase is from the introduction of New Development Policy and the implementation of sixth, seventh, and Eighth Malaysian plans. However the latest one is the Vision Development Policy (Awang et al., 2010).

Malaysian government tries to promote ethical practices in order to create a moral and ethical society (Ahmad & Seet, 2010). The support given to entrepreneurship development by the Malaysian government is evident from the scale and variety of mechanisms and policies exist for entrepreneurs including the ministry of entrepreneur development (Ariff & Abubakar, 2003; Ahmad, Baharun, & Rahman, 2004). Ahmad, Baharun, and Rahman (2004) state that entrepreneurship plays an important role in the Malaysia and has strong support from the government for entrepreneurs including funding, physical infrastructure, and business advisory services. The government also intends to transform its economy to knowledge and information driven economy and has clear plans to promote high-tech, information, and knowledge intensive ventures (Ariff & Abubakar, 2003).

The GEM (2010) data show that finance, physical infrastructure, and internal market dynamics as three valued most positive entrepreneurship framework conditions, whereas regulations, primary and secondary education and open internal market as three most negative conditions in Malaysia.

Education institutions in Malaysia, particularly higher education institutions, are entrusted with a new additional task, which is to contribute to the development of entrepreneurial talent among young graduates (Ahmad, Baharun, & Rahman, 2004). Many universities and high learning institutions in Malaysia have introduced courses related to entrepreneurship or majors in entrepreneurship (Ahmad, Baharun, & Rahman, 2004).

Women entrepreneurs play an important role in the increasing small and medium enterprises and hence to the Malaysian economy (Ahmad & Seet, 2010). The attitude towards women in the workforce has improved and their higher education attainment also increased (Ariff & Abubakar, 2003). In Malaysia, ethics and social responsibility issues are important entrepreneurial behaviours (Ahmad & Seet, 2010). The attitude of Bumiputerans who did not have a tradition of entrepreneurship changed due to the government policies into embracing an entrepreneurial culture (Ariff & Abubakar, 2003).

In Malaysia, entrepreneurs have access to sources of capital including banking system, development finance institutes, venture capital funds, and other special funds (Ariff & Abubakar, 2003). However, According to the GEM (2010) report, Malaysia has high fear of failure in the efficiency driven group in pursuing entrepreneurship. It also shows the highest media attention around entrepreneurship, yet the lowest perception on entrepreneurship as a career (GEM, 2010).

In a multi country study about culture and entrepreneurial orientation, Lee, Lim, and Pathak (2011) found that Malaysian context prefer to be more innovative, autonomous, competitive, and risk taking. However, in

developing countries such as Malaysia, entrepreneurial enterprises have tended to be looked at from a development, or poverty alleviation perspective, rather than as entrepreneurial activities and potentially growing businesses (Salleh & Sidek, 2011).

### **Entrepreneurship in Thailand**

Thailand has one of the highest levels of entrepreneurship in the world measured by early stage entrepreneurship rate at 20 percent by Global Entrepreneurship Monitor (OECD 2011; Sukasame, Sebor, & Mohedano-Suanes, 2008). Thailand has had an impressive economic advancement over the last few decades, except the Asian financial crisis period (Sukasame, Sebor, & Mohedano-Suanes, 2008). A series of economic reforms have been launched to assist the economic recovery (N. Suntornpithug & P. Suntornpithug, 2008). Even after two economic crises, sound macroeconomic policies, growing export opportunities, competitive markets, and entrepreneurial dynamism have delivered economic growth and resilience to the country (OECD, 2011).

The intensity entrepreneurial activity of Thailand has direct correlation with the economic growth (Somjai, 2003) and is largely in line with international norms (OECD, 2011). The intense entrepreneurial activity transformed Thailand from an agricultural and rural economy into an industrial and service based economy (Somjai, 2003; N. Suntornpithug & P. Suntornpithug, 2008). The entrepreneurial spirit of the commercial class made up mainly of Thais of Chinese origin has helped expand entrepreneurial activity and speed up the economic development process in Thailand (Somjai, 2003).

Entrepreneurs are conditioned by the structure of the society in which they operate and therefore the culture of a society has an important bearing on entrepreneurial development (Cole, 2007). From a cultural perspective, the entrepreneurial thinking in Thailand has its roots in the hard-working values of Confucianism and Buddhist values contributing to the tolerance towards failures (Somjai, 2003; N. Suntornpithug & P. Suntornpithug, 2008). The context views failures as learning process in the entrepreneurship journey (Somjai, 2003). Thai society have a positive perception about entrepreneurship as a career choice (OECD, 2011).

The entrepreneurship landscape has its weaknesses such as lack of finance for SMEs and entrepreneurship, underdeveloped infrastructure, institutional failures, and underdeveloped infrastructure (OECD, 2011). Paulson and Townsend (2004) also found that financial constraints play an important role in shaping entrepreneurship patterns in Thailand. There are regional differences in entrepreneurial activities restricted by financial constraints (Paulson & Townsend, 2004; OECD, 2011). The entrepreneurial ventures gather much of the startup funds from savings and from family or friends (Paulson & Townsend, 2004; Somjai, 2003). Lack of technological readiness is another major impediment to the creation of new productive firms and SME's innovation and growth.

A high proportion of entrepreneurship are undertaken for necessity, such as lack of alternative income opportunity which are sometimes characterized by low productivity, lack growth potential and offer poor income and employment conditions (OECD, 2011). However the average annual income of business owners in rural and semi-urban Thailand is double that of nonbusiness owners (Paulson & Townsend, 2004).

In Thailand, formal education is strongly associated with entrepreneurial talent (Paulson & Townsend, 2004). The likelihood of becoming an entrepreneur increases dramatically with wealth in Thailand (Paulson & Townsend, 2004). The Thai society started accepting role of women as a major workforce, a trend contributed by rapid economic growth, extensive urbanization, and rising educational backgrounds (Somjai, 2003). Currently,

Thailand has high proportions of female entrepreneurs and business owners, who make up just fewer than 50% of start-ups and operating SMEs (OECD, 2011).

The Thai government has been supporting private enterprises including the setup of the Board of Investments (BOI), in order to facilitate new business venture, but bureaucratic red tape has been cited as a barrier (Somjai, 2003). The Thai government support for entrepreneurship promotion also include tax incentives, business advisory services and setting up of Market for Alternative investment (MAI) and Industrial Estate Authority (Somjai, 2003). The government also created a favourable policy and environment for business incubation in order to facilitate those unemployed to start their own businesses and generate income (Sukasame, Sebor, & Mohedano-Suanes, 2008). However, the Thai national policy on entrepreneurship focus only on establishing new ventures and not on its subsequent growth, thereby, missing a link to macro-economic growth (Sukasame, Sebor, & Mohedano-Suanes, 2008).

Increased government expenditure and better export performance were reflected in satisfactory GDP performances and lower unemployment rate (N. Suntornpithug & P. Suntornpithug, 2008). Thailand continues to have a strong underlying growth potential into the future (Sukasame, Sebor, & Mohedano-Suanes, 2008). According to Somjai (2003), the entrepreneurship policies in Thailand should consider easier capital access, education in the field of entrepreneurship, English, IT, and international exposure of Thai entrepreneurs. According to OECD (2011) report, policy makers should consider improving the framework for the formulation and implementation of SME and entrepreneurship policy, building more innovative, growth-oriented, and international SMEs, and developing policies that enable productive entrepreneurship for regional and social development.

### **Entrepreneurship in Philippines**

Philippines economic history to date is characterized by a cycle of repressive and liberal economic policies (Batalla, 2010). In Philippines, entrepreneurial development programs rest on the assumption that “entrepreneur is someone who forms and manages a business” is evident from the government programs that attempt to develop small-scale industries (Batalla, 2010). Even though entrepreneurship in the Philippines has no strong socio-demographic barrier (GEM, 2007), Philippines lack entrepreneurs who apply innovation, superior judgment, and organizational talent in order to gain distinct, sustainable competitive advantages (Batalla, 2010).

Foreign travel, management education, mass media, and information technology have increasingly become accessible to more Filipinos and these factors resulted in a mass exposure to modern production and management techniques, trends and lifestyles, and other pertinent information for enterprise development (Batalla, 2010).

During the second half of the 20th century, the Philippine government established several government institutions promoting entrepreneurship in trading and expanding cottage industries to convert them into small and medium sized enterprises (Baughn et al., 2006). However, the inability of government to provide a more conducive setting for private sector governance and development has led SMEs virtually to themselves (Batalla, 2010). However Filipino SMEs make up more than 99% of all businesses in the country, provide more than two-thirds of the country's employment, and is responsible for almost one-third of the country's income (Ruane, 2007).

Filipino culture has high power distance, high masculinity, and low uncertainty avoidance and from this perspective, the Filipino culture seems to be favourably disposed towards entrepreneurship, except on the

dimension of individualism (Johnson, Munoz, & Alon, 2007) that may adversely impact entrepreneurial tendencies. As the relationship between socio-cultural values and entrepreneurial environment has been discussed in literature (Begley & Tan, 2001), the value of sharing among Filipinos can curtail business propensity and efficiencies, and the moral pressure of obligatory sharing has hindered entrepreneurial Filipinos from engaging in commerce (Johnson, Munoz, & Alon, 2007).

In the entrepreneurial environment, financing is cited as the most limiting factor. The small number of formal financial intermediaries and their restrictive policies limited support to long-term private sector financing in Philippines (Batalla, 2010). Since capital constraints are often the critical limitation for starting one's own business, equity financing of enterprises depended primarily on social and family networks (Baughn et al., 2006; Batalla, 2010).

The economic environment of the Philippines is exacerbated by several factors such as drastic currency devaluation, a huge annual government budget deficit, socio-political risks due to law and order concerns, allegations of bribery, level of unemployment and the prevalence of labour migration (Johnson, Munoz, & Alon, 2007). In addition to that SMEs suffered from several problems including lack of credit, lack of business linkages, relatively high cost of doing business, and lack of requisite skills for global competitiveness (Batalla, 2010).

The transformation of the Philippines into a service economy and the stagnation of its manufacturing sector limit the expansion potentials for employment and GDP. This provides the setting for the massive exodus of Philippine labour in the closing decades of the 20th century (Batalla, 2010). Philippines is the largest labour exporter in Asia, having sent over 7.4 million people, or 22% of its entire labour force of 30 million, to over 120 countries (Johnson, Munoz, & Alon, 2007).

New investment and business expansion in the Philippines has been constrained by considerations of financing, government regulation, and security. These problems reveal weaknesses of institutions of both market and state and their effects on private sector development (Batalla, 2010). Majority of business are born out of necessity and most Filipinos have a positive attitude towards entrepreneurship (GEM, 2007). However, fear of failure appears to be a significant impediment to start an enterprise (GEM, 2007).

Batalla (2010) identified that historically conditioned attitudinal and psychological factors, perpetuated by public policy, affected the quality of entrepreneurship in the Philippines. Having a strong tradition of powerful social institutions (Johnson, Munoz, & Alon, 2007), Filipino entrepreneurs do not place high value on entrepreneurial qualities of being independent and being creative showing strong influence of the Catholic and American heritage (Uy, 2011).

GEM (2007) identified that need to improve formal and informal education and training towards entrepreneurship and the improvement of technological infrastructure, research and development. GEM (2007) also state that the policies should address improved financing options, improved export orientation, enhanced business growth, and emphasized role of local governments.

Table 2 represents a snapshot of the mini-dragon comparison indicators, including entrepreneurship activity indicators.

Table 2

*Mini-Dragon Countries—General Indicators*

	Indonesia	Malaysia	Thailand	Philippines	Source
GDP Per capita (2010 in US\$)	4,200	14,700	8,700	3,500	CIA Factbook
Growth rate (2010) %	6.1	7.2	7.8	7.6	World Bank
Population (in million) (2011)	245.6	28.7	66.7	101.8	CIA Factbook
Corruption ranking	100	60	80	129	Transparency International
People living in poverty % (2010)	13.33	3.6	9.6	32.9	CIA Factbook
Literacy rate %	90.4	88.7	92.6	92.6	CIA Factbook
Total early stage Entrepreneurial Activity (TEA)*	19.3% (2006)	4.9% (2010)	19.5% (2007)	39.2% (2006)	GEM
Nascent Entrepreneurship Rate (NER)*	9.6% (2006)	2.5% (2010)	8.3% (2007)	5% (2006)	GEM
Inflation % (2010)	5.1	1.7	3.3	3.8	World Bank
Unemployment % (2009)	7.9	3.7	1.2	7.5	World Bank
GDP (millions of US\$) (2010)	706,558	237,796	318,522	199,589	World Bank

*Notes.* \* Latest data available; TEA—Percentage of 18-64 year population who are either a nascent entrepreneur or owner manager of a new business; NER—Percentage of 18-64 year population who are nascent entrepreneurs.

## Discussions and Conclusions

It has been clear from this paper that entrepreneurship and SMEs development has made significant contributions to the mini-dragon economies of Indonesia, Malaysia, Philippines, and Thailand in the past decades. SMEs contribute to generating income, employment, exports, economic empowerment, poverty alleviation, and more equal distribution of wealth and economic opportunities for sustainable development. In addition, SMEs act as a breeding ground for large enterprises, are a source of entrepreneurship and innovation by nurturing entrepreneurial spirit (see Table 3).

Nevertheless, entrepreneurship and SMEs development in the Southeast Asian economies faces many barriers. They include resource constraints such as finance, technology, skilled labour, access to markets, and information. Due to their smallness SMEs often find it difficult to achieve economies of scale and scope, such as in the purchase of inputs including equipment, raw materials, finance, and consulting services. Despite the opportunities brought about by globalization and economic liberalization, the lack of information, knowledge, and experience in international markets in the part of SMEs means that their participation in the international markets is limited.

From the internationalization perspective, and international entrepreneurship specifically, many factors influence firm internationalization and expansion processes. Such factors include risk, uncertainty, knowledge, networks, culture, personal background of decision-makers and individual and firm commitment to international activity (Tiwari & Matascu, 2011). We have certainly taken these on board, albeit in retrospect to entrepreneurship activity within and external to the identified mini-dragon economies.

The economic growth of the Asian Tiger and mini-dragon economies are partly due to the Foreign Direct Investment (FDI). However, the interesting part is that Yasheng Huang, a professor at Harvard Business School, argues that FDI is determined in part by the strength or weakness of local entrepreneurship in host countries (Lagace, 2011). For example, businessmen in Singapore and Malaysia, of which both countries rely heavily on FDI, seem to think of China, the second largest economy in the world, in terms of a competitor for the same FDI

they try to attract. On the other hand, Taiwanese and Hong Kong entrepreneurs view a rising China as representing an investment and business opportunity. Consequently, the entrepreneurs from these two countries benefit the most from China's growth. Thus, the countries that ignore to support the local entrepreneurs may face increasing difficulties in the future. In the case of Singapore, for example, the high paid compensation packages in the public sector have driven most talented people in Singapore to work for the government. The private sector, which is far less lucrative, attracts lesser talents. In the long run, this will be detrimental to the development of a vibrant private sector in Singapore, argued by Huang (Lagace, 2011).

Table 3

*A Summary Profile of SMEs in East and South-East Asia*

	Key features	Regional differences and policy issues
Numbers of Enterprises	1. There are about 20 to 30 million SMEs in East Asia. 2. They account for 98% of all enterprises. 3. Micro-enterprises account for about 73% of all private sector enterprises. 4. On average, there are about 85 people for every SME.	1. Most of the SMEs are in China (8 million) and Japan (5 million) and Korea (2.6 million) which together have 70% of the SMEs in East Asia. 2. In developed economies there are only about 20 people per SME, but the ratio is above 100 in the developing economies, especially in China, Vietnam, Philippines, and Indonesia.
Employment	5. SMEs employ about 60% of the private sector workforce, and 30% of the total workforce. 6. Over 95% of enterprises employ less than 100 people, and over 80% employ less than five people. 7. SMEs contribute about 70% of net employment growth. 8. SMEs provide about 80% of employment in the services sector, and about 15% in the manufacturing sector. 9. Women make up about 30% of employers/self employed in APEC—mainly in micro-enterprises.	3. In developing economies (below about \$15,000 US\$ per head income) SMEs employ about 75% of people, above \$15,000 the level is closer to 50%. Japan is a major exception—Japan's SMEs employ around 80% of the workforce. 4. More developed economies seem to have more medium sized SMEs and they play a greater role. Developing economies seem more likely to have a "missing middle". 5. In developed economies most of this growth probably comes from fast growth firms, in developing economies a higher proportion probably comes from net start ups.
Output measures (sales, value added)	10. SMEs contribute about 50% of sales, value added or output.	6. The contribution varies from lows of 15% (Singapore) to about 60% for most other economies.
Exports	11. SMEs generate about 30% of direct exports (US\$930 billion in 2000), much less than the SME contribution to employment (about 60% to 70%) or output (about 50%). 12. SMEs contribute indirectly to trade through supply chain relationships with other firms. SME contribution to total trade could rise to 50%.	7. SME exports figures are difficult to verify, but they range from about 5% or less (Indonesia) to around 40% (Korea) of total exports. 8. Tariff cuts have increased total APEC member trade, but the SME contribution to direct exports has remained static or declined. Reductions in tariffs have not benefited SMEs, more emphasis needs to be put on tackling non tariff barriers if SMEs are to benefit from trade expansion.
Entrepreneurial engine, international potential, and the new economy	13. SMEs already contribute the bulk of growth, and SMEs could make a much bigger contribution to the Asian regional economy if efforts were made to address impediments to SME internationalization. This could add as much as \$1.18 trillion in trade over a five year period. 14. SMEs moving towards services and away from agriculture and manufacturing.	9. The developing economies need to create about 50 to 70 million more SMEs if they are to achieve "benchmark" levels of SME activity. 10. To achieve maximum gain from trade it is essential to improve governance, building capacity, reducing transaction costs, promoting further liberalization, addressing non-tariff barriers, increasing internet access and facilitating trade and investment to improve the capacity of SMEs to export. 11. Capacity building includes: access to finance; improved professional skills (IT, management, accounting and entrepreneurship); improved business infrastructure; removal of trade barriers that particularly adversely affect SMEs.

*Note.* Source: Adapted from Harvie (2007).

Because of the impediments to entrepreneurship and SMEs development in the mini-dragon economies discussed in this paper and summarized above, governments of these economies have implemented a range of policies to support their development. However, they should focus on the key areas such as creating an enabling business environment conducive to entrepreneurship development such as providing tax breaks and incentives for new firms, easier access to finance and credit guarantee schemes for SMEs, and simplified regulations to make it easier to start-up a business. Capacity building and business advisory services in management, marketing, supply chain development, cluster development, production networks could be provided to entrepreneurs, especially women entrepreneurs. SMEs themselves should take initiatives to improve their productivity and efficiency to become more competitive in both domestic and global markets. SMEs can make use of ICT and e-commerce to increase their access to information and reach overseas markets.

Limitations of this paper are explicitly linked to the identified mini-dragon economies, and an opportunity exists to expand this study across all South East Asian economies.

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