Aviation Entrepreneur Model (AEM) in Malaysia: A Review

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Abstract

Studies in the literature have discussed on many of the success factors of small and medium enterprises. However, Aviation Entrepreneur has been given less attention by previous researchers. In present, Aviation Entrepreneur plays an important role in determining the success and Aviation Entrepreneur inculcating “wholesome” Aviation Entrepreneurs. The concept of this review is based on the Aviation Entrepreneur Model factors that contribute to the successful aviation entrepreneur such as traits, behavior, skills and self-efficacy. This study will provide a guideline to some parties involved either the government or private agencies like Small Medium Enterprises (SME), Majlis Amanah Rakyat (MARA), SMIDEC, FMM and PUNB for the purpose of developing small businesses so that Aviation Entrepreneurs can be globally competitive.

Keywords: Aviation, Aviation Entrepreneur, SMEs, Malaysia.

1. Introduction

Small and Medium Enterprises (SMEs) in Malaysia reside in various industries. They represent a large fraction of the total number of businesses in various sectors and have offered great contribution in terms of the GDP (Salleh & Ndubisi 2006; BNM 2006; SME Corp 2010). It can be considered as a back bone of national economy (Muhammad Khalique 2011; Radam et al., 2008). There are several activities included in the classification of economic activities that involve the SMEs namely basic agriculture, manufacturing (agro-based), manufacturing-related services, services in general, mining and quarrying also construction (Malaysian National Bank, 2005). SMEs play a vital role in the Malaysian’s economic development and made Malaysia as one of the most open economies in the world (Muhammad, Char, Yasoal & Hassan, 2010; Omar, Arkihasamy & Ismail, 2009). Furthermore, SMEs do not just serve as a backbone to the national economic development but also act as a platform to tap on the talent of entrepreneurship where one can develop himself or herself (Ab Aziz & Zakaria, 2004). In line with the Malaysian governments agenda to improve the economy of Malaysia, this sector is not only a key mechanism for ensuring socio-economic balance between the races, but this sector also indirectly improves the image of Malaysia on par with developed countries in the world. Undeniable, to help flourish the SMEs, the government has provided a few incentives through Budget 2013. A total of RM 1 billion was set aside for SME development schemes under the custodian of SME Bank. While the SME master plan (2012-2020), the government has allocated an amount of RM 30 million for 2013 and RM 200 million for working capital financing of SMEs that undertake production of halal products (Ministry of Finance Malaysia, 2013).

Aviation entrepreneur can be referred as the person who seize or create an idea and do their business activity in aviation context. While aviation industry can be defined as an industrial activities that related to the aerospace design, avionics
parts, development and manufacturing, aircraft construction and maintenance and disposal of aircraft. In Malaysia, there are about 200 related companies that involve in aviation business activities and the owner of these companies can be called as ‘aviation entrepreneur’. For instance, SME Aviation, Honeywell, Aviatron, Aero Precision Resources, Dectra, DamaiJitu, STRANDS, CTRM, Megamars, MUhibbah Airlines Support, Zetro and many more. However, there are still many challenges and competition in economics and trade activities encountered by entrepreneurs. According to Fariza (2012) among the main challenge that encounter by entrepreneurs including lack of market knowledge, technological, skills capabilities and products quality. Besides, the work and ethics values are seen critical in order to develop overall performance of the SMEs (Ahmad, Amran & Halim, 2012). In addition to entrepreneurial values and ethics, entrepreneurs also need to focus on honing their skills on business management (Abdul Aziz Mahmud, 1977; Mohd Amir Saiffuddin, 1983; Humam Mohammed, 1988; Wan Liz Ozman, 2000: Al Habshi, 1995; Buera, 2007). Hence, the government has approved a set of strategic training programs to train 5,000 entrepreneur candidates (Ministry of Finance, 2013) to setting up business. Entrepreneurship training is important because it provides not only exposure to entrepreneurs, but also helps them learn the ropes. Entrepreneurship training programs should use experiential and action-oriented methods to meet the specific needs and requirements of entrepreneurs; hence, making them more progressive and not side-lined in the field (Zaidatol & Habibah, 2004). Even though the government had provided facilities involving substantial financial provision to help small business, but their achievements in this sector is still weak. In general, problems encountered by SMEs in Malaysia are caused by internal and external environment such as lack of poor management, competition, networking, product quality and leadership (Hung et al., 2010).

Although many studies have looked into entrepreneur success, however, little effort has been made to Aviation Entrepreneur Model towards entrepreneur success. Thus, the purpose of this study is to develop an Aviation Entrepreneur Model which personifies the association between the Aviation values and entrepreneur success. This study will add on to the aviation entrepreneur literature, specifically on aviation industry. In particular, this study has five main objectives; to identify the factors that contribute to the successful aviation entrepreneur, to understand the relationship of four major successful traits of small and medium entrepreneurs in aviation industry, to identify the major roles and impact of small medium entrepreneurs for the growth of the aerospace or aviation industry, to identify areas of improvement of the aerospace or aviation industry from small medium entrepreneurs perspectives and to develop a model on successful aviation entrepreneur.

2. Literature Review

Most of the success factors of entrepreneurs studied more focused on the external factors and internal factors. External factors such as government support, training and skills, business size, location and number of employees. While, internal factors such as characteristics of the entrepreneur namely creativity, innovativeness, competitiveness, quick to act and responsible (Rosman, 2009; Nor Hasni, 2005; Ku Azilah, 2004). It is undeniable that the internal and external factors are very important to entrepreneurs in influencing their success. Noraishah (2002) said that a successful entrepreneur is someone who is innovative because he often introduces new ideas or new methods of production. He always trying to improve items or existing services or create new items and services to attract customers. Apart from these characteristics, Sexton and Bowman (1990) noted that successful entrepreneurs are the ones that have high energy and endurance. They also capable of dominating the subordinates as a powerful weapon in controlling climate change and bring new ideas. An entrepreneur should also be able to survive long in solving business problems (Bacas & Croft, 1986). The results of a study performed by Vaught and Hoy (1981) found that these values are well appreciated by entrepreneurs compared to non-entrepreneurs. The personal values are the main catalyst for entrepreneurial success. Positive values available to entrepreneurs like freedom, positive thinking, work in small, highly motivated, ambitious, confident, tolerant with difficulty and are willing to sacrifice are the factors leading to dynamic entrepreneurs (Vaught and Hoy, 1981). However, entrepreneurs need to continually strengthen their internal factors such as traits, behavior, skills and self-efficacy before embarking on their entrepreneurial venture. Evidently, these internal factors will eventually affect entrepreneurs’ external factors (Rosman, 2009; Zaidatol, 2007; Norasmah and Halimah, 2007).
2.1 Traits

The term traits used in this study refers to positive traits such as hard work, self-confident, innovativeness and creativity, visionary and determined to solve the problem (Zaidatol and Habibah, 1997; Abd Aziz, 1991). McClelland (1961) was the first to study the traits of an entrepreneur. He pointed out that many of the successful entrepreneurs who have the will towards excellent achievement, take moderate risks and have high internal locus of control. While, Abdul Aziz (1991) felt that creativity is the competitive advantage that should have by entrepreneurs. This view was supported by Costa (1994), Kao J. in Dollinger, M.R (1995) and Noraishah (2002). While, Drucker (1994) and Barjoyai (2000) stated that creativity and innovativeness are important for entrepreneurs to produce a product that is useful to society. A study done by Yep (1985) argued that creative human is often able to achieve progress more quickly than others because they enable the production of a product.

2.2 Behavior

The term behavior used in this study refers to the knowledge possessed by entrepreneurs in matters related to business (Norasmah and Halimah, 2007). McGrat et al. (1992), in his study found that people who succeed in business have unique characteristics and nearly equal to each other. The same view was given by McClelland (1961) when he said that successful entrepreneurs have qualities similar to those of their achievement motivation is high. According to Noraishah (2002), a successful entrepreneur is a good risk manager. This opinion was supported by Halloran (1994) which stated that an entrepreneur that is willing to take the risk is said to have behavior as a successful entrepreneur. Findings from Wilken (1994) showed that psychological factors such as being able to bear the risk and highly motivated are associated with behaviors of successful entrepreneurs.

2.3 Skills

The term skills used in this study refers to the ability of self-entrepreneurs in their business activities effectively. Despite the characteristics and behavior of entrepreneurs, skills also one of the important roles to make an entrepreneur to be positive thinking in the business conducted and thus contribute to the success of business (Mohamed, 1996). Some of the skills needed by entrepreneurs are skills in management, finance and marketing. According to Costa (1994), marketing strategies are the key to success. This view was supported by Mc Mohan (2001a) in his study found that the practice of providing formal financial report have a significant relationship with business performance. While Dyke, Fischer and Reuben (1992) in their study found that management experience is an important factor in achieving success or successful performance in a small business environment. Findings from Zaidatol & Habibah (2004) also showed that the important aspects of doing business are financial management, budgeting and cash flow statement preparation. In fact, most businesses fail due to lack of management, finance and knowledge of the preparation of the business plan (Humam, 1992; Zaidatol, 2007; Norasmah & Halimah, 2007). Zaidatol and Habibah (1997) also showed the same factors that have also caused many companies to go bankrupt because their owners do not have enough knowledge to address changing conditions of the market.

2.4 Self-efficacy

The term self-efficacy used in this study refers to the risk handling skills, financial control skills, management skills and marketing skills. In addition, self-efficacy is one of the factors affecting the success of an entrepreneur in the business. Entrepreneurs who have high self-efficacy work harder and able to work in the long term compared to individuals with low self-efficacy (Wood & Bandura, 2007). Previous studies have shown that self-efficacy is related to the success of leaders and individuals (Bandura, 1997, and Hoy & Woolfolk, 1993). It is clear that self-efficacy is important to the individual in the performance of their duties and faces many similar problems in education, employment or life (Wan Haslina, 2003). It can be concluded that the characteristics of entrepreneurship not only include the characteristics of entrepreneurs but also involve behavior, skills and self-efficacy.
2.5 Success

According to Sull (2004) and Baron (2004), the differences of successful and unsuccessful entrepreneur can be defined from the level of knowledge the entrepreneur has with the specific context and the level of ambiguity in the business context. In the case of Brahim-LSG and KLAS as the inflight kitchen provider, their skill sets are of different requirements needed in the mass market. It is acknowledged that in previous entrepreneurship studies, there are very little studies that focus on entrepreneurship in aviation context. This study focuses in aviation context to close the gaps an in fact it will give a big contributions to Malaysia country since aviation industry in Malaysia is recognized as one of the industry that boost Malaysian economy. The total revenues from the aerospace industry has growing up from RM0.9 billion in 1998 to RM11.8 billion in 2014 and has provided more than 19,500 job opportunity. The investment value in the aerospace industry for the five year duration from 2010 to 2014 has reached RM 4.2 billion compared to only RM 1.6 billion for twenty years duration, and it is expected to grow year by year (Malaysian Aerospace Industry 2030). At present, more than 200 active companies were established in the country that can be considered as aviation entrepreneurs. Hence, above discussion provide the rationale of undertaking this research.

The success of a business is due to many factors. In business, the concept of success generally refers to a firm’s financial performance and it has been interpreted in many different ways (Foley and Green, 1989). Some authors defined success from tangible (objective) points of view such as revenue or a firm’s growth, personal wealth creation, profitability, turnover (Perren, 2000; Amit et al., 2000). Other studies (Watson et al., 1998; Taormina and Lao, 2007) associated entrepreneurial success with continued business operations, operating for at least three years. Watson et al. (1998) and Dafna (2008) associate entrepreneurial success by relating the success with continued trading, and entrepreneurial failure is linked to unrewarding or ceased trading. Some other studies have interpreted the success from intangible points of view where intangible assets (e.g., goodwill of firm) are linked to key factors of success. In this study, aviation entrepreneur success is defined based on the understanding of definition given by several researchers (e.g. Perren, 2000; Amit et al., 2000), who support the notion that a successful business is refer to revenue or a firm’s growth, personal wealth creation, profitability and turnover. Therefore, this study will further enhance the criteria and indicators of successful aviation entrepreneur. In general, many different terminologies are related to business failure, such as firm closure, entrepreneurial exit, dissolution, discontinuance, insolvency, organizational mortality, and bankruptcy (Cardozo & Borchert, 2004). Typically, entrepreneurial failure is defined as the cease of an operation for financial reasons, but one type of entrepreneurial failure is the discontinuance of venturing efforts by entrepreneurs (Liao et al., 2008). In particular, definitions of business “disappearance”, “closure”, “exit”, and “failure” are confusing and often overlapping (Cardozo & Borchert, 2004; Stokes & Blackburn, 2002). Nonetheless, a failed business is the one which have to sell or liquidate in order to avoid losses or pay off the creditors, or the one which is unable to make a profitable go of the business (Gaskill et al., 1993). Pretorius (2009) reviewed the business failure definitions, and suggested a universal definition for the failure phenomenon: “a venture falls when it involuntarily becomes unable to attract new debt or equity funding to reverse decline; consequently, it cannot continue to operate under the current ownership and management” (Pretorius, 2009). In this study, unsuccessful is defined based on the understanding of definition given by several researchers (Cardozo & Borchert, 2004; Pretorius, 2009).

The term success used in this study refers to revenues, profits obtained, growth and innovation, the value of assets, increase the number of employees and business network and customer satisfaction (for example, Hitt et al., 2001; Lechler, 2001). These criteria are expected to relate closely to wealth generation. In line with previous literature reviews (i.e. Adams & Sykes, 2003; Julien, 1998; Paige & Littrell, 2002), the growth and profitability are the two criteria most often used as performance measures in the entrepreneurship and small business literature. Figure 1 show the proposed of AEM through literature reviews process.
3.1 Theory of Economic Development

In economic theory, the entrepreneur is seen as an important factor of production, as well as capital, labor and land. Reward for entrepreneurs in the production process is profitability. Among the theories related to the importance of the role of entrepreneurs in economic development is the Schumpeters Theory of Economic Development (1934). This theory has long been produced and it is still significant to explain the role of entrepreneurs in economic development to date. Generally, the concept of economic development based on Schumpeter is referring to the importance of the role of entrepreneurs based on five conditions that occurs. Firstly, the introduction of new products in the market, for example goods, that is not available in the market or goods with better quality. Secondly, the introduction of new production technology and has not been used. Thirdly, opening new markets product that have been released. Fourth, the discovery of new sources of raw materials or first created. Finally, the birth of new forms of organization in the industrial sectors could create or destroying the monopoly or restructuring of existing industries (Schumpeter, 1934).

The theory put forward by Schumpeter puts innovation as the essence of the activities carried out by individual known as the entrepreneur. They are the key to economic development (Baretto, 1989). Entrepreneur constantly doing innovation, risk-taking, planning the use of production factors, manage and choose the combination of production factors. Through the changes made by the entrepreneur have changed the so-called power of creative destruction, that is the equilibrium shifts lead to changes in economic development. According to Brouwer (2002), entrepreneurs with special leadership qualities and the ability to act in the right way thus can make the right decision. Overall, the Theory of Economic Development presented by Schumpeter was directly linked the personality traits possessed by entrepreneurs as always worked hard, able to predict future needs and leadership (Witt, 2002). Those features will determine the business strategies that can influence business performance and contribute to economic growth in a country. The importance of the characteristics of entrepreneurs as asserted in the Theory of Economic Development is consistent with what have been analyzed by Littunen & Storhammar (2000), Gadenne (1999) and Keats & Bracker (1988), which asserted that factor of entrepreneurial characteristics of owner/manager is the most important factor that can affect the performance of small businesses.

3.2 Theory of Social Behavior

Max Weber, a German sociologist who has submitted an entrepreneurial model in 1958 to include religious elements as basic to success in economic activity (Rosli et al., 2007). Entrepreneur of the sociological perspective is based on the model presented by Max Weber, who founded the study of two groups of Protestant and Catholic religion. In his view, he stated that the success of the Protestant is holding strong to their religious ethics (Jamaluddin, 1992). Protestant ethic described by Weber as a dedicated activity in the context of its relationship with the mundane (Mohd Amir, 1984). Max Weber included religious elements as the basis for success in economic activity. Model put forward by Weber was based on a review of the Protestants and their success in the economic sphere. He said that the success of the Protestants in economic activity caused by the teachings found in the Protestant religion. He tried to show that the success was due to a strong grip on religion became the main impetus to the Protestants to achieve success in the economic sphere. Weber has written at length about the entrepreneurial model in the book entitled The Protestant Ethics and the Spirit of Capitalism. To Weber, the economy is in the context of capitalism. This German sociologist attempted to show that the success of the Protestants...
was due to a strong grip on the Protestant ethic (Kent, 1982). Protestant ethic described by Weber as activities devoted in the context of a relationship with God and be active (not only focus on purely ritual activities) in relation to the mundane. Entrepreneurial model presented by Weber can be considered as an attempt to show the relationship of religion or belief in entrepreneurship (Noraisah, 2002).

### 3.3 Self-Efficacy Theory

Self-efficacy theory pioneered by Albert Bandura who use the term of "self-efficacy" to describe the constructs of expected success of an individual. At the beginning, Bandura has brought new changes with the introduction of “Self-efficacy: Toward a Unifying Theory of Behavioral Change”. Next, Bandura published a theory related to the socio-cognitive factors of self-regulation and achievement of “Self-efficacy: The Exercise of Control” (Pajeras in Andi 2007). Self-efficacy is defined as consideration (judgments) one of the ability to organize and implement actions necessary to achieve the specified performance. Self-efficacy has no bearing on person’s skills, but it may be one consideration of any matter which may be done with expertise. It also means faith or confidence one has in the performance of behavior to achieve a purpose to be successful (in Andi Bandura, 2007). Self-Efficacy is also defined as an individual perception of their ability to perform a specific task (Bandura, 1977, 1986). It is a self-assessment of ability to master a task. Self-efficacy can be defined as a belief that is very useful for understanding and predicting, the beliefs of an individual on his ability to implement new and difficult task or able to face difficulties in various domains of life (Schwarzer, 1992), a person’s belief in the ability to move the cognitive resources, motivation and a considered appropriate way and necessary to the task requirements (Bandura, 2000), beliefs associated with the ability to self-direct behavior to get the desired results (Bandura, 1989a; 1989b; 1994, 1997), an expectation of someone that he behaves as needed to produce or achieve an outcome. Self-efficacy is also the individual assessment of his own abilities to organize and execute tasks to get the desired results or expectations. It can evaluate an individual in solving the problem and the extent of their confidence to solve the problem. In addition, self-efficacy is also associated with goal setting to achieve something dreamed up by the task carried out, environment or social interaction. This is important because it becomes the individual reference in performing each task (Pintrich and Schunk, 1966). It is defined as confidence in the ability to organize and implement the cognitive, behavioral and social skills needed for success on a task (Bandura, 1986; Schunk, 1999). The self-efficacy also refers to an individual self-confidence to trust to mobilize the motivation, cognitive resources and action planning that is needed to carry out a task. Bandura (1986) stated that self-efficacy influences performance by increasing effort and perseverance. Individuals with high self-efficacy, work hard and able to work in the long term compared with individuals with low self-efficacy (Wood & Bandura in Andi 2007).

Previous studies have shown that self-efficacy was related to the success of leaders and individuals (Bandura, 1977 and Hoy & Woolfolk, 1993). Since the beginning, the founder of this theory has linked the perception of self-efficacy with the achievement. Carson and Enz (1999) stated that self-efficacy is the basic of trust in an individual where they believe that they are able to perform the task until it is succeed. This construct refers to an individual perception of their ability to perform a specific task (Bandura, 1977; 1986). In other words, self-efficacy is a measurement that used as a measure of control over the environment. The assessment of self-efficacy is more to tasks and certain situations (Pajeras, 1997).

Most individuals that do not have the self-efficacy are a bit confused with the assessment of behavior that they will produce. Self-efficacy can help in determining the outcome of one confidence and expectation in social skills and job skills. The confidence possessed can expect high performance and can expect good quality in their careers in the future. A lacks of confidence or doubt in their reliability often get low achievement and job performance and not accepted by society. Sometimes, one’s self-efficacy and expected value is not consistent. High self-efficacy cannot expect behavior that is consistent with the belief if the individual believes that the results of such behavior give undesirable effect (Pajeras in Andi 2007). Therefore, it can be explained that self-efficacy is important to his or her individual in completing the task and he or she may have to face many problems either learning process, job or life (Wan Haslina, 2003).

### 3.4 Kohlberg’s Theory

This theoretical approach is based on a study made by Lawrence Kohlberg’s theory whereby he argued that individual morality evolves over several levels based on their behavior (Kohlberg in Margeret et al., 2006). There are three levels and six stages below this theoretical approach. The levels and stages of moral development are as follows. The first level is the level of pre-conventional consists of two levels of punishment orientation and obedience. At this stage, a person is self-
centered, they adhere to a more powerful authority for fear of punishment or fine. The second stage is instrumental relativist orientation where at this stage, one has to take care of others, but still have self-interest. The main motive of a person is to satisfy the needs of yourself and do not care about the needs of others. The second level is the level of Conventional consists of agreement orientation between individual. At this level, a person cares about other people and follows their norms. Their motive is to be a good person as expected by others. Love and caring attitude play the important role. While, the stages of law orientation and regulations indicate that someone is concerned about peace in the society. A person has a responsibility to preserve regulations in society. The main focus is to keep the community and avoid split in the system. The third level is the level of Post-conventional that contains the contract-legalistic orientation of social. At this stage, one has an obligation to the law because of its social contract to comply with the law in order to protect the welfare of the people and protect their rights. Laws are made for the benefit of all. However, values such as liberty and life should be defended in any society without regarding to the opinion of the majority. The final stage is the universal ethical principle orientation. At this stage, a rational person believes the validity of universal moral principles, and they have a personal commitment to it. Universal principles are as justice, equality and respect for the dignity of people as individuals. A law or social agreement is normally valid particularly because it is based on those principles. When a law is violated, a person will act in accordance with these principles (Margeret et al., 2006).

4. Discussion and Conclusion

The present study hope that the Aviation Entrepreneur model (AEM) will help the policy maker and industry player to enter and sustain in the market constructively-with the identification of essential instruments and elements needed especially for the small and medium industry player. This study will definitely assist the policy maker and the industry player in identifying the strength and weaknesses of being entrepreneurs in the industry. By identifying and acknowledging the two sides of the establishment, all parties involved will benefit. The outcome of this study will help them to address the limitations therefore increasing their capabilities and sustainability. Being sustainable will help the country to grow the job market and boost the country not only to become the excellence center of aviation but also in the success of developing the sustainable entrepreneurs.

References


