

## Chapter 5

# Business Incubation in Malaysia: An Overview of Multimedia Super Corridor, Small and Medium Enterprises, and Incubators in Malaysia

**Logaiswari Indiran**

*University Technology Malaysia, Malaysia*

**Kamariah Ismail**

*University Technology Malaysia, Malaysia*

**Zainab Khalifah**

*University Technology Malaysia, Malaysia*

**Santhi Ramanathan**

*Multimedia University, Malaysia*

### ABSTRACT

*The purpose of this chapter is to present the importance and contribution of business incubation programmes to Small and Medium Enterprises in Malaysia. Chapter starts with a brief review of the history and transition of major economic policies in Malaysia as well as the government responses towards achieving the status of fully developed nation by the year 2020. The policy review includes the Laissez-faire Policy, New Economy Policy, National Development Plan, National Vision Policy, and New Economy Model which were set to achieve nation's rapid economic growth. This review leads the paper towards the exploration of the major drivers of current economic growth in Malaysia. This chapter identifies Multimedia Super Corridor as the most important initiative and a key driver to global Information Communications Technology development as well as the major contributor to Small and Medium Enterprises establishment in Malaysia. In addition, it outlines the significant contribution of Small and Medium Enterprises to the economic growth in Malaysia, and finally identifies business incubators as a support mechanism to accelerate the SMEs success, especially the start-up firms. This chapter provides knowledge to the researchers and practitioners on the linkages among Multimedia Super Corridor, Small and Medium Enterprises and incubators that align with the economic policy development. As a conclusion, the chapter discusses the challenges faced by the incubation programmes in Malaysia and thus, highlights the prominence of business incubators as a niche subject to be explored in depth, in terms of their growth and potentials in Malaysia.*

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## **INTRODUCTION**

Malaysia has been making notable progress in economic development over the last century as the wave of globalisation expands across the world. Malaysia has achieved the major transformation of economic structure from being exporter of a primary commodity to an industrialized-based country. This transformation and accomplishments seems to be supported and guided by various economic policies implemented over the decades, namely, New Economy Policy (NEP), National Development Plan (NDP), National Vision Policy (NVP) and New Economy Model (NEM) which was introduced in 2010.

Vision 2020 was initiated in 1991 by Malaysia's former Prime Minister, Tun Dato' Seri Dr. Mahathir bin Mohamad, with an overriding objective which is to achieve a fully developed nation and achieve an industrialized level by the year of 2020, encompassing on the economic development, as well as focusing on other angles, including social, political, spiritual, psychological and cultural areas (Islam, 2010; Khan, Liew, & Ghazali, 2014; Vicziany & Puteh, 2004). There are nine strategic challenges outlined in Vision 2020 in order to transform Malaysia into a competitive, robust and dynamic country in the span of 30 years. Based on various strategies and initiatives, Multimedia Super Corridor (MSC) has been one of the prime project which aims Malaysia to get much insight on the development of Information Communications Technology (ICT) industry by providing a test-bed for global ICT landscape (Abdul Khalid, Gilbert, & Huq, 2012). To date, MSC has made a notable progress in ICT sectors and has been seen as a fundamental engine for becoming a fully industrialized nation by 2020.

A part from MSC, significance and development of Small and Medium Enterprises (SMEs) to the economy has been acknowledged (Husin & Ibrahim, 2014; Moorthy et al., 2012; Yeoh, 2014). In line with this, SMEs in Malaysia is recognized as the backbone for the economy development and thus paramount of SMEs business strategies were developed by government. However, the government is facing emerging challenges in shaping the future of SMEs, particularly during the start-up development phase. In order to overcome these challenges, the government has introduced the business incubators programme as an effective support mechanism to accelerate the development of SMEs (SMIDEC, 2007).

Said, Adham, & Abdullah (2012) has recently drawn attention to the paradox in MSC and incubators in Malaysia. However, the chapter will be more comprehensive if a broad range of dimension has taken into account. Therefore, this chapter aims to identify the linkages between MSC, SMEs, and incubators, align with the economic policy development, as well as conclude the importance of business incubators as a field to be explored more in Malaysia. This chapter is divided into four sections as follows. The first section presents the historical background of economy policies in Malaysia, including an overview of MSC Malaysia. The second section elaborates the SMEs contribution to economy followed by the third section that discusses the development of business incubators in Malaysia. Finally, the fourth section presents the challenges face in incubation programme in Malaysia, discussion and implication for future research.

## **TRANSFORMATION OF ECONOMIC STRUCTURE AND POLICY IN MALAYSIA**

During the pre-independence, British colonialism tried to rebuild the export of primary commodity because Malaysia was highly dependent on the earning from exports of primary commodities; rubber, tin, timber and oil (Bekhet, 2013). Malaysia progressed impressively after it gained independence in 1957 in social and economic developments, where laissez-faire policy was pursued, with import-substituting

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