

The interplay of affirmative action and entrepreneurial culture: Understanding institutional privilege and exclusion in Malaysia

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Abstract

The aim of this article is to examine how enterprise policies aimed at supporting ethnic groups influence entrepreneurial activity. Drawing on qualitative interviews with entrepreneurs and policymakers in the emerging economy of Malaysia, we show that policy intended to close interethnic gaps in entrepreneurial activity instead serves to increase differences. Parallel institutional environments are formed through socially negotiated accomplishments and are influenced by institutional antecedents including affirmative action policy. These conditions created advantages (institutional privilege) for the targeted population but disadvantages (institutional exclusion) for those who are not targeted in the preferential policies. Tensions between privilege and exclusion impact on entrepreneurial activity, increasing inequalities of different parties. The article provides a number of theoretical contributions and practical implications for policy.

Keywords

affirmative action, institutional privilege, institutional exclusion, emerging economy, entrepreneurship, Malaysia

Introduction

Enterprise policy is frequently a range of government interventions aimed at promoting business start-up and growth, influencing the national quality level of entrepreneurship (Chowdhury et al., 2019). Policy effectiveness can be influenced by the characteristics and behaviour of the targeted population. Enterprise policy is complex, and can lead to unintended consequences such as the forming of societal hierarchies among targeted ethnic groups (Högberg et al., 2016). The current research landscape primarily focuses on policy interventions promoting entrepreneurship among specific groups, with a predominant emphasis on ethnic minority entrepreneurs (e.g. Rahman et al., 2018) and migrant entrepreneurs (e.g. Solano et al., 2023). This leaves a gap in understanding broader policy implications.

This article examines *affirmative action policy* which aims to benefit ethnic entrepreneurship among specified groups within a country. We define ethnic entrepreneurship as the entrepreneurial activity which takes place within an ethnic group (Vershina et al., 2011). Our approach

places ethnic entrepreneurship within the wider social, political, and economic institutional frameworks within a country. Affirmative action (AA) policy mainly aims to produce high levels of productive entrepreneurship for the targeted population, which has been demonstrated to have long-lasting impacts and benefits to certain groups through access to increased political power and connections (Gille, 2018; Gomez and Premdas, 2013). However, the impact of such policies remains unexplored, in part due to the level of controversy the topic might bring (Harrison et al., 2017). This means that effectiveness of such policy is under-researched, as well as its relationship to embedded cultural norms and values in an ethnic group.

This research was conducted in Malaysia, examining the effects of preferential policies on entrepreneurship

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development with two central research questions: *How do affirmative action policies influence entrepreneurial activity?* and *How do affirmative action policies influence ethnic identity?* Utilising a qualitative approach, we aim to provide a grounded understanding of the intricate relationships between entrepreneurship, policy, and institutional context (McKeever et al., 2015). Building upon Welter et al. (2019), who challenge conventional views of entrepreneurial contexts, we delve into a context where institutional voids constrain entrepreneurship, turning challenges into opportunities for theoretical exploration (Williams et al., 2023).

We make a number of contributions to the literature. First, we answer calls for empirical research on entrepreneurial strategies of ethnic groups (Orozco, 2022). We bridge a gap in understanding how entrepreneurs interpret their embedded environment (Xheneti, 2021). Our study explores a multicultural economic setting (Welter et al., 2016) and illustrates how AA policies impact the ethnic identity and resource access of Bumiputra entrepreneurs.

Second, our study further enriches the field of institutional voids research (Webb et al., 2020) by shedding light on the ethnic dimensions of entrepreneurship, a previously overlooked area. We address a research gap concerning how institutions can confer entrepreneurial advantages or disadvantages to diverse groups. We introduce *institutional privilege*, illustrating the lasting advantage Bumiputra entrepreneurs gain from policies deeply favouring them.

Third, our study uncovers the dual impact of preferential policies, exposing *institutional exclusion*. Responding to calls for research on enterprise policy diversity and consequences (Arshed et al., 2019), cultural values in multicultural contexts (Tehseen et al., 2021), and socio-politics in Southeast Asia (Rahman et al., 2022), we found non-Bumiputra entrepreneurs excluded, intensifying inter-ethnic disparities (Högberg et al., 2016). This division reinforces challenges faced by targeted groups (Carter et al., 2015). This exclusion forces non-Bumiputra reliance on minority entrepreneurship, creating an institutional void (Austin et al., 2017). Importantly, our research illuminates potential negative implications for ethnic entrepreneurship (Vershina et al., 2019), demonstrating how institutional privilege and exclusion give rise to *parallel institutional environments*.

The remainder of the article is set out as follows. First, it begins by setting out the literature on institutions and ethnic entrepreneurship, as well as AA policy. The article then discusses the methodology used, before setting out the findings of the study. Finally, we provide the implications of the study, its theoretical and practical conclusions.

Literature review and research framework

Enterprise policy has been deployed to address a wide range of economic and social problems (e.g. Arshed et al., 2019).

While many view entrepreneurship as a means for socially excluded individuals and groups to integrate into mainstream society, this perspective is oversimplified and neglects to scrutinise the effectiveness and constraints of entrepreneurship in addressing the systemic structural and institutional forces that contribute to exclusion (Kevill et al., 2019). This is particularly true in emerging economies where institutional structures are highly volatile, complex and ambiguous (Sun et al., 2020). Thus, examining entrepreneurship and its societal impact within such contexts is of paramount importance.

Enterprise policy can lead to certain groups of a population being excluded, often as an unintended consequence of government decisions or the effectiveness of provision (Carter et al., 2015). Research has also examined various types of AA including procurement initiatives, government set-asides and how commercial supplier diversity initiatives have benefitted minority entrepreneurs (Lovaton Davila et al., 2012). However, this research has focussed on examining the benefits policies can bring to the specific groups being targeted, rather than the impact on wider group.

Entrepreneurship and ethnicity

Entrepreneurs actively shape their identity, and factors like time, place, and institutional influence are crucial in this process. The meaning of ethnicity and individual identification is context-specific, evolving over time and is influenced by the institutional framework (Barrett and Vershinina, 2017). This is also linked to the degree to which an individual cognitively connects to a wider grouping, for example, an ethnic group.

Individuals can use their ethnicity strategically to maximise their income and solve economic problems. As such, access to resources among ethnic groups is critically important. Migrant groups can be excluded when compared with indigenous entrepreneurs when it comes to utilising their ethnic identity (Hack-Polay et al., 2020; Solano et al., 2023). Studies of ethnicity and entrepreneurship as a domain have mainly focused on developed economies (Austin et al., 2017). Little is known about emerging economies, and those with enterprise AA policy. Furthermore, exclusion in entrepreneurship studies is contested (Blackburn and Ram, 2006) but is typically viewed as multidimensional in nature, including economic, sociological and political dimensions (Kevill et al., 2019).

Institutional voids in entrepreneurship

It is important that theories of (entrepreneurship) context are able to integrate top-down effects of context on entrepreneurship and bottom-up processes influencing context (Welter, 2011), including studies of institutional voids (Webb et al., 2020; Williams et al., 2023). Research is required to explain multi-layered embeddedness

perspectives which are combined with individual perspectives that consider the adaptability and learning behaviour of entrepreneurs (Welter, 2011). Previous studies have recommended a micro-meso-macro framework, where meso refers to change or the 'dynamical building blocks of an economic system' (Dopfer et al., 2004: 268). Context has multiple dimensions, including the overall institutional framework, but also, for example, geographical environments, communities and social networks including family and ethnicity (Ge et al., 2019; Welter et al., 2019). This study contributes to understanding of context, as research on ethnic entrepreneurs offers useful theoretical perspectives by proposing multi-layered embeddedness concepts which recognise the diverse institutional and socio-spatial contexts in which human agency is embedded (Austin et al., 2017).

Changes in (formal) institutions occur more rapidly as compared to culture, particularly in countries with smaller geographic units (Dennis Jr, 2011). In entrepreneurship context, institutional voids can be defined 'as a lack or a failure of existing institutions' to support efficient entrepreneurial activity (Webb et al., 2020: 504). While institutional voids are well-established in entrepreneurship research, empirical studies within this domain are lacking. There is a notable gap in exploring whether these voids can facilitate rather than hinder entrepreneurship, a facet yet to be empirically investigated in institutional voids literature. Additionally, delving into the dynamics of institutional voids in emerging economies presents valuable opportunities for theoretical advancements (Harrison et al., 2017).

Research typically focusses on formal institutional voids, where political, economic and legal/regulatory institutions fail to provide basic governance systems, property rights protection, infrastructure and/or rule of law (Ge et al., 2019). Yet, informal institutional voids, rooted in family, religion, tradition, and social factors, can hinder resource utilisation and limit risk-taking due to societal trust issues (Hack-Polay et al., 2020; Webb et al., 2020). Religion, acting as a motivator, influences entrepreneurs' behaviours (Dodd and Gotsis, 2007), with studies showing its substantial impact on enabling self-employment within a nation.

Cultural factors influenced by religion, like entrepreneurial values and community support networks, play a crucial role in fostering a conducive environment for self-employment and entrepreneurship, particularly in emerging economies (Neubert et al., 2017). The prevailing perspective suggests that formal and informal institutions interact in two primary ways: complementarity, reinforcing each other; substitutability, with informal institutions potentially undermining weak formal institutions, particularly in the absence of strong structures (Estrin and Prevezer, 2011). Formal institutional voids can be overcome by informal institutions, such as building networks with key stakeholders (Bruton et al., 2010). However, a reliance on

informal institutions poses long-term risks due to the lack of formal support, emphasising the need for a well-balanced institutional environment to foster entrepreneurship (Bruton et al., 2010).

Affirmative action policy and Malaysia

AA can be contentious in addressing social and political tensions, especially among underrepresented communities. Common in emerging economies, AA policies serve as special measures for distinct target groups. Examples include the 'untouchables' in India (e.g. Bacchi, 2004), benefit distribution in Indonesia (e.g. Kruse et al., 2012), public sector employment in Nigeria (e.g. Sowell, 2004), economic reform in China (e.g. De Haan and Thorat, 2012), education in Brazil (e.g. Childs and Stromquist, 2015), and addressing marginalisation in ethnic groups in South Africa (e.g. Erasmus, 2015). These policies emphasise various socio-economic features, including special quotas for privileged groups in university admissions (Bertrand et al., 2010), interest-free return of investment schemes (Jomo and Sundaram, 2004), gender discrimination (Seierstad and Opsahl, 2011), unequal employment opportunities, and imbalanced human and minority rights (Holzer and Neumark, 2006). However, AA implementation can create societal voids, primarily benefiting specific representative groups like women and black entrepreneurs (e.g. Arshed et al., 2019).

The study is focused on Malaysia, an emerging economy marked by significant institutional voids (Harrison et al., 2017). Malaysia's national identity revolves around Malay culture, prioritising Bumiputra¹ advancement in politics (Tehseen et al., 2021). The Bumiputra, comprising the Malay² ethnic group, along with others like Bajaus, Kadazans and Dayaks, constitute the indigenous population. Malays represent 69% of the total population, with Malaysian Chinese and Malaysian Indian constituting 23% and 7%, respectively, as non-Bumiputra groups (Ministry of Economic Affairs, 2019). Malays dominate the Bumiputra group, making up 99.5%, with other indigenous groups forming the remaining 0.5% (Nicholas, 2000).

The Malaysian government's AA policies, initiated in 1971 through the New Economic Policy (NEP), in response to racial tension and riots (Tipton, 2009), focus on the majority ethnic group, the Bumiputra, in contrast to AA policies in other countries (Gille, 2018; Khalid, 2014). These policies aim to address interethnic socio-economic gaps and inequality by reducing poverty. The government continues to provide preferential assistance to the Bumiputra, reflected in increasing allocations in the national annual budget (Economic Planning Unit, 2018).

Recent reports highlight disparities in allocations impacting entrepreneurial competitiveness and broader consequences, including discouraging foreign investors

and exacerbating ethnic discrimination. The socio-economic status of the Malays is comparatively lower than that of their non-Bumiputra counterparts (Jamak et al., 2014; Khalid, 2014). To address economic segregation, the Malaysian government introduced the NEP, a 20-year plan creating a special position for Malays (Economic Planning Unit, 2018). AA signifies a specific policy set and involves restructuring that addresses societal heterogeneity. Policymakers increasingly recognise and address heterogeneous ethnic characteristics, providing access to facilities like business support and finance (Jones and Ram, 2021). In Malaysia, the policy aims to eliminate perceived injustices, balance inequalities, and promote special preferences by breaking one ethnic community's dominance of benefits and distributing the burden among others (Mohamad, 1981; Premdas, 2016).

The formal institutional voids in Malaysia have been addressed by AA policies supporting the majority ethnic group. These voids are navigated through informal reciprocal business networks, such as *guanxi*, among the Chinese non-Bumiputra group (Barbalet, 2023; Horak and Taube, 2016). These socially embedded connections assist entrepreneurs in managing regulatory institutional voids (Luo, 2005). *Guanxi*, rooted in mutual expectations, serves as a strategic practice among ethnic entrepreneurs, contributing to their entrepreneurial milieu (Batjargal, 2007). It is employed as an informal institution by the Chinese to gain advantages within their social structure (Barbalet, 2023).

The Bumiputra, considered 'defenders of the status quo' (Butler et al., 2000; Misangyi et al., 2008: 757), are connected to AA and established Bumiputra rights, prevalent in sectors like education and business enterprise (Khalid, 2014). Non-Bumiputra entrepreneurs, influenced by networks, have shown to engage in entrepreneurial activity, serving as social insurance due to their politically marginalised position in the country (Butler et al., 2000). Consequently, government intervention may not effectively support entrepreneurial action as intended (Djankov et al., 2002).

In Malaysia, key enterprise policies, including AA, encompass national digital transformation planning, enhanced support for export and internationalisation, expanded market access, and structured entrepreneurship training for Bumiputra youth (Ministry of Entrepreneurs Development and Cooperatives, 2019). Unlike minority-preferred AA in many nations, Malaysia's AA is designed for the majority group, addressing significant socio-economic and political divisions. Since the policy's inception, Bumiputra ownership of corporate wealth equity has surged from under 3% to a minimum of 30% in the business or corporate sector (Economic Planning Unit, 2018). Xheneti (2021) highlights the diverse challenges faced by ethnic groups, prompting policies to tackle issues such as inequality, poverty, and economic sustainability.

Additional support for Bumiputra small and micro businesses includes financial incentives (e.g. tax relief and double deduction) and location assistance (e.g. vendor development program). These initiatives, primarily for Bumiputra-owned SMEs, aim to enhance the socio-economic status of the Bumiputra community, facilitated by their institutionalised status in the Malaysian Federal Constitution [1] (Khalid, 2014).

Methods

Sampling and data collection

In response to calls for qualitative approaches in entrepreneurship research (Ramli et al., 2022; Van Burg et al., 2020) and a focus on institutionalised policy in a specific socio-economic context (Arshed et al., 2019), this article employs in-depth interviews with entrepreneurs and policymakers in an emerging economy. Emphasising contextualised explanation (Welch et al., 2011) and acknowledging that entrepreneurial activity is inseparable from the context of emerging economies (Austin et al., 2017), we adopted this approach for sensemaking and addressing gaps.

The study's sampling combined theoretical and snowballing strategies, as seeking information-rich samples is likely to yield substantive insights for the research questions (McKeever et al., 2015). Respondent selection was both theory- and phenomenon-driven, recruiting entrepreneurs previously involved with policy approaches and policymakers directly engaged in developing the institutional framework (Arshed et al., 2014). Diversity was accommodated in the sample through a broad range of sectors and genders, enriching theorising with diverse experiences of entrepreneurial activity and policy support, while also noting that the sample is not representative of the entire population (McKeever et al., 2015).

Respondent group 1: the (Bumiputra) entrepreneurs. To achieve the research aims, Bumiputra entrepreneurs were selected based on criteria such as being Malaysian Bumiputra or Malay, operating a business for at least 36 months, and representing various industries and business sizes. Participants were chosen from a list provided by SME Corp Malaysia, acting as a 'gatekeeper' for credible access to respondents (Seidman, 2013) committed to the national enterprise agenda (Arshed et al., 2014). Snowball sampling further identified participants with information-rich cases, allowing insights from geographically dispersed informants across demographic borders to illuminate ethnic entrepreneurship (Fletcher et al., 2018). We started with about half of the total respondents for each group, resulting in nineteen in-depth qualitative interviews conducted over 3 months from June to September 2016. Interviews, lasting 60 to 90 minutes, continued until data saturation was

Table 1. Profile of entrepreneurs.

Respondent (entrepreneur)	Gender	Age	Business	Years in business	Size of business
ENT1	Male	34	System developer	3	Small
ENT2	Female	35	Maternity consultant	3	Small
ENT3	Male	37	Web developer	10	Small
ENT4	Male	42	Travel agent	5	Small
ENT5	Male	45	Food and beverage	9	Micro
ENT6	Male	33	Mobile app development	7	Small
ENT7	Female	36	Traditional food supplier	5	Micro
ENT8	Male	48	Lodging and hospitality	5	Small
ENT9	Male	42	Web designer	5	Small
ENT10	Male	41	Event management	6	Small
ENT11	Male	36	Food and beverage	9	Medium
ENT12	Male	42	Software developer	10	Small
ENT13	Male	40	Sports equipment suppliers	4	Small
ENT14	Female	36	Fuel retailer	7	Medium
ENT15	Male	35	Advertising designer	8	Small
ENT16	Male	40	IT specialist	5	Small
ENT17	Female	38	Baker	8	Micro
ENT18	Female	30	Rehabilitation centre	3	Micro
ENT19	Male	33	Engineering consultant	4	Small

achieved for this phase. Table 1 profiles entrepreneurs in terms of age, gender, sector, and business size (Alvesson and Sköldbberg, 2000; Patton, 2015).

Respondent group II: the policymakers. For policymakers, participants were identified from government department websites to obtain contact details. A total of 15 policymakers were interviewed, representing various departments, positions and entrepreneurship agencies in Malaysian administrative institutions (see Table 2). Key informants were identified based on their knowledge, reputation, and influence (Fletcher et al., 2018; Patton, 2015). Preliminary interviews, conducted through phone or email, assessed their relevance and effectiveness for the study, following a protocol to interpret their rationale in the policy-making process (Arshed, 2017). This phase, crucial for building relationships and rapport, especially with high-ranking policymakers, spanned 3 months from April to June 2017, with interviews lasting an average of 60 to 90 minutes.

Insider perspective(s)

Prioritising an insider perspective in enterprise policy research (Arshed et al., 2014), we emphasised the institutional embeddedness of trust by conducting interviews in Malay, fostering genuine responses (Welter and Alex, 2015). English translations were provided for collaborative data analysis, ensuring accuracy and trust-building. The use of the native language facilitated rapport, encouraged more valuable information from entrepreneurs (Fletcher et al., 2018), and minimised the risk of misinterpretation

(Welter and Alex, 2015). Adopting a reflexive approach (Alvesson and Sköldbberg, 2000), interviews followed an open-ended protocol, allowing unanticipated narratives (Charmaz, 2006). We maintained an unbiased stance, embracing respondents' views without imposing our beliefs, facilitating in-depth exploration beyond the protocol to address emergent issues raised by participants.

Data analysis

Employing the constant comparative method akin to grounded theory (Alvesson and Sköldbberg, 2000), we conducted inductive data analysis to ensure the emergence of novel concepts grounded in existing theory (McKeever et al., 2015). Thematic analysis, following McKeever et al. (2015), involved sorting raw data, identifying categories and themes, and developing descriptive, explanatory conceptual themes through iterative discussions. Our analysis focused on institutional roles in entrepreneurship, highlighting the influence and impact of institutions on entrepreneurs and policymakers.

To ensure study quality, we adhered to criteria such as trustworthiness, credibility and confirmability (Welch and Piekkari, 2017). We made methodological decisions following Cuervo-Cazurra et al. (2020), and trustworthiness was further established by adopting theory in the interview guide (Dubois and Gadde, 2002) and addressing language issues (Chidlow et al., 2014). Data verification involved entrepreneurs through iterative discussions, while we cross-checked within team members to enhance credibility (Lincoln and Guba, 1985). The study findings are presented based on key emergent themes (see Table 3).

Table 2. Profile of policy respondents.

Respondent (policy staff)	Position	Description of department
PS1	Chief Executive Officer	Main state investment agency
PS2	Former Deputy Minister	Key ministry in entrepreneurship
PS3	Chief Director	Agency appointed for monetary affairs
PS4	Assistant Chief Director	Entrepreneurship vendor development
PS5	Head of Department	Higher education entrepreneurship centre of excellence
PS6	Director	Youth entrepreneurship development
PS7	Head of Department	State entrepreneurship central coordinating agency
PS8	Head of Department	Entrepreneurship development (Economics and policy)
PS9	Senior Executive	Entrepreneurship development (Economics and policy)
PS10	Senior Executive	Bumiputra SME division
PS11	Senior Executive	Bumiputra SME division
PS12	Senior Executive	Business development and entrepreneurship
PS13	Chief Director	Business development and entrepreneurship
PS14	Councillor	Local authority (City council)
PS15	Chief Director	Bumiputra outreach agenda

Findings

In this section, we examine how distinct ethnic entrepreneurial identities impact on Bumiputra entrepreneurs. We found that ethnic identity has created higher long-term dependencies and embedded responses towards the policy. This in turn leads to institutional privilege for some groups, and institutional exclusion for others. We demonstrate how formal and informal institutional voids widen gaps in entrepreneurial activity, and that these have been enabled by the preferential policy.

The presence of distinct responsive characteristics of ethnic identity influences the development of enterprise policy, with policy becoming entrenched over time. As a result, we show that parallel institutional environments are formed. Figure 1 represents the conceptual model associated with the study. The figure shows that the prevailing embedded AA policy framework has led to changes in the formal and informal institutional

environment in Malaysia. This then creates parallel institutional frameworks which serve to widen disparities in terms of entrepreneurial activity and wider economic inequality.

Institutional privilege

Institutional privilege has been created from both long-established policy and long-embedded societal norms. Over time, this privilege has become more pervasive into the society and benefitted the policy target group, leaving entrepreneurs with more opportunities to exploit benefits for their entrepreneurial growth. This is linked to other complex factors including culture and religion that shape entrepreneurial behaviour (Schmutzler et al., 2019).

This study finds that historical factors have contributed to the dynamics of Malaysian entrepreneurship support, with policymakers emphasising that the government system was a post-colonial inheritance. The colonial period has shaped the perceptions towards the entrepreneurial capabilities of the Bumiputra ethnic group, given the history of how Bumiputra entrepreneurs engaged in entrepreneurial activity. For example, a member of a policy-making body commented: *'It's inherited from the British system. [...] They needed to survive as they arrived as poor people. They didn't have the privilege to work as civil workers'* (PS6).

Ethnic identity shapes policy-making, favouring the indigenous group. Policymakers attributed policies to the British colonial system, acknowledging the need for correction: *'...an old story. It started since the colonial age. Now is the correction period'* (PS15). Historical influences were observed to strongly affected economic inequality and social conflicts. The perception of historical hindrance for indigenous (Bumiputra) entrepreneurs was linked to the normalisation of these perceptions. Entrepreneurial behaviours seen as common within the ethnic group were considered inherent to ethnic identity: *'The colonisers taught and set our mentality that we're only good as employees, mostly managers, and don't know much about doing business'* (PS6). Policymakers recognised the impact of shared ethnic identity on decision-making. These ingrained norms form pervasive informal institutional voids, shaping AA policies for entrepreneurship and beyond. This encompasses aspects like business grants, administrative role quotas, and education placements, with roots traced back to historical perspectives according to interviews with regulatory members.

Embedded societal assumptions contribute to economic segregation, shaping ethnic entrepreneurial traits. In the interviews, entrepreneurs expressed the belief that outcomes are fated, with failures strengthening their relationship with God: *'...must believe that it is all fated, and failures strengthen our relationship with The Creator'* (ENT12). They associated religious values with fulfilling beliefs and

Table 3. Descriptive to analytical categories.

Descriptive categories	to	Analytical categories
<p>Theme</p> <p>Ethnic status as an asset for ethnic groups</p>	<p>Examples from the raw data are:</p> <p>'It's inherited from the British system. [...] The Chinese were placed [in] mines, Indians, rubber estates. They didn't have the privilege to work as civil workers. [...] I bet they wouldn't be as successful [if they weren] here'. (P56)</p> <p>'Chinese, they are meant to do business. Their ancestors have done all the mistakes – and from there, they learn'. (ENT11)</p> <p>'The colonisers taught and set our mentality that we're only good as employees, mostly managers, and don't know much about doing business'. (P56)</p> <p>'I approached a Malay company to ask them to mentor these students, but they refused. They said, it's difficult for the students to deliver, [and] be on time.' [...] It never happened, not like the Chinese – they take it as part of their CSR'. (P55)</p> <p>'Working here, it inspires me a lot to see a lot of Malay tycoons, successful businessmen, businesswomen. [...] They allocated some money for tax, zakat [Islamic tax]'. (PS10)</p> <p>'The awareness for business is not merely on profit-making, but also to fulfil their rights and responsibilities'. (PS15)</p> <p>'Even without the government procurements, they're still happy because the Bumiputra would come to them. This is an ancient story! Just impossible to do anything. [...] The genuine ones would be bitten, till the bones!'. (PS15)</p> <p>'It's quite hard for them as it's the reactivity of the chambers that [is] actually playing the role. The Chinese's [chambers] are supportive towards their members as compared to ours that squabble with each other in the associations'. (P57)</p> <p>'Once, an entrepreneur came here and complained to me that he'd been promised a grant and had given money to an officer. That staff [member] immediately resigned to avoid involving the police; so, when he resigned, we couldn't proceed, and the entrepreneur closed the case. Had he pursued it, so many things will be affected, our image!'. (P57)</p> <p>'The first thing they would do, buy a new Mercedes. That's too common – and some were busted! [...] Maybe those are the extreme cases and do not represent the whole group'. (P58)</p> <p>'Otherwise, there's going to be another 1969 riot. Sometimes there are conflicts of interest, these people purposely spark ethnic issues to provoke'. (P54)</p> <p>'Deep inside, we want these Bumiputra entrepreneurs to succeed. That's why, if you go to our state office, the director himself would do his best to help them'. (PS12)</p>	<p>This tells us affirmative action leads to:</p> <p>Perceptions of historical background as ingrained conditions</p> <p>Normalising the role of ethnicity in entrepreneurial activity</p> <p>Sense of religious obligations as an ingrained identity</p> <p>Core to this is the:</p> <p>Capitalising known characteristics in the community for own benefit</p> <p>Shaped perceptions among both indigenous and non-indigenous groups</p> <p>Increased division between ethnic groups</p> <p>Continued institutional exclusion that exists as a response</p>
<p>Entrepreneurial activity as policy response</p>	<p>'In the government sector, they have their own system and people. [...] When we tried and approached them, they went, 'We already have a team that would do it.' They don't let us have any chances at all'. (ENT 10)</p> <p>'Never trust these politicians. They promised you, they said they would bring your proposal forward. But really, that's just an opportunity to cheat and change just the cover page of that proposal'. (ENT10)</p> <p>'They kept on mocking us – 'Oh, you Malays, you can leverage a lot.' [...] To me, this is the Malays' rights, sovereign rights'. (P56)</p> <p>'I've been to the [Malay snacks] manufacturers; so far, they all peel the potatoes manually. And the tourists, they love our traditional cookies. I was shocked – some even made it to the UK! [...] Unfortunately, obviously it didn't meet the international standards, so they withdrew. What a shame!'. (PS11)</p> <p>'We lost that [tech company]. The owner approached [government agency] previously, but at that time we couldn't see [the potential]. [...] Yes, yes, I could see the potential', but at the end of the day – 'We can't support you'. It was unfortunate'. (PS10)</p> <p>'You go to their banks [names a few], the chance to be accepted is slimmer as compared to the more commercial bank [...] We're not into that level of thinking'. (PS10)</p>	<p>This in turn produces:</p> <p>Assumptions that ethnic identities are embedded and deeply ingrained</p> <p>Norms in institutional environments that feed on existing, prevalent conditions</p> <p>Creation of parallel institutions</p>
<p>Increased institutional barriers for growth</p>	<p>Misconducts by formal institutional actors leading to institutional distrust</p> <p>Increased institutional asymmetries despite attempts to close gaps</p> <p>(Un)supportive institutional norms for entrepreneurs who are accessing benefits</p>	<p>Long-embedded institutional conditions</p> <p>Creation of parallel institutions</p>

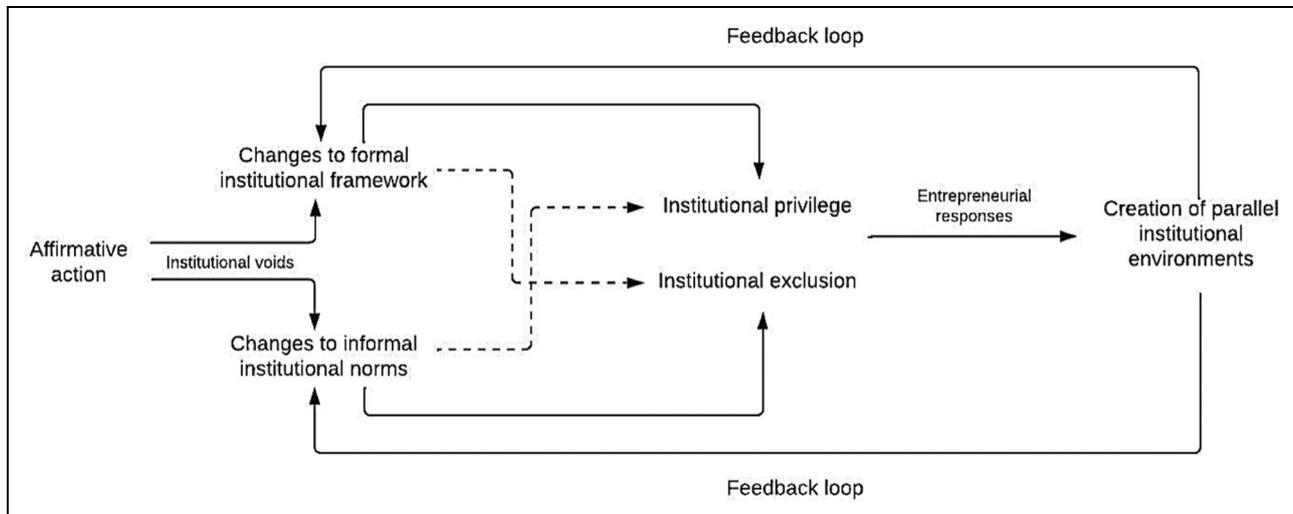


Figure 1. How parallel institutional environments are created.

commitments: *'It was only [for] a minimal fee. It's more like to help them, especially the Malays'* (ENT17).

Religion significantly influences entrepreneurial activity, with entrepreneurs increasingly linking their religious beliefs into profit-making activities. This trend was particularly pronounced within the ethnic group, emphasising their deeply ingrained religious identity, Islam. The awareness that a business is *'...not merely about profit-making but also fulfilling rights and responsibilities'* (PS15) reflected a shared perspective among policymakers and entrepreneurs. This underscores the embedded nature of religion within the Bumiputra ethnic identity, shaping entrepreneurial success through societal (religious) funding schemes like *zakat*, an annual regulatory levy, seen to fulfil community responsibilities and enhance societal well-being. Entrepreneurs' deep-rooted religious beliefs have not only shaped the institutional landscape but also cultivate social capital, a key to entrepreneurial success. An entrepreneur shared how these beliefs inspire him to propel youth into business: *'I want those kids from the village to be exposed, to learn... So let our people learn'* (ENT11).

The existing formal institutional voids are complemented by these informal institutions resulted from the practice of regular entrepreneurial norms. With this embedded perception, the study finds that religion exists as one of the institutional conditions to the ethnic identity. This adds to the existing institutional privilege created from both long-established policy and long-embedded societal norms.

Institutional exclusion

The majority group's ethnic identity can be fragmented, contingent on their dominance level, potentially converging with minority groups over time (Rae, 2021). This involves encountering social exclusion when pursuing policy outcomes, coupled with other institutional dimensions

(Xheneti, 2021). Institutional exclusion occurs through the responses towards the existing preferential policy by the non-benefitting entrepreneurs. This happens from the shaped perceptions that feed into the impact of entrepreneurial responses as those who are being excluded from the policy. Both policy and norms surrounding this exclusion can then widen economic gaps between ethnic groups, leaving unresolved interethnic inequalities among them.

In the interviews, policy-making members often emphasised the significance of their roles and responsibilities in supporting the government's efforts for entrepreneurial growth. However, shaped perceptions within the entrepreneurial community, particularly in response to the policy, were also evident. For example, non-Bumiputra entrepreneurs are observed to have defensively responded to the policy, where: *'They only need you when they need you. [Non-Bumiputra] entrepreneurs are like that. It's different for the Malays'* (PS1).

This perspective was widely shared among policymakers and entrepreneurs, shaped by their interactions with non-Bumiputra ethnic groups; critiqued as *'...too generous, making the Bumiputra comfortable and too dependent – spoon-fed'* (ENT9). Entrepreneurs noted a sense of complacency, fostering greater reliance among the Bumiputra. The interviewed businesspeople acknowledged the normalisation of dependency within the Bumiputra ethnic group. This demonstrated the Bumiputra reliance on government support, which could result in institutional exclusion for others. In contrast, the non-Bumiputra group's reaction to the policy suggests a more proactive entrepreneurial approach, motivated by existing challenges.

The preferential treatment allocated to specific target groups is seen to consequently trigger institutional manipulation within the regulatory system. Our analysis shows that respondents acknowledged the involvement of policy

members in the misappropriation of power, contributing to economic dominance by the non-Bumiputra group: *'We must change the system and train them. [...] The politics is wrong, let alone [the] economy'* (PS2). Misconduct was noted through manipulation of special allocations, creating opportunities for non-Bumiputra involvement in the relevant business areas: *'[The] policy is good, but not implementation. [...] The Malays eat other Malays'* (PS14).

The policymakers depicted the Bumiputra as mistreating their allocation, hindering their entrepreneurship development, thus inhibiting growth. In response, non-Bumiputra entrepreneurship emerges as a long-term effect of AA, seen as a defence against institutional exclusion. A respondent compared the constant reliance of privileged entrepreneurs to those who are not, stating: *'The non-Bumiputra get 20 per cent of allocations. Even without the government procurements, they're still happy because the Bumiputra would come to them'* (PS15).

We identified a response bias urging acceptance of the preferential policy as a social contract: *'... they must support the policy. Otherwise, there's going to be another 1969 riot'* (PS4). This justification, linked to a past political crisis, maybe perceived as an attempt to justify the institutionalisation the policy despite opposition from non-Bumiputra groups. Consequently, both the policy and societal norms, as institutional voids, may prolong institutional exclusion for the non-indigenous group, fostering proactive responses beyond initial reactivity.

Creation of parallel institutional environments

Parallel institutions are created when both institutional privilege and exclusion coexist within the same environment for entrepreneurs. Changes and how the formal institutional (policy) framework and informal institutional (societal) norms shift over time can influence the degree of privilege and exclusion faced by entrepreneurs within or outside an ethnic group. Over time, these embed the parallel institutional environments.

In the interviews, there was an allusion that despite the regulatory framework being highly advantageous for the benefitting entrepreneurs, other ethnic entrepreneurs are also over utilising the government's allocation for them. There was a notion of the preferred policy being a *'plague'* (PS8) that might influence other, non-Bumiputra ethnic groups' perception of the Bumiputras: *'They kept on mocking us – "Oh, you Malays, you can leverage a lot"'* (PS6).

The imbalance resulted in increased entrepreneurial activity among non-beneficiaries, who defended the preferential treatment's necessity despite negative perceptions of Bumiputra entrepreneurs. This biased perspective, prevalent among policy-making members, reflected scepticism about Bumiputra entrepreneurial capabilities. Both groups expressed negative views about institutional actions and

efficiency. A respondent commented, *'that's just an opportunity to cheat'* (ENT10). Entrepreneurs considered these arrangements inefficient, expressing distrust toward the authorities. Participants voiced frustration, stating, *'tired of the bureaucracy, corruption, and these political company ownerships'* (ENT16).

Unsupportive institutional support was evident from both policy and societal perspectives. Policymakers highlighted an inefficient regulatory framework, stating that it has *'...developed a nation of thieves. People will try to steal. Just to keep up with the Joneses!'* (PS1). Policy implementations, such as privatisation and sector-focused policies, created gaps and deficiencies, leading to institutional asymmetry within regulatory bodies. Similar concerns were voiced by policy-making members, describing some policy execution as harmful. This is attributed to 'policy entrepreneurs' who carried out institutional alterations according to their needs (e.g. Bakir and Jarvis, 2017). Despite AA, respondents acknowledged Bumiputras' involvement in power misappropriation, contributing to institutional distrust linked to an incompatible formal regulatory framework – another form of formal institutional void.

Our analysis found that a key impact of these voids is the creation of parallel institutional environments. This includes the distrust associated with government policy, greater institutional asymmetry, and institutional norms that are unsupportive towards entrepreneurial growth. The imbalance between policymakers' perception and expectations and the executions of the policy were seen in the interviews. It was mentioned that regulatory bodies must address barriers hindering entrepreneurial development instead of continuously supporting growth, as agreed by one regulatory member who stated: *'We lost that [a unicorn company] because of that. The founder approached [agency name] previously, but at that time we couldn't see [the potential]. [...] It was unfortunate'* (PS10).

The study revealed that institutional asymmetry reinforces existing voids, creating unsupportive institutions for entrepreneurs based on perceptions from core policy-making bodies. Societal norms also play a role in entrepreneurial development, influencing how businesses thrive. Some policy staff members noted a perception of entrepreneur complacency regarding business size, with market demands not prioritised. Entrepreneurs underestimate the significance of support, viewing assistance as *'a waste of time'* (PS1). This leads to underutilisation of available entrepreneurial resources and prospects, leaving unfilled voids.

Discussion

This study demonstrates how institutional voids associated with an emerging economy such as Malaysia are further embedded by AA policy (Harrison et al., 2017). Rather

than enhancing entrepreneurship, these policies serve to create parallel institutional environments.

AA policy intends to benefit the majority ethnic group. However, our analysis shows that policy has provided *institutional privilege* that brings advantages to the targeted ethnic group for their entrepreneurial development. We demonstrate the importance of an ethnic group as an identity and an institutional condition that is contributing to economic growth. AA policy has led to antecedents becoming embedded, with formal institutional changes promoting distinct differences in entrepreneurial identities between the Bumiputra and non-Bumiputra. As such, the study shows that ethnic identity is a socially negotiated, on-going accomplishment and is inseparable from human interactions and complex context (Orozco, 2022). This is in line with Zhang and Chun (2018), who argue that both identity construction and entrepreneurial mind set are prevalent among the immigrant entrepreneurs due to their status. We extend this research by showing how identities can become more embedded as a result of policy which provides privileges and at the same time leads to exclusion. We demonstrate that both concepts build on Webb et al. (2020) in demonstrating the interactive nature of both formal and informal institutions in the context of entrepreneurship.

As well as the role of policy and regulations as the formal institutions, the study finds that privileges for the Bumiputra were also created by the crucial role of informal institutions including historical factors and religion. Dodd and Gotsis (2007) emphasise that entrepreneurial activity is influenced by religion, as both phenomena are correlated and coalesce through social interaction and evolution, rather than being centred solely on personal motives. Religion's influence on entrepreneurial activity has been documented in numerous studies, as evidenced by Dana (2009). We found that religious beliefs and practices have been normalised among the Bumiputra, enabling their productive entrepreneurial activity (Audretsch et al., 2013).

The deeply ingrained ethnic status and identity has been demonstrated to enhance the impact of the existing institutional privilege. Consistent with Schmutzler et al. (2019), we show how the sociocultural environment influences individuals as community members in shaping the structure of public policy assistance. This means that the AA policy informs the entrepreneurial identity of different ethnic groups and does so in a processual manner (Essers and Benschop, 2007). The study also finds that there is a higher impact on the Bumiputra entrepreneurial identity brought by the formal institutional voids, creating a sense of superiority for them, as compared to other ethnic groups when it comes to access to entrepreneurial resources. This then resulted in increased dependencies on laws and regulations by this benefitted ethnic group as they utilised on political ties (Ge et al., 2019).

AA enterprise policy also influences the non-Bumiputra in their entrepreneurial activity in terms of filling the existing institutional voids, while improving the quality of entrepreneurship (Chowdhury et al., 2019). These entrepreneurs react to the existing systems by making arrangements for their own benefits. This includes utilisations of resources through informal network and organisations and exploitation of institutionalised Bumiputra identities using proxy companies as middlemen in their businesses. Our study provides deep insights into the role that institutions play in facilitating entrepreneurial implementations by leveraging the complementarity of these voids (Webb et al., 2020). We link this finding to the existing evidence of the use of intermediaries to ensure government support (i.e. funding) is secured and won (Ram et al., 2013). These institutional arrangements left an imbalance between formal and informal institutions, termed institutional asymmetry (Williams and Vorley, 2015), which can be both supportive and unsupportive towards growth. The disproportion still exists as some entrepreneurial practice can be illegal from one perspective but acceptable from others (Webb et al., 2009). Beneficial institutional policies might be useful for some entrepreneurs (Siqueira et al., 2016), but leave others behind because of the asymmetry.

Our study found that these voids in institutions create disadvantages to other groups, leading to *institutional exclusion*. This unintended impact also contributes to shaping perceptions towards both groups, including perceived institutional manipulation and utilisation of informal networks, and exclusion becomes pervasive (Kevill et al., 2019). Given that policy-making often concentrates on improving formal institutions (Webb et al., 2020) and overlooks the synergy between formal and informal institutions, these perceptions persist over time.

The combined impact of institutional privilege and institutional exclusion leads to the creation of parallel institutional environments. Over time, this will lead to greater asymmetries between the entrepreneurial activity of different ethnic groups and lead to an increase in overall economic inequality. The impact of long-embedded informal institutions, such as societal norms and values, often persists or even intensifies as formal institutions, including policies and regulations, undergo changes. The established formal rules continue to feed on how perceptions and beliefs are when it comes to entrepreneurial development, causing parallel institutional environments.

Conclusion

This article aims to investigate the impact of enterprise policies on supporting ethnic groups and their influence on entrepreneurial activity. Despite policymakers' good intentions, the research reveals that the outcomes are not uniformly positive. The AA policy related to entrepreneurship in Malaysia has resulted in the development of parallel

institutions, creating institutional privilege for one ethnic group while excluding others. This has widened the gap in entrepreneurial activity, leading to increased economic inequality in a dynamic process.

The literature has emphasised the necessity of exploring the challenges of policy-making and its impact on both formal institutions and informal institutional voids (Webb et al., 2020). This study contributes to advancing the understanding of institutional asymmetry (Williams and Vorley, 2015) by demonstrating that modifications in formal institutions trigger embedded changes in informal institutions over time. We highlight that established rules and regulations, designed for preferential support, induce shifts in norms and values, which ultimately leading to divisions between privileged groups and those excluded.

This study yields several policy implications. First, for effective AA implementation, policy conditions should align with existing institutional environments (Gille, 2018). The government should enhance access to both formal (e.g. funding, services) and informal (e.g. network, religious organisations) resources, fostering wider engagement and support for excluded groups to mitigate interethnic tension. Additionally, policymakers should stay attuned to the evolving trends in Bumiputra entrepreneurial activity and behaviour. Second, recognising entrepreneurial identity as a sociocultural process, early entrepreneurial education is crucial to instil an entrepreneurial culture. Vigilant monitoring is essential to mitigate the impact of institutional parallels, including political involvement and bureaucratic challenges. Third, the study's insights are valuable for other emerging economies practicing AA policies (e.g. Brazil, India, South Africa, China), offering understanding on how institutions interact, influencing entrepreneurship development in their respective countries (Sun et al., 2020).

We acknowledge that there are some limitations to our sample composition. The study focused on interviews with the Bumiputra and policymakers, and we draw out implications for institutional privilege and exclusion. However, the study sample did not include the non-Bumiputra entrepreneurs. There are significant strengths in terms of the depth of data that were able to be obtained which mitigate this, and we are able to draw implications for the non-Bumiputra population through the interviews which were undertaken.

This study suggests several avenues for future research. First, there is potential to direct studies towards populations excluded from policy emphases, delving into their perceptions, experiences, and the impacts on opportunity recognition and growth. Second, a call for richer contextualisation of exclusion in entrepreneurship research is made, advocating for a comprehensive exploration of broader contexts of government support, especially for minority entrepreneurship. The contextual insights gained from this study can inform theoretically grounded assessments of similar situations in other emerging economies and shed light on the

processes of policy development and associated outcomes. This collective exploration holds promise for advancing both theoretical and practical understanding of how policy influences entrepreneurship within ethnic groups.

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Notes

1. 'Bumiputra' literally means 'sons of the soil' in the Malay language.
2. The Malays as the majority group have been lagged behind other minority ethnic groups in terms of its socioeconomic status, forcing the government to provide the Bumiputra status; exclusively reserved for the Malays and other indigenous groups in Malaysia. See Khalid (2014).

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