

2.0 LITERATURE REVIEW

Balfour (2001) described the plight faced by Malaysia's manufacturing sector with American and Japanese firms increasingly moving their manufacturing operations to other lower cost countries in particular China. The Economist Intelligence Unit (2000) highlighted that the MSC project provided a much needed boost to Malaysia's move up the value chain as the manufacturing driven boom had been steadily pushing up production cost and eroding the economies competitiveness. However the extent of success capable of being achieved by the MSC as compared to what was envisaged by the government was disputed.

Governments see the development of successful technology regions as beneficial due to these regions having higher productivity (Huntsman, Griggs, Martinez, Robitaille, Galvin & Blatner 1997), nett job increases in the long run with technology boom-bust cycles taken into account (Henton, Walesh & Brown 2001) and increased revenue collections through taxation without the problems associated with pollution (Elstrom 1997).

The following factors were either directly attributed or inferred to have contributed to Silicon Valley's successful development as a technology region:

- Major Higher Education and Research Institutions (Rogers & Larson 1984; Huntsman et al. 1997; Levy 1998)
- Infrastructure (Levy 1998)
- Venture Capital (Reinhardt, Hamilton & Himmelstein 1997; Huntsman et al. 1997; Levy 1998)
- Local Anchor Megasuccessful Companies (Levy 1998; Jacobson 2001)

- Weather (Tajnai 1985; Mackun 2001)
- Culture (McLaughlin 1995; Reinhardt et al. 1997; Huntsman et al. 1997; Elstrom 1997; Levy 1998; Mackun 2001)
- Networks (Saxenian 1994; Reinhardt et al. 1997; Levinson 2001)
- Specialised Support Services (Reinhardt et al. 1997; Huntsman et al. 1997; Elstrom 1997)

On Bangalore, there were 5 success factors common to Silicon Valley and 3 new success factors either directly attributed or inferred as listed below:

- Major Higher Education and Research Institutions (Levy 1998; Ranganathan 2000; Chrysler 2001; Ybarra 2001; Murali 2002)
- Infrastructure (Levy 1998; Ybarra 2001; Bangalore Department of IT 2002)
- Venture Capital (Levy 1998; Ybarra 2001)
- Local Anchor Megasuccessful Companies (Levy 1998; Chrysler 2001; Ybarra 2001; Murali 2002)
- Weather (Ranganathan 2000; Murali 2002)
- Government Policy (Ybarra 2001; Bangalore Department of IT 2002)
- English (Murali 2002)
- Cheap Labour (Leonard 2001)

Elegant and Hiebert (2000) held the opinion that the MSC had the potential for modest success with lots of small start-ups being attracted rather than the initially hoped for big players. Risen (2002) highlighted that while there was a lot of venture capital in Malaysia, most of the funds have not been used and remain dormant. Hassan (2002) focused on the issue

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of lack of breakthrough technologies and intellectual property content in Malaysian technopreneur companies to attract venture capital funding.