

**CROWDFUNDING FOR RESEARCH:  
A CASE STUDY IN RESEARCH MANAGEMENT  
CENTRE IN MALAYSIA**

**LAU KENG LIANG**

**UNIVERSITI TEKNIKAL MALAYSIA MELAKA**

LAU KENG LIANG

BTM (High-Tech Marketing)

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MANAGEMENT CENTRE IN MALAYSIA

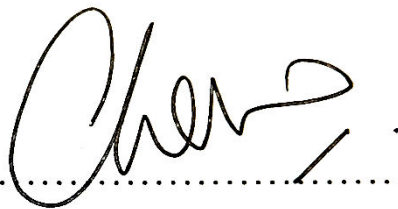
LAU KENG LIANG

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Faculty of Technology Management & Technopreneurship  
Universiti Teknikal Malaysia Melaka

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I/ We hereby declared that I/We had read through this thesis and  
in my/our opinion that this thesis is adequate in terms of scope and quality which  
fulfill the requirements for the award of Bachelor of Technology Management  
(High Technology Marketing)


Signature :   
Name of Supervisor : DR CHEW BOON CHEONG  
Date : 3/7/2015

**DR. CHEW BOON CHEONG**  
*Timbalan Dekan (Penyelidikan & Pengajian Siswazah)*  
Fakulti Pengurusan Teknologi Dan Teknousahawanan  
Universiti Teknikal Malaysia Melaka

Signature :   
Name of Panel : ..... **DATIN SURAYA BINTI AHMAD**  
*Pensyarah Kanan*  
Date : 3/7/2015 : .....  
Fakulti Pengurusan Teknologi dan Teknousahawanan  
Universiti Teknikal Malaysia Melaka

## DECLARATION

“I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly.”

SIGNATURE :   
NAME : LAU KENG LIANG  
DATE : 3 July 2015

## **DEDICATION**

I would like to dedicate the appreciation to my family members especially my parents Mr. Lau Hwa Hwa and Mrs. Soh Bee Chin who supported me from spiritually and financially, beloved supervisor and panel who guided me throughout the research, housemates and course mates that assisted me through the journey of research. Most importantly, may all the glory be to God.

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## **ABSTRACT**

This research discusses about the implementation of academic crowdfunding in the Research Management Centre in Malaysia. In order to investigate the effectiveness of academic crowdfunding practice, the research focuses on two important issues namely as; (1) The hurdles that may challenges the crowdfunding initiative, and (2) An overview of the crowdfunding model which can be the strategy to supports the academic research funding. In this study, the researcher will conduct the case study in qualitative research method, which included the semi-structured interview to investigate the related and importance for implementation of academic crowdfunding in Research Management Centre. On the other hand, this dissertation also will propose the innovative suggestions and the best practices to enhance the effectiveness of the academic crowdfunding initiative. As a conclusion, crowdfunding might become the attractive paradigm to raise the fund for the academic research in Malaysia.

Keywords: Crowdfunding, Academic Research, Funding, Malaysia

## **ABSTRAK**

Kajian ini membincangkan pelaksanaan akademik “Crowdfunding” di Pusat Pengurusan Penyelidikan di Malaysia. Untuk mengenalpasti keberkesanan di dalam akademik crowdfunding ini, penyelidik akan memberikan tumpuan kepada dua (2) isu penting iaitu; (1) Halangan yang mencabar inisiatif crowdfunding; dan (2) Gambaran keseluruhan dalam model Crowdfunding yang boleh dijadikan sebagai strategi dalam menyokong pembiayaan penyelidikan akademik. Di dalam kajian ini juga, penyelidik akan menjalankan kajian kes melalui kaedah penyelidikan kualitatif iaitu temu bual separa struktur untuk menyiasat kaitan dan kepentingan pelaksanaan akademik Crowdfunding di Pusat Pengurusan Penyelidikan. Seterusnya, kajian ini juga akan mencadangkan beberapa cadangan yang inovatif dan juga amalan-amalan yang terbaik bagi meningkatkan keberkesanan akademik crowdfunding. Kesimpulannya, penyelidik bersetuju bahawa crowdfunding mungkin menjadi paradigma yang dapat membantu untuk memperolehi dana bagi penyelidikan akademik di Malaysia.

*Kata Kunci: Crowdfunding, Penyelidikan Akademik, Dana, Malaysia*



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## **LIST OF ABBREVIATIONS**

<b>ABBREVIATION</b>	<b>MEANING</b>
LoNGPEST Analysis	Local, National, Global, Political, Economic, Social, Technological, Legal and Environmental Analysis
ECF Operator	Framework for Equity Crowdfunding
REF	Registered Electronic Facility
CMSA	Capital Markets and Services Act

## **LIST OF APPENDIX**

<b>APPENDIX</b>	<b>TITLE</b>
1	Questionnaire



## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

In this 21st century, the world is changing in the ever increasing pace, the business environment becoming very competitive and hard to survive. According to Capon (2009), competition is considered an important element and is therefore analysed in addition to the general external environment by LoNGPEST analysis. Many small businesses and kick starters are so fearful with this competitive environment, this cause the funding for the innovations also becoming more and more difficult because investors fear of the risky and uncertainties. The most common challenges that often faced by many researchers are the lack of funding source for their product development. Because of this, crowdfunding become the alternative for many innovators. Crowdfunding providing a platforms that allow people from anywhere of the world to start a business, it totally opens up a completely new realm of possibilities and opportunities for the global business.

According to Rich (2014), crowdfunding is a viable alternative to more traditional ways of raising capital through investors, bank loans, or by utilizing the credit. In this study, crowdfunding is select for as tool where it aims to promote the academic research in Research Management Centre in Malaysia towards commercializing research project. Before that, academic research fund only available through allocated fund by academic, governmental or any funding institution, this often slow down the process of getting promising innovations into the market due to

high competition. With crowdfunding tool, it enable the academic researchers to get the funding faster, it is also help the researchers to think through a market lens, not just to raises the funding, but also helps to gauge public interest before launching the product into the market. This is departed from the angle of market pull.

### 1.1 Problem Statement

According to Allen (2008), the capital structure of start-up ventures depend heavily on the entrepreneur's personal resources such as financial need. Most of the academic researchers face the common problem of lack of fund and also difficult to attracting outside capitals or funding at the beginning of a new product development. The banks and investors also become more risk averse to safeguard their investment, therefore it is not easily for researchers to get the financial support. Because of this, crowdfunding is emerged as an alternative tool for financial. Yet because of crowdfunding is still a new way of raising fund in Malaysia, therefore it is difficult to get the positive response from the public due to the fearful to risks and uncertainties. One of the well-known entrepreneur Laplanche comments: *"It's important for anyone considering investing in startups to remember that startups are inherently risky - a few take off, but most don't work out, and there's currently no standardized metrics to help inexperienced investors evaluate risk"* This statement reflect the situation in Malaysia that why the public still do not have open mindset to accepting this new funding tool because it is risky. Therefore, in this study the researcher will focus on assess the crowdfunding readiness of the public to the universities innovation and scientific research.

This proposed research is to investigate the use of crowdfunding as the tool for academic research that related in innovation and scientific research project of Research Management Centre in Malaysia.

The research questions are below:

- i. What are the hurdles that challenge the crowdfunding initiative?

- ii. What are the crowdfunding strategies for the Research Management Centre in Malaysia on innovation and scientific research?
- iii. What are the innovative suggestions to overcome these hurdles and enhance the crowdfunding initiative?

### **1.1 Research Objectives**

In the past, Research Management Centre in Malaysia only get the research funding from academic, governmental or any funding institutions, this often slow down the process of getting promising innovations into the market, and this typical of funding sources do not support the development of prototyping and product creation. Now, because of the explosion of vibrant social networking media, the crowdfunding sensation stretches to the far reaches of the global communities. Crowdfunding helps to bridging the gap between idea and reality in the academic research and practice.

The objective of this project is:

- i. To investigate the hurdles that challenges the crowdfunding initiative.
- ii. To assess the crowdfunding strategy for the Research Management Centre in Malaysia on innovation and scientific research.
- iii. To propose the innovative suggestions to overcome these hurdles and enhance the crowdfunding initiative.

### **1.2 Scope, Limitation and Key Assumptions of the Study**

This research was conducted to assess the crowdfunding strategy of Research Management Centre in Malaysia. There is several limitation that the researcher set for this research case study. First, the research is to assess the strategy of academic crowdfunding of Research Management Centre in Malaysia only. Second, researcher

was only focused on the crowdfunding from public but not the funding from university, government, or research institution. Third, this case study includes the management associates from Research Management Centre. Management associates are those set up an organization policies and manage the organization.

There are also several assumptions that made purposely for this project. First, the researcher will assume all the respondents are answering with honestly. Second, this study was only focuses on respondents' behaviour and does not take into account environmental or economic factors.

### **1.3 Importance of the Study**

This study discusses about the academic crowdfunding for innovation and scientific research in Research Management Centre in Malaysia. Throughout the study, researcher able to knows about the strategy of crowdfunding to attract the crowd towards the academic research. Beside, researcher able to find out the hurdles of the crowdfunding and propose the innovation suggestion to overcome the hurdles.

Moreover, this study will be a significant endeavor in helping the Research Management Centre in Malaysia in promoting the academic research projects towards commercializing research projects and educate the researchers to think, to learn and to be a real marketer.

### **1.4 Summary**

Crowdfunding is the attractive paradigm to raise the fund for the academic research in Malaysia. Besides, it also can possibly enable learning for the researcher on how to seeking fund from public and then use that funding to bring their product into the marketplace. In this study, researcher will focus on the strategy of the crowdfunding towards the academic research. Beside, researcher also will find out

the hurdles that might challenges the crowdfunding initiative. Moreover, researcher also will propose the innovative suggestions for overcome the hurdles of the public. Crowdfunding maybe not seen as a replacing conventional research funding for academic only, but it can as a complement that empower the public to diverge their fund into the projects they actually care about and want to support. It offers access to the modest amounts of capital, potentially mitigating the gap of funding problem, and exposes commercially promising opportunities to the marketplace.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

In this chapter, researcher discusses about the definition and origin of crowdfunding. The theory of the crowdfunding also will explain in detail to provide a clear understanding. The literature review will define all the term and concept of crowdfunding in this bachelor degree dissertation through the support of the existing secondary data such as books and academic journals. Researcher also will discuss the challenges of crowdfunding practice and also strategies of crowdfunding. At the end of this chapter, researcher will come out with the theoretical framework.

#### 2.2 Definition and Origin of Crowdfunding

Nowadays, many universities in Malaysia start to prioritize in develop their academic research in order to compete with other universities. This situation support the research of Clark (1994), ‘research is of prime importance in academics’ value systems... and university reward and value systems are premised on achievement in research. This situation also causes fund raising for academic research become more competitive in Malaysia. As Berry (2010) states, the landscape in which funding for research is applied for and won has become increasingly competitive and global in

nature. Because of this, crowdfunding emerged as the new alternative for academic research funding.

To understand the crowdfunding, we need understand the crowdsourcing, this is because crowdfunding has its origin in the concept of crowdsourcing. It concept also closely related with the crowdsourcing. Crowdsourcing was first introduces by Howe (2006), it definition is ‘represents the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open calls.’ Both of this have the same concept, which is the individual reaching a goal by receiving and leveraging small contribution from many small parties.

According to Wicks (2013), crowdfunding is where a large number of people (a crowd) financially support a product or project by giving a relatively small amount of money either in return for a reward, as a donation, or potentially in return for equity. It is a form of social networking and uses the power of the internet and online communities to spread the word about a product or project. Crowdfunding is a concept that get the inspiration from the crowdsourcing and the concept like micro-finance (Morduch, 1999).

### **2.3 Defining the Process and Roles in Crowdfunding**

According to Burtch, et al. (2012), all crowdfunding transactions are facilitated through the internet-based crowdfunding platforms which also provide a convenient means for all exchanges of funds. Another researcher Voorbraak (2011) also defines that crowdfunding is the process of one party requesting and receiving money and other resources from many individuals for financing a product or project, in exchange for a monetary or non-monetary return on investment.

The researcher found out that the study of both researchers (Burtch, et al., 2012; Voorbraak, 2011) show that there must have the party or roles involve in fulfill the crowdfunding effort. This supports the research of Burkett (2011), which

explains that there are three roles to fulfil in any crowdfunding effort. From Burkett's research, there is the intermediary who serves as a matchmaker between fundraisers and investors. The central role of the intermediary, it is also known as the crowdfunding platform. Next, there are fundraisers, fundraisers raising the fund via the crowdfunding platforms. Lastly, there are investors, it is also defines as the 'crowd' from the term crowdfunding, crowd is a group of people who financially support the project of fundraisers, bearing the risk together and expecting a certain payoff. The researcher agrees with the research findings of Burkett.

## **2.4 Challenges of Crowdfunding**

According to Buysere, et al. (2012), there are five challenges that always tied with crowdfunding practice, which includes:

- i. Fraud
- ii. Setting Valuations
- iii. Post Investment Communication
- iv. Data, Analysis and Risk Mitigation
- v. Conflicts of Interest and Operational Risks

### **2.4.1 Fraud**

According to Buysere, et al. (2012), fraud is the most widely debated issue for critics of crowdfunding practice. Critics point out the potential for funders to fund scams through crowdfunding platform. The risk for fraud is increases in crowdfunding because the pool of funders has no personal contact or real business idea beyond what is presented on the crowdfunding platform. Research (Povel, Rajdeep, and and Winton, 2007) show fraud is increase when the fundraiser reveals more and more of information of the firm to the public.