

THE KEY FACTOR INFLUENCE TO THE  
SUCCESSFUL OF MELAKA ENTREPRENEUR

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**THE KEY FACTOR INFLUENCE TO THE SUCCESSFUL OF MELAKA  
ENTREPRENEUR**

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Report submitted in fulfilment of the requirement for the Degree of Bachelor of  
Technopreneurship with Honours

Faculty of Technology Management and Technopreneurship  
Universiti Teknikal Malaysia Melaka

**JUNE 2015**

I hereby confirm that I have examined this project paper entitled:

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## DECLARATION

“I declare that this project is the result of my own research except as cited in the references. The research project has not been published for any degree and is not concurrently submitted in candidature of any other degree.”

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## ACKNOWLEDGMENT

Alhamdulillah. Thanks to Allah, who with His willing giving me an opportunity to complete this study entitled “The Key Factor Influence To The Successful Of Melaka Entrepreneur” to fulfil the compulsory requirements of Universiti Teknikal Malaysia Melaka (UTeM) and the Faculty of Technology Management and Technopreneurship (FPTT). I would like to thank, without implicating to my fellow classmates, supervisor, lectures, family and friends for helping me working on this research project.

I would like to express my deepest thanks to En. Hasan Bin Saleh a lecturer at FPTT and also assign as my supervisor who had guided me for the task during two semesters in session 2014/2015. Also sincere appreciation and thanks to Dr. Ismi Rajiani and Dr. Chew Boon Cheong for sharing their experience and knowledge in the Business Research Methods subject that really helped me through the writing of this study.

Lastly, deepest thanks and appreciation to my family members, their endless support, encouragement, and full support during the report completion from the beginning till the end.

Thank you very much.

## ABSTRACT

As is well known small and medium entrepreneurs is growing along with the development of Malaysia. Many businesses that have been successful in their to business. This study was conducted to (1) to identify whether entrepreneurs perceived to be good management or not. (2) To identify the trustiness in business. (3) To identify personal qualities in business education. (4) To identify satisfactory government support. To get all the information required, the method of questionnaire was given to the small and medium entrepreneurs. The question relates to how far they can be a successful in business based on hypotheses that have been built. All information and data are collected through a questionnaire related to the study were gathered and analyzed by using two main software which were Microsoft Excel and Statistical Package for Social Sciences (SPSS). From the results of the questionnaire was conducted researcher can see that whether the four factors greatly influence the success of a business or not. From the study, it was found that the all the variables are a key factor influence to the successful of Melaka entrepreneur. In conclusion, small and medium entrepreneurs can be successful in business if they have four (4) or one (1) of the factor for encourages entrepreneurs towards success.

## ABSTRAK

Seperti yang diketahui usahawan kecil dan sederhana semakin berkembang seiring dengan pembangunan negara Malaysia. Ramai perniaga yang telah berjaya dalam perniagaan mereka. Kajian ini telah dijalankan bertujuan untuk (1) Untuk mengenal pasti sama ada usahawan dianggap sebagai seorang baik dalam pengurusan atau tidak. (2) Untuk mengenal pasti kepercayaan dalam perniagaan. (3) Untuk mengenal pasti kualiti peribadi dalam pendidikan perniagaan. (4) Untuk mengenal pasti sokongan kerajaan yang memuaskan. Untuk mendapatkan semua maklumat yang dikehendaki, kaedah soal selidik yang telah diberikan kepada para usahawan kecil dan sederhana. Soalannya berkaitan dengan bagaimana mereka boleh berjaya berdasarkan hipotesis yang telah dibina. Semua maklumat dan data yang diperolehi hasil daripada soal selidik yang berkaitan dengan kajian yang diperolehi dan telah dianalisis dengan menggunakan dua perisian utama iaitu Microsoft Excel dan Pakej Statistik untuk Sains Sosial (SPSS). Dari hasil soal selidik yang telah dijalankan penyelidikan dapat melihat bahawa sama ada empat faktor mempengaruhi kejayaan perniagaan atau tidak. Dari kajian ini, didapati bahawa semua pembolehubah adalah faktor pengaruh utama kepada kejayaan usahawan Melaka. Kesimpulannya, usahawan kecil dan sederhana boleh berjaya dalam perniagaan jika mereka mempunyai empat (4) atau satu (1) daripada faktor untuk menggalakkan para usahawan ke arah kejayaan.

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## CHAPTER 1

### INTRODUCTION

#### 1.1 BACKGROUND

Based on U.S. National Library of Medicine food Industry mean the industry concerned with processing, preparing, preserving, distributing, and serving of foods and beverages.

In Malaysia, SMEs have played a major role in economy sector. Mostly SMEs have been conduct by *bumiputera*. It gives an opportunity for all *bumiputera* to make a business. From small business they can develop their business to medium business and if their business is accepted by the market and customer demand they can plan to open a company.

The development of SMEs has received much attention since the implementation of the New Economic Policy (1971-1990). The importance of small and medium-sized businesses in helping the economic development of Malaysia cannot be refuted. (Radient, 2008)

In early 2014, Malaysia have been cluster into two categories witch are manufacturing and services and other sectors base on micro, small and medium business. The table 1 below show how the new definition of Small and Medium Enterprises (SMEs) for Malaysia.

| CATEGORY                   | MICRO  | SMALL  | MEDIUM  |
|----------------------------|--|--|---|
| Manufacturing              | Sales turnover of less than <b>RM300,000</b> <u>OR</u> employees of less than <b>5</b> | Sales turnover from <b>RM300,000</b> to less than <b>RM15 mil</b> <u>OR</u> employees from <b>5</b> to less than <b>75</b> | Sales turnover from <b>RM15 mil</b> to not exceeding <b>RM50 mil</b> <u>OR</u> employees from <b>75</b> to not exceeding <b>200</b> |
| Services and Other Sectors | Sales turnover of less than <b>RM300,000</b> <u>OR</u> employees of less than <b>5</b> | Sales turnover from <b>RM300,000</b> to less than <b>RM3 mil</b> <u>OR</u> employees from <b>5</b> to less than <b>30</b>  | Sales turnover from <b>RM3 mil</b> to not exceeding <b>RM20 mil</b> <u>OR</u> employees from <b>30</b> to not exceeding <b>75</b>   |

Table 1: New Definition of Small and Medium Enterprises (SMEs) Malaysia

Source: Bank Negara Malaysia, 2013

According to SME Bank (2013), manufacturing are refer to physical or chemical transformation of materials or components into new products. Services are refers to all services including distributive trade, hotels and restaurants, business, professional and ICT services, private education and health, entertainment, financial

inter-mediation, and manufacturing-related services such as research and development (R&D), logistics, warehouse, engineering, and „others“ refer to the remaining three (3) key economic activities, namely Primary Agriculture, Construction, Mining and quarrying. Classification of economic activities for purposes of definition will be based on the Malaysian Standard Industrial Classification (MSIC) 2008 codes.

Business in the food and drinks industry were particularly affected during the recession but now look set for recovery as more than half are set to increase turn over in the next 12 months. (Chris Archer, 2014)

Moreover, food and drinks SMEs are now planning for growth and their desire to increase recruitment and invest in their staff is clear sign that confidence is building within the sector. The creation of new jobs will help boost productivity and competitiveness as well as strengthening the improving economic recovery. (Chris Archer, 2014)

SMEs owners need to be inspired in order to sustain where are they are right now, as they create a large number of job opportunities in the market. According to Datuk Hafsah Hashim, (2014), SME Corp, Bursa Malaysia and Malaysian Industrial Development Finance Bhd would guide the SMEs in their preparatory work for listing. These SMEs have shown interest to embark on a new direction in their business and are prepared to be listed on Bursa Malaysia between 12 and 24 months.



## 1.2 PROBLEM STATEMENT

This research has been implementing to know how SMEs entrepreneur can successes their business in Malaysia. This research is based on four (4) problem that always faced by entrepreneur to successes. Firstly, the entrepreneur must have education about the intricacies of the business before they can start the business? If they do not have a formal education in business, are they can still be a success entrepreneur. Secondly, if entrepreneur want the consumer trust the product that been sales by them, normally what will they do to get the trustiness?

Furthermore, for the third reason entrepreneurs that get government support for their business will be successful entrepreneurs or not? Lastly, a good management have a very important role in business. An entrepreneurs cannot be successes if their do not have a good management to conduct their business?

## 1.3 RESEARCH QUESTIONS

This study addresses by exploring the factors of inter-personal in the pursuit of SME entrepreneur to success. Particularly, this study will investigate the factors of distinct the successful entrepreneurs and failure entrepreneurs. By also examining influence the factor to entrepreneurs. The research questions are:

1. What are the difference between the entrepreneurs without formal education and the educated entrepreneurs?
2. How the government support help to improve business?
3. How entrepreneurs with good management can success in business?
4. How entrepreneur get the trustiness with consumers in business world?

## **1.4 RESEARCH OBJECTIVE**

The objectives of the study are to know factor from successful SMEs that have been success in business. This study would provide more information to the SMEs on how to be successful entrepreneurs. In addition to this, the study would also try to understand the ways that entrepreneurs can survive in business world competed with big companies. The research objectives are:

1. To identify whether entrepreneurs that have good management influence entrepreneur success in business or not.
2. To identify the relationship between trustiness in business and entrepreneur success in business.
3. To identify personal qualities in business education influence entrepreneur success in business.
4. To identify the relationship between satisfactory government support and entrepreneur success in business.

## **1.5 SCOPE AND LIMITATION**

### **1.5.1 Scope**

This study will be conduct at Bandaraya Melaka and Klebang, Melaka. From this study also, it will focus on manufacturing, service and other sectors. Furthermore, these areas have been choosing because it is an existing deployment of entrepreneurs. With this it will be easier to get information. All the information that needed to complete this report will be collected by ask the entrepreneur how they can

be a successful entrepreneur. The scope area has been known by many people as places that collect small and medium entrepreneurs for all sectors.

### **1.5.2 Limitation**

This study is focus on the SMEs business, due to that, maybe entrepreneurs not give a good feedback. Before collect the information, need to ask permission from the owner. Not all the information about the business can be share with anybody.

### **1.6 SUMMARY**

Overall, this study focus about what factors that entrepreneur in food industry can successful in business. Besides that, this study show whether the research objective can be reached or not. The findings of this study are to provide some guidelines to the *bumiputera* SMEs in achieving performance in the Malaysian food industry.

## **CHAPTER 2**

### **LITERATURE RIVIEW**

#### **2.1 INTRODUCTION OF SMALL AND MEDIUM ENTERPRISES (SMEs)**

Presently, there is no common definition of small and medium enterprises (SMEs) in Malaysia. Mostly, are the different agencies will defines SMEs based on their own criteria, usually benchmarking against annual sales turnover, and number of full-time employees or shareholder funds. In addition, present definitions focus mainly on SMEs in the manufacturing sector.

Small and Medium Enterprises (SMEs) play a significant role in the development of the Malaysian economy. However, their contribution to the national economy is still relatively small. Due to this, the government has made the development of SMEs a high priority area with a string of development agendas. Despite this, SMEs are still facing heaps of challenges and obstacles that deter them from further expanding their businesses. Factors involved include low access in borrowing and small capital investment, low access of needed infrastructure, low

level of expert abilities and raw materials, low expertise in management and technical knowledge.

The challenges and obstacles faced are highly related to the developmental stage of the companies and it includes lack of managerial capabilities, shortage in financing and human resources. This increases the need for value creation among SMEs to ensure business sustainability which coexists within an environment of good corporate governance. The lack of human resources in SMEs pushes them to outsource to improve their organisation.

According to Small and Medium Industries Development Corporation (SMIDEC), an enterprise is considered as an SME in each of the representative sectors based on the annual sales turnover or number of full time employees. SMEs are divided into two sectors; manufacturing, manufacturing related services and agriculture industries; and services (including ICT) and primary agriculture.

## **2.2 BACKGROUND OF SME IN MALACCA**

Trade and commerce activities have long existed in Malaysia before the emergence of the glorious Malacca Sultanate. The Malacca which was located in the central point of South China Sea between the East and West part of the globe was a strategic place for traders. The discovery of Inscribed Stone of Terengganu in 1303 has substantiated the presence of distant (muslim) traders in Malays archipelagos (*Perpustakaan Negara Malaysia*, 2010). The emergence of Malacca as trading port acted as a catalyst to the trade activities in the region. It is believed that the business support services in Malaysia have existed since that period, but unstructured and informal. Now, they are more than 150 SMEs in Malacca (Halal Hub, 2010)

Moreover, enterprises of SMEs in the food sector are encouraged by the government to take advantage of Malaysia as a hub of halal food products. Many Small and Medium Industries (SMEs) can actively participate in producing the halal food products to meet the demand of both domestic and international markets. The government recognized the weaknesses of SMEs marketing aspects for their products especially in terms of product quality, packaging, branding, promotion and distribution and through its agencies and institutions like Federal Agricultural and Marketing Authority (FAMA), Agriculture Department, Rubber Industry Smallholders Development Authority (RISDA) and even *Majlis Amanah Rakyat* (MARA) has channelled out and conducted a lot of programmes in the form of seminars, workshops and even training sessions to help particularly the enterprises of the small and micro sizes to understand and improve on their marketing aspects but these are not enough (Zainuddin et. al, 2005)

## **2.3 FACTOR SME IN MALACCA**

Below are the factors that SMEs in Malaka can success in business.

### **2.3.1 Good management**

Good management is about the ability to develop and effect good business plans, to obtain and employ resources effectively, to balance traditional obligation with business demand, and to accurately keep records and control finances.

The success of any business depends heavily on the effectiveness of its managers. Good managers need to make the right decisions and ensure the business is able to

exploit any opportunities they set. At the same time, good managers protect the business by anticipating and acting against any threats to its welfare.

According to Frenchman Henri Fayol (1841-1925), managers have to:

- i. Forecast and plan to determine where the business is going,
- ii. Organise the resources necessary to achieve these objectives,
- iii. Command people to do things,
- iv. Coordinate the different activities,
- v. Control the activities to make sure they are completed as planned.

Managers in an organisation have to decide on its priorities and allocate resources within it. They must decide what needs doing and how best to do it. A good manager should push the business forward, as new challenges arise, and take responsibility for their decisions.

### **2.3.2 Trustiness in business**

According to Stephen M. R. Covey (2006) in his book „The Speed of Trust“ puts his finger on the business case for trust. He puts forward the proposition that trust always affects two outcomes—speed and cost. If trust in a relationship is low, the speed of getting things done will be slow and the cost will be high. Conversely, when trust is high, the Speed of getting things done will be fast and the cost will be low. There are many case studies and research studies to support this proposition, all confirming that organisations with high-trust cultures significantly out-perform their counterparts with low-trust cultures in all major performance indicators. Therefore, the proposition addresses the very essence of an organisation’s competitiveness, viability and long-term sustainability

According to C. Ron (2008), trust exists in an inter-dependent relationship each of the following four characteristics will be present:

- a) **Respect for others** –appreciating diversity and valuing other people
- b) **Shared purpose** –the alignment of individual and shared intentions and aspirations
- c) **Confidence in each other** –the willingness to rely on the abilities/resources of others
- d) **Open and honest communication** –the use of conversation and dialogue to achieve inter-dependent relationships with others

### 2.3.3 Government support

For government support it provision of basic infrastructure, training facilities, tax incentives, and protection against competition from big company. The Government Business Support Services (GBSS) are paramount important for the development of the Small and Medium Enterprises (SMEs). Moreover, Government Business Support Services (GBSS) main players the roles and present functions namely *Majlis Amanah Rakyat*, SME Bank, SME Corporation and National SMEs Development Council, (Hakimi and Rafi, 2010)

In line with government's various initiatives to support the development of SMEs in the country, Alliance Bank also provides several government assistance schemes to SMEs. Flexi Guarantee Scheme is a guarantee scheme administered by Credit Guarantee Corporation, to provide guarantee for loans granted under FSMI2 or NEF2 funds. Small Biz Express Scheme (SBE) is a guarantee scheme provided by