

CRITICAL SUCCESS FACTORS OF TECHNOPRENEURSHIP IN CREATIVE  
INDUSTRY: A STUDY OF CRAFT ENTREPRENEURS

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**Critical Success Factors of Technopreneurship in Creative  
Industry: A Study of Craft Entrepreneurs**

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**PENGAKUAN**

“Saya akui laporan ini adalah hasil kerja saya sendiri kecuali ringkasan dan petikan yang tiap-tiap satunya saya telah jelaskan sumbernya”

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## **DEDICATION**

For my dearest father and mother,  
And for my sisters and supervisor who always support me

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In the name of Allah, the Most gracious, the Most merciful.

All praise to Allah for the completion of this report as it is with His grace that I was able to complete this report efficiently within the time limit. I would like to express my deepest gratitude and heartfelt thanks to my parents and my family as it is with their strong support that I am able to complete this report. They had supported me in many ways morally and also in material.

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## ABSTRACT

This study aimed to investigate the relationship between the critical success factors of technopreneurship and the success of craft entrepreneurs. The study was held among craft entrepreneurs at three areas which are Jonker Walk, Muzium Samudera and Ayer Keroh, Malacca. A total of 50 craft entrepreneurs from three divisions who are manufacturers, retailers and wholesalers were chosen as a sample. Research instrument was developed using a set of questions. Questionnaire is a tool used for data collection process and it is also one of the research strategies that was used by the researcher to identify the critical success factors which contribute to the success of the craft entrepreneurs. Besides, the research methods also involved the interview session between the researcher with the craft entrepreneurs. The researcher interviewed five craft entrepreneurs: four people are manufacturers and retailers and the other one a wholesaler. Percentage, mean and standard deviation were used to measure the critical success factors that lead to the success of the craft entrepreneurs.

## ABSTRAK

*Kajian ini bertujuan untuk mengkaji hubungan antara faktor-faktor kejayaan kritikal usahawan teknologi dan kejayaan usahawan kraf. Kajian ini telah diadakan di kalangan usahawan kraf di tiga kawasan iaitu Jonker Walk, Muzium Samudera dan Ayer Keroh, Melaka. Seramai 50 usahawan kraf dari tiga bahagian iaitu pengeluar, peruncit dan pemborong telah dipilih sebagai sampel. Instrumen kajian yang telah dibangunkan dengan menggunakan satu set soalan. Soal selidik adalah alat yang digunakan untuk proses pengumpulan data dan ia juga merupakan salah satu strategi penyelidikan yang telah digunakan oleh pengkaji untuk mengenal pasti faktor-faktor kejayaan kritikal yang menyumbang kepada kejayaan usahawan kraf. Selain itu, kaedah penyelidikan juga melibatkan sesi temuduga antara penyelidik dengan usahawan kraf. Penyelidik menemuramah lima usahawan kraf: empat orang adalah pengeluar dan peruncit dan yang lain pemborong. Peratusan, min dan sisihan piawai digunakan untuk mengukur faktor-faktor kejayaan kritikal yang membawa kepada kejayaan usahawan kraf.*



## TABLE OF CONTENT

CHAPTER	CONTENT	PAGE
	<b>ACKNOWLEDGEMENT</b>	<b>v</b>
	<b>ABSTRACT</b>	<b>vi</b>
	<b>TABLE OF CONTENT</b>	<b>vii</b>
	<b>LIST OF TABLE</b>	<b>xi</b>
	<b>LIST OF FIGURE</b>	<b>xii</b>
<b>I</b>	<b>INTRODUCTION</b>	
	1.1 Background of Study	1
	1.2 Problem Statement	3
	1.3 Research Questions	4
	1.4 Research Objectives	5
	1.5 Scope and Limitation	
	1.5.1 Scope of the Study	5
	1.5.2 Limitation of the Study	5
	1.5.3 Key Assumption of the Study	6
	1.6 Importance of the Study	6
	1.7 Summary	6
<b>II</b>	<b>LITERATURE REVIEW</b>	
	2.1 Introduction	8
	2.2 The Creative Industries	9
	2.3 Overview of Craft Industries	11
	2.4 Craft Producers	12
	2.5 Critical Success Factors of Technopreneurship	
	2.5.1 Promotion	14
	2.5.2 Place	14
	2.5.3 Price	15
	2.5.4 Product	15

	2.5.5 Network and Collaboration	16
	2.6 Theoretical Framework	18
	2.7 Hypotheses	19
	2.8 Summary	20
<b>III</b>	<b>RESEARCH METHODOLOGY</b>	
	3.1 Introduction	21
	3.2 Research Design	22
	3.3 Research Location	24
	3.4 Research Subject	24
	3.5 Research Instrument	
	3.5.1 Survey and Questionnaire	25
	3.5.2 Interview	27
	3.6 Primary Data	27
	3.7 Secondary Data	27
	3.8 Method of Data Collection	
	3.8.1 Primary Data Collection	28
	3.9 Time Horizon	28
	3.10 Pilot Test	29
	3.11 Method of Data Analysis	29
	3.12 Reliability Analysis	30
	3.13 Regression Analysis	31
	3.14 Summary	32
<b>IV</b>	<b>DATA ANALYSIS</b>	
	4.1 Introduction	33
	4.2 Reliability Statistic	34
	4.3 Analysis of Demographic Information	
	4.3.1 Age	34
	4.3.2 Gender	35

4.3.3	Status	35
4.3.4	Races	36
4.3.5	Type of Business	37
4.3.6	Sales Revenue	37
4.4	Objective Analysis 1	38
4.5	Objective Analysis 2	
4.5.1	Relationships between Marketing Factors and Success of Craft Entrepreneurs	39
4.6	Objective Analysis 3	
4.6.1	Factor 1: Price	43
4.6.2	Factor 2: Promotion	44
4.6.3	Factor 3: Product	45
4.6.4	Factor 4: Place	46
4.6.5	Factor 5: Network and Collaboration	47
<b>V</b>	<b>CONCLUSION, DISCUSSION &amp; RECOMMENDATION</b>	
5.1	Introduction	49
5.2	Research Formulation	50
5.3	Discussion	51
5.4	Conclusion	54
5.5	Recommendation	54
	<b>REFERENCES</b>	56
	<b>APPENDIX</b>	61

## LIST OF TABLE

<b>TABLE</b>	<b>CONTENT</b>	<b>PAGE</b>
3.1	The number of respondents	24
3.2	Construct of the questionnaire	26
3.3	Strength of the Correlation Coefficient	30
4.1	Distribution of Respondents by Age	35
4.2	Distribution of Respondents by Gender	35
4.3	Distribution of Respondents by Status	36
4.4	Distribution of Respondents by Races	36
4.5	Distribution of Respondents by the Type of Business	37
4.6	Distribution of Respondents by Sales Revenue	38
4.7	Distribution of Respondents by critical success factors	38
4.8	Pearson Correlation	40
4.9	Result on the Marketing Factor towards the Success of the Craft Entrepreneurs	42
4.10	Regression Analysis for Price	43
4.11	Regression Analysis for Promotion	44
4.12	Regression Analysis for Product	45
4.13	Regression Analysis for Place	46
4.14	Regression Analysis for Network and Collaboration	47
4.15	Result on the Factors that dominantly Influence the Success of Craft Entrepreneurs	48

**LIST OF FIGURE**

<b>FIGURE</b>	<b>CONTENT</b>	<b>PAGE</b>
2.1	Classification of the Malaysian creative Industries	10
2.2	Marketing Mix	16
2.3	Theoretical Framework	18
3.1	Research Flow Chart	23

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of Study

Malaysia is rich in its natural resources that are beneficial to human lives. The exploitation of those natural resources can help a person generate economy of their region. There are many industries out there such as manufacturing, automotive, locomotive, agriculture, tourism and others that have their own goals and mission to create valuable properties for the country. For example creative industry is one of the industries that can generate good national income because it goes parallel with tourism industry. Creative industries is mobilised and in conjunction with the production of individual expertise and talent based on creativity, innovation and technology towards economic growth. According to International Trade Centre (ITC), the creative industries are increasingly acknowledged worldwide for having big potential as engines driving economic and social development. Besides, the industry also has a potential to provide job opportunities to the young generation. Apart from offering job opportunity, they are also channels for the culture identity which play a key role to promote the culture diversity of Malaysia.

Creative industry needs to be developed to diversify economic resources and create valuable products for the country. Nowadays, the creative industries become an important income generator for a nation. The latest report by UN Conference on Trade and Development (UNCTAD) states that “global exports of creative products and services which include arts and crafts, audiovisuals, books, design work, films, music, new media, printed media, visual and performing arts account to US\$592 billion in 2008” (UNCTAD, 2010). Therefore, it indicates that the creative industry has potential to be successful globally for future competition. Apart from generating economy, the creative industries also provide job opportunity to a nation. Thus, it can help people to develop their creativity and skill in that particular activities into a business.

Meanwhile, Malaysia also develop her creative industry but, it is still behind the other countries in developing its creative industries “due to the fact that there is no clear policy in the initial development of the creative industries” (Siti Salwa, Siti Suriawati, & Abu, 2011). Craft as an example is one of the creative industries in Malaysia. It is an activity involving a special skill at making things with our hands (Oxford Dictionary, 8th edition). Furthermore, Malaysia has a lot of natural resources likes bamboos, corals, natural woods, and others which can be used to produce craft materials such as furnitures, souvenirs and so on. Thus, it is clear that Malaysia has potentials to develop its craft industries due to the fact that this country has a lot of natural resources.

However, the players of creative industries may encounter internal and external problems among others such as:

- i. Constant supply of the required natural resources for processing into craft products.
- ii. Highly-skilled artisans.
- iii. Exportation of the craft products globally needs high-technological know-how to avoid rejection of products by importing countries if the craft products do not meet the quality set by the countries concerned.

The concept of creative industry is to create the valuable property for the next generation and it can easily enhance the economy of a nation. Thus, this study covered about the technopreneurship in creative industry and specifically about the craft entrepreneurs.

## 1.2 Problem Statement

Critical success factor is the term that are always used to indicate the effectiveness of an organization towards its goal and mission and it can be seen through an organization's activities and strategies that are successful. Critical success factors (CSF) can be regarded as key factors that "an organization must pay particular attention to in order to achieve the level of performance essential to achieve desired goals" as stated by (Hackney & Dunn, 2000 and as quoted by Seбора, Lee, & Sukasame, 2009). Due to the small size of craft organisations, craft producers are often unable to achieve the economies of scale that drive the competition in many markets. It is also difficult to create or sustain an industry association in the sector (Department of Labour, 2008). Entrepreneurs have several factors that can help them to sustain well in the industry and achieve desired goals and missions. In order to succeed, the factors are important and useful for the entrepreneurs to practice throughout their business organization.

Informal craft producers especially face numerous marketing-related challenges. They lack understanding of what the market needs, which leads to an inability to formulate appropriate and competitive product and marketing strategies (Grobler, 2005). The researcher found out that several factors such as marketing, entrepreneurship, technology and management factors can help the entrepreneur succeeds in the industry. One of the critical successes to any organisation is having good marketing (Kotler & Armstrong, 2010). Marketing is the process of developing and implementing a plan to identify, anticipate and satisfy consumer demand, and in other word, it is also known as the strategy to



make a profit based on marketing activities. Craft producers also lack of skills in product design, distribution and organisation management (Department of Trade & Industry, 2005) and possess limited knowledge of the lifestyles and product preferences of their potential customers and the promotional strategies needed to target them (Littrell & Miller, 2001).

Besides that, the craft entrepreneurs may also implement marketing strategies in order to market their products. With the implementation of the marketing strategies, it will impact their business performance. When buying craft products, craft retailers use various sources of information, such as word of mouth, exhibitions, networks with other crafters, agents, magazines read by customers and promotional materials such as pamphlets (Department of Sports, Arts, Culture & Recreation, 2007). In Malaysia, people does not realize that the craft entrepreneur become more competitive in the global industry. With the different strategies of marketing implementation in a certain craft organisation, the organisation tends to make the business success in the industry.

### **1.3 Research Questions**

Actually, this study aim to examine or investigate the critical factors that contribute to the success of craft entrepreneurs in terms of marketing, entrepreneurship, technology and management factors. There are three questions arised in the study based on the problem statement above as follows:

1. What are the critical success factors of craft entrepreneurs?
2. How the factors contribute to the success of the craft entrepreneur in creative industry?
3. What is the factor that dominantly affect the success of the craft entrepreneurs?

## **1.4 Research Objectives**

According to the questions, the purpose of this study are as follows:

1. To identify the critical success factors of craft entrepreneur.
2. To determine the contribution of the factors towards the success of the craft entrepreneurs.
3. To investigate the factor that dominantly affect the success of craft entrepreneurs.

## **1.5 Scope and Limitation**

### **1.5.1 Scope of the study**

The scope of the research was look into the critical success factors that can contribute to the success of craft entrepreneurs in Malacca City. There are be factors arise in order to help the craft entrepreneurs succeeds which are marketing, entrepreneurship, technology and management factors but the study is focused on marketing factor only. Next, the other scope was studied on the craft entrepreneurs which have their own companies.

### **1.5.2 Limitation of the study**

The research studied only on craft entrepreneurs and not on other entrepreneurs. The research also did not conducted outside Malacca City to reduce extra cost to conduct the survey and time constraint.

### **1.5.3 Key assumption of the study**

The main assumption in this study is every entrepreneur including craft entrepreneur were successful with the help of marketing factors such as product, place, promotion and price and network and collaboration. Thus, it is important for an organization to identify and implement the strategies in order to bring their business success in the industry. Unfortunately, every craft entrepreneur has its own strategies and the researcher investigate the marketing factors that contribute to the success of the craft entrepreneurs.

### **1.6 Importance of study**

The organisation in connection with this research can use the information and knowledge shared throughout this study for their business's benefits. In order to achieve desired goal, the craft entrepreneur need to know about their strategic plans and factors that can helped them succeed in the business industry. Some of the factors that the researcher shared tend to help the developing craft industry to sustain well in the market. Besides, the study was also give an opportunity to the consumer to know about the success of the craft entrepreneurs further.

### **1.7 Summary**

In short, this research is conducted to investigate the critical success factor of technopreneurship in creative industry specifically for craft entrepreneurs. Craft industry need to be developed in order to diversify economic resources and create valuable products for a nation. Craft industry could further spur the economy of the nation by going global, a move which is both strategic and beneficial to the

industry. Unfortunately, the craft entrepreneur may face many challenges to sustain well in the industry because there are many competitors comes from the different industries in the market place. Therefore, the craft entrepreneurs should take strategic planning for the business to grow well. In this chapter, the researcher shared some of the critical factors that affect the success of the craft entrepreneurs. The factors may be useful to the craft entrepreneurs because it tends to help them to grow the business globally. Thus, in particular, this chapter discussed and explained the introduction, problem statement, research questions, research objectives, scope and limitations of the study and the importance of studies that have been identified through this research.

## **CHAPTER II**

### **LITERATURE REVIEW**

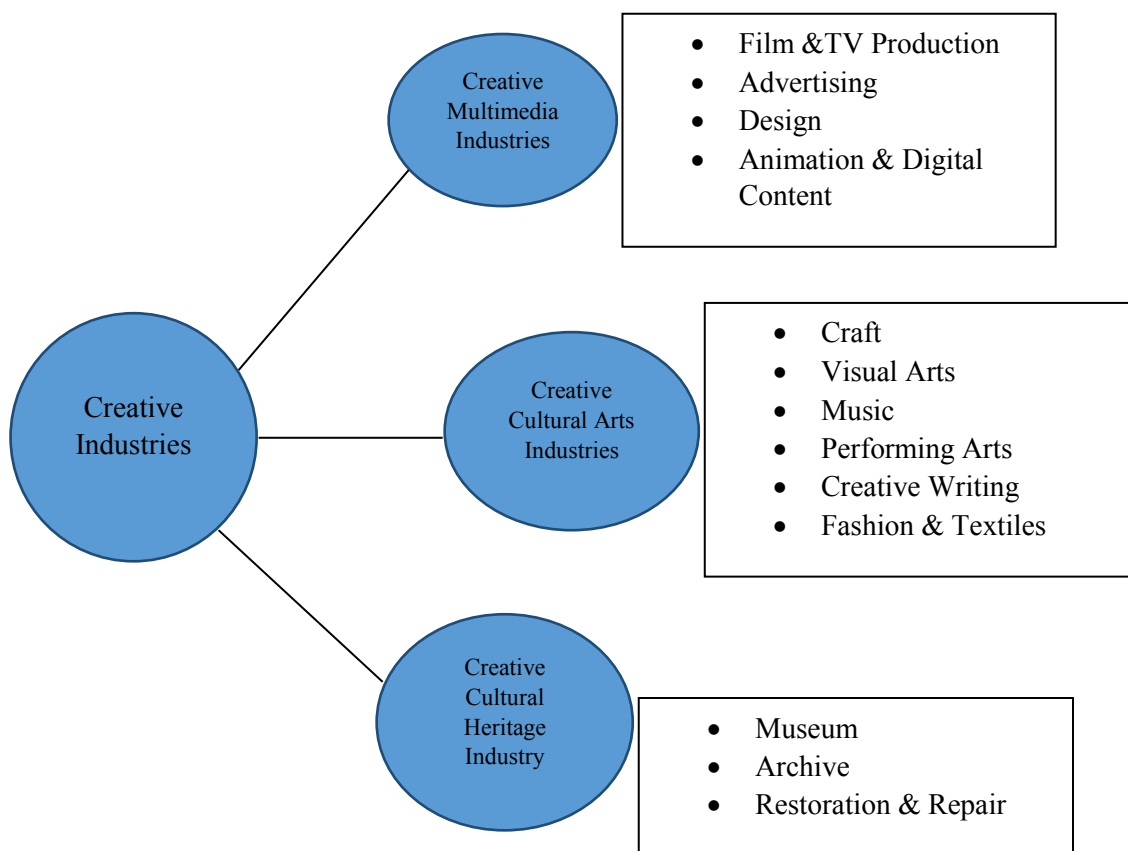
#### **2.1 Introduction**

In this chapter, the researcher discussed the existing literature on topic that are related to the proposed research title especially in terms of the critical success factors and the creative industry. An overview of craft entrepreneurs will also being discussed as a part of the literature review to view clearly about the nature and the background of the proposed research. (Hart C.,1998) in his book described the importance of literature review as means of understanding the topic to be studied. This implies that literature review is very important as the initiating step in undergoing a research.

## 2.2 The creative industries

There are many definitions of the term “creative industries”. The UK’s Department of Culture, Media and Sport’s (UK DCMS) defined the creative industries as “those industries that are based on individual creativity, skill and talent with the potential to create wealth and jobs through developing intellectual property” (British Council, 2011). Malaysia’s definition of the creative industries is “mobilisation and production of individual expertise and talents or groups based on creativity, innovation and technology towards economic production and high income attainment to the nation by emphasizing on works and intellectual property in line with good culture and values of various ethnic groups in Malaysia” (DIKN, 2010). Figure 1 show about the local creative industries which are divided into three sectors, that are creative multimedia industry, creative cultural arts industry and creative cultural heritage industry.

**Figure 2.1** Classification of the Malaysian creative industries



**Source:** (DIKN, 2010)

Creativity is not just applicable to the arts and the artistic product but should also be viewed in a wider sense where it embraces entrepreneurship and innovation (Collaborative Economics, 2001). This study focused on entrepreneur in craft industry, which falls under the creative cultural arts industry.

### 2.3 Overview of Craft industries

Craft means an activity involving skill in making things by hand. In the plural, crafts refer to objects or artefacts. ‘To craft’ means making or processing something by hand (Macmillan Dictionary, 2009; Oxford Dictionaries, 2012). Crafts are identified as a key strategy for sustainable development that can provide opportunities for employment, especially in rural communities, as well as contributing to economic growth and environmental stewardship (European Conference of Crafts and Small Businesses, 1994, 1997; UNIDO, 2007; UNCTAD, 2008). Craft become developing industries and form a part of creative industries in Malaysia. With the potential to grow rapidly in the market, creative industries are growing in importance in economy. According to the Economy and Culture report by European Commission (2006), the creative industries advance the economical and social development and innovations. Thus, it is seen that the craft sectors is also one of the creative industries which have a potential to advance the economy of a region through their business activities.

Craft products include a wide range of products such as home furnishing, jewellery, fashion and fashion accessories, novelties and gifts, including corporate gifts, garden and outdoor products, curios and collectibles, one-of-a kind high-value individually made products, and indigenous artefacts, which are culturally derived products (Department of Labour, 2011; DTI 2005 A craft product is defined as “the creation and production of a broad range of utilitarian and decorative items produced on a small scale, with hand processes being the significant part of the value-added content” (Department of Arts, Culture, Science & Technology 1998). A craft product must be 80% handmade from different materials, which may include clay, natural fibres, beads, recyclable materials and textiles, to qualify as craft products be (Rogerson, 2010).