

**METHOD FOR START-UP COMPANIES TO SUSTAIN IN START-UP PHASE  
IN TEKUN NATIONAL INSTITUTE IN MELAKA**

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## SUPERVISOR DECLARATION

We, hereby declare that we have read this project paper. This project paper is submitted to Universiti Teknikal Malaysia Melaka (UTeM) as a requirement for completing and rewarding of Degree, Bachelor of Technopreneurship (BTEC).

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**METHOD FOR START-UP COMPANIES TO SUSTAIN IN START-UP PHASE IN  
TEKUN NATIONAL INSTITUTE IN MELAKA**

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Submitted in partial fulfillment of the requirement for Bachelor of Technopreneurship  
(BTEC) with Honours

**FACULTY TECHNOLOGY MANAGEMENT AND TECHNOPRENEURSHIP  
(FPTT)**

**JUNE 2019**

**DECLARATION OF ORIGINAL WORK**

“ I hereby declare that this project paper is result of my independent hard work except for the summary and experts that have been specifically acknowledgement”.

Signature : \_\_\_\_\_

Name : \_\_\_\_\_

Date : \_\_\_\_\_

## DEDICATION

Thank you my beloved family and friends for supporting me and my supervisor, Mr Albert Feisal @ Muhd. Feisal B Ismail for your guidance and advice upon the completion of this study.

## ACKNOWLEDGEMENT

First and foremost, it is my pleasure to express my sincere gratitude to my supervisor, Mr Albert Feisal @ Muhd. Feisal B Ismail for his support throughout the research process. He had contributed his valuable time and efforts in guiding me to complete this project. Without his kind and patience orders, it would be very difficult for me to finish the research project, I will never forget his support and kindness he gave me along the journey of the project completion.

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## ABSTRACT

A start-up is a company that is in the first stage of its operations. A start-up is a newly emerged business venture that aims to develop a viable business model to meet a marketplace need or problem. The aim of this paper is to present the method for a start-up company to sustain in the start-up phase among the youth entrepreneur in TEKUN National Institute in Malacca. The paper aims to examine the relationship between the independent variables and dependent variables. This paper aims to examine the relationship between the variables with the method for the start-up company to sustain in start-up phase. In order to test the relationship on the method for the start-up company to sustain in start-up phase, three hypotheses will be developed for this study. The independent variables to be tested in this paper are (1) lean start-up method, (2) financial sources and (3) business model. This paper focuses on the start-up company in start-up phase among youth entrepreneur in TEKUN National Institute in Malacca. This study will use a quantitative research method. In order to collect the data and information, this study carried by collecting primary data and secondary data through survey questionnaire. This study will use descriptive research. Therefore, this research was carried out to understand in deep the relationship between variables and make conclusion of the study.

Keywords: Start-up Company, Start-up Phase, Sustainability, Method, TEKUN National Institute, Youth Entrepreneur, Quantitative Method.

## ABSTRAK

Syarikat permulaan adalah syarikat yang berada di peringkat pertama dalam operasinya. Syarikat permulaan adalah usaha sesebuah perniagaan yang baru muncul di dalam industri yang bertujuan untuk membangunkan model perniagaan yang berdaya maju untuk memenuhi keperluan atau masalah pasaran. Matlamat kertas ini adalah untuk membentangkan kaedah bagi syarikat permulaan untuk mengekalkan keberadaan dalam fasa permulaan di kalangan usahawan muda di Institut Kebangsaan TEKUN di Melaka. Kertas kerja ini bertujuan untuk mengkaji hubungan antara pemboleh ubah dengan kaedah untuk syarikat permulaan untuk mengekalkan keberadaan dalam fasa permulaan. Untuk menguji hubungan antara kaedah untuk syarikat permulaan mengekalkan keberadaan dalam fasa permulaan, tiga hipotesis akan diuji untuk kajian ini. Pemboleh ubah bebas yang akan diuji dalam projek ini adalah (1) kaedah permulaan ramping, (2) sumber kewangan dan (3) model perniagaan. Oleh itu, projek ini memberi tumpuan kepada syarikat permulaan yang berada di fasa permulaan di kalangan usahawan muda di Institut Kebangsaan TEKUN di Melaka. Kajian ini telah menggunakan kaedah penyelidikan kuantitatif. Untuk mengumpul data dan maklumat, kajian ini telah dijalankan dengan mengumpul data primer dan data sekunder melalui soal selidik tinjauan. Kajian ini telah menggunakan penyelidikan deskriptif. Oleh itu, kajian ini akan dijalankan untuk memahami secara mendalam hubungan antara pemboleh ubah dan membuat kesimpulan kajian.

Kata Kunci: Syarikat Permulaan, Fasa Permulaan, Kemampuan, Kaedah, Institut Kebangsaan TEKUN, Usahawan Belia, Kaedah Kuantitatif.



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## CHAPTER 1

### INTRODUCTION

#### 1.0 Introduction

The aim of this chapter was to outline this research's overview. This chapter contains research background, problem statements, research questions, research objectives, significance, scope and research limitation and summary.

#### 1.1 Research Background

Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia) categorized Small and Medium Enterprises (SMEs) based on the annual turnover or number of full-time staffs. From the other side, the ability of small businesses to create employment and wealth is defined as the performance of small businesses by start-up, survival and sustainability. (Sandberg, Vinberg, & Pan, 2002). In line with the 2010/2011 SME Annual Report, SMEs accounted for approximately 99.2 percent of Malaysia's entire business formation in 2010. The performance of small and medium-sized enterprises is essential as they will change Malaysia into a high-income and knowledge-based economy. Despite their major contribution to exports, employability and economic development, the total amount of SMEs

dropped from 17,157 companies in 2010 to 16,893 companies in 2011, as shown in the statistics department of Malaysia's SME data. Furthermore, although there is successful historical record of the growth of SMEs in Malaysia, the growth of SMEs in eastern Malaysia like Sabah is slow compared to the peninsula of Malaysia.

Business sustainability is still a comparatively youthful and evolving discipline. Although there is some similarity regarding what needs to be done to attain company sustainability, there is comparatively little agreement on the terms to be used. This is partly because company sustainability is linked to the variety of sectors, including organizational behaviour, business strategy, operational management, accounting, finance, economics, environmental science, ethics and social psychology (Pojasek, 2007). Jean Barbeau (2014) mentioned that “We need to be involved in all aspects of sustainability if we want to do business. In our industry in North America, the large manufacturers are very well committed in sustainability and there is market pressure to be more successful. Our customers are putting pressure on us, driven by the architects and designers that influence our customers' decisions.”

Challenge of a start-up business varies at various levels. In fact, the problems differ from the smallest to the largest responsibilities and probably depend on how the founders deal with the situation. Carlo Cisco (2014) listed 10 challenges that a starts up faces which are, need or gap fixing, execution, raising finance, investors and valuation, human capital, cash flow, customer acquisition and retention, unrealistic expectations, research, and marketing.



## 1.2 Problem Statement

Based on the latest U.S. report Census Bureau, start-ups birth rate lagged behind the rate of death or closure. Four hundred thousand businesses were born against the 470,000 that closed down, and this concerns economic strategists (Cravenho, 2015). Schick, Marxen & Freimann (2002) discover whether opportunities exist from the very beginning of new business ventures to implement more sustainable business methods. In order to identify the points where environmental management could be implemented into the start-up process, start-up entrepreneurs and start-up business consultants were interviewed. Based on an interview research, we have seen that, despite guidance and support for well-known and documented development techniques, it is hard for professionals to put these into practice and apply them. (Bosch, Olsson, Björk, & Ljungblad , 2013).

According to Keat Y. and Ahmad O.S. (2012), as Malaysia shifts from a middle-income economy to a high-income economy in 2020, entrepreneurship has been acknowledged as the primary driver in supporting the country's success to fulfill its Hercules goal. These include high labor costs, high interest rates, strict governance (exogenous factors) and lack of managerial experience, lack of technical knowledge, excessive risk (endogens). In Malaysia, TEKUN Nasional, was founded that gives micro-loan facilities not exceeding RM 50,000 and other support services to encourage entrepreneurial development for micro-enterprise owners, especially Bumiputra Malays. 139,105 entrepreneurs have gained from them in gaining loan services since the launch of TEKUN in 1988. Furthermore, RM162 million loan services were accessible in 2010 to produce 17,000 entrepreneurs. TEKUN faces enormous debt collection problems (Abdul Jamak A.B.S, Salleh R., Sivapalan S. and Abdullah A., 2011). By transforming Malaysia into an entrepreneurial country and discussing the problem of unemployment, the Malaysian Government has continuously motivated women and young people to participate in entrepreneurship (Mohammad Noor N. A. A., 2015). According to Mohammad Noor N. A. A., (2015), the government established the Malaysian Global Innovation and Creativity Center (MaGIC), 1Malaysia Entrepreneurs (1MeT) and Tabung Usahawan Siswazah (TUS)

for the development of young entrepreneurs. The Ministry of Youth and Sports (MOYS) has implemented the Youth Entrepreneurship Program (Business and Agriculture Business) through the Department of National Youth and Sports.

This study is conducted to identify the challenges faced by start-up companies and clarify the best method for them to sustain in the start-up phase. A study by Moy, et al. (2001) indicated that the significant barriers encountered by students when starting and sustaining new businesses are exogenous and endogenous factors. According to TEKUN, approximately 30 percent of TEKUN's 170,000 micro borrowers in Malaysia have struggled to pay back their loans since the agency was founded in 1989, and most of them have refused to serve their debts because of the difficulties they faced in their business performance, and their businesses are not sustainable apart from making losses. In their research on motivators and barriers to youth entrepreneurship with the entrepreneurial intention of young entrepreneurs, Kim-Soon et al. (2013) suggests that young people who are really serious about starting up and owning a business as entrepreneurs can be identified and aimed at developing initiatives through government entrepreneurship. The previous research had outlined the challenges and issues in youth entrepreneur among TEKUN. Thus, this study was conducted to clarify the best method for the start-up companies to sustain in the start-up phase.

### **1.3 Research Question**

1. What are issues for start-up companies among youth entrepreneurs in TEKUN National Institutes to sustain?
2. What is the best method for the start-up company to sustain in the start-up phase in industry among youth entrepreneurs in TEKUN National Institute?

### **1.4 Research Objectives**

1. To find the issues faced by start-up companies among TEKUN to sustain in the start-up phase.
2. To clarify the method for youth entrepreneurs in TEKUN National Institute entrepreneurs to face the challenges in start-up phase.

## **1.5 Significance of Study**

This research examined the sustainability of the start-up company in start-up phase among the youth entrepreneurs in TEKUN. Even though when running a business there have been many things in common, there were still differences between each other. During the initial stage of running a business, start-up business required hard work and commitment. Despite this, a voluntary conscious process is purposely creating a new business or starting a business (Linan, et al., 2013). Thus, method for start-up companies to sustain in start-up phase was studied.

This study indicated the issues faced by start-up companies in all aspect of running a business. This research focused on the method for start-up companies to sustain in start-up phase in the industry by investigating the issues faced by most of the start-up company.

## **1.6 Scope and limitation of the study**

### **1.6.1 Scope**

The aim of this study was to identify the issues and method for start-up companies to sustain in the start-up phase among the youth entrepreneurs in TEKUN. The data in this research was collected from the entrepreneur that has been registered under TEKUN National Institute in Malacca.

### **1.6.2 Limitation**

There were some limitations that are subject to this research. This research only focused on start-up companies among youth entrepreneurs in TEKUN National Institute. The entrepreneur sustainability in the start-up phase might be different in the future.

### **1.7 Summary**

Consequently, chapter one served as a tool for drawing out this paper's brief introduction. This study will be accomplished by following the plan step by step in order to achieve a good outcome. This will evaluate the problem statement, research questions, and research objectives. Ensuring this study was conducted accurately is very essential. Hence, to control the target population, it is sufficient to focus on the research scope in order to maximize the accuracy of the research.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter's content included reviewing the literature review, studying theoretical models, suggesting the theoretical framework, and advancing the hypothesis. It revised previous practical research on the similar issue with the start-up company's sustainability in the start-up phase. There is an existing research related to this topic where the previous research was focusing on sustainability on the start-up entrepreneur, and Start-up business advice to prospective entrepreneurs from business owners. From the journal of S.A.M. Advanced Management Journal, there are 15 reasons for business success or failure are listed such as capital, record keeping and financial control, industry experience, management experience, planning, professional advisor, education, staffing and product or service timing. (Lussier R.N.,1995).

## 2.1 Start-up

Start-ups are also seen as an important factor in creating economic and employment opportunities. (Birch, 1979; Acs and Audretsch, 1990 Storey and Tether, 1996; Brunderl et al., 1998). Though, start-ups face unique problems and challenges compared to traditional start-ups. (Audretsch, 2000). Over 90% of start-ups fail mainly because of self-destruction rather than competition (Giordano C., Wang X. and Abrahamsson P., 2014). Based on Sexton and Bowman-Upton, in exploiting an opportunity, the process by which the entrepreneur develop a vision for the future and build the required objectives, resources and procedures to obtain this vision is called pre-start planning. According to Paul Graham, company designed to grow fast is called start-up. It is not in itself that being newly founded makes a company a start-up. Working on technology was not required for a start-up, or taking venture funding, or having some sort of "exit." Growth is the only obvious thing. According to Giordano C., et al (2014), a small company that explores new business opportunities and works to fix a problem where the solution are unknown and the market are highly volatile are come characteristic of start-up companies. In the very early stages, many start-ups fail and less than a third of them turn into companies, but there is a very high failure rate (Salamzadeh A. and Kawamorita Kesim H., 2015). Start-up firms fail due to a number of reasons, such as lack of finance, team management problems, lack of sufficient business knowledge, technology lag and so on. (Salamzadeh A. and Kawamorita Kesim H., 2015). Successful businesses play a major role in the economy and most of them come from start-ups that survive in the start-up phase and in the industry (Salamzadeh A. and Kawamorita Kesim H., 2015).

### 2.1.2 Start-up Phase

Birth is the first success of a firm (Gelderen M., et al 2005). There are four phases stated, the first phase concerns the development of the company's intention to start (Krueger et al., 2000). The second phase identifies a business opportunity and develops a business concept. In the third phase, resources will be gathered and the organization will be established. In the final phase, the firm starts to exchange with the market ( Gelderen M., Thurik R. & Bosma N., 2005). The startup phase is defined here as the period between product conception and the first sale (Crowne M., 2002). As the sequence of activities and stages may vary between different start-ups, this paper presents a holistic perspective to provide a clearer understanding of the start-up life cycle.

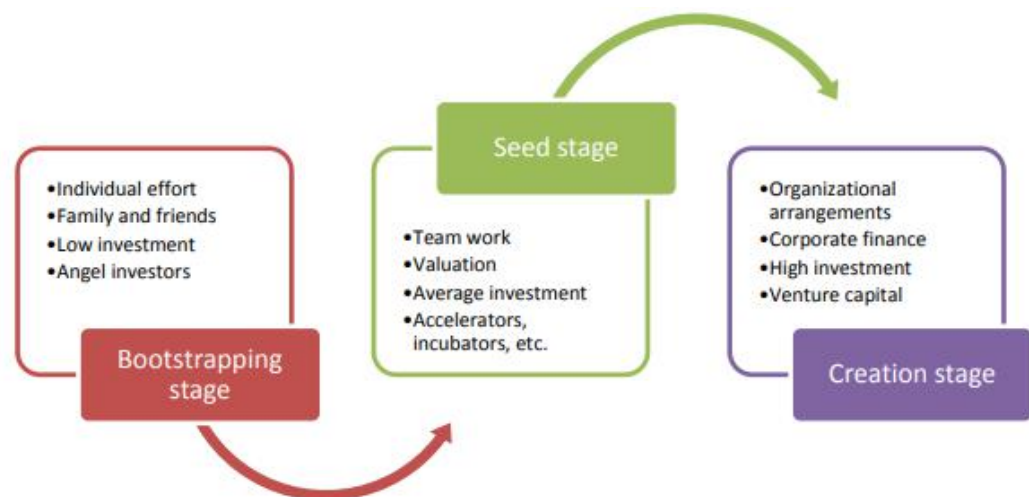


Figure 2.1 Life cycle of start-ups (Salamzadeh A. and Kawamorita Kesim H., 2015)