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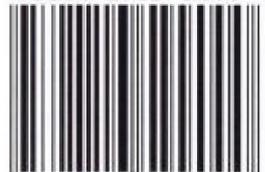
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BUSINESS FAILURES AND PROBLEMS IN MALAYSIA

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INTRODUCTION

Entrepreneurship has become a common issue to be discussed by many people today. Curran and Stanworth (1989) perceived entrepreneurship as a process of creating something new in the market while Low and MacMillan (1988) defined it as the set up a new business. To start a new business is not an easy task. As an entrepreneur, they need to face a lot of challenges. To be successful in the business, the entrepreneur needs to possess characteristic of risk-taking ability, need for achievement, locus of control, desire for autonomy, deviancy, creativity and opportunism (Kirby, 2004).

WHY NEW VENTURES FAIL

The study by Van de Ven, Hudson and Schroeder (1984) showed that about 54 percent of new business survived a year and a half, and only 25 percent survive six years. In another study conducted by Cooper and Dunkelberg (1981) found that 71 percent of service and retail firms failed after four to five years. Meanwhile, Bruno, Leidecker, and Harder discovered three major categories of causes for failure of new venture from the study on 250 high-tech firms which are product / market problems, financial difficulties, and managerial problems (Bruno et al., 1987). Table 1 below summarizes the categories of causes for failure of new venture.

Table 1: Failure of New Venture (Bruno et al., 1987)

Product / Market Problems	Financial Problems	Managerial Problems
Poor timing	Initial undercapitalization	Human Resources Problems
Product design problems	Assuming debt too early	
Inappropriate distribution strategy	Venture capital relationship problems	
Unclear business definition		
Over reliance on one customer		

Moreover, in order to investigate the major problems especially at the start up stage, Terpstra and Olson (1993) conducted a study on firms listed in the Inc 500 group of fast-growing privately held companies. The findings found that dominant problems at start-up related to sales / marketing (38 %), obtaining external financing (17 percent), internal financial management (16 percent) and general management problems (11 percent). The details of problem are shown in Table 2 as below:

Table 2: Types and Classes of First-Year Problems (Terpstra and Olson, 1993)

Sales / Marketing Problems	Obtaining external financing	Internal Financial Management	General Management	Other
Low Sales	Obtaining financing for growth	Inadequate working capital	Lack of management experience	Product development problems
Dependence on one or few clients / customers		Cash-flow problems	Only one person / no time	Product / operations management problems
Marketing or distribution channels			Managing / controlling growth	Human resource management problems
Promotion / public relations / advertising			Administrative problems	External environment problems

Furthermore, a study also had been conducted on new venture failure based on perception of entrepreneurs and venture capitalists. The results showed that entrepreneurs perceived 89 % of the causes of failure were due to internal problems. On the other hand, the venture capitalists recorded 84 % on the same issue (Zacharakis, Meyer & Decastro, 1999). It means that the success of the new venture most of the times depend solely on the capability and competence of the entrepreneur. The details of problems highlighted in this study are illustrated in Table 3 below.

Table 3: Determinants of New-Venture Failure (Zacjarakis et al., 1999)

Entrepreneur			Venture Capitalists		
Scope of Problems	Types of Problems	Rank	Scope of Problems	Types of Problems	Rank
Internal	Lack of management skill	1	Internal	Lack of management skill	1
Internal	Poor management strategy	2	Internal	Poor management strategy	2
Internal	Lack of capitalization	3	Internal	Lack of capitalization	3
Internal	Lack of vision	4	External	Poor external market conditions	4
Internal	Poor product design	5	Internal	Poor product design	5
Internal	Key personnel incompetent	6	Internal	Poor product timing	6

Based on the study conducted by Longenceker, Simonetti and Sharkey (1999), there are 25 reasons why organizations fail to perform in their business. Some of the reasons are poor communication, lack of focus, lack of effective planning, inability to change, conflicting performance goals, lack of teamwork, poor customer service or relations, ineffective manager, lack of workforce training / development, failing to remove performance barriers and so forth.

THE FAILURE / PROBLEM OF BUSINESS IN MALAYSIA

Many entrepreneurs faced a lot of problems and challenges in their business operation. According to Mohd Khairuddin Hashim (1999), the total number of 196 problems faced by 96 SMEs in the manufacturing factors were categorized in six areas. Table 4 presents the findings of this study.

Table 4: The Problems in Manufacturing Sector (Mohd Khairuddin Hashim, 1999)

	Management Problems	Frequency	Percent (%)
1	Human Resource Management	69	35.8
2	Marketing	43	22.3
3	Operation Production	37	19.2
4	Finance	31	16.1
5	Strategic Management	11	4.5
6	General Management	2	1
7	Total	196	100

As shown in Table 5, majority of the problems faced by SMEs were related to human resource management (shortage of workers, high employee turnover, lack of training and non-motivated and not committed workers). On the other hand, marketing problems (lack of marketing efforts intense marketing competition, intense price competition and so forth) and operation management (shortage of raw materials, high costs of raw materials, difficult to get raw materials / parts from local resources and so forth stand as second and third place of ranking that contributed to the problems faced by SMEs. Most of the problems that are faced by SMEs include issues in dealing with the human factors in business such as employee, competitor, supplier, customer and owners themselves.

To investigate the actual problems faced by SMEs in Malaysia, a census was conducted in 1993. The respondents which 99.2 % were SMEs required to rank the problems that they faced while running their business operations. The result is presented in Table 5:

Table 5: The Problems faced by SMEs (SME Annual Report, 2005)

Rank	Problems
1	Competition from bigger players
2	Not able to obtain loans
3	Not able to source skilled labor
4	Competition from new entrants
5	Lack of Government support

The census found that local SMEs faced problems especially when competing with other competitors especially large enterprises, multinational company (MNC) and Government-Link Companies (GLCs). Besides that, problems to obtain loan from financial institutions also contributed to difficulties faced by entrepreneurs in SMEs sector. The third and fourth problems discovered were dealing with lack of skilful labour and competition from new entrants. Even though the government had provided a lot of incentives to help and support the development and growth

of SMEs, the results indicated that some of entrepreneurs in SME sector had highlighted that they had faced problems to obtain government support and help.

In another study conducted by Teoh and Chong (2008) found that the problems faced by majority of businesses were accessibility to credit facility and social network. While for Alam and associates (2011) identified social barriers as one of the main challenges to the SMEs in Malaysia. According to Nur Raihana et. al (2017), there are four major obstacles faced by SMEs which consist of lack of accounting knowledge, lack of proper record keeping, lack of ICT usage and limited financial resources. Some studies showed that SMEs also had problems related to the marketing aspect. For instance, a study by Muhammad (2010) indicated that lack of knowledge about marketing among the owners of SMEs caused them to not able to improve their sales performance. On the other hand, Dzuljastri, Moha Asri and Arif (2018) revealed that there were three challenges faced by SMEs namely lack of financial assistance, lack of marketing assistance and lack of business and market knowledge. The research team of Centre for Entrepreneur Development and Research Sdn Bhd (CEDAR) (2018) also highlighted several obstacles faced by SMEs in e-Commerce platform. This can be seen in Table 6 below.

Table 6: Main Obstacles of SMEs in E-commerce Platform (CEDAR Research Team, 2018)

Percentage	Obstacles
12%	Lack of e-Transaction System
13%	Market Limitation of e-Commerce
14%	Technical Problem in Website Setup
16%	Lack of Relevant Information
18%	Lack of Relevant Technicians
18%	Limited Coverage of Network
20%	Security Concerns of e-Payment
25%	Cost Involved Too Expensive
30%	Poor Bandwidth

According to Poh (2020) the chief executive officer of Malaysian Association of Hotels (MAH), Yap Lip Seng mentioned that the estimated figure of hotel closure either permanently or temporarily in Malaysia was up to 30% over six months period beginning from March 18, 2020. Meanwhile, another report showed that more than 4500 businesses closed down during the first four months of COVID-19 outbreak in year 2020 (Wan Shamsul Amly, 2020). Furthermore, it was recorded that more than 2713 SMEs ceased operation between March and October 2020 after the implementation of movement control order (MCO) since March 18, 2020 in Malaysia (Achariam, 2020). The closure of businesses had impacted many entrepreneurs and employees. In short, the government of Malaysia would face a lot of challenges in the aspects of economic development and the growth of gross domestic product (GDP) in the year of 2021 and 2022.

CONCLUSION

In order to survive in today's dynamic and competitive economic environment, all businesses must be resilient and sustainable. The businesses that are not able to fulfil the necessary criteria to survive have to exit from the competitive market. For new entrepreneurs who have intention to start a new venture in the year of 2021, they must be prepared to face a lot of challenges especially in the situation that our country is still struggling to combat with, the problems of COVID-19. The entrepreneurial knowledge and skills need to be upgraded in order to help the new entrepreneurs to overcome all challenges and problems in the market. Good planning and well management are required to ensure that the entrepreneurs would be able to survive and

compete with other strong competitors in the market. The incentives that are provided by the government would help the new entrepreneurs to solve the problem of financial difficulty.

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