



# BUSINESS NEWS

"I don't believe in taking right decisions.  
I take decisions and then make them right."  
~ Ratan Naval Tata



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## WHY START-UPS FAIL IN MALAYSIA...



**By: S. Khugan**

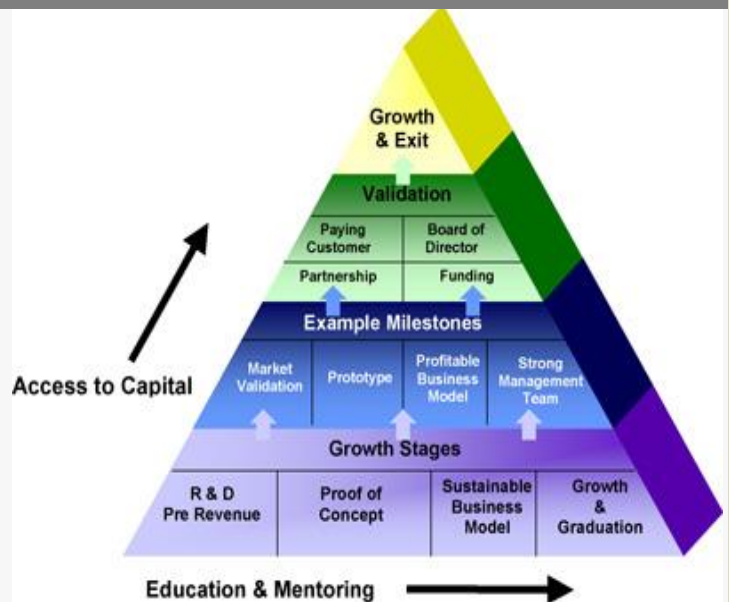
S. Khugan is the Group Managing Director of SKB group of companies. His primary expertise lies in corporate and financial consultancy. He has over 18 years of experience in the field of Mergers Acquisitions, Investments and Investment relations and Corporate Due Diligence. He lives in Kuala Lumpur with his wife, son and a recently rescued kitten.

### THE SITUATION...

There is a Significant difference between Starting a Business and Being an Entrepreneur.

Most people start up businesses for the wrong reasons. As Making money is not the **KEY FACTOR** when doing so...

Let us explore the fundamentals as to **WHY START-UPS FAIL IN MALAYSIA....**



**WHEN YOU WANT TO SUCCEED AS MUCH AS YOU WANT TO BREATHE, THAT'S WHEN YOU WILL BE SUCCESSFUL**

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"If you're walking down the right path and you're willing to keep walking, eventually you'll make progress."

~ Barack Obama



# WHY START-UPS FAIL IN MALAYSIA...

Recently an Associate of mine asked me *“Why is it suddenly we are getting a lot of inquiries on Startups but we aren’t looking into them seriously?”* Instead of answering her through a lengthy lecture, I decided to put my two cents out there and hope that it would benefit all facing the same dilemma.

The primary reason why Start-ups fail in Malaysia is that most entrepreneurs are not prepared with the basic fundamentals of actually starting up a business. Remember, being an entrepreneur is a **mindset!** Not just an idea of making money and dreaming about that Ferrari in the driveway or paying that outstanding credit card bill or finally paying off housing loans to be relieved from the wretched banks calling for outstanding payments.

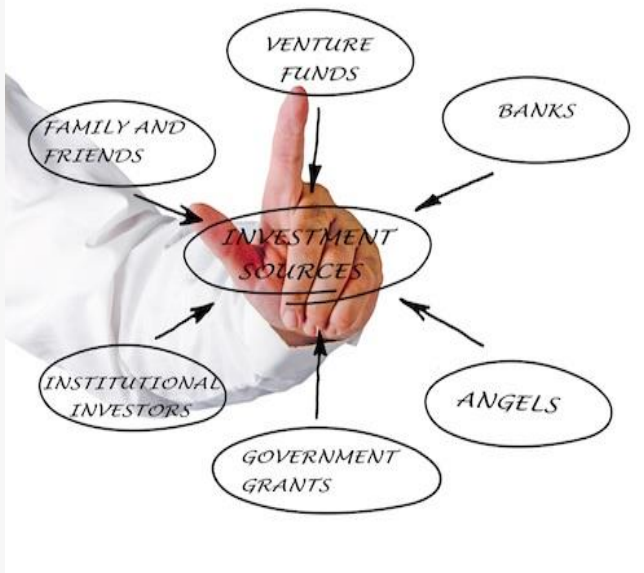
Unfortunately most Start Ups and entrepreneurs are driven by the above reasons to start a business! This is scary. We have seen people quitting good paying jobs to get into business and only to be in a depression only 3-6 months after attempting to do so. WHY??? Because working for a while at a sales job does not make anyone smarter than their employers.



Of course, the other reason is that greed sets in and thoughts like “Why should I work so hard for this company and be paid peanuts? Might as well do it on my own and make more money”, seems to creep through our brain every now and then.

You see this is **Mistake no. 1 – Emotional decision over a calculated one!** To get into a business one has to take into account various factors that I will be listing out shortly. But when you get into a business at the state of desperation or anger you automatically doom yourself and the business from the start. Remember, you enter into your business with nothing but **STRESS** and **PRESSURE** from day one.

How can anything good come out of Stress and Pressure?? It’s great to go into business, I am all for it but the question is **ARE YOU READY???** Let’s find out:



**REASON: 1- I KNOW PEOPLE** – Most people go into business because they know someone who knows someone who knows a “Dato” who has a project. They start up a company to supply something they have no expertise; they get into a construction project without knowing what a BQ is; they borrow money from family and friends because they need to **“pay”** to get the project as that is business. After 6 Months they find out that the project has been awarded to another party long before their discussions started.

**REASON: 2-LACK OF MARKET RESEARCH** – Most people go into business because they know a particular market segment or product and feel that they are ready to start on their own. The thing is, every market conditions have their own pros and cons, if you do not have something that is applicable for the current market **and you can only secure least 10-15% of your market share**, then the time is not right to venture out there yet. The market always relies on known traders.

You may know the customer and may have serviced them for years but when you approach them on your own they would still deal with your former company. After all, they have been working together longer and have a track record, and will hesitate jeopardizing their business with an unknown. In order to go into this market ask yourself this: **a) Why am I better to deal with? b) Is my pricing better than the market? c) What is my bottom line? d) How long can I sustain if I give these low margins? e) Is it worth it?** If you are convinced with your answers, then you have a shot with the potential clients if not see what needs to be done.

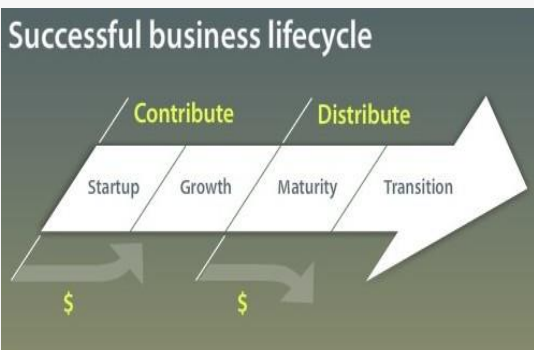
**REASON: 3-LACK OF FINANCE** – Most people who get into start-ups fail to understand the Main Fundamental of Finance. The main fundamental of finance is when involved or investing into a business, **the entrepreneur has to have at least 20-30% of the entire project costs in hand before even attempting to go forth with the project.**

In Malaysia sadly, this is one of the main reasons why Start-ups fail. Unbelievably, we have had clients coming in with million dollar projects with capital outlays of RM 1,500-2,000.00. I am serious and not exaggerating at all!! I am sure that most of you reading must be wondering how that can be? Well let me assure you we have seen more than our fair share

of this.

Everyone is under the assumption that they will secure a project by whatever means possible and then someone else will finance them and they will become overnight millionaires. In a perfect dream world it would go like that but in the real world...sorry, it definitely does not work that way!!!

Another problem is when entrepreneurs mistake pipe dreams for ambition! Sadly more often than not, it has been in the fields of outsourcing and IT. Employees who have worked with MNCs probably for 6 months to a year feel they are smarter than their employers and create apps and other programs that are already in the market, but with some



new tweaks. They want to sell these for Millions of Dollars. It's great to aim to be the next Bill Gates, but know the true worth of your product.

There are ways of becoming an entrepreneur whilst still working at your job and understanding the market. Please remember the one thing in starting your Business is always **PASSION!!!** Do what you love doing and you never work a day in your life...That's the philosophy I live by.

By all means get into a business, but for the passion of it; when you are ready for it; not just for the sake of paying your bills or to prove to others that you are better than they are. Those reasons would create more problems for you on the long run.

Business is something that you love doing. You can see only the success of achieving what you set out to do, if you go to the great lengths of your work to the fruit of triumph and victory. Be the best at what you do and money will follow .Go for the money and only despair you will find.

### What makes a Business successful?

- Enough money to start up the business- this is known as **Capital**
- The idea (**Enterprise**) from the entrepreneur
- **Land**/premises for setting up the business. Can also include natural resources used by the business
- A workforce (**Labour**) to start-up the business

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**Please look out for my other article on How Start-ups can strive in Malaysia. I sincerely hope that I have not offended anyone as I believe that it is better to offend you now, rather than see you suffer whilst making the wrong decisions.**

**Till My Next Post....Please have a Profitable Week Ahead and Best Regards Always!!!**

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