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CHALLENGES TOWARDS PERFORMANCE OF START-UP COMPANIES DURING COVID-19: THE CASE OF JOHOR START-UPS

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Abstract:

This conceptual study aims to highlight the difficulties start-ups had in Johor during the COVID-19 pandemic. The issues that the start-up faces include those related to finances, human resources, support mechanisms, marketing, and crisis management. These are the independent variables in this study. Performance of the start-up is the dependent variable in the meantime. This study will adopted quantitative approach and the analysis will used IBM SPSS version 26. The survey will be conducted on start-up companies in Johor which have been active for 1 year until 9 years of operation and consist of maximum 80 employees. The conceptual framework created in this study may be utilised as a manual to assist start-up owners in dealing with a variety of difficulties during a pandemic outbreak or economic downturn.

Keywords:

Challenges, Performance, Covid-19, Start-up, Johor

Introduction

Due to the numerous constraints that COVID-19 brought with it, companies, especially start-ups, have experienced significant economic shocks that have had a significant negative impact

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on them. Malaysia, where enterprises must obtain authorisation from the Ministry of International Trade and Industry (MITI) in order to conduct business as normal, is one of the many nations that implemented rigorous movement controls that made commercial operations more difficult. Start-ups were therefore not exempt from such limitations. This is due to the fact that start-ups also frequently engage in high-risk activities compared to other SMEs, encounter difficulties obtaining traditional capital, and, at best, have formative relationships with their suppliers and clients (OECD, 2020).

Typically, research organisations like universities were the ones to launch new businesses. Since many research institutions throughout the world began to introduce their students to knowledge transfer and technology commercialization procedures, the practise of creating student start-ups spread around the globe. For instance, by establishing incubators, accelerators, and research parks, India's top engineering and management institutions, such as the Indian Institutes of Technology (IIT) and Indian Institutes of Management (IIM), have made significant progress toward enabling the start-up ecosystem among their students. As a result, it encourages the country to have a very high potential for expansion of the startup ecosystem and provides additional opportunities for ventures (Pandya, 2019).

According to a series of well-known definitions of start-ups, these companies are temporary organizations who search for profitable, repeatable, and scalable business models (Salamzadeh & Kirby, 2017). Besides, a start-up also is an agent of innovation, especially the innovation of the latest achievements of science and technology. In addition, start-ups also allow the economies of developed countries, exhausted by the financial crisis, to regain their "fresh breath" (Skala, 2019). The other key features of a start-up are innovation, unknown demand, and limited internal resources. A start-up that is farther along in its growth is one that takes advantage of scenarios that disrupt the market in order to obtain hyper-scalability and a high firm valuation. As a result, start-ups initially have very little funding, a high level of operational capability among the team for testing business concepts, and strong leadership. Hyper-scalability, a crucial characteristic of mature start-ups, is something that a start-up may attain by properly utilising automating technology. Furthermore, the intermediate stage of a startup's development is defined by an above-average pace of growth in important firm characteristics such as the number of customers (users) or sales (Díaz-Santamaría & Bulchand-Gidumal, 2021). Many start-ups evolve into many sorts of organisations over time, including small and medium-sized businesses, corporations, and foundations (Skala, 2019; Allen et al., 2016). Furthermore, a start-up is an agent of innovation, particularly the invention of the most recent scientific and technological breakthroughs.

A start-up plays a significant role in the economic growth, such as enhancing more job opportunities, incubators for eco-innovation, and creating a new market However, despite their important roles towards economic and social growth, start-ups face difficulty in sustaining and surviving as the failure rate of start-up ranges between 50% and 95%, especially in emerging countries such as Malaysia during the outbreak of COVID-19 (Kee et al., 2019; Soto-acosta, P., & Soto-acosta, P. 2020). The outbreak brought disadvantages to the country's economy, including a major struggle for start-ups, especially in terms of capital and demand.

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Literature Review

Start-ups Performance

Start-ups have been used in a variety of contexts such as a new venture, company run by a young person or company that is based on high technology, sometimes specifically in the IT sector. A start-up refers to a new company founded by one or more entrepreneurs to develop a new unique product or service and secure the position of the product in the market. Normally, a typical start-up starts with shoestring operations with limited amounts of capital from the founders or their friends and families (Adamczyk, 2016).

Based on a study among start-up companies in Spain, the company's performance was measured by two main factors, achieving a significant amount of revenue and obtaining financing. On the aspect of achieving a significant amount of revenue, more than 75% of the entrepreneurs and investors considered the figure of EUR 100,000 were relevant to consider that the start-up is a success (Pandya, 2019).

During the COVID-19 crisis, many start-ups have continued to play their role for economic development by making a fast reaction to adopting this pandemic and helping the country to shift towards fully digital work, education, and health services. Besides, there are also start-ups who help to provide innovation in medical goods and services. However, during this COVID-19, start- ups seem to be in crisis as the decrease in start-ups creation, challenging their survival and limiting their growth (OECD, 2020; Brown & Rocha, 2020). There are several indigenous and exogenous factors which could turn into challenges for start-ups such as financial, human resources, support measures and mechanisms, marketing and crisis management (Salamzadeh & Dana, 2020).

Financial

Financial matters were among the most global challenges of start-ups during their whole lifecycle. On the one hand, starting from an idea, start-up companies need several types of financial support such as bootstrapping, family, friends, and fools and angel investors to develop and sustain their business (Salamzadeh and Kesim 2017). During the pandemic COVID-19, the investors were taking their steps back and avoiding further investment due to the uncertainty level of investment would success were quite high (Brown and Rocha 2020). On the other hand, there are some other financial issues like handling the decrease in daily orders, cash flow management, and lower budgets, which made everything harder for start-ups to survive (Boot et al., 2020).

Human Resources Management

Next, human resources management remained a challenging topic for start-ups that were in their early stages, and those who had limited resources to recruit talented human resources. In general, human resources practices were not affordable for these small and fragile entities such as start-ups (Salamzadeh et al., 2019). With the advent of the Coronavirus, the situation has become more complicated for start-ups and lead them to desperately making decisions on cancelling some of their human resources contracts.

Support Measures And Mechanisms

There are several types of support measures and mechanisms in most of the emerging start- up ecosystems such as a high number of start-up accelerators, incubators, and venture capital funds are still operating in this start-up arena. However, most of them acted more precautious and

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became risk averse due to the volatile situation of the capital market after the COVID-19 pandemic (Ramesh, Siddaiah, and Joseph, 2020).

Marketing

Start-ups are still challenged by a lack of market and marketing research in this period more than ever before (Salamzadeh and Kesim 2017). The market they studied before has changed to a great extent. Moreover, their market penetration strategies might not work anymore. It requires start-up companies to scan the market changes and revise their marketing plan. Besides, start-ups also have a new challenge in developing a market plan that considers creative marketing tools and techniques (Salamzadeh & Dana, 2020).

Crisis Management Skills

A lack of crisis management skills remained as another challenge for start-up owners in facing this black swan, pandemic COVID-19 (Yue et al. 2020). Start-up teams are composed of young talented members with a lower level of prior experience and knowledge (Allen et al., 2016). This made crisis management even harder for these entities since they still do not have sufficient skills to manage such a crisis.

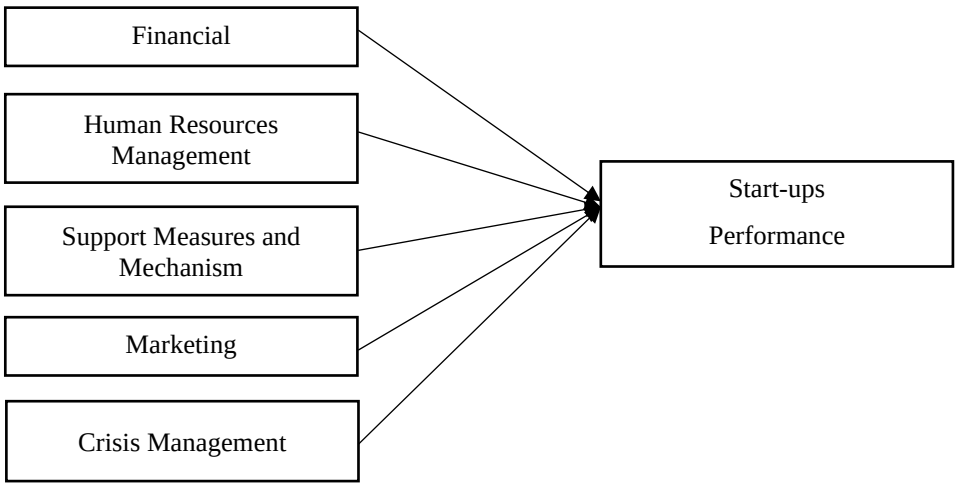

Figure 1: Conceptual Framework

Figure 1 above is the proposed conceptual framework for this study. This framework shows the challenges during Covid-19 towards start-up performance. The independent variables for this study are the challenges face by the start-up consists of financial, human resources, support measures and mechanism, marketing and crisis management. Meanwhile, the start-up's performance as the dependent variable. This conceptual framework is applied and adapted based on several previous researches.

Methodology

The target population of this study is the owner of start-up companies in Johor. This study will used simple random sampling techniques in which the respondents of the study are the owners of start-up companies in Johor. Simple random techniques means that every case of the population has an equal probability of inclusion in sample (Taherdoost, 2018). In general, simple random sampling assigns numbers to everyone within the population, so that a sample group may be selected using processes that pick random numbers from the list. This method is

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suitable when the main objective of a study is for its findings to be generalize for a whole population. In other words, this method of sampling ensures that the data extracted from the chosen sample group is reflective of what it would be for the target population as a whole. In this study, the researcher consisted of start-up company in Johor based on the number of start-up registered with Malaysian Global Innovation and Creativity Centre (MaGIC). There are 40 start-up were recorded to be registered under MaGIC the sample size is based on the sampling curve standard. According to Krejcie and Morgan (1970), when the population is 40, the sample size needed to be involved in the research is 36.

In this study, the primary data is obtained through the questionnaire that will be distributed to the respondents. This research will used the survey method to collect the data for this study where the method enables to obtain information by questioning respondent with a few numbers of questions that were provided in the structured questionnaire. Researcher will distribute questionnaires to the targeted respondent, owners of start-up companies via WhatsApp and E-mail. The data obtain by the questionnaire will be process and analyse through SPSS in order to get the results.

Conclusion

The expected findings based on the relationship of challenges face by start-up companies in Johor during pandemic COVID-19 and the start-up performance will provides sufficient evidence to support all of the hypotheses of this research. In conclusion, the challenges that came from the aspect of crisis management are expected provide the most significant impact among all of the challenges. Hence, this aspect was supposed to be received more attention in order to be catered. Other variables of challenges of this study also are expected to shows significant impact and supposed to be addressed with a better solution. More research on start-up is needed to broaden the findings for future study. The data for this study will be collected particularly in one state, Johor, which has a small population. As a result, further study is expected to be expanded into additional states such as Selangor and Penang. This would undoubtedly aid Malaysian start-ups in their growth and success.

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