Faculty of Technology Management and Technopreneurship

ENTREPRENEURIAL CHARACTERISTICS AND FIRM PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MALAYSIAN FOOD MANUFACTURING INDUSTRY

NorzalizahbintiBahari

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ENTREPRENEURIAL CHARACTERISTICS AND FIRM PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MALAYSIAN FOOD MANUFACTURING INDUSTRY

NORZALIZAH BINTI BAHARI

A thesis submitted
in fulfillment of the requirements for the degree of Doctor of Philosophy

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UNIVERSITI TEKNIKAL MALAYSIA MELAKA

2018

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DECLARATION

I declare that this thesis entitled "Entrepreneurial Characteristics and Firm Performance of Small and Medium Enterprises in Malaysian Food Manufacturing Industry" is the result of my own research except as cited in the references. The thesis has not been for any degree and is not concurrently submitted in candidature of any other degree.

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Date : 18 July 2018

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APPROVAL

I hereby declare that I have read this thesis and in my opinion this thesis is sufficient in terms of scope and quality for the award of Doctor of Philosophy.

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Date	: 18 July 2018

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DEDICATION

This thesis is specially dedicated to:

My beloved parents, Bahari Abu Bakar and HalimahBaharomand my family.

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ABSTRACT

Small and Medium Enterprises (SMEs) make a significant contribution to the national economy in Malaysia and there have been concerted efforts by the government over the years to assist SMEs in setting up and expanding their business. With their smaller operations, lower capital outlay and limited human resources, the business models of SMEs are significantly different from large corporations and require a different approachThis study draws upon the concept of entrepreneur characteristics, strategic orientation and attempts to examine how such approaches help improve the performance of SMEs in Malaysia. Using the Resource-Based View as the theoretical foundation, this study has combined the entrepreneur's entrepreneurial characteristics such as internal locus of control, need for cognition and need for achievement as enabling elements for firms to develop their sustained competitive advantage. As a consequence, this study employs market and entrepreneurial orientation as mediating variable and GSPs is employed as moderator on each variable in this research in order to reflect factors that can intervene in the actions of a firm and its performance in real life. Data were collected from SME food manufacturing firms in Malaysia using a cross sectional study design and stratified random sampling method. A total of 396 usable questionnaires were collected using conducting face to face question and answer session through the set of questionnaire and online survey method and analyzed with Covariance-Based SEM (CB-SEM). 12 out of 18 hypothesized relationships were supported. This study found internal locus of control and need for cognition have direct relationship with firm performance, while need for achievement has non-significant relationship with firm performance. Furthermore, market and entrepreneurial orientation have strong influence with firm performance that revealed significant mediating effect. GSPs also moderates the relationship between entrepreneur's entrepreneurial characteristics, market orientation, entrepreneurial orientation and firm performance. This research makes several theoretical contributions and provides further insights on the relationship between entrepreneur's entrepreneurial characteristics and impacts on performance of food manufacturing industry. From the managerial viewpoint, this study provides a valid and applicable framework for food manufacturing industriesto have entrepreneur who able to be competitive and enable the adoption of market and entrepreneurial orientation and the role of GSPs as moderator in their organizations. Practical contribution indicates that the reflection of entrepreneur's characteristics and will influence on the firm's strategy and outcomes. The implications of this study to the policy makers, academics and food manufacturing practitioners is enhancing the awareness of the intangible resources already owned by the firm and the impact of market and entrepreneurial orientation towards achieving better firm performance.This study could also be a useful tool in selecting team members for management team and evaluating applicants for partnership and joint venture potential. In other words, the selection of the business strategies and the cultural development are the practices of "actions" or the entrepreneurial characteristics of the managers/owners.

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ABSTRAK

Perusahaan Kecil danSederhana (PKS) telahmembuatsumbanganpentingkepadaekonominegara di Malaysia dansejakbeberapatahunkebelakanganini, pelbagaiusahabersepadutelah di laksanakanolehkerajaandalammembantupenubuhan PKS dancarauntukmengembangkanperniagaanmereka. Denganoperasimereka yang lebihkecil, alirankeluar modal yang lebihrendahdansumbermanusia yang terhad, model perniagaan PKS adalahjauhberbezadaripadasyarikat-syarikatbesardanmemerlukanpendekatan yang berbeza. Kajianinimengenegahkankonsepciri-ciriusahawan, orientasi strategic dancubauntukmengkajibagaimanapendekatansepertiinidapatmembantumeningkatkanprestasi PKS di Malaysia. Kajianinimenggunakan 'Resource-Based View' sebagaiteoriasasdanmenggabungkanciri-ciriusahawanuntukmenggambarkanjenistindakan yang berkaitandenganpendekatanperniagaanseperti "internal locus of control", "need for cognition" dan "need for achievement". Di sampingitu, kajianinimenggunakanorientasi strategic sebagaipengantaradan program sokongankerajaansebagai moderator padasetiappembolehubahdalamkajianiniadalahuntukmencerminkan factor persekitaranluaran yang bolehcampurtangandalamtindakan firma danprestasinyadalamkehidupansebenar. Data dikutipdaripada PKS firma-firma pembuatanpemakanan di Malaysia menggunakanrekabentukkajian keratin rentasdankaedahpersampelanrawakberstrata. Sejumlah 396 borangsoalselidik yang bolehdigunakantelahdikumpulmenggunakankaedahtemudugadandalamtaliandandianalisa dengan 'Covariance-Based SEM' (CB-SEM). 12 daripada 18hubunganhipotesistelahdisokong.Kajianinimendapaticiri-cirikeusahawananmempunyaihubunganlangsungdenganprestasi firma, manakalaorientasikeusahawanandanorientasipasaranmempunyaihubungan yang tidaksignifikandenganprestasi firma. Selainitu, orientasikeusahawanandanorientasipasaranmempunyaipengaruh yang kuatdenganprestasi firma yang menunjukkankesanpengantaraan yang signifikan. Program sokongankerajaanjugamenyederhanakanhubunganantaracirikeusahawanan, orientasi strategic danprestasi firma. Penyelidikaninimembuatbeberapasumbanganteoritisdanmemberikangambaranlebihlanjuttentangciri-cirikeusahawanandanimpakterhadapprestasi industry pembuatanmakanan. Dari segipengurusan, kajianinimenyediakanrangkakerja yang sahdansesuaiuntuk industry pembuatanmakananuntukmempunyaiusahawan yang mampubersaingdanmembolehkanpenerapanorientasi strategic dalamorganisasimereka. Sumbanganpraktikalmenunjukkanbahawawujudnyainteraksiantara program sokongankerajaan, ciri-cirikeusahawanandanstrategidalammeningkatkanprestasi firma. Implikasidalamkajianinikepadapembuatdasar, ahliakademikdanpengamalpembuatanmakananadalahmeningkatkankesedarantentangmanfaat yang dimilikiolehsyarikatdanimpakorientasi strategic kearahpencapaianprestasi firma yang lebihbaik, danmengkajisemuladasardanperaturankemapanan di Malaysia.Kajianinijugabolehdijadikansebagaialatuntukmemilihahlikumpulandalamkumpulanpengurusansertabolehjugadigunakandalammenilaipermohonanuntukperkongsiandanus

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ahasama. Dengan kata lain, pemilihanstrategiperniagaandanpembangunanbudayaadalahamalan "tindakan" ataucirikeusahawananpengurus / pemilik.

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LIST OF ABBREVIATIONS

ILOC	-	Internal locus of control
NFC	-	Need for cognition
NFA	-	Need for achievement
MO	-	Market orientation
EO	-	Entrepreneurial orientation
FP	-	Firm performance
GSP	-	Government support program
RBV	-	Resources-based view
UET	-	Upper Echelon Theory
SMEs	-	Small and medium enterprises
MATRADE	-	Malaysian External Trade Development Corporation
FMI	-	Food manufacturing industry
GDP	-	Gross domestic product
$\chi 2$	-	Chi-square
p	-	Significant value
df	-	Degree of freedom
RMSEA	-	Root mean square error of approximation
SRMR	-	Standardized root-mean-square
GFI	-	Goodness of fit index
NFI	-	Normal fit index
TLI	-	Tucker Lewis index
CFI	-	Comparative fit index
GOF	-	Goodness-of-fit
SEM	-	Structural equation modeling
AMOS	-	Analysis of moment structures
EM	-	Expectation-maximization

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MCAR	-	Missing completely at random
cr	-	Critical ratio
Sig	-	Significant

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N. Bahari, A. R.Yunusand J. Jabar (**2018**),*Entrepreneur Personal Characteristics, Market Orientation and SME's Firm Performance: Moderating Effect of Secondary and Tertiary Education Level*. Advanced Science Letter, 24(4), pp.2789-2792 – Scopus indexed

N. Bahari, A. R.Yunus, J. Jabar and M.Yusof, S.Wardatulaina (**2018**), *Entrepreneur Characteristics and Firm Performance: A Study on Malaysian Food Manufacturing Industry SME's.* IOSR Journal of Humanities and Social Science, 23(2), pp.92-98.

N. Bahari, J. Jabar andA. R.Yunus(**2017**), *Malaysian women entrepreneurial characteristics, strategic orientation and firm performance: The moderator role of government support programs.*International Journal of Advanced and Applied Sciences, 4(12), pp.257-262 – ISI indexed

N. Bahari, A. R.Yunusand J. Jabar (**2017**),*Effective Success Factors of Malaysian SMEs Firm Performance Influenced by Entrepreneur Personal Characteristics, Entrepreneurial Orientation and Government Support Program*. The Social Sciences, 12(7), pp. 1157-1162.

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N.Z. Bahari, A. R.Yunus and J. Jabar (**2016, 17 August**) *Effective Success Factor of Malaysian Entrepreneur and Firm Performance: Influence Entrepreneurial Orientation and Government Support Program*. Paper presented at the International Conference on Humanities and Technology (ICOHAT 2016). Melaka, Malaysia.

N.Z. Bahari, A. R.Yunusand J. Jabar (**2014, 17 December**)*Entrepreneur's Personal Characteristics, Strategic Orientation and Government Support Program in Malaysian SMEs.* The 6th International Conference on Postgraduate Education (ICPE-6 2014). ISBN 978-967-0764-10-8. Melaka, Malaysia. (CD Rom)

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CHAPTER 1

INTRODUCTION

This chapter discusses the research background, problem statement, research objectives, research questions, as well as the scope and significance of study. It also underlines the need for more research on government support program, entrepreneurial characteristics and the choice of market orientation and entrepreneurial orientation in developing countries to help entrepreneurs remain competitive and able to achieve higher firm performance. Additionally, this chapter examines the moderating effect of government support program in the relationship between entrepreneurial characteristics and firm performance in the food manufacturing industry (FMI). Finally, the thesis organization is presented in this chapter.

1.1 Research Background

The Small and Medium Enterprises have a strong influence on globalized and competitive business environment in developing and developed economies (Ladzani and Van Vuuren, 2002). SMEs are among the major contributors in a country's economic activities, playing an important role in its economic growth, innovation, and employment creation. A reportfrom the OrganizationforEconomic Co-operation and Development (OECD, 2009) Turin Roundtable identified SMEs as a major economic player in the OECD countries. Asia Pacific Economic Cooperation (APEC) advises its member

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countries to place high priority on nurturing SMEs as they help in the economic development of individual nation and encourage the flow of trade and investment activities among different economies in the APEC region (Karikomi, 1998). According to OECD (1997), SMEs are a valuable source of employment with future growth prospect for many countries across the globe. In some countries such as Italy, South Korea, and China, SMEs contribute up to 60% of their total national exports (Knight, 2000). Also, SMEs are accounted for about 35% of exports from Asia and 26% of exports from developed countries (OECD, 1997). Not only do SMEs contribute to the economic development of a country, the level of their success also acts as a measure of efficacy of government policy in nurturing entrepreneurial culture in an economy. For instance, Singapore launches a comprehensive policy called SME Master Plan in 1989 to promote entrepreneurship by assisting SMEs in areas like tax incentives, financial assistance, technology adaptation, business development and marketing (Volery and Schaper, 2007).

In the context of developing countries, the SMEs assist in economic growth, improve productivity, efficiency, and create more job opportunities (Abdullah et al., 2011). Nonetheless, only successful SMEs are able to influence the economic growth of a country. Therefore, it is important to understand the factors leading towards their success, especially in the context of developing countries like Malaysia. The outstanding performance of SMEs would largely contribute in creating more jobs, increasing trading activities, as well as improving gross domestic product (GDP). However, there is a lack of consistency in regard to the important factors towards achieving SMEs' superior performance (O'Regan and Ghobadian, 2004). For example, some researchers consider the internal factors or the entrepreneurial characteristics in determining firm performance, while others highlighted the strong impacts of external factors such as business environment, government policy, and financial assistance.

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