

SUPERVISOR'S APPROVAL

I hereby declare that have read this thesis and in our research is sufficient in terms of scope and quality. This project is submitted to Universiti Teknikal Malaysia Melaka as a requirement for completion and reward Bachelor Degree of Technopreneurship

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SUCCESS FACTOR OF FROZEN FOOD IN SMALL AND MEDIUM
ENTERPRISE (SME) UNDER MARDI GUIDANCE IN SELANGOR

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DECLARATION

I declare that this project entitled “Success factor of frozen food in SME under MARDI guidance in Selangor” is the result of my own research except as cited in the references.

Signature :

Name :

Date :

DEDICATION

I would like to dedicate this research to my beloved parents and my siblings. Their unconditioned love and encouragement have allowed me to strive and push myself beyond limits that I never thought would be possible. With their support, I was able to complete this research paper smoothly. I will give this thesis as a special gift for my parents especially to my father and mother for their support, this also as feedback for what they have done for me during my whole life.

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ABSTRACT

Small and Medium Enterprises (SMEs) play a significant role in the development of the Malaysian economy. Due to this, the government has made the development of SMEs a high priority area with a string of development agendas especially in agro based industries. This study aims to identify success factors that influence the business performance of frozen food small and medium enterprises (SMEs) in Malaysia particularly the SMEs under the MARDI guidance. There are three factors examined in this study that may affect the business performance of SME. These factors are: the accreditation certificate, application technology, and business management education. The data were collected from 103 respondent using structured questionnaires among frozen food SME under MARDI guidance. All hypotheses were tested using regression analysis and correlation analysis shows that the most important factors affecting the business performance of SMEs. The result of analysis show that accreditation certificate, application technology, and business management education influence business performance. The outcome of the study provide guidance for business owner in frozen food SME to reduce the risk of failure and increase the chances of business success.

ABSTRAK

Perusahaan Kecil dan Sederhana (PKS) memainkan peranan penting dalam pembangunan ekonomi Malaysia. Oleh yang demikian, kerajaan telah membuat pembangunan PKS kawasan keutamaan yang tinggi dengan rentetan agenda pembangunan terutamanya dalam industri berasaskan pertanian. Kajian ini bertujuan untuk mengenal pasti faktor-faktor kejayaan yang mempengaruhi prestasi perniagaan makanan beku perusahaan kecil dan sederhana (PKS) di Malaysia terutamanya PKS di bawah bimbingan MARDI. Terdapat tiga faktor dikaji dalam kajian ini yang boleh menjejaskan prestasi perniagaan PKS. Faktor-faktor ini adalah: sijil akreditasi, aplikasi teknologi, dan pendidikan pengurusan perniagaan. Data yang dikumpulkan dari 103 responden dengan menggunakan soal selidik berstruktur antara SME makanan sejuk beku di bawah bimbingan MARDI. Semua hipotesis telah diuji menggunakan analisis regresi dan analisis korelasi menunjukkan bahawa faktor yang paling penting yang mempengaruhi prestasi perniagaan PKS. Hasil analisis menunjukkan bahawa sijil akreditasi, aplikasi teknologi, dan pengurusan perniagaan prestasi perniagaan pengaruh pendidikan. Hasil kajian ini memberi panduan kepada pemilik perniagaan di SME makanan sejuk beku untuk mengurangkan risiko kegagalan dan meningkatkan peluang kejayaan perniagaan.

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LIST OF SYMBOL

B	=	Beta
\emptyset	=	Null
%	=	Percentage
R	=	Point of estimate
R ²	=	Point of estimate Square
P	=	Value

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Small and Medium Enterprises (SMEs) play a significant role in the development of the Malaysian economy. Due to this, the government has made the development of SMEs a high priority area with a string of development agendas especially in agro based industries. In facts, products sectors of agriculture and agro-based industry is the fourth largest contributor to the gross national income (GNP) in the key areas of the national economy (IKEA) amounting to RM156 billion targeted in 2020.

Malaysian Agricultural Research and Development Institute (MARDI) is an agency under the ministry of agriculture and agro-based industry responsible to guide SME entrepreneurs every year through programs such as technology transfer program, entrepreneurs mentoring program, young agropreneur program and program scale-up. However, the issues and challenges faced by entrepreneurs MARDI is in products market competition and improve the consistency of production caused by the stability of raw material supply in the country. Therefore, the issues and challenges that should be addressed by improving the management level and efficiency of entrepreneurs in the use of available resources thus increase business performance.

1.2 Problem Statement

The development of entrepreneurs and small medium enterprise (SME) has become a major contributor towards economic development in countries such as Malaysia (Hilmi, 2010). In terms of the business environment, the Malaysian food industry is dominated by small and medium scale firms (Malaysian Investment Development Authority, 2012).

The impact studies on MARDI entrepreneur development program for the development of entrepreneurs of small and medium enterprises (SME) shows there are some success factors that contribute to the success of SME entrepreneur such as SME entrepreneur guidance, technical assistance, advisory services and business talk (Faiz, 2015). The study also indicated that 10 percent of successful entrepreneurs export to the global market are entrepreneurs who have accredited certification such as Halal, Must, Good Manufacturing Practice (GMP) and Hazard Analysis Critical Control Point (HACCP).

The study by Rashid and Nik Rozana (2015) reported that among the main issues and challenges SME is to market their products to hypermarket. Besides, studies related to touch those technical and management aspects which need to be strengthened by entrepreneurs to explore market is modern. Consistency aspect in the quality and quantity of products, production flexibility, logistics and transport capabilities, commensurate capital and operating services and promotional sales. Sustainable entrepreneurial MARDI success affected by consistency of increased sales, efficiency of technology, and cost effectiveness (Hairuddin MA, 2012).

1.3 Research Question

The research question used in this study as shown as follow:

- i. What is the effect of accreditation certificate toward SME business performance?
- ii. What is the impact of technology application toward SME business performance?
- iii. What is the relationship of business management education toward business performance?

1.4 Research Objectives

There are few of research objective used to answer the research question above:

- i. To investigate the effect of accreditation certificate toward frozen food SME business performance.
- ii. To identify the impact of technology application toward local frozen food SME business performance.
- iii. To study the relationship between business management education toward frozen food SME business performance.

1.5 Project Significant

1.5.1 Organization

This study will be undertaken to find out the critical success factor that contribute toward increasing SME business performance in frozen food industry. This study hopefully can contribute to those SME entrepreneurs increasing their sales revenue and business performance.

1.5.2 Government implementing agencies

The national policy to increase the ability of SMEs as the backbone of the national economy driven. Therefore, this study is expected to be used by the government implementing agencies in providing an effective mechanism to help develop small and medium entrepreneurs increase sales and revenue of their business.

1.6 Scope and Limitation

This study is aimed to identify what the success factor that influence SME business performance. Success factor that study in this research are: accreditation certificate, application technology business management education.

This study focus on SME in frozen food industries under Mardi guidance in Selangor. The respondent can be range in different age, gender, capital investment and number of employees. The information collected from several methods which are questionnaires, online survey, etc.

Time constraint is one of limitation from doing this research. This study only focused on frozen food industries and do not study the other major industrial. Due to time constraints factors collect and filter the data needs more time to assess the overall success in all areas of SME.

1.7 Summary

Success factor of small medium enterprise is the ultimate test of whether a business performance of this SME will succeed. The data about the respondent of frozen food industries help the researcher to define the need and identify the threat

and opportunity to increase the business among small medium enterprise in frozen food industries.

‘

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

According to Shields and Rangarajan (2013), literature review is a text of a scholarly paper, which includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews use secondary sources, and do not report new or original experimental work. Most often associated with academic-oriented literature, such as a thesis, dissertation or a peer-reviewed journal article, a literature review usually precedes the methodology and results section although this is not always the case.

The success factor of frozen food small medium enterprise entrepreneur under MARDI it made up by three success factor, such as accreditation certificate, application of technology, business management education. The literature review about this study are show the impact of success factor influences the entrepreneur SME in agriculture areas.

2.2 Success factor

According to D. Ronald Daniel (1961). Success factor is a management term for an element that is necessary for an organization or project to achieve its mission. It is a critical factor or activity required for ensuring the success of a company or an organization. The term was initially used in the world of data analysis and business analysis. Critical success factors are those few things that must go well to ensure success for a manager or an organization, and, therefore, they represent those managerial or enterprise area, that must be given special and continual attention to bring about high performance.

Success factors should not be confused with success criteria the latter are outcomes of a project or achievements of an organization that are needed to consider the project a success or to esteem the organization successful. Success criteria are defined with the objectives and may be quantified by key performance indicators. Critical success factors are elements that are vital for a strategy to be successful. A critical success factor drives the strategy forward, it makes or breaks the success of the strategy.

2.3 Small Medium Enterprise (SME)

According to Bakar (2007) in other countries, small and medium enterprises (SMEs) in Malaysia are a very heterogeneous group. They are involved in activities ranging from petty traders, grocery store operators, medium-sized contract manufacturers supplying parts and components to multinational corporations and professional services such as software firms or medical researchers selling their services to overseas markets.

SMEs also operate in different market environment such as urban, rural, online, physical, domestic, regional and international. These SMEs may be formal or in the informal sector and they possess different levels of skills depending on their activities. These elements form the characteristics of SMEs in Malaysia and the basis for policy response.

Salminen (2000) describes an enterprise as a controlled system consisting of a detector, a selector and an effector. The detector is the function by which a system acquires information about its environment, which is then used as the basis of the selection of a behavioral response by the selector. Finally, the behavior is executed by the effector. The measurement system of an enterprise gathers information about the changes in both the environment and the performance of the enterprise.

This information is then used together with the values and the preferences of the enterprise and its management to produce decisions about the required actions. As a result, the outputs of the enterprise, the products, the services, the operational performance and the financial performance are changed. Firm performance refers to the firm's success in the market, which may have different outcomes.

Definition of SMEs varies across countries. In Malaysia, SMEs are defined based on two criteria, namely annual sales turnover and number of full-time employees of a business. For the manufacturing and manufacturing-related services, SMEs refer to enterprises with sales turnover of less than RM25 million or full-time employees of less than 150 workers, while for the services and the other sectors, SMEs are those with sales turnover of less than RM5 million or less than 50 workers.

A business that fulfils either one of the criteria will be deemed as an SME. The definition for the micro, small and medium is in turn determined by different threshold of the criteria. SME businesses can be legally structured as entities registered either under the Registration of Businesses Act 1956 (Act 197) or Companies Act 1965 (Act 125).

2.4 Agribusiness

According to Ahmad (2009), agro-based products have received great demand from the consumers for various reasons such as health concerns. However, much of the local market is being dominated by the imported products especially from our neighboring countries like Thailand, Myanmar and Indonesia. This shows that local industry lack the marketing and distribution capabilities to penetrate the market. In addition, most local products are manufactured by small firms and cottage industries which carry various brand names and product forms. In addition, these entrepreneurs are scattered throughout Malaysia and each firm offers small quantity of products. The products are mainly manufactured manually or using semi-automated machines which resulted in low quality packaging and labeling. Thus, low production of agro-based products often occur due to poor supply chain practices by these small scale entrepreneurs

2.6 Business Success of Entrepreneur

Success refers to the achievement of goals and objectives in any sector of human life. Though, in business, the concept of success generally refers to a firm's financial performance, it has been interpreted in many different ways (Foley and Green, 1989). Some authors defined success from tangible (objective) points of view such as revenue or a firm's growth, personal wealth creation, profitability, turnover (Perren as cited by Amrit 2000). Lao (2007) reported that associated entrepreneurial success with continued business operations, operating for at least three years.

Some other studies have interpreted the success from intangible points of view where intangible assets (e.g., goodwill of firm) are linked to key factors of success. Despite the fact that success has been widely studied topic in the field of entrepreneurship, no consensus on what is understood by the success of the firm can be found in the literature Perez and Caninno (2009). Our contention is that success is largely determined by subjective perceptions of the entrepreneur regarding their success Ibrahim and Goodwin (1986). This study, therefore, attempts to find out the

relationship of success as perceived by entrepreneurs to demographic and main environmental elements.

2.6 Success factor of Small medium Enterprise Entrepreneur

2.6.1 Accreditation certificate

According to Faiz et,al (2015), accreditation is the process in which certification of competency, authority, or credibility is presented. Organizations that issue credentials or certify third parties against official standards are themselves formally accredited by accreditation bodies such as UKAS, hence they are sometimes known as accredited certification bodies. The accreditation process ensures that their certification practices are acceptable, typically meaning that they are competent to test and certify third parties, behave ethically and employ suitable quality assurance. Faiz et,al (2015) found that 10 percent of successful entrepreneurs export to the global market are entrepreneurs who have accredited certification such as Halal, Must, GMP and HACCP. Besides, the Value of Accreditation as below.

- i. Enables credentialing organizations to demonstrate to the profession it represents, and to the general public its certificate serve, that their program has met the stringent standards set by the credentialing community
- ii. Enhances a program's credibility and legitimacy by providing impartial, third party oversight of a conformity assessment system
- iii. Provides organizations with a way to answer the question who reviewed your certificate or certification program, a question often posed by members of an occupation, employers, and sometimes, the courts

2.6.2 Application of Technology

Apulu and Latham (2011) found that the competitiveness of SMEs will be increased through adopting Information and Communication Technology. Subrahmanya, Mathirajan, and Krishnaswamy (2010) summed up that those SMEs which have technological innovation have a higher growth compared to the SMEs which are not creative in the sales turnover, investment and job.

2.6.3 Business management education

According to Talaia and Mascherpa (2011), the entrepreneurial team demographics such as level of education and size of Entrepreneurial Team have a positive relationship in the determination of performance of SMEs. Kavita, Anantharaman, and Jayasingam (2008) found that the educated and experienced women are more interested in becoming entrepreneurs than non-educated and inexperienced women. The research of Sletten and Hulaas (1998) conclude that skills and educational backgrounds of these entrepreneurs are vital to the development of new businesses.

2.7 Concept of SME Performance

Firm performance is a focal phenomenon in business studies. However, it is also a complex and multidimensional phenomenon. Performance can be characterized as the firm's ability to create acceptable outcomes and actions. Success, in general, relates to the achievement of goals and objectives in whatever sector of human life. In business life, success is a key term in the field of management, although it is not always explicitly stated. Success and failure can be interpreted as measures of good or indifferent management. In business studies, the concept of success is often used to refer to a firm's financial performance. However, according to Foley & Green (1989) there is no universally accepted definition of success, and business success has been interpreted in many ways. There are at least two important dimensions of success:

- i. Financial vs. other success
- ii. Short vs. long-term success.

Hence, success can have different forms, e.g. survival, profit; return on investment, sales growth, number of employed, happiness, reputation, and so on. In other words, success can be seen to have different meanings by different people. In spite of these differences, people generally seem to have a similar idea of the phenomenon, of what kind of business is successful.

2.8 Malaysian Agricultural Research and Development Institute (MARDI)

MARDI was established with the main objectives of generating and promoting new, appropriate and efficient technologies towards the advancement of the food, agriculture, food and agro-based industries. MARDI is managed and guided by the regulations and policies set by the MARDI Governing Board and consented by the Minister of Agriculture And Agro-Based Industry. In matters pertaining to finance the consensus of the Minister of Finance is also obligatory. Whereas, the