

**ENTREPRENEUR CHARACTERISTICS AND FIRM PERFORMANCE ON
MALAYSIA FOOD AND BEVERAGE INDUSTRY SMEs**

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“We hereby acknowledge that we had read this project paper and in our opinion, this work sufficient in terms of scope and quality for the award of Bachelor Technology Management (Innovation) with Honour”

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DECLARATION OF STUDENT

I declare that this project paper “**Entrepreneurship Characteristics and Firm Performance on Malaysian Food and Beverage Industry SMEs**” is the result of my research expect as cited the reference.

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DEDICATION

This study is dedicated wholeheartedly to my mother, Zuraida Binti Bidin who was the source of giving strength when I have thought about giving up, with providing spiritual and moral support.

To all my dearest friends who shared their ideas and advice to finish this study.

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ABSTRACT

In the past decade, small and medium-sized enterprises (SMEs) has grown and they play a vital role in the economy. Based on the statistics, revealed the growth of Malaysia a SMEs Gross Domestic Product (GDP) at 7.2 percent exceeds Malaysia's GDP which registered at 5.9 percent in 2017. This show that SMEs in Malaysia have flourish especially in the Food and Beverage industry. However, there are challenges for the entrepreneur to involve in business. The insufficient skilled labor force with low productivity and low-quality output, lack of management and expertise and competition from the global market are challenges faced by Malaysia SMEs. In addition, Malaysia wants more the number of successes in DFTZ to make Malaysia's entrepreneur should have characteristics that can motivate them to compete in the emerging market. There are 150 respondents participated in this research by distributes the structured questionnaires to analyse the most significant entrepreneur characteristics towards firm performance. This research used a quantitative method by conduct 150 respondents in Peninsular Malaysia. Four entrepreneur characteristics (self-confidence, creative and innovative, risk-taking propensity and need for achievement) towards firm performance have been analyzing. Thus, the findings show creative and innovative was most influence the firm performance. Therefore, creative and innovation were essential characteristics for an entrepreneur to solve the problem by providing unique solutions. This study extends this research line to use a qualitative and mixed method in order to have a deeper understand and get more information about entrepreneur characteristics and firm performance.

Keywords: Entrepreneur characteristics, firm performance, Food, and Beverage industry

ABSTRAK

Dalam dekad yang lalu, perusahaan kecil dan sederhana (SME) telah berkembang dan ia memainkan peranan penting dalam ekonomi. Berdasarkan statistik, pendedahan pertumbuhan PKS Malaysia dalam Keluaran Dalam Negara Kasar (KDNK) pada 7.2 peratus melebihi KDNK Malaysia yang mencatatkan pada 5.9 peratus pada 2017. Ini menunjukkan bahawa PKS di Malaysia berkembang terutamanya dalam industri Makanan dan Minuman. Walau bagaimanapun, terdapat cabaran untuk usahawan untuk melibatkan diri dalam perniagaan. Tenaga buruh mahir yang tidak mencukupi dengan produktiviti yang rendah dan keluaran berkualiti rendah, kekurangan pengurusan dan kepakaran serta persaingan dari pasaran global adalah cabaran yang dihadapi oleh PKS Malaysia. Di samping itu, Malaysia mahu lebih banyak kejayaan di Zon Perdagangan Bebas Digital (DFTZ) untuk menjadikan usahawan Malaysia mempunyai ciri-ciri yang boleh mendorong mereka untuk bersaing dalam pasaran baru. Terdapat 150 responden yang terlibat dalam penyelidikan ini dengan mengagihkan boring soal selidik untuk menganalisis ciri usahawan yang paling penting terhadap prestasi firma. Kajian ini menggunakan kaedah kuantitatif dengan menjalankan ke atas 150 responden di Semenanjung Malaysia. Empat ciri-ciri usahawan (keyakinan diri, kreatif dan inovatif, kecenderungan mengambil risiko dan keperluan untuk pencapaian) terhadap prestasi firma telah dianalisis. Oleh itu, penemuan telah menunjukkan kreatif dan inovatif yang paling mempengaruhi prestasi firma. Jadi, kreatif dan inovasi adalah ciri penting untuk seorang usahawan untuk menyelesaikan masalah dengan menyediakan penyelesaian unik. Kajian ini memajukan garis penyelidikan dengan mencadangkan menggunakan kaedah kualitatif dan campuran untuk memahami lebih mendalam dan mendapatkan lebih banyak maklumat mengenai ciri usahawan dan prestasi firma.

Kata Kunci: Ciri-ciri Usahawan, prestasi firma, Industri makanan dan minum

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ABBREVIATION

ABBREVIATION	MEANING
F&B	Food and Beverage
GDP	Gross Profit Product
KDNK	Keluaran Dalam Negara Kasar
DFTZ	Digital Free Trade Zone
β	Beta

CHAPTER 1

INTRODUCTION

1.1 Introduction

In chapter 1, discover about the introduction of the research. Thus, it covers an introduction, the background of the study, problem statement, research question, research objective, scope, limitation of the study, significant of study and summary. In this study also will explain more about the purpose of this research.

1.2 Background of the Study

Entrepreneurship often means improving economic performance and reducing poverty. This view has point by (Gomezelj & Kusce, [2013](#)), entrepreneurs around the world plan a very essential role in society, implement businesses that contribute to the country's economic growth, create new jobs and improve quality of life while producing new products and services. This show by Global Entrepreneurship Index, 2018 which has improved GEI scores of 3 percent over last year could add \$ 7 trillion

to global GDP. The higher global GDP show that entrepreneurship is one of important in the world that influences economic growth. Furthermore, entrepreneurship as the process by which individuals take advantage of opportunities without considerate to resources, they currently control the use of goods and services in the future (Barringer & Ireland, [2016](#)). The opportunity always is taken by an entrepreneur who intends to invest in their current business where can play a vital role in determining their future sustainability survival and growth. Therefore, entrepreneurship is important in economic growth where entrepreneurs will always seek opportunities to succeed in their business.

The successful entrepreneurs are often associated with their passion for stated the willingness to take risks to develop and manage a business venture has led to the growing interest in entrepreneurship that competitive in the global marketplace (The Sun Daily Online, [2014](#)). The tendency entrepreneur willing to take risk make them can become more successful in their growth business. Business growth can be attributed to entrepreneurial characteristics. The term growth is suitable for the entrepreneur who has entrepreneurial traits and characteristics in determining success in their business. Business growth can be considered success and entrepreneurs need to study the characteristics of an entrepreneur to be more advanced in the future. Therefore, the entrepreneur characteristics are vital to push them more successful.

However, not all entrepreneur have the desire to grow. This is because the challenges faced making they do not have a passion for growth their business. According (Rahman, Yaacob, & Radzi, [2016](#)) found that access to credit; management skills; and marketing are the main challenges to Malaysian in SME. This challenge has become a barrier to entrepreneurs to compete in raising business. Apart from that, the influx of foreign trade like Alibaba has affected entrepreneurs to grow their businesses and this has also restricted entrepreneurs to succeed. When barriers have become an issue for successful entrepreneurs, it is difficult for entrepreneurs to grow their businesses and adapt the change. Therefore, the challenge of raising the company needs to be overcome so that entrepreneurs have the desire to succeed. The characteristics of entrepreneur view most important to overcome the problem because, from the traits of an entrepreneur, they will change the current situation with their action.

In this study, the industry chosen is the food and beverage industry. This is because, in the Malaysia Food and Beverage sector, the current trend indicates change. Based on the BMCC Sector Report ([2018](#)), the food and beverage industry in Malaysia (F&B) reflects its various multicultural population. The variety of food prepared by the ethnic group has made Malaysia as one of the factors food industry is flourishing. This sector is mainly Malaysian, dominated by small and medium-sized enterprises (SMEs).

This study is to explore the entrepreneur characteristics and firm performance in Malaysia food and beverage industry. So, the variables used are self-confidence, creative and innovative, risk-taking propensity and need for achievement. In this study, the researcher is using a conceptual framework where the variables are adapted from the previous journals. The purpose of this research is to know the elements entrepreneur characteristics that influence the success factor towards firm performance.

Lastly, in this research have come up with three categories. First, chapter one has described the conceptual base on entrepreneur characteristics and firm performance. It consists of research objective, research question, limitation of study, scope and problem statement. Next, chapter two tell out about literature review regarding the variable that is used where relate to the topic research. Then, chapter three is about the process of the research which calls as methodologies research.

1.3 Problem Statement

In the past decade, author such as (Islam, Khan, Obaidullah & Alam, [2011](#)) stated research on small and medium-sized enterprises (SMEs) has grown and they play a vitally important role in the economy where SMEs is a large majority company in worldwide. As a result, the performance of the SME sector is closely linked to national performance. The statistic shows 98.5% of business are establishments in Malaysia are SMEs. Besides that, the statistics also show the growth of Malaysia's

SMEs GDP at 7.2 percent exceeded Malaysia's GDP which registered at 5.9 percent in 2017. These show that SMEs in Malaysia has grown, especially in Food & Beverage industry. The Star online 2016 has reported entrepreneurs to start their business because they identify the new opportunities which likely growth into huge entities, willing to innovate, likely generate higher growth and greater employment opportunities. So, the growth of the SME can be also assumed to cause the success of an entrepreneur.

The aspect of success factor in this role has been numerously studied, and the human factor was one of the many factors that contributed greatly to the success of a company. However, there are several challenges to the entrepreneur to achieve the success factor. According to (Tehseen & Ramayah, [2015](#)) point out that insufficient skilled labor force with low productivity and low-quality output, lack of management and expertise and competition from the global market especially from Chinese and Indian producer are several challenges that faced in the Malaysia SMEs.

This view was supported by (Tehseen, Sajilan, Ramayah & Gadar, [2015](#)) states because of the low productivity and performance, Malaysia SMEs are losing competitive advantage throughout the world. This make entrepreneur in Malaysia faced the difficulties to adapt their business change. Besides that, Alibaba leads the digital trading zone in Malaysia. This has become one of the issues to Malaysia's SMEs. Malaysia has formally launched the Digital Free Trade Zone (DFTZ) in 2017 and the first collaboration digital global trade platform with Alibaba. The collaboration with Alibaba actually can increase the SMEs Malaysia GDP and give the opportunity to entrepreneur to enter globally. However, there are also give challenges to small entrepreneur to compete in competitive advantage. Due to challenges from Alibaba enter the Malaysia market, it affects the SME's entrepreneur in Malaysia. This is because most Malaysia entrepreneur still lacks knowledge of how investment in the digital platform could benefit their businesses. As report by (The Sun Daily, [2018](#)), only 5000 SMEs successful in DFTZ and Malaysia want more the number of successful, said Minister Dr. Ong Kian Ming (Deputy International Trade and Industry Minister) in E-commerce Day 2018. Therefore, to increase the number of the entrepreneur in Malaysia, an individual should have the entrepreneur characteristics that can motivate them self to be daring to run the business whilst also can enhance their firm performance.

In response to this problem, this study proposes to make guidelines to strengthen the entrepreneurship skills and characteristics that play a vital role in achieving success in their business growth and polish firm performance. The researcher plan to suggest self-confidence, creative and innovative, risk-taking propensity and need for achievement as entrepreneur traits that suit to measure a firm's performance.

1.4 Research Question

- i) What are the characteristics of entrepreneur in Malaysia?
- ii) What is the relationship between entrepreneur characteristics towards firm performance?
- iii) What is the most traits and characteristics for entrepreneur towards firm performance?

1.5 Research Objective

- i) To identify the characteristics of entrepreneur in Malaysia?
- ii) To examine the relationship between entrepreneur characteristics towards firm performance.
- iii) To evaluate the most of traits and characteristics for entrepreneur towards firm performance.

1.6 Scope

The research will focus on entrepreneur traits and characteristics towards the firm performance. The characteristics will focus on self-confidence, creative and innovative, risk-taking propensity and need for achievement. Since this study is about entrepreneur characteristics, so the respondent will involve among industry organization who will be focused on SMEs in the food and beverage industry. This research will be carried out in Peninsular Malaysia which consist of four regions such as Northern Region, East Coast Region, Central Region, and Southern Region.

1.7 Significant of Study

The role of this research is to explore the characteristics of entrepreneurs in Malaysia. The research was conducted in the SMEs food and beverage industry in Peninsular Malaysia. Based on this research, it can give knowledge and understanding to an entrepreneur in the success of their business.

In addition, the results of the study also benefit academics and form the basis of further studies. This research can study by academic to fill the gap and improve the basic research of entrepreneur characteristics in improving firm performance.

Besides that, the focus study is to SMEs food and beverage (F&B) industry. This research can give benefit to SMEs (F&B) industry where it will give a clear direction as to how the success factor in entrepreneur characteristics in this industry should be handled to benefit all stakeholders. From this also, the F&B industry also can improve their service and quality.

Apart from that, can give benefit to policy maker. This research conduct to give knowledge and also improving for government and policy maker that relates to the Food and Beverage industry. For instance, this research useful for Kementerian Pembangunan Keusahawanan which they can expose about success factor.

1.8 Summary

The research has described the introduction and background of the study clearly. From this research also, has identified the existing of the problem. In addition, the research question and research objectives are formed to get more clearly the aim of the research. In conclusion, this chapter only provides an overview to give an understanding of this study.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

The literature review will be discussed in this chapter to support the whole research. The topic entrepreneur characteristics and firm performance on Malaysia Food and Beverage Industry SMEs were discussed in this chapter. This topic used a conceptual framework to summarize the research. Based on this topic, has discussed entrepreneur characteristics such as self-confidence, creative and innovative, risk-taking propensity and need for achievement. These characteristics were determined as the success factor for the entrepreneur.

In this research, the used of articles and journal related are important to get strong evidence and to make the research accurate. Besides that, to support this research, the online newspaper was used such as The Star, The Sun Daily and The New Strait Time.

2.1 Food and beverage context

2.1.1 Malaysia's Food and Beverage (F&B) industry outlook

In the Malaysia Food and Beverage sector, the current trend indicates change. Based on the BMCC Sector Report (2018), the food and beverage industry in Malaysia (F&B) reflects its various multicultural population. The variety of food prepared by the ethnic group has made Malaysia as one of the factors food industry is flourishing. This sector is mainly Malaysian, dominated by small and medium-sized enterprises (SMEs). To be growth in this sector, continuous efforts by the government to boost food production and liberalize trade have meant that most Malaysians now have access to a wide range of local and import-driven products. In the process, the F&B sector has become one of the major contributors to the Malaysian economy, with statistical revenue showing that the average user revenue (ARPU) in the Food & Beverages segment amounts to US\$ 34.53 in 2018. This show the increase in private consumption and changes in lifestyle is predicted to be a major driver in the F&B sector in Malaysia.

As pointed out by (Tan, Tang, Tee& Yew, 2013) in Malaysia, the food industry is a thriving industry. The high demands of food and beverage product make this industry has a revolution. Food and beverages in Malaysia revealed the growth was steady. This shows in (The Star, 2017) that based on the economic census of food and beverage services shows the gross output accumulated by this service is RM66.4 billion, representing an annual increase of 12.2percent or a total of RM29.1billion since 2010. According to the Department of Statistics Malaysia, the growth of this industry has a shown rise in the third quarter of 2018 (9.7 %) as compared with the previous second quarter (9.3 %). The growth of this industry revealed the demand from the customer and the job opportunity arise. In term of job opportunity, it is can rise the number of entrepreneur in Malaysia. They can involve the sector food and beverage industry to start their journey as an entrepreneur. Other than that, the rose demands from the customer in the food and beverage industry can become an opportunity to

entrepreneur expand their business in local or globally. They must dare to take the risk to ensure their business scope growth and gain profitability. The expenditure on food and beverages is forecast to rise at a constant rate of 7% by 2020. So, it is also an opportunity to increase the trend investment and also achieve to become a developed economy in 2020 objective.

2.2 Entrepreneurship and Entrepreneurial Characteristics

The term entrepreneurship is widely used which according to (Barringer & Ireland, [2016](#)) have pointed out as the process by which individuals take advantage of opportunities without considerate to resources, they currently control the use of goods and services in the future. As stated also ([Business Dictionary](#)) that they have the ability and willingness to develop, organize and manage a business venture with any of its risks to make a profit. The individual run the business is called an entrepreneur.

The definition of entrepreneur has stated by (Filion, [2011](#)) is an individual company owner and leads a business. Entrepreneurs today play an essential role in the economy. They create a job opportunity for survival. The entrepreneur also obvious example for creating the new venture. As mentioned by (Filion [2011](#)) also, the definition of an entrepreneur can suggest in the six components such as innovation, opportunity recognition, risk management, use of resources and added value. Besides that, another author (Scarborough, [2012](#)) also state entrepreneur is an individual who creates a new business that faced of risk to achieve profit and growth.

In becoming a successful entrepreneur, a person must have the entrepreneurial skill. Entrepreneurial is individual seeing a new opportunity and willing taking the risks to make money by starting his or her business, ([Cambridge Dictionary](#)). Meanwhile, success refers to the accomplishment of objectives and goals in every sector of human life. Generally, concept success indicates to profitability which is a basis to growth (Trondsen, [2002](#)). The success factor also can be related to an entrepreneur who has a desire to grow their business and can be measured using