

ENTREPRENEURIAL ORIENTATION TOWARDS SMEs FOOD INDUSTRY FIRM  
PERFORMANCE

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Submitted in partial fulfillment of the requirements for the Bachelor of  
Technopreneurship (Honours)

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JUNE 2019

## DECLARATION OF ORIGINAL WORK

I declare that this project paper “Entrepreneurial Orientation dimension Towards SMEs Food Industry Firm Performance” is the result of my own research accept as cited ib the references.

Signature :

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Date :

## DEDICATION

This paper dedicated to:

My parents, Kamaruzaman Bin Mat and Zubaidah Binti Zakaria, and also my siblings, Salwani, Syamimi, Syakira, Syuhada, Syazreen Aina, Syahrul Afifi, and Syamil Asyraf with their love and effort to advice and pray for my success.

## ACKNOWLEDGEMENT

Firstly, I would like to wish a big thanks to my supervisor, Ms Sitinor Wardatulaina Mohd Yusof for her support, guidance, motivation throughout my research studies. I learned a lot from her knowledge and experience in writing thesis report.

Besides that, my research would have been impossible without the aid and support from my parents, also family for the continued support and encouragement. I am very thankful to them for always accompanying me through phone calls to raise my spirit to completing this research. They also gave me a lot of kind advice to me. So, I did not give up.

My sincere thanks to my fellow friends for the involvement in this research, for the sleepless nights we were working together, and for giving ideas to completing this research.

Last but not least, I thank to all whom in one way or another contributed in the completion of this research study. Hopefully this report will help those people and researchers in the future.

## ABSTRACT

Entrepreneurship is an important policy issue. Small and medium enterprises (SMEs) are important to economy. SME can help to overcome the economic problems of a country. The stabilizing a performance of SME is important to economic growth. This paper aim to study about entrepreneur orientation and influenced to SMEs firm performance. This paper can help to improve the decision making in term of improving the SMEs performance. Entrepreneurial orientation dimension which be as independent variables in this paper are risk taking, innovativeness and pro activeness. This research conducted in SMEs food industry in Malaysia. Quantitative data were collected via a questionnaire distributed amongst the SMEs entrepreneur randomly selected in Malaysia. A descriptive survey was adopted targeting a population of 150 respondents. Data collected and then analyzed using Statistical Package for Social Science (SPSS) for Windows version 23.0. The result showed that all the independent variable which are innovativeness, pro activeness and risk taking has a positively significant to firm performance. The most influenced dimension to firm performance in this study is pro-activeness.

## ABSTRAK

Keusahawanan adalah isu dasar yang penting. Perusahaan kecil dan sederhana (PKS) adalah penting untuk ekonomi. PKS boleh membantu mengatasi masalah ekonomi sesebuah negara. Penstabilan prestasi PKS adalah penting untuk pertumbuhan ekonomi. Kertas kerja ini bertujuan untuk mengkaji orientasi usahawan dan mempengaruhi prestasi firma PKS. Kertas kerja ini dapat membantu meningkatkan keputusan membuat keputusan meningkatkan prestasi PKS. Dimensi orientasi keusahawanan yang menjadi pemboleh ubah bebas dalam hal ini adalah pengambilan risiko, inovatif dan proaktif. Kajian ini dijalankan di industri makanan IKS di Malaysia. Data kuantitatif dikumpulkan melalui soal selidik yang diedarkan di kalangan usahawan PKS yang dipilih secara rawak di Malaysia. Kajian deskriptif telah digunakan untuk mensasarkan populasi sebanyak 150 responden. Data yang dikumpul kemudian dianalisis menggunakan Pakej Stabilistik untuk Sains Sosial (SPSS) versi Windows 23.0. Hasilnya menunjukkan bahawa semua pemboleh ubah bebas yang inovatif, proaktif dan pengambilan risiko mempunyai kesan positif terhadap prestasi firma. Dimensi yang paling dipengaruhi untuk prestasi firma dalam kajian ini adalah proaktif.

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**LIST OF ABBREVIATIONS**

EO	ENTREPRENEURIAL ORIENTATION
SME	SMALL MEDIUM ENTERPRISES
SPSS	THE STATISTICAL PACKAGE FOR SCIENCE





## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

In Malaysia, the field of entrepreneurship is no longer a foreign domain society. According to reports by the Companies Commission of Malaysia, company registered is 6,389 online business increased than 2014. There is also high rapidly growth in SME.

In addition, based to statistical reports issued by the Department of Statistics Malaysia, throughout the period from 2015 to 2017 shows that the participant in business is growing with annual growth rate of 8.0 percent. This increase is due to various factors and is primarily an existence various forms of support and assistance provided by the government through Ministry of Entrepreneur Development.

Strategic management or planning in entrepreneur firm is very important to make sure the firms are in surviving condition. Entrepreneurial orientation (EO) is a strategic business attitude that reflects an organization's organizational practices, leadership concepts and powerful business habits. People who involve in entrepreneurial activities seem like growing rapidly years by years. To survive and compete successfully, companies must be entrepreneurial, especially in rapidly changing industries (Teece, 2007). Entrepreneur should take the dimension as their references to be a successful entrepreneur. Entrepreneurial orientation can be a dimension to measure the firm performance of a firm.

Firm performance is one of the main issues emphasized by interested parties in a firm include owners, investors, suppliers and employees (Macaulay, 2018). Strong performance is the ultimate goal of every firm of Small Enterprises and Medium (SMEs). According to Macaulay (2018), the strength of performance will enable firms and society benefits through withdrawal source, create job opportunities and create wealth. Low-performing firms are usually low less competitive and will have difficulty finance (Milosevic, 2018). Therefore, it is important for firms to always check its performance over time as a result of the change uncertain business environment.

Besides that, as Soto-Acosta, Popa and Palacios-Marques (2016), exists various factors that have been identified by the researcher which could affect the performance of SME firms. One factor which influences the performance that needs to be studied is firm-level entrepreneurial strategy for example strategy entrepreneurial orientation that are directly linked to innovative, proactive and willingness variables to take the risk of measurement it is important for firms to implement strategies to compete with their competitors to improve achievement especially in SMEs as stated by Brouthers, Nakos and Dimitratos (2015).

Katzenbach and Smith (2015) in his study has emphasized the role of entrepreneurial strategy and leadership style transformation on business performance improvement SME firm whereby entrepreneurs are usually a leader and a person entrepreneurs must be smart in applying leadership style which it has to succeed. This wisdom will affecting effectiveness and current performance a firm. In the environment which are dynamic and complex and that have unpredictable competition, the type of entrepreneur have a superior and genuine leadership required. Therefore, firms need to apply entrepreneurial strategy and effective leadership style in order to improve business performance empirically studying relationships between entrepreneurial orientation strategies and achievements business as well as influential moderator variables leadership style of transformation of SME firms in Malaysia need to be done with this research objectives.

## 1.2 Problem Statement

The involvement of SMEs in entrepreneurship is seen as something positive towards the economic development of the country. The rapid development of the country's economy is pushing more SMEs firm to get involved stabilizing business performance.

Some entrepreneurs will succeed and some will facing failure. Although it is well known that the field of entrepreneurship is a high-risk area of failure, but SMEs involvement is especially deep. Every individual dreams to being successful. However, the challenges must be met before fulfilling the dream. Despite the fact that every day the number of entrepreneurs is increasing in Malaysia, but no less is also the one who fails. Each individual will face the challenge which varies depending on the type of business, the type of entrepreneur, the size of the business, place, time and more.

According to Cacciolti, Hayton, Mitchell and Giazitzoglu (2016), many entrepreneurs fail and 90% businesses started in the USA have been closed for a period of 10 years. In addition, among other factors that lead to the failure of an entrepreneur is an attitude (Cacciolti et al., (2016). Besides that, there are necessary to look at opportunities as a process of self-development of the economy independently by setting up a company, managing a company, carry on business, and develop business in the industrial sector which is professionally involved. Moreover, systematic management in running business management is very important. Opportunity should be parallel to capability of being the ability to handle the business on a regular basis sustainable and sustainable in the sector (Wehn de Montalvo and Alaerts, 2013). Another factor is that it comes from the attitude of the person itself. They do not fully support and are unsure about the product and services provided by the entrepreneurs on the contrary are more proud buying goods abroad. This resulted in a failed woman entrepreneur and they got a spot on the market and caused them to stop business carried out as according to Ilhaamie, Arni, Rosmawani and Al-Banna (2014) in their article.

Failure setting goals in entrepreneurs also leads to the failure of the entrepreneur itself. A goal never written and followed and the principle of its planning will cause it to not achieve what it is required by the entrepreneur himself. Next to the failure is to put the goal as a major determinant of business planning and failed to design it will lead to the existence of negative attitudes within the entrepreneurs itself. Some entrepreneurs or individuals will put a long-term goal as the main determinant of their success. When it fails to be earned in a short period time, then this will make them to break into hope and frustration (Rashid, Ngah, Mohamed and Mansor 2015). Entrepreneur will be frust if they cannot achieve their target.

### **1.3 Research Questions**

Below listed few of the research questions that need to be answered in this project.

1. What is SMEs entrepreneur profile in Malaysia?
2. What the relationships between entrepreneurial orientation to SME firm performance?
3. Which most entrepreneurial orientation dimension that influence SME performance?

### **1.4 Research Objective**

Research objective for this project listed as below.

1. To study on SMEs entrepreneur profile in Malaysia.

2. To examine the relationships entrepreneurial orientation dimension towards SME firm performance.
3. To determine the most entrepreneurial orientation dimension that influence SME performance.

### **1.5 Scope of Study**

The scope of research focusing on entrepreneurial orientation those contribute SME entrepreneurship to being successful. The dimension that contributed of performance of SME entrepreneurship has been discussed in this research was innovativeness, pro-activeness and risk taking which work as independence variables. This study is limited and conducted within SMEs entrepreneur in randomly selected food industry in Malaysia as respondents. The scope of the study encompasses entrepreneurs in selected SMEs food industry and the factor that can bring them to success in their business. The study is limited only to the SMEs entrepreneurs under food industry. One hundreds and fifty (150) of SMEs respondents will be analyze in this study regarding research methodology proposed in this research.

### **1.6 Significant of Study**

This purpose of study is to entrepreneurial orientation dimension that can be as references for SMEs entrepreneur to impact their firm performance. This research can help SMEs entrepreneur out there motivate themselves to challenging competitor in

business world. Researcher also aimed to help SMEs entrepreneurs to always be prepared to success in their carrier. They should be prepared when the opportunity comes for them. The study has significance to increase knowledge, create awareness to SMEs entrepreneur and communities for attract more SMEs contribute in entrepreneurial activities.

In term of contribution towards academicians, to fill the gap and improve basic research of study about entrepreneurial orientation towards firm performance. So that it can considered as element which is important to know the barriers of entrepreneurship for small and medium-sized enterprises and to introduce measures to eliminate various limitations in order to increase the involvement and participation of SME entrepreneurs to the global industry.

In term of contribution towards industry or practitioner, SMEs entrepreneurs have important roles to develop economic and job creation to be better. This study leads to industry to improve their firm performance.

In term of policy maker, this research give the knowledge and also improving for government and policy maker that related in SMEs.

## **1.7 Summary**

On the whole, this chapter has outlined the study conducted at which covers the background of the study, the problem statement, research questions, research objective, significant of research, scope of study, limitation of study and concluded with summary. Next, Chapter II will explain more about the study literature and research model to support this study.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter will present on introduction of SME in Malaysia, food industry in Malaysia, concept of entrepreneurship, independent variables, dependent variables, research framework, and hypothesis development and lastly concluded with conclusion.

#### 2.2 SME in Malaysia

Food industry is experiencing a driven by globalization in period of faster change, industry liberalization, development of genetic, handling and data technology, intellectual home rights, changes in household design and wellness and food protection concerns. The food handling SMEs consideration a big part of main-stream companies in Malaysia as according to Ghadimi, Wan and Lim (2019).

SME in Malaysia was started by the Malaysian Government in the early 1970s. The 'New Financial Plan' was introduced in 1971 and focused to improve the people's

welfare and restructure ethnic economic imbalances. The government's help to the progress of SMEs is seen in the 2nd Professional Master Plan (IMP2), which ended in 2005. This was then continued by the Third Professional Master Plan (IMP3), 2006-2020. The government is still seeking to attain Bumiputera's equity possession of at the least 30% in the corporate sector.

Development is an essential procedure for success to international stress and to get aggressive gain in the foodstuff processing industry. The report of Western Confederation of the food stuff and drink industry (Mitchell, 2006), offered by Ward (2016), suggested their people to put more attempts into development if they would like to stay aggressive in the years to come. Firms, thus, spend a great deal of time and energy building their functions to innovate and one of many methods is through item growth (Katz, Lazarsfeld and Roper, 2017).

Storey (2016) noted that all the researches on development tend to target on big firms as development is the smallest amount of very important to small firms. From the strategic viewpoint, to meet customer's needs, small organizations need to supply supreme quality products and companies to the most effective of the abilities.

### **2.3 Food Industry in Malaysia**

Food industry have high capabilities to growing day by day. Food business showed they are one of mainly common business in developed countries showed that food process more faster than any other system other if serve by own self, it required time to prepare and pass to customer.

In 2015, food exports by Malaysia amounted Ringgit Malaysia of 18 billion and Malaysia imports amounted to RM17.8 billion (Azmi, Abdullah, Bakri, Musa dan Jaya krishnan, 2018). Malaysia exports based on food items to significantly more than two