

UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF BUSINESS
SUCCESS AMONG SME FOOD AND
BEVERAGES INDUSTRY IN
MALAYSIA: THE MEDIATING
ROLE OF COMPETITIVE
ADVANTAGE**

YUSNI MUNIRAH BINTI YUSUF

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ABSTRACT

A successful business under small and medium enterprise categories is crucial to the country's economy because of several reasons such as poverty and generating revenue to the government. In short, successful business is not only beneficial to the entrepreneur itself but also to the regional/domestic economic system or even the global economy. However, Department of Statistic Malaysia reported that the annual economic census of food and beverages of Malaysian SME for the year assessment 2021 showed a decreasing gross output value by 7%, which never happened before. The main issue beyond the situation is consumer price index in Malaysia that shows an increasing trend almost every year, causing the purchasing power to decrease. Moreover, health consciousness after pandemic has put much pressure on the cost and survival rate of Malaysian SME F&B. This paper aims to identify the significant factor that may contribute towards successful SME F&B in Malaysia. The factor such as proposed by the theory of dynamic capability is applied to determine the relationship between business strategy, business performance, business innovation on the business success of SME F&B. To further explain the influence of the relationship between business innovation, business performance and business strategy on business success, the competitive advantage is included into the framework as a mediator. The inclusion of competitive advantage theory within the framework enhances the capability of how these variables impact business success of SME F&B in Malaysia. Data were collected through a questionnaire survey of 292 SME F&B established in Malaysia. The data were analysed by using SPSS and PLS-SEM. The result showed that all hypotheses are supported except for business strategy on business success. Thus, future research may explore the moderating or mediating role of business strategy to enhance its predictive relevance. The most elucidating factor of business success is business innovation and business performance as it fosters competitive advantage in an organisation. In conclusion, organisations must have the capability to differentiate their business as it will lead to generating more profits, thus achieving success in long term. The present study provides prominent contributions to the academicians in fulfilling the gaps of the theory, as well as to the government and policymakers and of course to the SME F&B entrepreneur.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

In the business world, small and medium enterprise makes up the majority of the business worldwide. In Malaysia, 97.4% of the business comprise of small and medium enterprise (MOF, 2024). Small and medium enterprise in this country contributes towards the majority of the revenue to the country in terms of tax revenue (*Will Malaysia's SMEs Survive By Luck or By Leadership_ A Call for Stimulus Innovation*, n.d.). It also acts as a catalyst to the local society development and startup platform to the marketplace. In addition, small and medium enterprise has the capacity to drive the local market towards competitive edge (Malaysia SME, 2024).

However, current economy issues, such as increasing in consumer price index and recovering effect from pandemic, have made SMEs struggle to maintain their business. It is recorded that most of the SMEs are trying to maintain their business and many of them are stagnant (Kakooza et al., 2023). Nevertheless, SMEs are very flexible in responding towards challenges from changing environments, especially in the context of economic difficulties after the global economic crisis (Huynh, 2022). Consequently, many studies have been done to ensure the growth and sustainability of small and medium enterprise in competitive market.

This research relies heavily on the dynamic capability theory to explain the relationship between business strategy, business performance and business innovation towards business success. The three independent variables are believed to have positive significance relationship to the dependent variable but despite that, there are various critics on the theory. As a result, this study gathers another theory which is also can create path towards business success, and the theory is competitive advantage.

1.2 Background of the Study

Small and medium enterprises (SME) comprise of a number of companies and employ majority of people in many countries. The term SME is used internationally by the World Bank, OECD, European Union, United Nation, and World Trade