

**GAUGING THE INFLUENCE OF DIGITAL ECOSYSTEM ON SMEs  
PERFORMANCE AMONG UNIVERSITY GRADUATES**



**UNIT PENYELIDIKAN, JARINGAN INDUSTRI DAN MASYARAKAT  
UiTM CAWANGAN TERENGGANU  
23000 DUNGUN TERENGGANU  
MALAYSIA**

**BY:**

**DR. ZURIYATI AHMAD  
DR. ROSMAN MAHMOOD  
DR. ZATUL IFFAH MOHD FUZA  
FATIMAH NUR MOHD REDZWAN  
PROF. DR MAZIDAH PUTEH**

**MAY 2021**

## ACKNOWLEDGEMENT

First and foremost, praises and thanks to the God, the Almighty, for His showers of blessings throughout my research work to complete the research successfully. We would like to express our deep and sincere gratitude to

Prof. Ts. Dr. Mazidah Puteh  
*(Rector, UiTM Terengganu)*

Dr. Hj. Rosman Mahmood  
*(Deputy Rector, Research and Industrial Collaboration)*

Ts. Dr. Nurulnadwan Aziz  
*(RMU Coordinator)*

and

Finally, our thanks go to all the people who have supported us to complete the research work directly or indirectly.

## ABSTRACT

Small and Medium Enterprises (SMEs) are one of the important sectors in the economic development of a country. In the context of developing countries, the contribution of the sector is more micro, not only as a catalyst for economic growth and job creation but also has an important role in ensuring fairer income distribution, eradicating poverty, shaping industry chains and creating more balanced development. The development of the sector is no exception to the need for the application of information technology. The ability of entrepreneurs to master the digital ecosystem is a very important element to ensure the continued performance of a business. However, the majority of SMEs in Malaysia face difficulties in adapting to the digital ecosystem compared to larger enterprises. This means that SMEs are unable to create a competitive advantage through the use of digital in their business management.

In general, the objective of this study is to identify what are the important factors under the digital ecosystem that can affect the performance of SMEs. The study involved a total of 321 respondents from among alumni who are small entrepreneurs involved in three business sectors, namely manufacturing, services, and retail. Based on multiple regression analysis, the results show that digital skills factors are the most important elements in the digital ecosystem that can influence SME performance in addition to knowledge management factors, E readiness, and ICT utilization. At the same time the study found that the agile leadership factor has no relationship with the performance of SMEs. This indicates that there are weaknesses in terms of management involvement to act as a catalyst to the empowerment of the digital ecosystem in business management. In terms of policy implications, these findings remind all involved in the development of the sector of priority areas to be focused on and strategies to create a more positive digital ecosystem among SMEs. For future research, engagement is recommended more alumni including from private universities. Besides, other factors could also be employee's past experience, funding support to the SMEs, issues specific to a particular industry, maturity and incentives in the usage of telecommunication infrastructures, political, legal and social.

## TABLE OF CONTENTS

	<b>Page</b>
<b>ACKNOWLEDGEMENT</b>	i
<b>ABSTRACT</b>	ii
<b>TABLE OF CONTENTS</b>	iii
<b>LIST OF TABLES</b>	vi
<b>LIST OF FIGURES</b>	vii
<b>CHAPTER 1 INTRODUCTION</b>	
1.1. Background of the Study	1
1.2. Problem Statement	2
1.3. Research Objectives	3
1.4. Research questions	3
1.5. Scope of the study	4
1.6. Significance of the study	4
1.7. Definition of terms	5
1.8. Research outlines	6
<b>CHAPTER 2 LITERATURE REVIEW</b>	
2.1 Introduction	7
2.2 Digital ecosystem	7
2.2.1 E readiness	8
2.2.2 Knowledge management	10
2.2.3 Agile leadership	12
2.2.4 ICT utilization	14
2.3 Digital skills	15
2.4 Conclusion	17
<b>CHAPTER 3 METHODOLOGY</b>	
3.1 Introduction	19
3.2 Research design	19

3.3 Conceptual framework	20
3.4 Research hypothesis	21
3.5 Research instrument	21
3.6 Respondents	25
3.7 Population and sampling	26
3.8 Data collection procedures	26
3.9 Pilot test	27
3.10 Reliability and validity analysis	28
3.11 Data analysis strategy	29
3.12 Conclusion	30

#### **CHAPTER 4 RESEARCH FINDINGS AND DISCUSSION**

4.1 Introduction	31
4.2 Respondent file	31
4.3 Digital ecosystem and business performance	34
4.3.1 E readiness	34
4.3.2 Knowledge Management	35
4.3.3 Agile Leadership	35
4.3.4 ICT Utilizations	36
4.3.5 Digital Skill	37
4.4 Comparison of business performance	39
4.5 Discussions	40
4.6 Conclusion	42

#### **CHAPTER 5 CONCLUSION AND RECOMMENDATIONS**

5.1 Introduction	43
5.2 Summary of findings	43
5.2.1 Research objective 1	44
5.2.2 Research objective 2	44
5.2.3 Research objective 3	45
5.2.4 Summary of hypothesis testing	45
5.3 Policy implications	46
5.4 Limitation	47
5.5 Recommendation for future research	48