

UNIVERSITI TEKNOLOGI MARA

**THE INFLUENCE OF
DYNAMIC CAPABILITIES ON
ORGANIZATIONAL RESILIENCE:
A STUDY ON MALAYSIAN FOOD
AND BEVERAGE MICRO, SMALL,
AND MEDIUM ENTERPRISES
WITH BUSINESS INNOVATION
AS A MEDIATOR AND
ENTREPRENEURIAL
ORIENTATION AS A MODERATOR**

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ABSTRACT

Modern enterprises must be robust. Micro, small, and medium enterprises (MSMEs) are vulnerable to external forces. The business is easy to initiate, but entrepreneurs struggle to maintain it. The concept of organizational resilience is something that MSME owners need to become familiar with to understand what they need to do to be resilient. This is because the demand for agility and robustness is growing. This research is mostly about food and beverage (F&B) service activities that offer full meals or drinks that are ready to eat or drink right away. The objective of this study is to conduct a more in-depth examination of the substantial effect of dynamic capabilities on Malaysian MSMEs. Additionally, it aims to explore the function of business innovation as a mediator and entrepreneurial orientation as a moderator. Teece's Dynamic Capabilities provides the foundational theory around which the study's framework was built. Considering the quantitative methodology employed, a comprehensive review of the literature was undertaken to develop the questionnaires. With a response rate of 72.01 percent, the survey questionnaires were distributed at random to 768 business owners, administrators, and/or members of the management team of F&B service operations in Northern Malaysia, constituting the sample. The gathered data were analysed using the PLS-SEM approach version 4. The findings demonstrate that the presence of dynamic capabilities and business innovation has a positive effect on organizational resilience. This highlights the significance of these factors for MSMEs and suggests that they should be given careful attention. Furthermore, the study found that business innovation mediates the relationship between dynamic capabilities and organizational resilience. However, it was observed that entrepreneurial orientation had a substantial and adverse effect on the relationship between dynamic capabilities and business innovation, exerting a moderating influence. Apparently, the study shows prevailing contribution in the demographic composition of Malaysian F&B MSMEs, which is heavily influenced by settings, particularly the prevalence of Gen X and Millennials. In addition, this study provides empirical evidence for Dynamic Capabilities Theory (DCT) by showing that resilient businesses, particularly those with fewer resources, rely heavily on dynamic capabilities. Likewise, the practical contributions give insights regarding how policymakers and industry performers in Malaysia may implement programs and policies that promote MSMEs in achieving more creative, entrepreneurial, and resilient. Lastly, the study also includes a discussion of its limitations and suggestions for future research.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter entails the industry background, the company background, the study background, the problem statement, the research objectives, and the research questions. The significance of the study together with scope of the study are also explained. At the end of this chapter, the definition of the key terms is presented.

1.2 Background of The Industry

This study focuses on the food and beverage (F&B) service activities. This industry is defined by Malaysia Standard Industrial Classification (MSIC) 2008 Version 1.0 as any F&B serving activities offering comprehensive meals or drinks ready for immediate consumption, whether in traditional restaurants, self-service, or take-away restaurants, or as permanent or temporary stands with or without seating (Department of Statistics, Malaysia [DOSM], 2021a). The fact that ready-to-eat meals are available, rather than the type of facility that provides them, is decisive. For the record, according to the Annual Economic Survey 2018, the value of gross domestic product (GDP) for this industry increased by up to 11.7 percent in 2017 compared to 2015 (DOSM, 2021b). In comparison, GDP performance in 2019 shows a total of 5.4 percent to the overall service sector GDP, which accounted for up to RM46.4 billion (DOSM, 2021b). Following DOSM (2021b) there are 165,059 F&B businesses classified as Small Medium Enterprises (SMEs) in the Economic Census 2016. According to the data provided by Statistics Division of Companies Commission of Malaysia (SSM), as of October 2021, there are 354,630 micro, small and medium Enterprises (MSMEs) engaged in F&B service activities (which shall be addressed as F&B services onwards) nationwide that are still actively operating their businesses (SSM, 2021a). The distribution of MSMEs in F&B services by state and status is shown in Table 1.1 (For a comprehensive statistic, see Appendix A).