

A Preliminary Study on Knowledge Acquisition and Requirement Among SME Entrepreneurs

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ABSTRACT

In order to engage in business, entrepreneurs should equip themselves with sufficient knowledge on how to run the business. Generally, the knowledge of business management being acquired includes finance, marketing, accounting, operation management and business development. The level of knowledge attained has been significantly proven in literature to have a positive impact on business performance. As small and medium enterprise (SME) is seen as one of the important economic engines in Malaysia, it is very important to ensure that SME entrepreneurs are well equipped with the knowledge to be able to perform and survive in the market. Therefore, this preliminary study is conducted in order to investigate the level of knowledge acquisition and knowledge requirement of SME entrepreneurs. A total of 50 self-administered questionnaires were distributed to SME entrepreneurs in Bandar Tun Abdul Razak Jengka. The data was tabulated using SPSS version 20.0 for descriptive statistics. The findings are expected to deliver a positive connotation with the academic professionals to deliver theoretical and hands on knowledge for the SME entrepreneurs in enhancing their business knowledge and simultaneously having good business practices.

Key Words: *knowledge acquisition, knowledge requirement, SME entrepreneurs*

Introduction

The Small and Medium Scale Enterprise or commonly termed as SME has undoubtedly become one of the important economic engines in Malaysia. In 2012, SME has contributed as much as 32% of Malaysia's Gross Domestic Product (GDP) (Teo & Lindsay, 2012). Teh Kee Sin, the national president of the Small & Medium Industries (SMI) Association of Malaysia was reported to state that by the year 2020, the SME is expected to contribute 42% to the country's GDP (Business Times, 2012). In order to achieve the target, the players of SME need to be strengthened especially in terms of knowledge and skills. The knowledge acquisition and requirement among SME entrepreneurs are crucial in a developing country like Malaysia and thus generating networking and becoming international players. In order to expand the SME business globally, SME firms must be able to successfully internationalize by having unique resources that include sound finances, skilled and experience employees, Research and Development (R&D) capability, Information and Communications Technology (ICT) and also international exposure (Che Senik et al., 2010).

In essence, ICT has been a prolong issue as a study has indicated that Malaysian SME owners or managers expect to see beneficial results of using e-commerce by other SMEs before they commit themselves to innovation (Hussin & Mohamad Noor, 2005). Ironically, following others are seen to be common among entrepreneurs in Malaysia that hinders self development in business dealings and develops uncertainty in making decisions. Following the crowd is prominent in Malaysian communication style as quoted (Mohd Salleh, 2005, p. 2):

“What is interesting here is that a person need not be told about what is being done to him or her but that person would have to follow the crowd to understand what is going on to be able to be part of the group.”

As such, the aim of this preliminary study is to investigate the level of knowledge acquisition and to identify the knowledge requirement among the SME entrepreneurs. The finding is important as it would deliver a positive connotation with the academic professionals to deliver theoretical and hands on knowledge for the SME entrepreneurs in enhancing their business knowledge and simultaneously having good business practices.

SME in Malaysia

Hashim and Abdulah (2000) as cited in Khalique et al. (2011) defined SME in Malaysia mainly based on annual sales turnover and the total number of full time workers which is between 5 to 150 workers. He found that SME in Malaysia can be segregated into three main sectors such as general business, manufacturing and agriculture. In Malaysia, SME is important to the development of the country's economy. According to Radam et al. (2008), the role of SME is considered as the pillar of the economy. Among the three main sectors of SME, the manufacturing sector has been identified as the major contributor in the development of the economy. This is supported by Thurasamy et al. (2009) that highlighted in the year 2006, SME comprises 99.2% of the business establishment in Malaysia and the contribution was 47.3% of the GDP. SME also plays a vital role in creating job opportunities. In 2012, SME has employed 56% of the total Malaysian workforce (Teo & Lindsay, 2012).

According to Chelliah et al. (2010), the total number of SME in Malaysia could be in the range of 10,000 to 30,000 that were registered with the various ministries. The role of SME operating in manufacturing sector is significantly acknowledged where activities such as processing and production of raw materials become the major activity (Mustapha et al., 2011). Among activities involved in SME under manufacturing sector are textiles, food, beverages, wood, rubber, petroleum and the assembling and manufacturing of electrical and electronics appliances.

Nevertheless, in spite of the positive numbers and statistics in the SME development, there are many challenges and problems faced by the SME entrepreneurs in Malaysia. Alam et al. (2011) as cited in Khalique et al. (2011) stated that SME in Malaysia has social barriers where it became the main obstacles to achieve the competitive advantage and many SME in Malaysia will lose out in terms of opportunities. Teoh and Chong (2008) mentioned the major challenges and obstacles to entrepreneurship development are lack of access to credit, lack of access to formal and social network. The challenge of globalization has also become the major concern. The international market that has widened due to agreements of trade between countries would increase the level of competition in the business market. Thus the quality of SME in Malaysia needs to be uplifted to enable them to survive and to compete not only in the local market but also at international level.

Knowledge and Business Performance

According to Sinha (2010, p.8), most small businesses start with an entrepreneur who has a specific technical skill, a trade certification or has built up a following of customers for good work done. In line with that, as the owner wants to expand the business, a well-defined marketing plan will address certain issues that include targeting the market, optimizing the media used, considering branding issues, assessing the competition and getting the best value for the marketing money spent. However, only few business owners possess all of these skills. This is supported by Lindstrom (2005) that highlighted most companies take the easy way out to market their brands.

It seems that the operating management system is being deficient among small business entrepreneurs due to the insufficiency of knowledge acquisition that in a way affects the business performance. Siu and Kirby (1999) as cited in Nik Muhammad and Md Isa (2009) found that Chinese small firms in Hong Kong had no formal marketing planning skills, systematic marketing research and forecasting techniques. Apart from that, Malaysian Chinese are lacking in getting formal planning and training in managing their businesses. In contrary, the Malay entrepreneurs felt that the west has provided them inspiration and a model to follow. Thus, modern capitalism that supports the western marketing philosophies is believed to affect the business and marketing strategies. For the Chinese, the culture of continuously cultivating and valuing relationship is a predominantly element for their business survival.

In 2008, Omerzel and Antoncic had successfully developed a knowledge model in entrepreneurship where they found a positive relationship between entrepreneurial knowledge and business performance. Almost 18 per cent of the variability in company performance can be accounted with entrepreneur knowledge (Omerzel & Antoncic, 2008). This would reflect that it is very important for SME entrepreneurs to attain certain level of knowledge in order to perform well in their business. Looking more than 10 years ago in Malaysia, Abdullah (1999, p. 103), revealed that 96.8 percent of the SME respondents did not allocate any funds for training courses or programmes and only 8.6 percent that encouraged the acquisition of business knowledge. To date, the situation is probably similar as Malaysian government has provided a variety of

support mechanisms to the SME entrepreneurs in terms of training programmes, funding and grants but still the SMEs had failed (Ahmad et al., 2010). In fact, to be successful there are certain criteria that an entrepreneur needs to acquire. An interesting quote by Hatten (2006, p. 41) is prevalent in educating potential entrepreneurs in order to maintain in the market as cited:

“What are some prerequisites for becoming a successful entrepreneur? You need a passion for what you are doing. Determination is also critical. Finally you need a deep knowledge of the area in which you are working.”

SMEs do play a significant role in Malaysian economy and the demand for acquiring new technology with respect to competition in the marketplace is an issue that needs to be taken care of. Here, Enterprise Resource Planning (ERP) is a system designed to coordinate all the resources, information and activities needed to complete business processes (Goni et al., 2011). This commercial software package is seen to be one of the critical success factors for the SMEs to enhance business performance and competitive advantage. It is important for the SME entrepreneurs in Malaysia to gain as much knowledge as possible on technical and functional factors that includes technology, communication, cooperation, knowledge transfer, change management, business ethics and social responsibility.

Research Methodology

The samples of respondents for this preliminary study were chosen based on simple random sampling method from SME entrepreneurs in Bandar Tun Abdul Razak Jengka, Pahang. From 50 questionnaires been distributed, researchers managed to get 34 respondents to fill up the questionnaires. The methodology used in this study is quantitative in nature. The data was gathered through a self-administered questionnaire which was designed to capture information on respondents' demography, the level of knowledge acquisition and knowledge requirement. In order to help respondents to answer without language difficulty, Bahasa Melayu was used in the questionnaire. A five-point rating scale items were used where for Part B respondents were asked to rate based on 1-‘Extremely Poor’ to 4-‘Excellent’ in order to gather information on their knowledge acquisition. While for Part C, which was designed to collect data on respondents' knowledge requirement, the rating scale ranges from 1-‘Very Low’ to 4-‘Very High’. The data was then tabulated using Statistical Package for Social Sciences (SPSS) Version 20.0 for frequency, percentage, means and standard deviations.

Findings and Discussion

Reliability Analysis

The reliability of the questionnaire was measured using Cronbach's Alpha. According to Sekaran (2007), the internal consistency reliability will be higher as the Cronbach's Alpha coefficient is closer to 1. As shown in Table 1, the reliability scores for all items extracted were all higher than 0.8 which shows that the internal consistency of the questionnaire is good and reliable.

Table 1: Cronbach's Alpha Score

	Number of items	Cronbach's Alpha
Knowledge Acquisition	11	.842
Knowledge Requirement	11	.872

Demographic Analysis

Table 2 shows the demographic profile of respondents for the study. The information of five personal variables which include gender, age, educational background, business background, and length of business were gathered. Majority of the respondents (67.6%) were female, while male respondents were only 32.4%. In terms of age, 44.1% of the respondents came from SME entrepreneurs aged between 31 to 40 years old, while only 8.8% of the respondents aged 51 and above. Majority of the respondents (29.4%) were diploma holders, while only 5.9% of them were Master's degree holders and 14.7% were Bachelor's degree holders. In terms of length of business, most of the respondents (38.2%) have been in their business between 1 and 3 years, only 17.6% have operated their business less than 1 year and only 8.8% have been in the business for more than 10 years.

Table 2: Demographic Profile of Respondents

Personal Variables	Frequency	Percentage
Gender:		
Male	11	32.4
Female	23	67.6
Total	34	100.0
Age:		
20 and below	0	0.0
21-30	5	14.7
31-40	15	44.1
41-50	11	32.4
51 and above	3	8.8
Total	34	100.0
Educational background:		
Doctor of Philosophy	0	0.0
Master's degree	2	5.9
Bachelor degree	5	14.7
Diploma	10	29.4
Certificate	5	14.7
Secondary school	12	35.3
Total	34	100.0
Business background:		
Food and beverages	10	29.4
Clothes	12	35.3
Beauty and health products	4	11.8
Construction	7	20.6
Others	3	8.8
Total	34	100.0
Length of business:		
Less than 1 year	6	17.6
1-3 years	13	38.2
3-5 years	4	11.8
5-7 years	4	11.8
7-10 years	4	11.8
More than 10 years	3	8.8
Total	34	100.0

Knowledge Acquisition

Table 3 shows the descriptive statistics for knowledge acquisition of the SME entrepreneurs in the study. The aim of this section is to investigate the level of knowledge attained by the SME entrepreneurs. Eleven fields of knowledge or information required for business management and development which include knowledge on financing sources, packaging, product branding, promotion methods, online marketing, halal certification, book keeping, international marketing, business registration, business taxes and employee's coverage were investigated. The mean score of more than 2.5 would reflect that the respondents tend to be knowledgeable or have attained sufficient information on the knowledge of business management.

Based on the table, the mean score for most items are higher than 2.5 ($M > 2.5$) ranging from 2.65 to 3.41, except for one item with the mean value of 2.35. The finding reflects that the SME entrepreneurs in Bandar Tun Abdul Razak Jengka tend to be knowledgeable and have sufficient information on the ten fields of business knowledge been investigated. They are very knowledgeable in terms of business registration as the mean value for the item is the highest at 3.41. The result supports the rationale behind it where business registration is one of the basic steps in establishing a business. The SME entrepreneurs are also found to be very knowledgeable in terms of online marketing and product branding with the mean values of 3.00 for these two items. The level of knowledge attained in the promotion methods, financing sources and employee's coverage, are also found to be high as the mean values for the items are 2.97, 2.94 and 2.91 respectively. From the eleven fields of business management knowledge been examined, the five lowest knowledge attained are in terms of packaging, halal certification, business taxes, book keeping and

international marketing where the mean values ranging from 2.35 to 2.79. Nevertheless, four of the items showed satisfactory level of knowledge acquisition due to the mean scores of more than 2.5. The only item with the mean value below 2.5 is international marketing, which showed that the respondents have insufficient knowledge and information to market their products internationally.

Table 3: Descriptive Statistics for Knowledge Acquisition

Items	Total	Mean	SD	Percentage			
				Extremely poor	Poor	Good	Excellent
Business registration	34	3.41	.500	0.0	0.0	58.8	41.2
Online marketing	34	3.00	.603	2.9	8.8	73.5	14.7
Product branding	34	3.00	.550	0.0	14.7	70.6	14.7
Promotion methods	34	2.97	.521	0.0	14.7	73.5	11.8
Financing sources	34	2.94	.489	2.9	5.9	85.3	5.9
Employee's coverage	34	2.91	.621	0.0	23.5	61.8	14.7
Packaging	34	2.79	.641	2.9	23.5	64.7	8.8
Halal certification	34	2.76	.699	0.0	38.2	47.1	14.7
Business taxes	34	2.71	.871	8.8	29.4	44.1	17.6
Book keeping	34	2.65	.646	2.9	35.3	55.9	5.9
International marketing	34	2.35	.734	11.8	44.1	41.2	2.9

*M>2.5 shows higher level of knowledge acquisition

Knowledge Requirement

The descriptive statistics for the level of knowledge requirement among SME entrepreneurs in Bandar Tun Abdul Razak Jengka is as shown in Table 4. The main purpose for this section is to identify the needs of knowledge among the SME entrepreneurs. The eleven similar fields of knowledge of business management as examined in the knowledge acquisition were reexamined for knowledge requirement. The mean score of more than 2.5 would reflect that the need for the knowledge is greater.

Table 4: Descriptive Statistics for Knowledge Requirement

Items	Total	Mean	SD	Percentage			
				Very low	Low	High	Very high
Promotion methods	34	3.62	.493	0.0	0.0	38.2	61.8
Book keeping	34	3.59	.500	0.0	0.0	41.2	58.8
Financing sources	34	3.59	.701	2.9	2.9	26.5	67.6
Online marketing	34	3.53	.563	0.0	2.9	41.2	55.9
Product branding	34	3.44	.504	0.0	0.0	55.9	44.1
International marketing	34	3.44	.746	0.0	14.7	26.5	58.8
Employee's coverage	34	3.41	.609	0.0	5.9	47.1	47.1
Packaging	34	3.38	.652	0.0	8.8	44.1	47.1
Halal certification	34	3.35	.812	0.0	20.6	23.5	55.9
Business registration	34	3.35	.691	0.0	11.8	41.2	47.1
Business taxes	34	3.35	.597	0.0	5.9	52.9	41.2

*M>2.5 shows the higher requirement for the knowledge

From Table 4 researchers found that the mean score for all items of business knowledge are above 3.00. This has reflected that the requirements and the needs for all eleven fields of knowledge of business management among SME entrepreneurs in Bandar Tun Abdul Razak Jengka are very high. The findings show that the respondents require more knowledge on promotional methods as the mean is the highest at 3.62. They are also in need for the knowledge on book keeping and financing sources with mean score of 3.59 for both items. The next five highest knowledge required by the SME entrepreneurs are in terms of online marketing, product branding, international marketing, employee's coverage and packaging with the reading of mean of 3.53, 3.44, 3.44, 3.41 and 3.38 respectively. From the eleven fields of knowledge, the least three knowledge required by the respondents of the study are halal certification, business registration and business taxes where the mean for all three items is 3.35.

Conclusion and Recommendation

The main purpose of this study is to investigate the level of knowledge acquisition and knowledge requirement by the SME entrepreneurs. As SME has become one of the important economic engines in Malaysia, the ability and capability of SME entrepreneurs to survive and to perform in market competition need to be strengthened. This is vital in order to ensure that the aim of government for the SME to contribute as much as 42% to the country's GDP by the year 2020 could be achieved. As such, it is prominent to ensure that the SME players are well equipped with sufficient knowledge in managing their businesses.

Based on this study, researchers found that SME entrepreneurs in Bandar Tun Abdul Razak Jengka tend to be knowledgeable and have sufficient information on ten fields of business knowledge being investigated ($M > 2.5$). The only item rated below 2.5 is the knowledge on international market which shows that the respondents have inadequate information and less knowledge in marketing their product to international level. Nevertheless, a comparison made by the researchers showed that the level of knowledge attained did not match with the knowledge required by the entrepreneurs. While the level of knowledge attained in international marketing is the lowest, the SME entrepreneurs of Bandar Tun Abdul Razak required more information on promotional methods. This might be due to the aim of their business, which focuses more on the local market. The findings also showed that although they claimed to be knowledgeable on ten fields of knowledge of business management, the need for more information for all eleven fields of knowledge is very high ($M > 3.00$). This could be seen as a positive indicator of SME entrepreneurs of Bandar Tun Abdul Razak Jengka; where one of the important characteristics to become a successful entrepreneur is the willingness to learn (Rozell et al., 2011). The lifelong learning will help the entrepreneurs in terms of product development in order to meet the current demand and changing market condition.

It is recommended that more seminars, workshops and training courses that cover multiple information and knowledge in business practices be conducted regularly by responsible agencies, higher learning institutions and business consultancy organizations. As mentioned earlier in the literature that more than 95% of the SME entrepreneurs were reluctant to spend on training programmes and this kind of attitude should be changed to position Malaysian SMEs to a higher level. In order to have competitive advantage, SME entrepreneurs should empower themselves in acquiring knowledge as education is an ongoing process. Thus, contributes to knowledge and technology transfer that would allow the entrepreneurs to achieve the same success of developed countries.

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