

THE ASSESSING FACTORS OF BUSINESS SUCCESS AMONG SME FOOD AND BEVERAGES INDUSTRY IN KELANTAN: A PILOT STUDY

Yusni Munirah binti Yusuf¹
Dr. Siti Maziah binti Ab Rahman²
Dr. Hasnun Anip bin Bustaman³

¹Faculty Business and Management, Universiti Technology MARA (UiTM), Malaysia,
(E-mail: yusnimunirahyusuf@gmail.com)

²Faculty Business and Management, Universiti Technology MARA (UiTM), Malaysia,
(Email: maziah650@uitm.edu.my)

³Faculty Business and Management, Universiti Technology MARA (UiTM), Malaysia,
(E-mail: hasnu380@uitm.edu.my)

Article history

Received date : 15-2-2025

Revised date : 16-2-2025

Accepted date : 23-3-2025

Published date : 15-4-2025

To cite this document:

Yusuf, Y. M., Ab Rahman, S. M., & Bustaman, H. A. (2025). The assessing factors of business success among SME Food and Beverages Industry in Kelantan: A pilot study. *International Journal of Accounting, Finance and Business (IJAFB)*, 10 (59), 318-325.

Abstract: *Business success is the achievement of an organization's financial or non-financial goals through effective management, strategic planning, and resource optimization. It encompasses financial, market, social, and personal dimensions. Success is subjective but typically involves sustainable growth, wealth creation, and profitability. According to dynamic capability theory, a robust business strategy involves a firm's ability to sense and adapt to market changes, with market and demand sensing being critical for understanding consumer needs, predicting shifts, and swiftly capitalizing on new opportunities. This study aims to identify the key factors influencing SME success in F&B sector in Kelantan state, focusing on the relationships on business strategy and its effects on business success, analysed through the dynamic capability theory. Data were collected using purposive sampling from a survey of 30 respondent on well-established SME F&B businesses in Kelantan and analysed using SPSS and PLS-SEM. The results show that through sensing activity and reconfiguring activities could bring business success to the SME. This finding is valuable for F&B entrepreneurs, policymakers, and academics, offering new insights into dynamic capability theory and filling existing research gaps.*

Keywords: *Dynamic Capability, Business Strategy, Small and Medium Enterprise and Business Success.*

Introduction

Food and beverages (F&B) industry is one of the oldest industries but still actively develop over time. F&B means any edible material that is prepared, cooked, or otherwise utilized and meant to be consumed whole or in part by humans (Bresciani, 2017). This industry is a vast, full of innovation and always looking for new ways to produce the foods that consumers demand at the best possible price. It involves in transforming raw agricultural goods into consumer good products. The supply chain in this industry includes food processing, packaging and distribution covering fresh food, packaged food, and beverages to be sold at restaurants, café, fast food joints, deli's, pubs, street stalls, catering business and food manufacturing.

In Malaysia, F&B industry has been identified as fast-growing market and one of the main contributions to the national domestic income. The industry is highly competitive and has its own unique taste and flavours influence by the main four races in the country mainly Malay, Chinese, Indian and indigenous influences. There are also cross-cultural adaptations and mixed cultures such as Mamak (Indian-Muslim cuisine) and Nyonya (the Malay Chinese mix). Due to this factor, the innovation of food and beverage products to match consumer tastes has been dynamic across generations.

The F&B sector contributed significantly to the country's Gross Domestic Product (GDP). According to Domestic of Malaysia statistic, in 2022, F&B and accommodation industry has generated revenue of RM433.5 billion. Beyond the figure, several positive outcomes could occur from this industry such as drive economic growth where there is more job creation within the industries alone. This could help Malaysia to combat with unemployment rate issue especially among the fresh graduates. Significant growth of F&B sector also could stimulate rural development as many raw materials from agricultural areas being bought, leading to better income distribution and infrastructure improvements. A thriving F&B sector could attract tourists and foreign investments (Terkini, 2024). As a result, this will increase spending in hospitality and related industries while promoting technological advancement within the industry.

Nevertheless, this industry facing its unique challenges and pain points (*Advantages and Challenges of Digital Sanad Adel Abdo Saeed Saleh Master of Science (Supply Chain Management) Universiti Utara Malaysia December 2023, n.d.*). As this industry depends on raw ingredients from agricultural products, it has to face with a time-sensitive supply chain where the product can go bad fast. Secondly, due to its nature of business, there is a high demand for hygiene and safe food handling. The imperative includes exhaustive equipment cleaning requirements to tight controls and potential allergens. Third, a tendency towards price-sensitive products where every margin matters. These problem statement in F&B industry, if not carefully managed, can seriously squeeze the profit margins of small and medium enterprise.

Therefore, this study is specifically designed to helps the small and medium enterprise in F&B sector in Malaysia to sustain the business in the highly competitive market. The study suggest that a business strategy is crucial for a business to success. This study evolves around dynamic capability theory to explain how business strategy can stimulate business growth hence contributing to lower failure among SME F&B. At the same time, this study also will help policymaker in setting up appropriate policies to be imposed by business practitioners and entrepreneur.

Literature Review

Underpinning Theory

Dynamic capability theory was developed by David Teece, Gary Pisano and Amy Shuen in 1997. This theory stated that to match with the changing environment, a firm must have the ability to engage both internally and externally in adapting, integrating and reconfiguring organizational skills, resources and functional competences (Baden-Fuller & Teece, 2020). The basic ideas are that a firm must have a robust business strategy to response to dynamic market. The three main point emphasize in this theory are strategies in sensing the rapidly changing environment, strategies in seizing the business opportunities and lastly strategies in reconfigure the resources available (Ghosh et al., 2022).

Sensing is the activity to early detect any changes occur in the market place. An organisation with strong in dynamic capability is excel at identifying emerging trends, shifts in consumer preferences and catch on potential threats. Sensing activity can be taken as proactive business strategies among small and medium enterprise so that they can stay ahead of competitors by leveraging market intelligence to make an inform strategic decisions (Dressler & Paunovic, 2021). Sensing in dynamic capability comprise two types which is market sensing and demand sensing. By knowing the current trends and customer needs, businesses can modify their products and services to meet current and future demand. This understanding enables them to develop innovative solutions and gain a competitive edge.

Seizing on the other hand, is the second steps that an organization need to do. Seizing involves the activity to take action on the given opportunities (Baden-Fuller & Teece, 2020). A firm's ability to effectively seize opportunities is a key factor in enhancing organizational performance and fostering innovation, ultimately leading to a competitive advantage (Brewis et al., 2023). Actively pursuing and capitalizing on market needs, R&D projects, and business initiatives that align with the firm's strategic objectives are essential aspects of seizing opportunities (Qiu et al., 2022). Management must have the decision-making authority to influence these activities effectively. To succeed in international business, organizations need not only the capability to identify opportunities but also to translate insights into concrete actions, guided by strategic decision-making at the managerial level (Verbeke, 2022).

Last step is reconfiguring when necessary. A firm's ability to continuously innovate and improve its processes, products, and services is essential for maintaining its market position (Nayal et al., 2022). This also involves the organization's capacity to adapt to changing environments by effectively integrating and reconfiguring both internal and external resources.

To successfully reconfigure a business model, a company must first assess its strengths and weaknesses relative to competitors, fully leverage technology and skilled personnel to create unique value, and continually adapt strategies as market conditions evolve. In China, digital platforms have shown that flexible digital resources can make previously rigid marketing and non-marketing resources pliable, adjustable, and reconfigurable, enhancing marketing agility (Weng et al., 2024). Ultimately, entrepreneurs play a crucial role in envisioning new venture ideas and implementing business model innovations, which can help SMEs overcome knowledge barriers, restructure their business models, and establish networks of innovation partners.

Business Success

A successful business is concerned with effectively meeting customer needs, generating sustainable growth and making long term profit. Success is a subjective word; it can bring different meaning to every person. Success can be measured in both in monetary and non-monetary form. Non-profit, for example, NGOs focusing on making a social impact measuring how well the company able to meet its goals and serve the community. On the other hand, in the hospitality business, customer service and marketing are prioritized as key measures of success.

Achieving business success within the framework of dynamic capability theory requires high managerial capabilities and a strong mindset among an organization's human resources. This is critical when drafting business strategies, evaluating performance, and fostering innovation. Managers must be adapt at taking calculated risks, making informed decisions, and forecasting market trends. Previous studies have shown a positive relationship between business success and an entrepreneurial mindset, highlighting the importance of a strong entrepreneurial mindset in overcoming business challenges (Manafe et al., 2023). Additionally, research in Indonesia emphasizes that entrepreneurial competencies are crucial for understanding business operations and anticipating the potential impacts of decisions (Hanifan & Dhewanto, 2022). In essence, a great entrepreneurial mindset, coupled with human competency, is vital for overcoming obstacles and ensuring smooth business operations, which are essential for achieving business success.

Business Strategy

Business strategy can be best defined as a plan that outlines how a company will achieve its goals and objectives. Business strategy is a comprehensive approach that helps a company fulfil its mission and vision encompasses a set of values that guide a company's priorities, decisions, and actions (Rice, 2014). For a business to succeed, having a strong business strategy is essential (Rumelt, 1993). A well-planned strategy provides managers with direction and vision, enabling them to tackle obstacles effectively. It helps leaders set organizational goals and gives

companies a competitive edge. Serving as the foundation for various departments, business strategy is crucial for guiding departmental functions, aligning them with corporate objectives, enhancing collaboration, promoting agility, and fostering continuous improvement. With a clear strategic framework in place, organizations can optimize performance and achieve long-term success.

The conceptual framework is developed to explain the relationship between sensing, seizing, reconfiguring and business success.

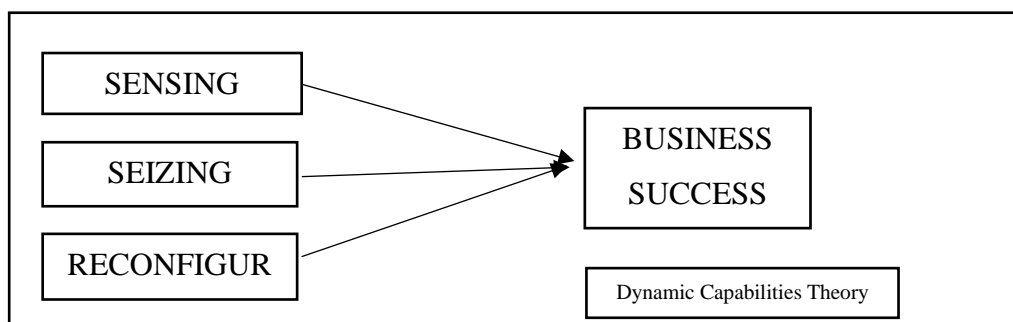


Figure-1: Conceptual Framework

Methodology

This study applies quantitative research method. The sample size is 30 of registered small and medium enterprise in food and beverages industry in Kelantan. Questionnaire is distributed and letter of consent is given to obtain permission from the respondents and the demographic factors is kept private and confidential. Purposive sampling technique was used. Five-point Likert scale was used to measure the responses, from strongly disagree to strongly agree. Total of 50 questionnaire were distributed equally among the SMEs in Kelantan state. SPSS was used for the data screening and descriptive analysis while for data reliability and validity, this study used Smart PLS 4.

Data Analysis and Findings

A total of 30 respondents are brought forward for data analysis. Their demographic are as follows; the gender of business owner is dominated by female, which is 55%, while men 45%. Participants with diploma background has the highest percentage that is 47.3%, followed by SPM, degree and certificates, with 28%, 14.7% and 10% respectively. Most of the business has run the operation for more than 15 years, with the percentage of 80.6%, and second least for less than 15 years, 13.2%. Majority of the respondents has less than 30 workers, 49.8% and less than 50 workers have percentage of 35.6%. Most of the business has the annual sales of less than RM100k with percentage of 55.3% and less than RM250k, 37.6%.

Table 1: Mean, Standard Deviation and Correlation

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Sensing	30	-7.45	9.12	0.83	4.78
Seizing	30	-8.26	11.4	1.57	5.68
Reconfigure	30	-12.4	10.2	-1.1	6.52
BisSuccess	30	-13.8	9.08	-2.36	6.6
Valid N (listwise)	30				

Table 2.0 below shows the measurement model data based on Cronbach alpha, average variance extracted and composite reliability. In this study, based on Cronbach alpha result, the sensing and seizing activities has the high internal consistency that is 0.871 and 0.884 respectively, while reconfigure meets the minimum, that is 0.712 and business success has strong internal consistency. For the average variance extracted (AVE), sensing, seizing and business success has a good convergent validity, and reconfiguring has the strong convergent validity. Lastly for the composite reliability, all the construct exceed 0.7 threshold, indicates that all are reliably.

Table 2: Measurement of Data

Variables	Cronbach's alpha	AVE	Composite Reliability
Sensing	0.871	0.676	0.862
Seizing	0.884	0.694	0.872
Reconfigure	0.712	0.839	0.912
Business Success	0.891	0.617	0.89

Table 3: Discriminant Validity and Correlation Between Latent Variables.

No	Construct	X1(SNSG)	X2(SEIZING)	X3(RECON)	X4(BSUCC)
1	SNSG	0.822			
2	SEIZING	0.729	0.833		
3	RECON	0.822	0.597	0.916	
4	BSUCC	0.769	0.762	0.66	0.786

The finding on hypothesis are clarifies in Table 4.0 below. For the sensing to business success relationship, the beta is 0.383, with p-value of 0.001, showing significant positive effect. The hypotheses are supported. For the relationship between seizing and business success, it does not show significant effect, with a beta of 0.088 and p-value of 0.483, the hypotheses for this variable is not supported. Lastly for the relationship between reconfiguring and business success, it is positive and significantly associated with business success, thus, the hypotheses are supported.

Table 4.0: Results of the Hypotheses testing

No	Hypotheses	β	p-value	Result
1	Sensing (SNSG) to Business Success (BSUCC)	0.383	0.001	Supported
2	Seizing (SEIZING) to Business Success (BSUCC)	0.088	0.483	Not Supported
3	Reconfiguring (RECON) to Business Success (BSUCC)	0.43	0.000	Supported

Conclusion and Recommendations

The success of small and medium enterprise is important to country's development and growth. This is because SMEs are the backbone of the country's economy, job creation and also social stability. Hence it is crucial to ensure the success and sustainability of this enterprise in the market so that they can serve as engines of growth and poverty alleviation. This study proof that business strategy as basic core of an enterprise to achieve business success through sensing and reconfiguring activities in Kelantan. Having systematic and well-organized business strategy, it might help SMEs to reduce the risk of errors, leading to more consistent and get reliable outcomes across the organizations. In conclusion, dynamic capability theory which comprise of three main corporate agility that are the capacity to sense and shape opportunities and threats, seize the opportunities and maintain competitiveness through enhancing, combining and when necessary, reconfiguring the business, along with the need of great managerial capability to response and taking calculated risk are such a complete set of business strategy that SMEs can applied to ensure their sustainability in the marketplace and therefore achieving business success in the long run.

Acknowledgment

This research article was financially supported by University Technology MARA and Institute of Postgraduate Studies UiTM.

References

- Advantages and Challenges of Digital Sanad Adel Abdo Saeed Saleh Master of Science (Supply Chain Management) Universiti Utara Malaysia December 2023.* (n.d.).
- Baden-Fuller, C., & Teece, D. J. (2020). Market sensing, dynamic capability, and competitive dynamics. *Industrial Marketing Management*, 89(November), 105–106. <https://doi.org/10.1016/j.indmarman.2019.11.008>
- Bresciani, S. (2017). Open, networked and dynamic innovation in the food and beverage industry. *British Food Journal*, 119(11), 2290–2293. <https://doi.org/10.1108/BFJ-08-2017-0458>
- Brewis, C., Dibb, S., & Meadows, M. (2023). Leveraging big data for strategic marketing: A dynamic capabilities model for incumbent firms. *Technological Forecasting and Social Change*, 190(October), 122402. <https://doi.org/10.1016/j.techfore.2023.122402>
- Dressler, M., & Paunovic, I. (2021). Sensing technologies, roles and technology adoption strategies for digital transformation of grape harvesting in sme wineries. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(2), 123. <https://doi.org/10.3390/joitmc7020123>
- Ghosh, S., Hughes, M., Hodgkinson, I., & Hughes, P. (2022). Digital transformation of industrial businesses: A dynamic capability approach. *Technovation*, 113, 1–47. <https://doi.org/10.1016/j.technovation.2021.102414>
- Hanifan, R., & Dhewanto, W. (2022). Reinforcing Business Resilience Through Entrepreneurial Competencies During Pandemic COVID-19: A Case of Indonesian MSMEs. *International Journal of Management, Entrepreneurship, Social Science and Humanities*, 5(2), 89–107. <https://doi.org/10.31098/ijmesh.v5i2.1178>
- Manafe, M. W. N., Ohara, M. R., Gadzali, S. S., Harahap, M. A. K., & Ausat, A. M. A. (2023). Exploring the Relationship Between Entrepreneurial Mindsets and Business Success: Implications for Entrepreneurship Education. *Journal on Education*, 5(4), 12540–12547. <https://doi.org/10.31004/joe.v5i4.2238>
- Nayal, P., Pandey, N., & Paul, J. (2022). Covid-19 pandemic and consumer-employee-organization wellbeing: A dynamic capability theory approach. *Journal of Consumer Affairs*, 56(1), 359–390. <https://doi.org/10.1111/joca.12399>
- Qiu, X., Holmen, E., Havensvid, M., De Boer, L., & Hermundsdottir, F. (2022). Open for business: Towards an interactive view on dynamic capabilities. *Industrial Marketing Management*, 107(November 2021), 148–160. <https://doi.org/10.1016/j.indmarman.2022.09.027>
- Rice, E. L. (2014). *on Behalf of*. 45(1), 15–109.
- Rumelt, R. P. (1993). Evaluating Business Strategy. *Strategic Management and Business Policy*, 1–11.
- Terkini, B. (2024). [COLUMNIST] Leverage gastrodiploamacy to enhance Malaysia ' s soft power influence. 1–7.
- Verbeke, A. (2022). Three simple guidelines to make the dynamic capabilities paradigm actionable in international business research. *Journal of International Business Studies*, 53(4), 573–582. <https://doi.org/10.1057/s41267-022-00517-7>
- Weng, C., Liu, M. J., Ye, D., Huang, J., & Liu, P. C. Y. (2024). Platform success in the international marketplace: reconfiguring digital resources for marketing agility. *International Marketing Review*, 71972112. <https://doi.org/10.1108/IMR-08-2023-0199>
- Advantages and Challenges of Digital Sanad Adel Abdo Saeed Saleh Master of Science (Supply*

- Chain Management*) *Universiti Utara Malaysia* December 2023. (n.d.).
- Baden-Fuller, C., & Teece, D. J. (2020). Market sensing, dynamic capability, and competitive dynamics. *Industrial Marketing Management*, 89(November), 105–106. <https://doi.org/10.1016/j.indmarman.2019.11.008>
- Bresciani, S. (2017). Open, networked and dynamic innovation in the food and beverage industry. *British Food Journal*, 119(11), 2290–2293. <https://doi.org/10.1108/BFJ-08-2017-0458>
- Brewis, C., Dibb, S., & Meadows, M. (2023). Leveraging big data for strategic marketing: A dynamic capabilities model for incumbent firms. *Technological Forecasting and Social Change*, 190(October), 122402. <https://doi.org/10.1016/j.techfore.2023.122402>
- Dressler, M., & Paunovic, I. (2021). Sensing technologies, roles and technology adoption strategies for digital transformation of grape harvesting in sme wineries. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(2), 123. <https://doi.org/10.3390/joitmc7020123>
- Ghosh, S., Hughes, M., Hodgkinson, I., & Hughes, P. (2022). Digital transformation of industrial businesses: A dynamic capability approach. *Technovation*, 113, 1–47. <https://doi.org/10.1016/j.technovation.2021.102414>
- Hanifan, R., & Dhewanto, W. (2022). Reinforcing Business Resilience Through Entrepreneurial Competencies During Pandemic COVID-19: A Case of Indonesian MSMEs. *International Journal of Management, Entrepreneurship, Social Science and Humanities*, 5(2), 89–107. <https://doi.org/10.31098/ijmesh.v5i2.1178>
- Manafe, M. W. N., Ohara, M. R., Gadzali, S. S., Harahap, M. A. K., & Ausat, A. M. A. (2023). Exploring the Relationship Between Entrepreneurial Mindsets and Business Success: Implications for Entrepreneurship Education. *Journal on Education*, 5(4), 12540–12547. <https://doi.org/10.31004/joe.v5i4.2238>
- Nayal, P., Pandey, N., & Paul, J. (2022). Covid-19 pandemic and consumer-employee-organization wellbeing: A dynamic capability theory approach. *Journal of Consumer Affairs*, 56(1), 359–390. <https://doi.org/10.1111/joca.12399>
- Qiu, X., Holmen, E., Havenvid, M., De Boer, L., & Hermundsdottir, F. (2022). Open for business: Towards an interactive view on dynamic capabilities. *Industrial Marketing Management*, 107(November 2021), 148–160. <https://doi.org/10.1016/j.indmarman.2022.09.027>
- Rice, E. L. (2014). *on Behalf of*. 45(1), 15–109.
- Rumelt, R. P. (1993). Evaluating Business Strategy. *Strategic Management and Business Policy*, 1–11.
- Terkini, B. (2024). [COLUMNIST] Leverage gastrodiploamacy to enhance Malaysia ' s soft power influence. 1–7.
- Verbeke, A. (2022). Three simple guidelines to make the dynamic capabilities paradigm actionable in international business research. *Journal of International Business Studies*, 53(4), 573–582. <https://doi.org/10.1057/s41267-022-00517-7>
- Weng, C., Liu, M. J., Ye, D., Huang, J., & Liu, P. C. Y. (2024). Platform success in the international marketplace: reconfiguring digital resources for marketing agility. *International Marketing Review*, 71972112. <https://doi.org/10.1108/IMR-08-2023-0199>