

CRITICAL SUCCESS FACTORS INFLUENCING THE RESILIENCE OF FOOD AND BEVERAGES SMES IN MALAYSIA

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Abstract: *This paper represents a conceptual framework that explores the relationship between business performance which comprise of four (4) main elements that are financial performance, operational performance, strategic performance and customer-related performance on the resilience of food and beverages small and medium enterprise (SME) in Malaysia. In highly volatile and technological advancement in business nowadays has always opened an opportunity for new comers to enter the market, making it more competitive and fiercer. This study embarks on dynamic capabilities theory to explain how the three (3) elements in the theory could lead a business to enhance more their business performance and thus, serves as framework foundation for both academic research and practical implication for the future researcher.*

Keywords: *Dynamic capability, business performance*

Introduction:

In Malaysia, SMEs can be defined according to two sectors. In manufacturing, SME is defined as a company with annual sales turnover up to RM50 million with full-time employees up to 200 workers, while for SMEs in services and other sectors, the annual sales turnover is up to RM20 million with 75 workers and below. The small and medium enterprise in this country operated across various sectors including food and beverages (F&B), manufacturing and services. In manufacturing, SMEs comprise of small-scale producers and export-driven business. In services sectors, SMEs cover on retail, hospitality, education, healthcare and IT.

The contribution of SMEs to Malaysia's economy is proven by its contribution to Malaysia's GDP, employment and exports. As of 2023, according to Domestic of Statistic Malaysia, SMEs contributed approximately RM613.1 billion to Malaysia's GDP, slightly increase by RM32.7 billion from 2022 (*Perbadanan Perusahaan Kecil Dan Sederhana Malaysia - MSMEs Projected to Contribute 45 per Cent of National GDP by 2025*, n.d.). This achievement reflects a robust impact of SMEs towards Malaysia growth. In add, about 7.59 million of workers being employed by SMEs, 48.2% of the total workforce in Malaysia. This figure representing the role of SMEs as creating job opportunity to the residents. In export, 10.5% or RM144.5 billion of country's total export be contributed by SMEs. This indicates the significant impact of SMEs in international trade.

Beyond the impressive contributions of SMEs to the economy, the food and beverage industry stands out as one of the key sectors (Ahmad et al., 2022). The F&B market in Malaysia is popular within entrepreneur to set up a business and generating substantial revenue. Malaysia also a global leader in halal certification, thus make the market more attractive to Muslims consumers worldwide where most of the Malaysian halal product have been exported to other countries such as Indonesia, Middle east and Europe (Mohd Riza et al., 2022). In add, this industry gets supported by government in terms of financial and digitalization.

However, due to mix culture in this country, it does influence the local cuisine and therefore, providing variety and uniqueness in each cuisine (Abd Aziz et al., 2021). At the same time, as a result of multicultural heritage and technological advancement, the situation open an opportunity for the new comers to enter the market to fulfil the rapid changing customer preferences. Moreover, due to the limited resources, SMEs are at risk of being forced out of the market if they fail to overcome obstacles. The rising cost also put more pressure on the entrepreneur to sustain. Thus, it is crucial to identify the critical success factor for the SME F&B to be resilience with upcoming challenges and disruptions.

This paper is specifically designed to identify the critical success factor that can ensure the resilience of SME F&B in Malaysia. This study suggests that the component in measuring business performance can be critical success factor that influencing the resilience of a SME F&B. This study is echoes around the dynamic capabilities theory as it emphasizes on organizations resources and capabilities which is crucial for a business to sustain in dynamic market.

Literature Review

Underpinning Theory

In 1997, David Teece, Gary Pisano and Amy Shuen defined the Dynamic Capability Theory in their paper. The theory emphasized on company's ability to adapt to changing environment by utilizing its resources and skills. The idea behind is that company adjust their core competencies

to modify short term competitive position which later will give impacts on their sustainability. The ability that are be focus on in this theory are sensing opportunities and threats, seizing opportunities and reconfiguring resources.

Sensing opportunity is the activity to identify any changes in the marketplace. This activity is essential for a business to actively monitor market trends such as the shift in consumer preferences and demand. The sensing activity could enable a firm to detect both new opportunities and also threats and risk in their external environment, thus helps a firm to be prepare to operate in different market conditions and align internal resources with external requirements. Realigning present and future demand through sensing activities allow business to adapt their products and services with current trends and needs (Dressler & Paunovic, 2021).

Seizing opportunities is the activity of developing and deploy resources to capitalize from the sensing activity. 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).

Lastly is reconfiguring that is adapting and re-align internal process and capabilities to maintain competitiveness. 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. 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. Having business innovation capability makes cooperation between enterprises and other platform subjects flexible and diverse, which is conducive to competitive market (Jiang et al., 2023).

Business Performance

Business performance is a company's ability to profit from its resources and achieve its objectives. There are two metrics to measure the business performance which is financial and non-financial indicators. Business performance in the context of dynamic capability theory enable organization to better adapt to environmental changes in several outcomes comprise of financial, operational, strategic and customer related performance. Achieving optimum performance from industry standard is crucial for a business to withstand in competitive market as financial metrics critical to assess short term profitability while non-financial goals can give impact on business sustainability. Business performance could be quite similar to the business success but different in terms of its application (Chen et al., 2021). Business performance is a measurement of how well a company is doing and its ability to achieve targeted goals given the

resources they have. On the other hand, business success has more broad view involving internal and external measurement. It is important for a business to have business performance management as it could assist the business to achieve sustainability, increase efficiency, profitability and strengthening company culture (Correia et al., 2020).

The conceptual framework is developed to explain the relationship between critical success factor in business performance and resilience of business success.

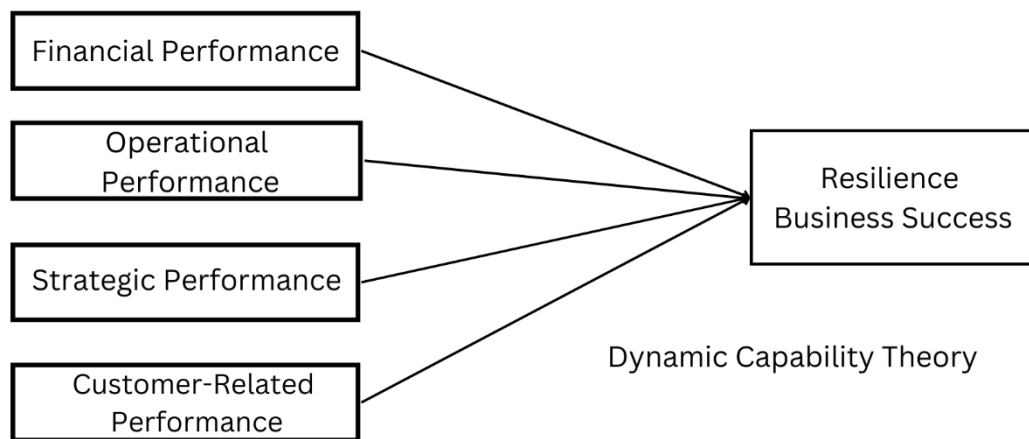


Figure-1: Conceptual Framework

Conclusion and recommendations

This study highlights the critical success factor based on business performance indicator derived from dynamic capability theory. This adaptability contributes to improved financial, operational, strategic and customer related outcomes to ensure an organization able to be resilience in highly competitive market. Therefore, it is recommended that future research could explore more on industry specific factors to understand how industry-specify factors influence adaptability and resilience. It is suggested that researcher to conduct longitudinal studies to examine the evolution of dynamic capabilities and their sustained impact and lastly, examine whether there is emerging technologies involve could gives impact on resilience of business success in the industry.

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