

INNOVATION, STRATEGIC ORIENTATION AND PERFORMANCE OF MALAYSIAN MANUFACTURING SMES: A REVIEW

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Abstract- The objective of this study is to review the empirical studies to identify the effect of strategic orientation on innovation and financial performance among Malaysian manufacturing SMEs. This review paper highlighted the significant of innovation and strategic orientation for superior performance of a business. This study intended to determine how innovation and strategic orientation can improve the performance of Malaysian SME's. This study also intended to design a framework for examining the mediating effect of innovation on the performance of Malaysian SMEs. By emphasizing on strategic orientation, this study will attempt to identify how such approach can improve the performance of SMEs in Malaysia. Findings of this study expected to improve our knowledge and understandings about the effect of strategic orientation on innovation and performance among manufacturing SMEs.

Keywords: innovation, strategic orientation, firm performance, SME

1. Introduction

Recognizing the importance of small and medium enterprises (SMEs) in economic development, many countries have instituted enterprise support measures to fuel the development of these enterprises. Small and medium enterprises (SMEs) form a important portion of the commercial landscape in any country and the contribution made by SMEs to any economy is a subject of constant research (Suprpto et al. 2009). In particular, researchers are apprehensive with the development of strategies and models that can help SMEs to achieve superior performance. With their smaller operations, lower capital outlay and limited human resources, the business models of SMEs are significantly different from large corporations and require a different approach. In recent years, research in this area has identified and examined a range of approaches under the rubric of strategic orientation that SMEs can adopt to achieve superior firm performance. This study draws upon the concept of strategic orientation and attempts to examine how such approaches can help to improve the performance of SMEs in Malaysia. SMEs make a significant contribution to the

national economy in Malaysia therefore many efforts by the Malaysia government over the years to assist SMEs in their set up and expanding their business. The Malaysian Government also recognises that SMEs do not just contribute monetarily to the economy, but successful enterprises in the country generate employment for the entrepreneurs and people they employ in their firms.

As a consequence, this study adopts a combination of strategic orientation to reflect the significant types of actions in the approach of a business to its marketing techniques, entrepreneurial skills and customer service/ interaction. It is aimed to reflect a more complex and realistic picture of the overall strategic orientations adopted in a firm. The elements of strategic orientation that this study suggests that market orientation, entrepreneurial orientation and interaction orientation contribution to the superior firm performance. Of these, market orientation and entrepreneurial orientation have been used in previous studies and was proven to deliver superior firm performance. But this study adds a recently introduced construct called interaction orientation which has been argued to be crucial for today's customer service-focussed and interactive market (Ramani & Kumar, 2009).

This study also employs innovation as the mediating variable to present a more nuanced picture of the strategic orientation/ firm performance relationship by arguing that strategic orientation is able to deliver superior firm performance directly or indirectly by affecting innovation success.

The findings from this study will add to the existing literature on strategic orientation and firm performance. Although there is a substantial amount of research on the issue, strategic orientation is still a relatively novel concept and this empirical study will provide evidence to investigate the concept and its validity in the context of Malaysian SMEs. More importantly, this study hopes to contribute to the practical context of SMEs in Malaysia by identifying strategies that can help boost their performance.

1.1 Problem Statement

SMEs have contributed a significant value to the total manufacturing output, value added products and national employment (SMIDEC 2002). Even with the acknowledgement of the importance of SMEs and the focus on SME development in economic plans, there are still some significant hurdles and challenges faced by Malaysian SMEs as follows a) Lack of comprehensive framework in terms of policies towards SMEs development, b) Inconsistent definitions of SMEs at the operational level, c) Too many agencies or channels governing SMEs without effective coordination, d) Inadequate data and information on the development of Malaysian SMEs, e) Inability of SMEs to join mainstream corporate structure, f) Difficulties in accessing loans and other forms of financial assistance, g) Many SMEs in Malaysia still occupy lands or sites that are not approved for industrial purposes, h) Underutilisation of technical assistance, advisory services and other incentives made available by the government and its agencies, i) Lack of skilled and talented workers which affects the quality of production as well as efficiency and productivity, and j) Non-leverage

of various incentives that are provided by the promotion of the Investment Act 1986 and the Income Tax Act 1967.

There is extensive government support provided to Malaysian SMEs. There is a focus in the existing research on the effect of government incentives and assistance on the success of Malaysian SMEs (Saleh and Kuppusamy 2007, Saleh and Ndubisi 2006, Abdullah 1999). But this study takes a different approach to the study of Malaysian SMEs, by focussing on the strategies and actions that these businesses can take on their own accord. It seeks to understand how Malaysian SMEs can take proactive strategies in their own operations to improve their performance rather than focussing on how the help of an external agency like the government can help them. Malaysian SMEs have entered a relative age of maturity where there is a need to focus on their operations and models as independent businesses rather than state-supported enterprises. This study seeks to identify the effectiveness of their business strategies as proactive commercial enterprises and suggest improvements to further improve them that can help reduce their dependency on government support. With these issues in mind, this study is conceptualised as an investigation into the effect of strategic orientation on firm performance in Malaysian SMEs.

Recent studies on strategic orientation suggest the importance of considering the complexity (complementary, compensatory and contingent nature) of the relationship between strategic orientation and firm performance (Lumpkin and Dess 1996, Todorovic and Ma 2008, Baker and Sinkula 2009, Shoham et al. 2005, Grinstein 2008). A meta-analysis on entrepreneurial orientation by Rauch et al. (2009) also argues that it is inaccurate to assume the homogeneity of strategic orientation and its effect in different national contexts as the sampling variance is low and suggests that there moderators suitable for each national context must be studied in greater detail. Keeping this point in mind, this study attempts to avoid a simplistic reduction of the relationship and develop pathways between the two constructs that are attuned to the real-life complexities and contextual facts that define Malaysian SMEs.

This study is based on the premise that a combination of constructs of market orientation, entrepreneurial orientation and interaction orientation can be used to reflect the sum of actions and strategies that Malaysian SMEs can undertake to achieve superior firm performance. Firm performance is reflected of financial and non- financial. The financial is overall sales revenue, return on investment and return on assets and non- financial is about perceived managerial perception. The Malaysian government has initiated a number of incentives in its seventh and eight Malaysian Plans and the Second Industrial Master Plan (IMP2) to aid SMEs in different areas (Saleh and Ndubisi 2006). There are 13 ministries and 30 government institutions/ agencies responsible for assisting SMEs in different areas according to the special expertise of the institution/ agency. Some of these are Ministry of Trade and Industries, Ministry of Finance, Ministry of Entrepreneurial Development, Ministry of Labour and others (Abdullah 1999). A study by Abdullah (1999) found that existing government assistance can be divided into six categories, 1) financial and credit assistance, 2) entrepreneurial and managerial training, 3) technical and vocational training,

4) extension and advisory services, 5) marketing and market research and 6) infrastructure facilities.

1.2 Research Background

The success of SMEs has huge implications for the growth and socio-economic wellbeing of a country and Asia Pacific Economic Cooperation (APEC) has advised its member countries to place high priority on nurturing SMEs (Asia-Pacific Economic Cooperation 2004). SMEs help in economic development of the individual nation and at the same time they encourage the flow of trade and investment between different economies in the APEC region (Karikomi 1998). According to OECD (1997), SMEs are a valuable source of employment and future growth prospects for many countries across the globe. Not only do SMEs contribute to the economic development of a country, the level of their success also acts as a measure of efficacy of government policy in nurturing entrepreneurial culture in an economy. For instance, Singapore launched a comprehensive policy called SME Master Plan in 1989 to promote entrepreneurship by assisting SMEs in areas like tax incentives, financial assistance, technology adaptation, business development and marketing (Schaper and Volery 2007).

SMEs are one of the most important contributors to economic development in Malaysia (Saleh and Ndubisi 2006). It is expected that value-added products produced by SMEs will be worth RM120 billion (USD 40 billion) by 2020, which is half of the total production in the manufacturing sector (Saleh and Ndubisi 2006). Currently, SMEs account for 97% of firms and contribute from 40% to 60% of GDP and up to 70% of employment (National SME Development Council 2009). The past figures recorded by National SME Development Blueprint (2007) outline that SMEs contributed 32% to the GDP and 56.4% to employment in 2005. This shows that the GDP share as well as employment contribution made by SMEs has risen in the last decade.

In Malaysia, SMEs first came into prominence with the implementation of the New Economic Policy (NEP) in 1971. Although the main objective of the NEP was broader politico-economic restructuring in the nation to alleviate economic inequality between citizens of different ethnic backgrounds, there was also a subsidiary focus on SMEs with the aim of promoting an entrepreneurial culture among the country's citizens (Hoq et al. 2009). Over the years, the government has even set up a ministry for SMEs and entrepreneurs in Malaysia. There are a wide range of services and incentives provided to SMEs by the Malaysian Government. There is a focus in the existing research on the effect of government incentives and assistance on the success of Malaysian SMEs (Saleh and Kuppasamy 2007, Saleh and Ndubisi 2006, Abdullah 1999). But this study takes a different approach to the study of Malaysian SMEs, by focussing on the strategies and actions that these businesses can take on their own accord to improve their performance rather than asking how the help of an external agency like the government can help them. Malaysian SMEs have entered a relative age of maturity where there is a need to focus on their operations and models as independent businesses rather than state-supported enterprises. So there is a normative goal underlying this study in that it seeks to reduce the reliance of

Malaysian SMEs on government incentives by identifying the effectiveness of their business strategies as proactive commercial enterprises and suggesting improvements to further improve them. With these issues in mind, this study is conceptualised as an investigation into the effect of strategic orientation on firm performance in Malaysian SMEs.

1.3 Research Objectives

- a) To examine the direct effect of marketing orientation, entrepreneurial orientation and interaction orientation on firm performance among Malaysian SMEs in the manufacturing industry.
- b) To examine the mediation effect of innovation on the relationship between market orientation, entrepreneurial orientation, interaction orientation and firm performance among Malaysian SMEs.

1.4 Research Questions

- a) Does the strategic orientation components (market orientation, entrepreneurial orientation and interaction orientation) effect on firm performance?
- b) Does innovation mediate the relationship between strategic orientation components and firm performance?

1.5 Significance of the Study

This study intends to contribute to marketing research by providing some new insights into the relationship between strategic orientation and superior firm performance. In particular, the study will contribute to knowledge in the following ways:

Although there are many studies in the marketing literature on strategic orientation most of these have been conducted in developed countries. According to Rauch et al. (2009), it is misleading to assume the homogeneity of strategic orientations in different national contexts as the sampling variance is low and suggests that there are possibly moderators influencing its effect on firm performance that are specific to a certain locale. This study will be the another large scale study of strategic orientation conducted in a developing country like Malaysia. In fact, Todorovic and Ma (2008) suggest that the complementary effect of strategic orientation might be more effective in developing countries, as strategic actions are not normally part of the business model in developing countries and those firms employing such methods may reap significant benefits over their competitors.

This study to incorporate the three constructs of market, entrepreneurial and interaction orientation in a cohesive framework. It is expected that this approach will outline a more realistic picture of strategic orientation as different strategic actions within a firm are generally taken in cohesion with each other. This will also provide a framework that is more effective than a single strategic orientation that is often used in most research.

Although there have been some studies on this subject in Malaysia, they have considered the effect of entrepreneurial orientation and market orientation independently. For example, Poon et al. (2006) employed entrepreneurial orientation as a mediator between internal locus of control and firm performance. This is the large-scale study devotes to the subject that will also study a combination of strategic orientation constructs and their effect on Malaysian SMEs.

This will attempt to provide a greater understanding of the mediating effect of innovation success and firm performance. To date, Baker and Sinkula (2009) have conducted the only major study using innovation success in a significant role as a mediating variable for firm performance. This study will replicate their study to further validate the importance of innovation success.

The empirical findings provided from this study will also provide further evidence to support the concept of interaction orientation. The concept of interaction orientation has recently been introduced by Ramani and Kumar (2008), and apart from their original study it has not been applied and tested in any empirical study. Although the rationale given by Ramani and Kumar is convincing, it remains to be seen if the concept which purportedly explains the importance of customer service for firm performance, is actually useful. By combining interaction orientation and market orientation together, this study will attempt to provide a new insight into the existing theory on marketing concept (market orientation) and customer concept (interaction orientation), the synergies and differences between the two orientation.

The study also hopes to make some practical contributions mainly focusing on identifying strategies that can help improve the performance of Malaysian SMEs. It will identify the improvements that Malaysian SMEs can adopt to sustain competitive advantage and achieve superior firm performance. It will suggest particular configurations of strategic orientations that can work for Malaysian SMEs depending on their needs and business conditions. Zhang (2008) advises that any approach to strategic orientation must be carefully chosen. Just adopting a strategic orientation is not a guarantor of any advantage; any strategic orientation must be taken to target specific conditions prevailing at the time in the business. As Zhang (2008, p.35) argues "*it would be naive to suggest that a one-strategy fits all circumstances is suitable for every organization*".

The scope of the current study is quite evident, it is localised to the context of SMEs in Malaysia. Specifically, this study focuses on SMEs in the manufacturing industry in Malaysia, registered with the SME Malaysian Business Directory published by Central Bank of Malaysia. In addition to the locale of the study, the theoretical literature supporting the study also defines the scope of the study. There are many concepts in entrepreneurship literature and this study has defined by its focus on the concept of strategic orientation.

2. Literature Review

2.1 Background to Malaysian SMEs

The importance of SMEs in Malaysia's economy is undeniable as the Economic Census 2011 indicated that 97.3 per cent of the establishments were SMEs. The government aims to elevate the contribution to GDP to 41 per cent by 2020 as compared to 2012 at 32.7 per cent. In line with this target, the honourable Prime Minister Dato' Sri Mohd Najib bin Tun Abdul Razak launched "SME Master plan 2012-2020: Catalysing Growth and Income" with 32 initiatives for SMEs on 12 July 2012. Small and Medium Enterprises (SMEs) has a vital role in the development of a country's economy for creating employment for rural and urban growing labour force, reduction of poverty, a major source of technological innovation and new products (Fida, 2008). The importance and development of SMEs has been given focus by our government since 1970s, under the New Economic Policy and further extensive commitments were put forward under the implementation of Industrial Master Plan 2 and Industrial Master Plan 3 (Mohammad, Norbani, Saad, 2009). In 2004, government has further reinforced its commitment on SMEs by establishing National SME Development Council (NSDC). As the highest policy-making body, the NSDC role is to formulate strategies for SMEs development across all economic sectors, coordinate the tasks of related ministries and agencies, encourage partnership with the private sector, as well as ensuring effective implementation of the overall SMEs development programme in this country. Initiatives under NSDC included enhanced access to financing, financial restructuring and advisory services, information, training and marketing coordination and a comprehensive SME database to monitor the progress of SMEs across all economic sectors.

Under the 10th Malaysian Plan, the government continued to implement various programmes on creating successful SMEs domestically, regionally and globally. Thus, to ensure on the successfulness of these programmes, it is essential to have a systematic statistical measurement to evaluate the outcome. SMEs are an important contributor to economic activity in a country. A report from Organization for Economic Co-operation and Development (OECD) Turin Roundtable, March 2009 identifies SMEs as a major economic player in OECD countries. Asia Pacific Economic Cooperation (APEC) has advised its member countries to place high priority on nurturing SMEs as they help in economic development of the individual nation and encourage the flow of trade and investment activities between different economies in the APEC region (Karikomi 1998). According to OECD (2013), SMEs are a valuable source of employment and future growth prospects for many countries across the globe. In some countries like Italy, South Korea and China, SMEs contribute up to 60% of their total national exports (Knight 2000). SMEs also are believed to account for about 59% of exports from Asia and 26% of exports from developed countries (Organization for Economic Co-Operation and Development 2013).

Small and medium enterprises (SMEs) form a significant portion of the commercial landscape in any country and the contribution made by SMEs to any economy is a subject of constant research (Suprpto et al. 2009). Not only do SMEs contribute to the economic development of a country, the level of their success also acts as a measure of efficacy of

government policy in nurturing entrepreneurial culture in an economy. For instance, Singapore launched a comprehensive policy called SME Master Plan in 1989 to promote entrepreneurship by assisting SMEs in areas like tax incentives, financial assistance, technology adaptation, business development and marketing (Schaper and Volery 2007). In Australia, various small business agencies have emerged to help local SMEs in developing and managing their operations. In Malaysia, the government has even set up a ministry for SMEs and entrepreneurs.

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SMEs are one of the most important contributors to economic development in Malaysia (Saleh and Ndubisi 2006). It is expected that value-added products produced by SMEs will be worth RM120 billion (USD 40 billion) by 2020, which is half of the total production in the manufacturing sector (Saleh and Ndubisi 2006). Currently, SMEs account for 97% of firms and contribute from 40% to 60% of GDP and up to 70% of employment (National SME Development Council 2009). The past figures recorded by National SME Development Blueprint (2007) outline that SMEs contributed 32% to the GDP and 56.4% to employment in 2005. This shows that the GDP share as well as employment contribution made by SMEs has grown in the last decade.

The 2000 Census by the Malaysian Department of Statistic (DOS) found that 89.3% of the 20,455 establishments in the manufacturing sector and 96.8% of the 192,527 establishments in the services sector were SMEs. Of the SMEs in the services sector; 88.0% are in the retail and wholesale, followed by 4.4% in education and health, 2.9% in professional services, and 2.0% in transport and communication. According to Saleh and Ndubisi, (2006) most SMEs establishments in Malaysia were located around West Coast of Malaysia due to greater economic development, infrastructure and port facilities in the area. Availability of cheap labour, natural forest resources and logging activities in the area has also led to the growth of these industries. Johor has the largest number of manufacturing companies engaged in textiles and apparel and wood-based industries and the second largest number of manufacturing companies in the country is in Selangor, 16.7 %, followed by Perak, 9.4 %, and Pulau Pinang 8.4%. Malaysian Productivity Corporation (MPC) has projected that Malaysian SMEs will develop a strategic shift from benchmarking and best practices to competitiveness and innovation by year 2010 (Rahman and Zainiah 2008).

In Malaysia, the importance of SMEs first came to prominence with the implementation of the New Economic Policy (NEP) in 1971 and its objective to improve the welfare of its citizens and restructure economic inequities across different ethnic groups (Hoq et al. 2009). Making a concerted effort to aid the development of the SMEs, the Malaysian government implemented the Malaysia Industrial Master Plan (IMP). Further actions

targeting the development of SMEs were revised in the action plan of the IMP2 launched from year 2000 to year 2005. SMEs have continued to receive focussed attention in the IMP3 for the period spanning from year 2006 to year 2020 to coincide with the country's vision to become a developed economy by 2020 (Ministry of International Trade and Industry 'MITI' 2005). In brief, the strategic plan for IMP3 for SMEs is focussed on 1) enhancing competitiveness of Malaysian SMEs, 2) capitalising on outward investment opportunities, 3) focus on technology and innovation, 4) providing a cohesive and supportive regulatory and institutional framework and 5) nurturing the service sector.

The Secretariat to National SME Development Council (2005) is responsible for maintaining data on SMEs in the country and it has stipulated that there is no common definition to encompass SMEs in Malaysia. Agencies tend to define SMEs based on criteria such as annual sales turnover, number of full-time employees or shareholders' fund. Even if there are a few definitions available in the literature provided by the state they mainly refer to SMEs in the manufacturing sector. On 9 June 2005, the National SME Development Council approved the standardised definition of SMEs across all sectors to rectify this gap and facilitate the easy identification of SMEs. According to the SME Development Council definition, a commercial firm can be categorised as an SME on the bases of two criteria, namely 1) number of employees (full time) and 2) annual sales turnover. This action devising clear categorisation and easy identification of SMEs facilitates target-oriented formulation of SME policies, implementation of SME development programmes, effective supervision of SME performance and accurate measurement of their contribution to the economy of the country.

It must be noted here that this study used the criterion of number of employees to define SMEs since Malaysian SMEs were not keen on providing data like their annual sales turnover for a research study. The definition provided by National SME Development Council can be applied to the following sectors, namely 1) primary agriculture, 2) manufacturing (including agro-based), 3) manufacturing-related services (MRS) and 4) services (including information and communication technology).

2.2 Definition of SME

SMEs in Malaysia are defined based on two criteria, namely full-time employees or annual sales turnover. An establishment will be classified as an SME if it meets either one of the criteria. The SMEs are distinguished further into Micro, Small and Medium and the definition differs between Manufacturing sector and Non-Manufacturing sectors. Manufacturing sector is classified for those establishments having more than 150 full-time employees or the annual sales turnover less than RM25 million. For Non-Manufacturing sectors, the definition focused on establishments with less than 50 full-time employees or the annual sales turnover less than RM5 million. The higher stipulated employees in manufacturing are due to its nature of production activities which are labour intensive. The annual sales turnover of less than RM25 million for Manufacturing sector is justified as this sector has higher intermediate Input compared to Output (IO ratio). Even though this sector may gain high sales turnover, concurrently it consumes substantial raw materials in the production process, which leads to smaller value added.

In addition to this, a new definition of SME has been announced by the Malaysia's Prime Minister, Y.A.B. Dato' Sri Mohd Najib bin Tun Haji Abdul Razak that will take into effect on 1st January 2014. The dynamic changes of Malaysia's economic structure and business trends has led SME Corp. to redefine its' definition which is more appropriate with the current economic condition. Based on the new definition, the Manufacturing sector is classified for those establishments having more than 200 full-time employees or the annual sales turnover less than RM50 million. As for the Non-Manufacturing sectors, the coverage of SMEs are establishments with less than 75 full-time employees or the annual sales turnover less than RM20 million. With the new definition, there is a possibility that the contributions of SMEs to GDP will be elevated as well. The comparison between the previous and the new definition can be referred in Table below;

Table 1: Previous Definition of SME

SECTOR	MANUFACTURING	AGRICULTURE, CONSTRUCTION, MINING & QUARRYING AND SERVICES
NUMBER OF FULL-TIME EMPLOYEES		
MICRO	Less than 5 employees	Less than 5 employees
SMALL	From 5 to less than 50 employees	From 5 to less than 20 employees
MEDIUM	From 50 to less than 150 employees	From 20 to less than 50 employees
ANNUAL SALES TURNOVER		
MICRO	Less than RM 250,000	Less than RM 200,000
SMALL	From RM 250,000 to less than RM10 million	From RM 200,000 to less than RM1 million
MEDIUM	From RM10 million to less than RM25 million	From RM 1 million to less than RM 5 million

Table 2: Current Definition of SME

SECTOR	MANUFACTURING	AGRICULTURE, CONSTRUCTION, MINING & QUARRYING AND SERVICES
NUMBER OF FULL-TIME EMPLOYEES		
MICRO	Less than 5 employees	Less than 5 employees
SMALL	From 5 to less than 75 employees	From 5 to less than 30 employees
MEDIUM	From 75 to not exceeding 200 employees	From 30 to not exceeding 75 employees
ANNUAL SALES TURNOVER		
MICRO	Less than RM 300,000	Less than RM 300,000
SMALL	From RM 300,000 to less than RM15 million	From RM 300,000 to less than RM3 million
MEDIUM	From RM15 million to not exceeding RM50 million	From RM 3 million to not exceeding RM 20 million

(Source: SME Corporation Malaysia, 2014)

2.3 Firm Performance and Malaysian SMEs

2.3.1 Constraints and Challenges of Malaysian SMEs

SMEs have contributed a significant value to the total manufacturing output, value added products and national employment (SMIDEC 2002). Even with the acknowledgement of the importance of SMEs and the focus on SME development in economic plans, there are still some significant hurdles and challenges faced by Malaysian SMEs (Saleh and Kuppusamy 2007). Saleh and Ndubisi (2006, p.10) reviewed the research provided by APEC (1994) and summarised the challenges faced by Malaysian SMEs as follows, a) Lack of comprehensive framework in terms of policies towards SMEs development, b) Inconsistent definitions of SMEs at the operational level, c) Too many agencies or channels governing SMEs without effective coordination, d) Inadequate data and information on the development of Malaysian SMEs, e) Inability of SMEs to join mainstream corporate structure, f) Difficulties in accessing loans and other forms of financial assistance, g) Many SMEs in Malaysia still occupy lands or sites that are not approved for industrial purposes, h) Underutilisation of technical assistance, advisory services and other incentives made available by the government and its agencies, i) Lack of skilled and talented workers which affects the quality of production as well as efficiency and productivity, and j) Non-leverage of various incentives that are provided by the promotion of the Investment Act 1986 and the Income Tax Act 1967.

2.3.2 Government Support Programmes and Incentives

The Malaysian government has initiated a number of incentives in its seventh and eight Malaysian Plans and the Second Industrial Master Plan (IMP2) to aid SMEs in different areas (Saleh and Ndubisi 2006). There are 13 ministries and 30 government institutions/agencies responsible for assisting SMEs in different areas according to the special expertise of the institution/ agency. Some of these are Ministry of Trade and Industries, Ministry of Finance, Ministry of Entrepreneurial Development, Ministry of Labour and others (Abdullah 1999). A study by Abdullah (1999) found that existing government assistance can be divided into six categories, 1) financial and credit assistance, 2) entrepreneurial and managerial training, 3) technical and vocational training, 4) extension and advisory services, 5) marketing and market research and 6) infrastructure facilities.

a) Financial and Credit Assistance

The difficulties in accessing finance was quite a surprising finding in this study by Abdullah (1999) as the Malaysian government has devised extensive financial help plans and incentives to assist SMEs. For financial and monetary credit assistance, the government has established a variety of specialised financial institutions from the 1970s to lend a hand to SMEs. National Bank of Malaysia provides financial and credit assistance to SMEs through several schemes. The National Bank of Malaysia has also issued Priority Lending Guidelines which impose targets on commercial bank and finance companies to lend

money to SMEs. Commercial bank and finance companies are required to lend a specific amount of money with interest rates below the market rate. The Malaysian government also provides a Credit Guarantee Corporation to provide guaranteed cover to commercial banks which extend loans to SMEs. Other credit facilities provided to SMEs are 1) Development Finance Institutions (DFI), 2) New Investment Fund (NIF) and 3) Enterprises Rehabilitation Fund (ERF). Apart from these government schemes, there are loans made available under the World Bank Small-Medium Scale Enterprises Project, the ASEAN-Japan Development Fund (AJDF) and small loans and credit facilities from Majlis Amanah Rakyat (MARA).

b) Entrepreneurial and Managerial Training

Entrepreneurial and managerial training is essential for entrepreneurs and their employees to adopt best practices in the field to ensure the survival and success of their SME. In Malaysia, entrepreneurial development and business management training is provided by the National Productivity Council (NPC) and Malaysian Entrepreneurial Development Centre (MEDEC). Apart from these government-mandated agencies, Majlis Amanah Rakyat (MARA) and Small Business Development Centre of the University Putra Malaysia also provide training to entrepreneurs with assistance from NPC.

c) Technical and Vocational Training

Technical and vocational training can assist entrepreneurs and employees in gaining technical skills related to the day-to-day operations of their firms. Technical training for their specific field of work can be gained from agencies like Standard and Industrial Research Institute of Malaysia (SIRIM), Small and Medium Industries Development Corporation (SMIDEC) (today known as SME Corp. Berhad), Forestry Research Institute of Malaysia (FRIM), Malaysian Agriculture Research and Development Institute (MARDI).

d) Extension and Advisory Services

Extension and advisory services can be provided in two broad areas, 1) management consultancy services and 2) product quality. Management consultancy services provide managerial and administrative services in activities like provision of supervised credit, preparation of business plan, establishment of an accounting system, preparation of regular income statements, cash budgets and loan management. Product quality is concerned with improving mechanisms of quality control and design to ensure the quality of products is of the required standard. SME Corp., Development of Finance Institutions (DFIs), NPC, MEDEC, SIRIM, Business Advisory Centre and other agencies provide management consultancy services. On the other hand, there are specialised institutions that provide services relating to product quality management. They provide services to assist firms in

many areas like equipment selection, plant layout, design improvement, processing techniques and product quality improvement. SIRIM is mainly responsible for standard testing, registration for quality control, research and development, technical extension and consulting. There are also some agencies devoted to product quality in specific areas—MARDI deals with product quality in food-related industries and FRIM with forest-based products.

e) Marketing and Market Research

Firms can achieve superior marketing objectives by acquiring innovative marketing techniques, highly-skilled sales employees and good distribution channels (Morrison and Roth 1992). In Malaysia, agencies that provide marketing consultancy services are MEDEC, NPC, the DFIs, and SME Corp. Basically, MEDEC and NPC provide a range of services including self-instruction kits containing training videos and audiotapes on marketing along with texts, samples, illustrations, case studies and other materials. In addition, NPC also provides a range of short-courses particularly in the area of marketing, sales promotion and exporting. The role of SME Corp. is to develop and nurture export-oriented firms to help them become more competitive. For this purpose, SME Corp. Malaysia collaborates with Malaysia External Trade Development (MATRADE) to assist firms in export management and participation in trade fairs and trade missions to boost their overall marketing potential.

f) Infrastructure Facilities

Infrastructure facilities constitute one of the key areas in which government intervention and support can play a role to foster the growth and development of private enterprises. In Malaysia, infrastructure support for SMEs is provided by government-funded agencies that create enterprise-friendly commercial areas. These include areas, such as Free Trade Zones (FTZs), the Light-Industrial Zones (LIZs), the Licensed Manufacturing Warehouses (LMW) and the Principal Custom Areas (PCAs). Basic infrastructure facilities like electricity, water, and telecommunication required are provided in these enterprise-friendly areas. In addition, these areas are located at strategic locations that have easy access to other facilities such as ports and airports.

2.4 Firm Performance in Malaysian SMEs: A Strategic Orientation Approach

As evident from the last section, there is extensive government support provided to Malaysian SMEs. There is a focus in the existing research on the effect of government incentives and assistance on the success of Malaysian SMEs (Saleh and Kuppusamy 2007, Saleh and Ndubisi 2006, Abdullah 1999). But this study takes a different approach to the study of Malaysian SMEs, by focussing on the strategies and actions that these businesses can take on their own accord. It seeks to understand how Malaysian SMEs can take proactive strategies in their own operations to improve their performance rather than

focussing on how the help of an external agency like the government can help them. Malaysian SMEs have entered a relative age of maturity where there is a need to focus on their operations and models as independent businesses rather than state-supported enterprises. This study seeks to identify the effectiveness of their business strategies as proactive commercial enterprises and suggest improvements to further improve them that can help reduce their dependency on government support.

Recent studies on strategic orientation suggest the importance of considering the complexity (complementary, compensatory and contingent nature) of the relationship between strategic orientation and firm performance (Lumpkin and Dess 1996, Todorovic and Ma 2008, Baker and Sinkula 2009, Shoham et al. 2005, Grinstein 2008). A meta-analysis on entrepreneurial orientation by Rauch et al. (2009) also argues that it is inaccurate to assume the homogeneity of strategic orientation and its effect in different national contexts as the sampling variance is low and suggests that there moderators suitable for each national context must be studied in greater detail. Keeping this point in mind, this study attempts to avoid a simplistic reduction of the relationship and develop pathways between the two constructs that are attuned to the real-life complexities and contextual facts that define Malaysian SMEs.

2.5 Strategic Orientation

Strategic orientation behaviours refer to the process, practices, principles, and decision-making styles that guide organizations activities when reacting to the external environment and generate the behaviour intended to ensure the organization viability and performance (Voss & Voss, 2000; Zhou & Li, 2010). Superior performance is vital to the survival and growth of firms. Firm performance seems like a self-evident and self-explanatory term but actually needs to be carefully deconstructed if we are to understand its tangible content. Firm performance is a multi-dimensional construct consisting of revenue and cost-based financial performance, customer-related performance, innovation-related performance and employee-related performance. As evident here, firm performance is not necessarily a self-evident catch-all term. There needs to be careful scrutiny of these different aspects of firm performance to quantify the actual performance achieved by the firm in a business year.

Oftentimes, an improvement in one area may contradict that in another or hold back the overall growth. For example, even if there is an overall improvement in cost-based performance, this may sometimes be due to employee reduction which does not necessarily mean that there was any improvement in firm performance as such. Another example more pertinent to this study is when there is a rise in innovation-related performance with the launch of a new product, which may not necessarily translate into increased sales but may even harm the company if the product leads to losses. So there is a need to take the figures for each aspect in cohesion with others and the overall business objective for the year to determine firm performance. Taking these various aspects of firm performance together into consideration, this study chooses a mix of strategic orientations which are expected to have an effect on the most significant areas of overall firm performance.

Strategic orientation is a well-regarded and much-used concept in the business literature concerned with firm performance. Over the years, many studies have gone on to identify several types of strategic orientation such as market orientation, entrepreneurial orientation, customer orientation, cost orientation, innovation orientation, competitor orientation, learning orientation, employee orientation and interaction orientation.

Rauch et al. (2009) find that a large number of studies have examined the relationship between entrepreneurial orientation and performance, but overall there are not many studies that have examined the holistic effort of a range of strategic orientations. Grinstein (2008) argues that research on strategic orientation should divert its focus from analysing the effect of a single strategic orientation to the combined effect of strategic orientations. In line with this suggestion, studies by Baker and Sinkula (2009) and Gonzalez-Benito et al. (2009) have adopted combinatorial forms of strategic orientation and demonstrated that it is better to study the combined effect of strategic orientation than using a fragmented approach focussed on a single orientation. This study therefore selected entrepreneurial, market and interaction orientation, as they noted in the literature as more rigorous and comprehensive types of strategic orientation that are also likely to have the greatest effect on firm performance.

2.6 Entrepreneurial Orientation

Entrepreneurial orientation is the ability of a firm to discover and make use of any possible opportunities to gain access to a new market. Similarly, Zahra (2008) argues that entrepreneurial orientation reflects the firm's ability to seek out and exploit new opportunities. This concept of opportunity exploitation is also stressed by Lumpkin and Dess (1996) who argue that entrepreneurial orientation is about how firms pursue a new market with methods, practices and decision-making styles that help managers to act in an entrepreneurial manner.

This ability is generally implicated with a proactive and innovative leadership in a firm (Zahra 2008). This ability to recognise and exploit the opportunity is a significant determinant of superior firm performance (Ahuja and Lampert 2001). A study by Teece et al. (1997) suggests that firm-specific capabilities e.g. innovativeness, decision-making style and new technology adoption are the source of competitive advantage which can be developed and deployed to increase profits. Thus, this study considers entrepreneurial orientation as a key strategic orientation in delivering superior firm performance for SMEs in Malaysia.

2.7 Market Orientation

Market orientation is a well-established construct in the strategic orientation literature which has been studied extensively in terms of its nature, structure and outcomes. Market

orientation refers to the extent to which the firm's strategies and operations are ready to respond to market demands and any changes in the market.

Zahra (2008) suggests that firms with high market orientation are likely to have good customer relations and create superior customer value. A meta-analysis on market orientation by Cano et al. (2004) and Kirca et al. (2005) shows that market orientation studies have been conducted in five continents involving more than 200 publications which generally support the finding that market orientation has a significant influence on firm performance. Some empirical studies have also reported that market orientation is capable of contributing to specific organisational outcomes such as innovation capacity or innovation success (Grinstein 2008, Hurley and Hult 1998) and financial performance (Keh et al. 2008, Moreno and Casillas 2008, Slater and Narver 2000, Wang 2008). Strong market orientation is found to have a positive influence on various aspects in SME performance such as competing with larger firms, selecting the most productive resource combinations, and responding to customers' (often) varying needs (Raju, Lonial, & Crum, 2011, Morgan, Vorhies, & Mason, 2009, Baker & Sinkula, 2009). Strong market orientation also implies a high level of interest in finding new opportunities and markets (Reijonen, Laukkanen, Komppula, & Tuominen, 2012). It is expected that market orientation also positively affects firms' performance.

Prior studies have shown that market orientation is relevant for SMEs who have limited financial means, such as R&D, low cost leadership or talented staff, to pursue other sources of business (Gonzalez-Benito, Gonzalez-Benito & Munoz-Gallego, 2014). Despite the liabilities of smallness and sometimes newness, SMEs are often highly market-oriented and they can compete effectively with large organizations (Raju, Lonial, & Crum, 2011). Furthermore, it is suggested that marketing orientation may benefit small firm performance more than that of larger firms; one reason for this is that they might be better at identifying and leveraging their strengths (Raju, Lonial, & Crum, 2011).

2.8 Interaction Orientation

There is a consistent focus on customers in the entrepreneurship and marketing literature stressing that satisfied customers and improved customer service can lead to superior firm performance. The 'customer' concept is concerned with the realisation of superior customer value starting with the individual customer. Ramani and Kumar (2008, p.28) argue that the customer is an indispensable entity and interaction orientation is based on *"the belief that prescribes the unit of analysis of every marketing action and reaction to be the individual customer"*.

With this in mind, this study chooses to utilise this relatively new concept introduced by Ramani and Kumar (2008) who argue that interaction orientation has a strong relationship with customer performance. Interaction orientation is supposed to reflect the goodwill and value generated in one-to-one interaction between the customer and firm that can lead to superior firm performance.

Over the years, technological advances have heightened interactivity between customers and firms, customers and customers, and firms and firms (Ramani and Grish, 2006). There is a consistent focus on customers in the entrepreneurship and marketing literature stressing that satisfied customers and improved customer service can lead to superior firm performance. The effective and productive administration of interaction and the interfaces where these communications happen is progressively being perceived as a source of lasting competitive advantage (Rayport and Jaworski 2005). The customer concept is concerned with the realisation of superior customer value starting with the individual customer. Interaction orientation is supposed to reflect the goodwill and value generated in one-to-one interaction between the customer and firm that can lead to superior firm performance. There is a consistent focus on customers in the entrepreneurship and marketing literature stressing that satisfied customers and improved customer service can lead to superior firm performance. The customer concept is concerned with the realisation of superior customer value starting with the individual customer. Interaction orientation is supposed to reflect the goodwill and value generated in one-to-one interaction between the customer and firm that can lead to superior firm performance.

2.9 Strategic Orientation and Firm Performance

The strategic orientations explained above have all been proved to have a positive effect on firm performance, but there is also evidence to suggest that the idea of direct and positive relationship between strategic orientation and firm performance is perhaps too simplistic (Escriba-Esteve et al. 2008). This study uses a multi-faceted form of strategic orientation to represent a more holistic picture of a firm's business strategies in the real world. Keeping this point in mind, this study attempts to avoid a simplistic reduction of the relationship and further develop pathways between the two constructs that are attuned to other real-life complexities of this issue by incorporating the importance of innovation success and external environment.

2.10 Innovation

A key trait of any successful business is its ability to continually improve their product offerings and adopt the most cutting-edge marketing techniques. These traits can be subsumed under the concept of innovation. Innovation enables businesses to improve the quality of their products or services, differentiate themselves from competitors and contribute to superior firm performance in the long run (Zahra et al. 1999, O'Donnell and Cummins 2005, O'Dwyer et al. 2009). The word 'innovation' originally comes from the Latin words *in* and *novare* which mean to make something new. Drucker (1999) defines innovation as an instrument used by an entrepreneur in manipulating opportunities for diverse business operations and entrepreneurs must deliberate and make informed choices about the sources or ideas of innovation which can deliver results.

Bessant and Tidd (2007) suggest that innovation is about three core issues—generating new ideas, selecting the good ones and implementing them. *Generating new ideas* relates to the phrase of finding inspirations and aspirations, conceptualising new ways of doing things, shifting to another context, listening to consumer demand and combining a few existing ideas into something new. Generating new ideas can also occur from constructing an unconventional model for the future and investigating the possible options that could arise within these unconventional models. *Selecting the good ones* is not as simple as it sounds. During such a period of planning entrepreneurs need to be alert about all possible options, their consequences and drawbacks. Usually it is very hard to determine the potentials and outcomes of ideas in the planning stage. One must take a gamble with projections and predictions about an idea whose success can only be definitely reported when it is eventually implemented. *Implementing them* is the stage where the selected ideas are put to test. The knowledge and experience of the owner or manager plays an important role here. As this three-fold process described here shows innovation is full of ambiguity and presumption. In Bessant and Tidd's words, one has to implement an idea to know how effective it is and this can be a challenging thing in the early stage fraught by uncertainties, limited resources and possibilities of failure.

Technology development and product development with suppliers are correlated with both product and process innovation. However, joint product development with suppliers is more strongly correlated with product innovation than with process innovation, while a stronger association is found between joint product development and process innovation. A likely explanation for these occurrences entails an understanding of the firms' under investigation second-tier position in their value chains. The firms under investigation purchase raw materials and equipment from their suppliers which they then use to develop components for their customers. Therefore, suppliers' inputs are linked directly to initial product creation and improvements. Once the product is in the validation phase, process innovation may become more relevant for manufacturers eager to rely on suppliers' knowledge. In addition, product development with customers was correlated with process innovation, supporting earlier findings about the common use of customers help during product design. For example, customers often participate in the development of a shared platform to enable easier and better interaction between firms and their customers during the testing and validation of product designs. Moreover, joint manufacturing with customers and suppliers is significantly correlated with process innovation. These findings support earlier research about the incorporation of external information during agile and lean processes to reduce inefficiencies and improve productivity during manufacturing processes. Firms draw knowledge from the market and other firms to evaluate and react quickly to demand swings during agile operations, and to improve the production scheduling of stocked goods during lean manufacturing. Accessing new markets with customers and suppliers (open innovation for commercialisation) is significantly correlated with process innovation. Firms using these forms of open innovation are likely to be improving the coordination of their linkage from their suppliers on to their customers, leveraging synergies as they bring their products to new markets. This supports earlier

findings, indicating that firms rely on external sources to obtain complementary assets such as access to distribution and acceleration of time-to-market. (Theyel, 2012)

This description also shows the significant demands that innovation makes on a firm's capacities and resources. The owner or manager must be able to manage the process of innovation right from opportunity recognition to the delivery of the end product or service. Ravindranath and Grover (1998) add that other factors such as marketing clout, financial resources, production capabilities might moderate the strength of innovation strength. In Malaysia, existing research shows that only 21% to 42% of the firms surveyed can be considered to be innovative (Lee and Chew-Ging 2007). Lack of appropriate financial resources and managerial expertise has been identified as the cause of low innovation in Malaysian SMEs. There is a need to focus on innovation-related research for Malaysian SMEs. It is clear that innovation plays a major role in driving superior performance among SMEs (Rauch et al. 2009, Klomp and Van Leewen 2010). As Dhesi (2010) argues, innovation can enable Malaysian SMEs to improve their overall performance and transform them into corporate entities with the ability to expand and compete internationally. Malaysian SMEs do not have the large capital outlay or technical expertise to engage in innovation-focussed activities like large multinational corporations, but innovation is still an important parameter for them to improve their performance. Incorporating the right mix of strategies to boost innovation can enable firms to attract more customers and increase sales. SMEs can renew themselves through innovative strategies, adjust to new business environments and even move into new areas of business.

Although a related concept, *innovation success* is a subsidiary concept of innovation, meant to reflect the extent to which the innovation at hand is able to achieve its projected goals. While innovation is merely generating new ideas, selecting the good one and implementing them, innovation success is measured through firm's product, process, managerial and marketing innovation O'Cass and Weeradena (2009). In this study, innovation success is used to identify if the output of the innovation process, for example, wholly new product concept, brand and line extensions and customer service improvements, are able to achieve their projected goals (Baker and Sinkula 2009).

3. Research Methodology

The conceptual model for this study can be illustrated with a diagrammatic representation of the relationships between all the constructs and their order of influence, as shown in Figure 1. The flow of action in this conceptual framework is initiated to the effect produced by the specific strategic orientation at work on the overall firm performance. However, this flow-on effect from strategic orientation to firm performance may be direct or mediated through innovation success, which act as mediating variables that can sometimes intervene in this relationship. From this broad conceptual framework, specific hypothesis related to each relationship and construct can be derive for testing. In summary, there are three main relationships proposed in the conceptual framework; 1) the direct and positive effect of

strategic orientation on firm performance, and 2) the mediation effect of innovation success on the relationship between strategic orientation and firm performance.

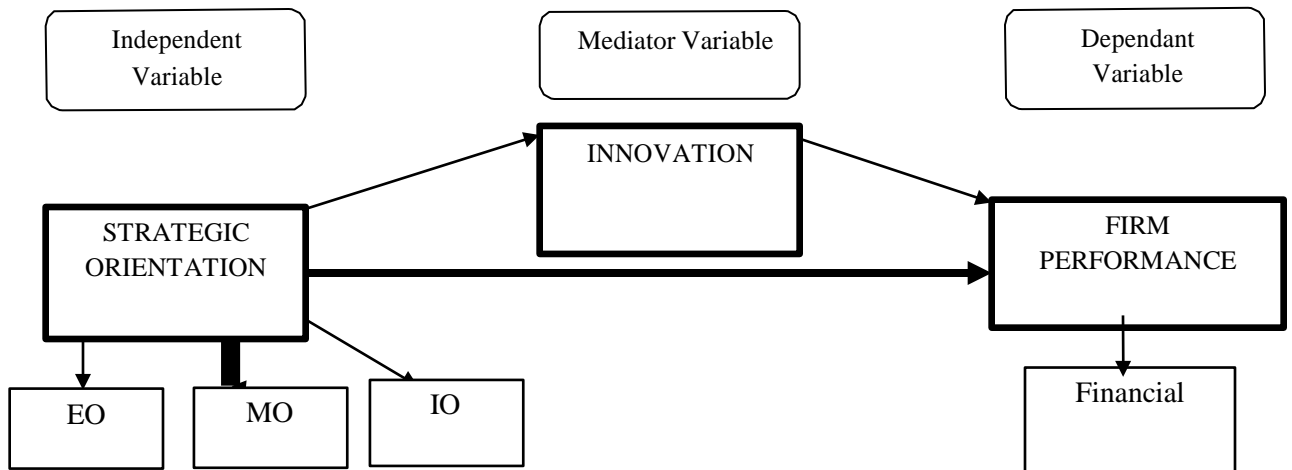


Figure 1: Conceptual Framework

Source: Adopted from Baker and Sinkula(2009); Ramani and Kumar, (2008);Todorovic and Ma (2008);Rauch et al. (2009);Grinstein, (2008); Gawe et al. (2009)Escriba-Esteve et al. (2008)

3.1 Measurement Scale

For the entrepreneurial orientation construct, this study adopted a measurement scale by Gonzalez-Benito et al. (2009). For the market orientation construct, this study adopted a measurement scale developed by Deshpande and Farley (1998). As for the interaction orientation construct, this study adopted the measurement scale named INTOR developed by Ramani and Kumar (2008). The scale measures interaction orientation from four different aspects i.e. customer concept, interaction response capacity, customer empowerment and customer-value management.

In the literature, the concept of innovation is used in a broad manner and researchers have attempted to relate innovation with almost everything (e.g. performance, competitiveness, skills, product success etc.). The measurement scale of innovation success used for this thesis was established by Baker and Sinkula (2009). Although Baker and Sinkula's scale consists of 10 point scales, this study modified the scale to 7 points.

The outcome (dependent variable) of this study relates to the combined effect of the three strategic orientations on firm performance. As explained in the last chapter, this study will only use perceived financial performance and non- financial performance as an indicator of firm performance. Past studies have indicated that managerial perceptions are as comprehensive and significant than archival data, if not more so (Lyon et al. 2000, Chandler and Hanks 1993) and given the small scale of the SMEs studied here, managerial

perception was adequate to furnish the requisite data without complicating things with records etc. The perceived firm performance, here, relates to financial aspects of the business and overlooks non-financial gains such as employee satisfaction or brand reputation.

3.2 Research Paradigm

This study expected to employ a cross-sectional design, quantitative approach quantitative methodology. Research approach is also defined by the underlying assumptions it has about the nature of the world and the knowledge it can gather about the issue at hand. Quantitative research is often premised on a positivist ontology, which is best described as a worldview which assumes that there is a tangible reality which can be accessed and interpreted by human cognition. This study considers the objectivity as the prime element of the quantitative approach. In order to explain or to predict the existing relationships, a quantitative methodology based on equations and statistical modelling is employed.

3.3 Sample Selection and Data Collection

The sample frame for this study made up from the Malaysian SMEs listed on the public website: Malaysian SME Business Directory by SME Info Portal (2014). This list of registered SMEs includes all sorts of business sector including manufacturing, manufacturing related service, mining and quarrying, service (including ICT), construction, primary agriculture and others. The population sample selected for this study will be SME operators in the manufacturing industry, who are registered with the SME Malaysian Business Directory by the SME Info Portal (2014). According to the Department Of Statistics, Malaysia 2013, there are 37,861 manufacturing industry in Malaysia in SME category and 400 SME firms were selected with a random sampling method to identify potential respondents using a table of random numbers. The population size is more than 30,000 means, sample size must be more than 379 (Sekaran, 2006).

3.4 Expected Result

The study hopes to contribute to marketing research by providing some new insights about the relationship between strategic orientation and superior firm performance. In particular, the study will contribute to knowledge in the following ways:

- a) Although there are many studies in the marketing literature on strategic orientation studies most of these have been conducted in developed countries. It is misleading to assume the homogeneity of strategic orientation in different national contexts as the sampling variance is low and suggest that there are possibility moderators influencing its effect on firm performance that are specific to a certain locale. This study will be another large-scale study of strategic orientation conducted in a developing country like Malaysia. In fact, the complementary effect of strategic orientation might be more effective in developing countries, as strategic action are

not normally part of the business model in developing countries and those firms employing such methods may reap significant benefits over their competitors.

- b) This study to incorporate the three constructs of market, entrepreneur and interaction orientation in a cohesive framework. It is hoped that this approach will outline a more realistic picture of strategic orientation as different strategic action within a firm are generally taken in cohesion with each other. This will also provide a framework that is more effective than a single strategic orientation that is often used in most research.
- c) Although there have been some studies on this subject in Malaysia, they have considered the effect of entrepreneurial orientation and market orientation independently. For example, Poon et al. (2006) employed entrepreneurial orientation as a mediator between internal locus of control and firm performance. This is the first large-scale study devoted to the subject that will also study combination of strategic orientation constructs and their effect of Malaysian SMEs.
- d) It will attempt to provide a greater understanding of the mediating effect of innovation success and firm performance. This study will replicate their study to further validate the importance of innovation success.
- e) The empirical findings provided from this study will also provide further evidence to support the concept of interaction orientation. The concept of interaction orientation has recently been introduced by Ramani and Kumar (2008), and apart from their original it has not been applied and tested in any empirical study till date. Although the rationale given by Ramani and Kumar is convincing, it remains to be seen if the concept which purportedly explains the importance of customer service for firm performance, is indeed useful.
- f) By combining interaction and market orientation together, this study will attempt to provide a new insight into the existing theory on marketing concept (market orientation) and customer (interaction orientation), the synergies and differences between the two. This study also hopes to make some practical contribution mainly focusing on identifying strategies that can help improve the performance of Malaysian SMEs. It will identify the improvements that Malaysian SMEs can adopt to sustain competitive advantage and achieve superior firm performance. It will suggest the particular configuration of strategic orientation that can work for Malaysian SMEs depending on their needs and business conditions. Zang (2008) advises that any approach to strategic orientation must be carefully chosen. Just adopting a strategic orientation is not a guarantor of any advantage; any strategic orientation must be taken to target specific conditions prevailing at the time in the business.

The scope of this study is quite evident, to clearly establish this again, the study is localised to the context of SMEs in Malaysia. This study focuses on SMEs in the manufacturing industry Malaysia, registered with the SME Malaysian Business Directory published by Central Bank of Malaysia. In addition, to the locale of this study, the theoretical literature supporting the study also defines the scope of the study. There are many concepts in

entrepreneurship literature and this study is defines its focus on the concept of strategic orientation.

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