

**TALENT MANAGEMENT PRACTICES,
COMPETITIVE STRATEGY AND
GOVERNMENT SUPPORT TOWARD EXPORT
PERFORMANCE OF MALAYSIAN FOOD
PROCESSING SMEs**

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PERFORMANCE OF MALAYSIAN FOOD
PROCESSING SMEs**

by

KHAMINI A/P LOGANATHAN

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**AMALAN PENGURUSAN BAKAT, STRATEGI PERSAINGAN DAN
SOKONGAN KERAJAAN TERHADAP PRESTASI EKSPORT PKS
PEMROSESAN MAKANAN MALAYSIA**

ABSTRAK

Dengan peningkatan persaingan global, organisasi mesti peroleh bakat tinggi dan meningkatkan keupayaan mereka sebagai tindak balas terhadap keperluan pasaran yang pantas berubah. Kajian ini menggunakan teori berasaskan bakat dan teori berasaskan sumber untuk merumuskan model teori prestasi prestasi saingan bakat baru mengenai syarikat-syarikat yang beroperasi di sektor eksport. Tesis ini telah meneroka kesan amalan pengurusan bakat (daya tarikan bakat, pembangunan bakat, dan pengekalan bakat) terhadap strategi dan prestasi eksport yang berdaya saing. Penyelidikan ini juga membincangkan kesan penyederhanaan sokongan kerajaan antara strategi persaingan dan prestasi eksport. Penyelidikan ini meneroka perantaraan peranan strategi berdaya saing dalam hubungan antara amalan pengurusan bakat dan prestasi eksport. Model penyelidikan diuji dengan menggunakan teknik Partial Least Squared (PLS). Keputusan empirikal menunjukkan bahawa pengekalan bakat sangat berkaitan dengan prestasi eksport dan strategi kompetitif. Dengan kesan pengantara strategi bersaing, menunjukkan hubungan positif yang signifikan antara pembangunan bakat dan prestasi eksport. Sokongan kerajaan adalah penting untuk mengukuhkan prestasi eksport PKS pemprosesan makanan, dengan membantu meningkatkan strategi persaingan firma. Sokongan kerajaan yang dilakukan oleh agensi kerajaan mewujudkan platform dan menyediakan sumber yang mencukupi untuk mengembangkan strategi persaingan.

Hasil hipotesis menunjukkan daya tarikan bakat yang tidak mempunyai kesan langsung dan tidak langsung ke arah prestasi eksport. Hasil tesis ini memberikan arah baru untuk penyelidikan mengeksport masa depan mengenai amalan pengurusan bakat, strategi kompetitif, dan prestasi.

**TALENT MANAGEMENT PRACTICES, COMPETITIVE STRATEGY AND
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ABSTRACT

With the rise of global competition, organisations must acquire high talents and enhance their capabilities on response towards changing market requirements. This study employs talent-based theory and resource-based theory to formulate a new talent management practice-competitive strategy-performance theoretical model concerning firms operating in the export sectors. This thesis explores the effect of talent management practices (talent attraction, talent development and talent retention) on competitive strategy and export performance. This research also addresses moderating effect of government support between competitive strategy and export performance. This research explores the mediating role of competitive strategies in the relation between talent management practices and export performances. The research model is tested using the Partial Least Squared (PLS) technique. The empirical results have indicated that talent retention is significantly related to export performance and competitive strategy. With the mediating effect of competitive strategy, has shown a significant positive relationship between talent development and export performance. Government support is important to strengthen the food processing SMEs export performance, by helping to improve the firm's competitive strategy. The government support performs by government agencies create a platform and provide sufficient source to expand competitive strategies. Hypothesis result shows that the talent attraction is not having a direct and indirect

effect towards export performance. The outcomes of this thesis provide a new direction for future exporting research regarding talent management practices, competitive strategy and performance.

CHAPTER 1

INTRODUCTION

1.1 Introduction

In this chapter, we will discuss the research background, problem statement, research objectives, and research questions, significant of the study, key definition and organization of the study. The research background will include a review of the area being researched. Problem statement section will discuss the problem that will be addressed in this study. Research objectives and research questions will raise the key questions that need the answer to the problem statement. This chapter will also discuss regarding the implication of the study in terms of academic and practice. Key definitions section will discuss about the definition of key terms that to be used in this study. Finally, it will discuss organizations of chapters that are to be added in this study.

1.2 Research Background

The remarkable upgrading of export performance has been one of the most outstanding features of the transition processes of all develop and developed countries (Kaliappa, 2008). The importance of exporting activity can be underlined in two ways. First, from a macroeconomic perspective, the expansion in a country's export can enhance the accumulation of foreign exchange, improve the level of

employment, increase national productivity, and drive economic growth (Kenny, Geoff, Anderton and Bob, 2010). Second, from a company perspective, exporting may help firms to improve the utilization of production capacity, to develop superior management capabilities, to enhance innovation in product and process, and to strengthen financial performance (Kenny, Geoff, Anderton and Bob, 2010). Hence, the country should identify the major items which are in high demand abroad and in which it could be competitive to capture a larger chunk of share in global trade in these items so as to boost countries overall exports.

Accordingly, global demand for food is set to grow by 42% by 2030 and 70% by 2050 because of the world population will be over 9 billion by this year. Furthermore, the greater levels of urbanisation of global have boosted demand for processed food products to about double the global rate for the industry, according to a leading manufacturer of food ingredients (Hugo, 2014). Growth will be driven by industrializing nations, where strong consumer demand for processed foods is emerging. Exporting food product to worldwide countries will give huge income to home market (Klaus, 2005). Nurul (1995) noted that the food processing industries was an important contributor to a nation's economic growth. This proves that the trend of international trade of processed food across national boundaries and behaviour of business practices in more than one country are rising along with demand (Randall, Susan and Ibraiz, 2011).

Consequently, our government also has set a high expectation to achieve a high-income nation status. Hence, the Malaysia economy needs to achieve a higher level of growth. SME is the key sector that is able to contribute to the economic

growth and the food processing SMEs have opportunities to perform better. There was about 5% growth in the year 2017 supported by a strong domestic demand, particularly private consumption and the investment activities still have the space to improve; this is compared to the year 2016 when Malaysia experienced 6% of growth (Malaysia SME Corp, 2016,2017). The decreased demands from the export market showed a negative impact on the net export value and soft grow on the Gross Domestic Product (GDP). In the year 2018, Malaysia was expected to generate a moderate growth of 4.0- 4.5%, sustained by domestic (Malaysia SME Corp, 2018).

A negative indicator of the net export value has initiated the move to define the mediating factor that mediates the positive impact on SME's export performance growth. The mediating factor is the factor that directly influence in the relationship between the independent variables and the firm's export performance (Zhao, Lynch Jr, and Chen, 2010). Furthermore, Baron and Kenny (1986) suggested that a moderator is modifies the form or strength of the relation between a mediating and a dependent variable. The pattern of food processing SME's growth in the foreign market remains unclear and is currently being discovered.

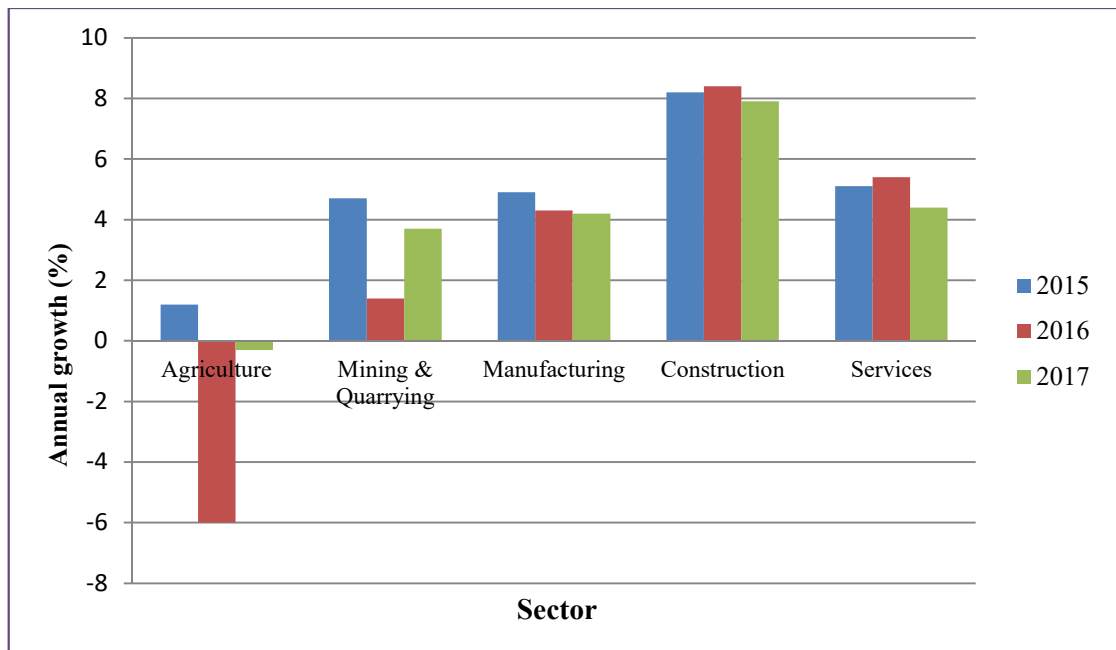


Figure 1.1: The Real GDP by Key Economic Activity

Source: Department of Statistics, Malaysia & SME Corp. Malaysia Annual Report, 2017

Figure 1.1 illustrates the growth of agriculture sector for the year 2017 is - 3.0%. The statistical data has proven that the agriculture sector is not performing well in comparison to other sections. Unprecedented changes in the global business environment especially more demanding consumers in the last two decades have made competitive strategy become more relevant to the SMEs (Murthy and Dasaraju, 2012). This research helps us understand the growth pattern of a company by improving competitive strategy of food processing SMES. This research provides suggestions to develop effective framework, which will help SME's to sustain in the export market for a longer term.

Internal and external environment trends incessantly changed and the currency fluctuated significantly from the year 2016 to the 1st quarter of the year 2017. Furthermore, with the implementation of the Goods and Services Tax (GST), caused more ambiguous circumstances. GST, in fact, was able to strengthen the fiscal position while it ensured continued support for domestic growth and protected the well-being of society. In the new era, the SME's face challenges to survive and adapt to the new setting and policy from internal or external factors. By observing and analysing firm's reaction and decision in overcoming these changes, it will help us understand the growth pattern of a company. This research provides ideas to generate effective framework, which will help SME's to grow in the export market.

The annual report of Malaysia SME 2016-17 indicated that the government has implemented a few policies and allocated funds to assist Malaysian SME's. Each budget allocated by the government was aimed at improving the SME's position in the export market (Malaysia SME Corp, 2016, 2017). For example, the government provided technical knowledge training to improve labour competitiveness for SME's. The expansion of the broadband capacity for the SME's was also another gain for the companies, especially for online businesses. The acceleration of the development of entrepreneurship helped the SME's to become more competitive in order to survive in the export market (Economic Planning Unit, 2016).

1.2.1 Profile of Key Sector SMEs in Malaysia

Table 1.1: Total Establishment and number of SMEs by sector in Malaysia

Sector	Total Establishments (a)	Total SMEs (b)	Percentage (%) of SME over Total Establishments (b)/ (A) *100	Percentage of total SME's by sector
Services	591,883	580,985	98.1	90.0%
Manufacturing	39,669	37,861	95.4	5.9%
Agriculture	8,829	6,708	76.0	1.0%
Mining & Quarrying	418	299	71.5	0.1%
Construction	22,140	19,283	87.1	3%
Overall Total	662,939	645,136	97.3	100%

Source: Department of Statistics, Malaysia and SME Corp. Malaysia Annual Report 20017

Table 1.1 illustrates the total establishment of SMEs by sectors. The top number of SMEs establishment is the services sector, followed by the manufacturing sector and agricultural sector. The services sector SMEs owned 90% from the total number of SMEs; the manufacturing sector owned 5.9%, whereas the agriculture sector owned 1.0%. In terms of total employment, the manufacturing sector contributes more employment opportunities for the local, because 5.9% of SMEs in manufacturing sector contribute 19.1% of jobs to local citizens. However, the agricultural sector only contributes 2.1 % jobs as shown in table 1.2 (Malaysia SME Corp, 2017).

Table 1.2: *Distribution of Total Employment by Size and Sector*

Sector	Micro	Small	Medium	Total Employment	Percentage of total Employment by sector
Sector	1,219,801	1,002,186	388,386	2,610,373	71.2%
Manufacturing	67,891	360,299	270,522	698,713	19.0%
Agriculture	13,718	24,864	40,195	78,777	2.1%
Mining & Quarrying	274	1,454	4,037	5,765	0.2%
Construction	65,153	89,277	121,201	275,631	7.5%
Overall Status	1,366,838	1,478,080	824,341	3,668,259	100%

Source: Department of Statistics, Malaysia and SME cop. Malaysia Annual Report 2017

1.2.2 GDP of Key Sector SMEs in Malaysia

As the result reflect from figure 1.1, construction contributing the more change and increase as compare to other sector. Except of Agriculture, all sectors also show a significant growth over the first half of 2017. Overall all sectors are able to achieve the target of 4.0-4.5% of growth (Malaysia SME Corp, 2016). The growth for agriculture sector for the year 2017 is -3.0% of GDP growth as compare to year 2016. Table 1.3 illustrates the growth of GDP share within the year 2010 and 2016 is 0.0%. The statistical data has proven that the agriculture sector is not performing well in comparison to other sections.

Table 1.3: *SME GDP share by Key Economic Activity (constant 2010 prices)*

	SME Contribution to GDP			SME GDP Growth
	2010 (% share)	2016 (% share)	Increase/ decrease in share	CAGR' 2012-2015
Overall	32.2	36.3	+4.1	6.7
Agriculture	4.3	4.3	0.0	2.9
Services	19.6	21.4	+1.8	7.1
Mining & Quarrying	0.0	0.2	+0.15	9.3
Construction	0.9	2.1	+1.2	10.9
Manufacturing	7.2	7.9	+0.7	6.7

Source: Department of Statistics, Malaysia & SME Corp. Malaysia Annual Report, 2016

1.2.3 The Relationship between Food Processing Industry, Agriculture Sector and Manufacturing Sector

The growth of the agriculture sector is decreasing, but the agriculture sector is still one of the major contributors to the food processing industry. The agriculture sector feeds one of the most valuable industries in the manufacturing sector, which is the food processing industry. Hence, the decline of the agriculture sector will not bring a positive effect to the food processing industry, and it will be the same if the situation is reversed. Bearing in mind the close connection between the agriculture sector and the food industry, conducting this research to find possible solutions to increase the productivity of the food processing industry will have a direct impact on the growth of the agriculture sector.

It can deduce from table 1.1 to table 1.3 that even though the agriculture sector does not perform outstanding with a zero per cent growth rate, the agriculture sector is still the third major contributors in term of Malaysia's GDP. According to (Seung-Yong, 2010), the agriculture sector feeds the manufacturing sector, especially the food and beverage industry because there are linkages between the food processing industry and agriculture sector. Focusing on the food processing industry will eventually help the agriculture sector to grow in parallel.

The growth of the food processing industry will positively influence the growth of the agriculture sector. Murthy & Dasaraju (2012) also agree that the food processing company is an industry that is interrelated with agriculture and manufacturing sector. The food processing company can be categorized under rice milling, sugar, canned food and various other type of food processing. Essentially, the food processing companies are companies that consume raw agriculture material and processed them into new food products (Murthy, & Dasaraju, 2012).

Various developed countries have highlighted the hidden risk of reflectance in developing the agriculture sector (Alastai, 2004). Malaysia should also be aware since it has yet to achieve encouraging development in the agriculture sector. Table 1.4 illustrates that the distribution of SMEs in the agriculture sector according size and sub-sectors; agriculture can be divided into four main sub-sectors such as crops, livestock, fisheries and forestry. It shows that most of these SMEs are small or macro size firms. Microenterprise are small in scale, not well established, and not capable enough to increase their competitive value and 78.6% of the micro

enterprises in the manufacturing sector are reported to face an increase in the operation cost (Malaysia SME Corp,2017).

Table 1.4: *Distribution of SMEs in Agriculture Sector by Sub-sector and Size.*

Sub Sector	Micro	Small	Medium	Total SMEs
Crops	2,678	1,413	634	4,725
Livestock	613	179	108	900
Fisheries	452	261	68	781
Forestry and Logging	32	88	182	302
Total	3,775	1,941	992	6,708

Source: Department of Statistics, Malaysia & SME Corp. Malaysia Annual Report, 2017

In table 1.5 illustrate, total number of SMEs in the manufacturing sector. The food and beverage product is a sub-sector under the manufacturing sector and the second highest in term of the total number of SMEs among all sub-sectors. A total number of 6,016 SMEs or 15.9% are from the food and beverage industry. The majority of the firms are micro and small sized firms. The less skills of the workers indirectly causing low productivity and competitiveness. The total number of SMEs under agriculture (6, 708 SMEs) and manufacturing sub-sector; F&B products (6,016 SMEs) are nearly equal, but the contribution in term of GDP, employment opportunities and export volume are different.

Table 1.5: *Distribution of SMEs Manufacturing Sector by Sub-Sector and Size*

Sub Sector	Micro	Small	Medium	Total SMEs
Textile & Wearing Apparel	9,123	872	52	10,047
F&B Products	3,278	2,233	505	6,016
Fabricated Metal Products	2,070	1,698	190	3,958
Printing & Reproduction of Recorded Media	1,717	1,145	56	2,918
Machinery & Equipment	841	1,178	97	2,116
Furniture	886	847	110	1,843
Rubber & Plastic Products	322	1,126	308	1,756
Wood & Wood Products	499	791	157	1,448
Non-Metallic Mineral Products	482	758	131	1,373
Basic Metal	431	543	109	1,083
E&E Products	231	639	198	1,068
Chemicals & Chemicals Products	271	534	156	961
Paper & Paper Products	283	442	103	828
Motor Vehicles, Trailers & Semi-trailers and other transport equipment	242	440	77	759
Leather & Related Products	219	151	6	376
Basic Pharmaceutical Products & Pharmaceutical Preparations	60	115	17	192
Coke & refined Petroleum Products	19	39	5	63
Tobacco Products	30	27	3	60
Others	613	356	27	996
Totals	21,619	13,934	2,308	37,861

Source: Department of Statistics, Malaysia & SME Corp. Malaysia Annual Report, 2017

The food and beverage industry is one of the most value added industry within the manufacturing sector. It contributes 16% from total manufacturing SMEs, but the annual growth percentage for the food and beverage industry is decreasing compared to the year 2015.

1.2.4 The Overview of Food Processing SMEs Export Market

Table 1.6 illustrates the export and import value for food manufacturing industry and overall SMEs across year 2012 to 2016. Even though, food manufacturing industries showing increasing number of export value but year to year growth is not significant. Therefore, food processing industry as much potential to be explores to reduce import dependency.

Table 1.6: *Total export & import value (year 2011-2016)*

	Export & Import Value (RM Million)					
	2011	2012	2013	2014	2015	2016
Total Export	697'862	702'641	719'992	765'417	777'355	785'935
Total Import	573'626	606'677	648'695	682'937	685'778	698'662
Total Export (Food)	20'555	20'692	22'100	25'647	27'370	30'222
Total Import (Food)	34'492	36'090	38'857	42'643	45'343	46'766
Total export (beverage and tobacco)	3'136	3'726	3'884	4'079	4'606	4'907
Total import (beverage and tobacco)	3'096	3'780	4'069	4'049	4'547	4'534
Percentage of food, beverage and tobacco from total export	3.39%	3.48%	3.61%	3.88%	4.11%	4.47%

Source: Ministry of Agriculture and Agro-based Industries (MOA), 2011-2016

1.2.5 Major Problem of Food Processing SMEs in achieving sustainability in export performance

However, today's Malaysia's food processing SMEs confronted a major problem in achieving sustainable competitive strategy in global market. A dominant part of the actors in Malaysia may give little emphasis on core competitive strategies in order to survive in such a globalized world (Rose, Kumar & Yen, 2006). Previously, some SMEs could focus exclusively on the local market, but now they fail to be globally competitive for their own long-term survival and growth (Char, Yaso, Hassan, & Muhammad, 2010). Article from *Star Business News* by (Zunaira, 2016, Nov 26) highlights the real solution for this problem, which is:

“The Malaysian SME's can sure use a boost to develop sustainably in the long term because the indicators for long-term development do not look very good. That boost should come from a focus on human capital. Essentially, a better proportion of talented labourers are required for the economy to move up the value chain and be universally competitive”.

Presently, the talent base of the workforce of Malaysia has lagged behind the standard of high-income nations. SMEs suffers from a shortage of skilled workers, weak productivity growth stemming from a lack of creativity and innovation in the workforce, and an over-reliance on unskilled and low-wage migrant workers (National Economic Advisory Council, 2016).

In 2016, 58% of the Malaysian labour force had only a secondary level education, 13.2% had primary level education and 2.6% had no formal education.

That implies nearly three-quarters (73.8%) of the Malaysian labour force in 2016 is low-skilled. An also noteworthy point is that more than 47% of non-Malaysian citizens in the labour force, i.e. migrant workers, had only a primary level education (National Economic Advisory Council, 2016).

Employers' over-reliance on unskilled and cheap foreign labour has led to inadequate growth of skilled workers in the labour market. As a result, only 25% of Malaysia's labour force is composed of highly skilled workers, as compared to significantly higher proportions in Singapore, Chinese Taipei and Korea. The inadequately educated labour force of Malaysia has become the main obstacle to business operations and growth. Therefore, SMEs face increasing difficulties in recruiting and retaining skilled workers at the technical, supervisory and managerial levels (National SME development Council, 2016).

Researches carried out by world-leading bodies such as the Organisation for Economic Cooperation and Talent development (OECD) have concluded that talented human capital is key to productivity especially in a knowledge-based economy. As such, there is a need to attract, develop and retain the talented workers to ensure a source of innovation and improve firm performance (National Economic Advisory Council, 2016).

In order to have a meaningful interpretation of the results of the relationships between talent management practices and export performance, it is always vital to

assess the role of the mediator (competitive strategy) in the relationship. Therefore, food processing SMEs should find out that the resource they have been looking for, which is real and difficult to imitate, is not very far but in fact is within their reach for gain their competitive edge. That is nothing else but “human” whose talents should be developed while putting into use the existing ones (Mitchell, Holtom and Lee, 2001). Intellectually and emotionally improvised workforces are being reshaped to become highly potential in the labour market. The need for talented workforce has made the requirement for organization to deal with their workforce in a worldwide setting. These new phase of globalization punctuate talent to overcome challenges and for to gain competency to meet those challenges (Randall, Susan and Ibraiz, 2011).

1.2.6 Adoption of Talent Management Practices among Malaysian Food Processing SMEs

In the 2016 SME Master Plan, the Malaysian government reported relatively low productivity among SMEs and attributed this to an overemphasis on short-term concerns such as low cost leadership and employing unskilled labour, over long-term sustainability and business competitiveness. The report recommended that high priority be given to talent management practices and identified three weaknesses of talent management practices in Malaysian SMEs: (1) The workforce lacks job readiness as a result of a mismatch between supply and demand of talent (2) Low utilisation of existing training, and (3) Non-competitive rewards and benefits leading to high turnover and loss of talent out of the country (SME Master plan, 2016).

Therefore, the implication is that the better the people in an organization has, the better it will perform and this is the rationale behind the talent development of talent pool by discover, develop and retain the best brains to get superior business results (Akram, Wayne and Jaap, 2014).

A Current report emphasize that seven in ten corporate pioneers spend in excess of 20% of their time on talent management practices activities (Economist Intelligence Unit, 2006). It demonstrates that Chief Executive Officers (CEOs) are emphasizing that talent management practices is so important that it cannot be left to the Human Resource function alone (Economist Intelligence Unit, 2006). They comprehend the significance of amplifying the talent of individual workers as a best source of competitive strategy. This is because, the products and technics of an organisation can easily duplicated by other competitor. They require higher talented employee to stand advance or equal to other contender. Consequently, all the organisations in the global arena must diffuse in present and future business strategies, which generally known as Talent management practices (GTM). Therefore, Talent management practices (GTM) diminishes the gap between talent in the place and the talent require to drive business success (Beechler and Woodward , 2009).

Over last few decades, research on SMEs talent development has concentrated in various disciplines, such as financial, strategy, psychology, network and innovation. Nevertheless, research on small firm talent development is still constrained (Davidsson & Wiklund, 2013). Existing literature in the journal of

Science and Education by (Zhou and Wit, 2009) is highly fragmented. For example, Donatus (2013) focused on the behaviour of the entrepreneurs, and Alex and Jaganaddha (2012) concentrated on barrier of growth; whereas Elena and Giovanni (2016) focused on the complementarity between innovation and export for SMEs' growth. To our understanding, none of them has exclusively focused on the talent management practices as a competitive strategy in the food industry. Therefore, this current research will identify the mediator to obtain higher level of export performances in the food-processed SMEs in Malaysia.

1.3 Problem Statement

Service sector contributes 21.4% from total GDP one of the highest GDP in Malaysia and agriculture sector contributes 4.3% in terms of the total GDP (Malaysia SME Corp, 2016). The food processing industry has the potential to grow in the export market, but with the average growth of 0.22%. The lack of specific food security policy in Malaysia highlights the importance of the food processing companies (Alam, Siwar, Murad & Toriman, 2011), which indirectly helps the country in maintaining sufficient food stock. Inconsistent supply of raw agriculture material is affecting the inventory management of food processing companies, lack of skilled and capable employees with low technological processing are also problematic (Ahmed, 2012).

At present Malaysia emphasizes on agriculture as the third engine of growth, and is aiming to take a prime part as a food-producing and trading nation in this region and also to play an active role in the food processing (Malaysian- German Chamber of Commerce and industry, 2016). Agriculture sector is proven with a slow trend of changes. Food processing export trend is also showing poor growth. Agriculture sector is feeding food processing industry and the declining growth of agriculture sector on term of export value and GDP, will actually giving impact towards food processing companies.

Food industry is one of the key value-added component industry in manufacturing sector among SMEs where it contribute 21.3% from total number of SMEs in manufacturing sector (Malaysia SME Corp, 2016). The decrease of annual growth in export of food products might cause further decline of the current position of food industry performance.

Food processing SMEs often suffer from their poor competitive strategy (Abdul, Cheng, and Nurwahida, 2013), due to shortage of talented workers (Mohsen, & Sahar, 2016). The shortage of talent workers is one important competitive barriers faced by the Malaysian SMEs. The study found that the lack of professional and competent employees in the SMEs is preventing them from competent in export performance (Ashton, and Morton, 2005).

The shortage of talent workers becomes more critical when new generations are not interested to work in SMEs. They prefer to join and work in those multinational companies (MNCs) and foreign countries which offer them higher job opportunity and welfare packages. Therefore, the food processing SMEs is facing shortage of qualified employees or talents. It has become the urgent concern and prioritized agenda for talent management practices professionals in most of the organizations (Wee, 2013).

1.4 Objective of the Study

In line with the primary goal of this study, an attempt is made to achieve the following research

1. To examine the relationship between talent management practices (talent attraction, talent development, and talent retention) and export performance.
2. To evaluate the relationship between talent management practices (talent attraction, talent development, and talent retention) and competitive strategy.
3. To understand the relationship between competitive strategy (cost efficiency and differentiation) and export performance of food processing SME's.

4. To examine the mediating role of competitive strategy between talent management practices and export performance of food processing SME's.
5. To understand the government support as a moderate effect on competitive strategy and export performance of food processing SME's.

1.5 Research Questions

The study was guided by the following research questions.

1. Does a talent management practice (talent attraction, talent development and talent retention) influence export performance?
2. Does talent management practices (talent attraction, talent development and talent retention) influence competitive strategy?
3. Does competitive strategy (cost efficiency and differentiation) affect the export performance of food processing SME's?
4. Does competitive strategy mediate the relation between talent management practices and export performance of food processing SME's?
5. Does government support moderate the relationship between competitive strategy and export performance of the food processing SMEs?

1.6 Significance of the Study

The importance and potential of agriculture have highlighted the need for this research to be conducted. At the same time, the study will enable better understanding of the food processing companies' abilities and needs to survive in the global market. Agriculture is one of the most important sectors for a country to sustain its own consumption and export to the global market. Food processing is one of the industries that can be foreseen to solve the food shortage issue and its potential to expand is immense. On the other hand, among all manufacturing SME's; the food and beverage companies are ranked as the second highest. For the time being, more international firms from Asian countries are beginning to participate because this economic sector has shown rapid growth, especially in the industrial sector. Remarkable creations and innovations have emerged from Asian countries such as China, Vietnam, Singapore, Malaysia and other Asian countries.

Food processing companies owned different methods of supply chain compared to companies from other sectors. It should be noted that climate changes, weather and natural disasters, impacting the material resource and supply quantity. The supply and demand of agriculture material are somehow difficult to predict or forecast.

1.6.1 Practical Significance

The study will highlight the key for Malaysian food processing SMEs to succeed in the international market and create a benchmark for all food processing SMEs to improve their quality and competence. Traditional agricultural model has already changed to modern agricultural production. As expected, farmers will have to bear with many new challenges to maintain competitive strategy. Farmers are required to have a certain level of managerial capacities that enable them to survive, and to optimise their production level. Food processing companies require a huge number of primary products, increasing the demand for primary product will increase the earnings of the farming industry. This justifies the reason for the food processing companies to be selected as the focus of this research.

1.6.2 Theoretical significance

This study has much significance on the literature review through meta-analysis. The study has found gaps in the talent management practices and its relation with competitive strategy and export performance. Besides that, talent based theory and resource based theory expected to be enriched through the findings of this study. SME's talent management practices are important to replicate similar findings with in the past.

1.7 Definition of Key Term

1.7.1 Talent Management Practices

Talent management describes the systematic attraction, development and retention of those individuals who are of particular value to an organisation, either in view of their ‘high potential’ for the future or because they are fulfilling business/operation-critical roles (Senthilkumar, 2008).

1.7.1.1 Talent Attraction

Talent attraction is the process of gaining an understanding of current and future headcount and capabilities. Talent attracting includes policies and practices that recruit and select talented individuals (Senthilkumar, 2008).

1.7.1.2 Talent Development

Talent development refers to learning activities within an organization designed to enhance the fulfilment and performance of employees learning and talent development. Organizations systematically share their best practice, learning and

knowledge to replace established routines by something more effective (Senthilkumar, 2008).

1.7.1.3 Talent Retention

Talent retention is an effort by an organization to maintain a working environment which supports talented staff in retain with the company. It requires robust and integrated processes that support all aspect of talent management practices throughout the employee lifestyle, and it requires complete alignment of mind set and efforts within the organization (Senthilkumar, 2008).

1.7.2 Competitive strategy

Competitive strategies refer to the development of attributes that characterize a company and differentiate the value it creates and offers in comparison to its competitors. It is the basic premise of the company that identifies the way a business can best compete in a market (Gyampah and Acquah, 2008).