

**DETERMINANTS OF EXPORT PERFORMANCE:  
EXPORT BUSINESS MODEL, EXTERNAL  
ENVIRONMENT AND GOVERNMENT  
ASSISTANCE OF MALAYSIAN PROCESSED FOOD  
AND BEVERAGE SME MANUFACTURERS**

by

**AIDI ZULKARNAIN MD NOR**

**Thesis submitted in fulfilment of the requirements  
for the degree of  
Doctor of Philosophy**

**August 2018**

## ACKNOWLEDGEMENT

To Allah, All Mighty, thanks for the mercy and blessing that I received all the time.

I would like to express my most sincere gratitude to my main supervisor, Prof. Dr. Sofri Yahya, for his scholarly support and guidance throughout my study and to my second supervisor, Assoc. Prof. Tn. Hj. Noor Nasir Kader Ali for his invaluable guidance and advice from his industrial knowledge. His guidance was instrumental in gaining an industry insight and therefore to carry out this research. My greatest appreciation goes to my field supervisor, Dr. Mohd Rizaimy Shaharudin who was always checking on my progress, helping me during the interview sessions with industry practitioners and provides me with consistent support.

My heartfelt thanks go to Prof. Dr. Noor Hazlina Ahmad, Assoc. Prof. Dr. Elisha Nasruddin, Dr. Christopher Richardson and Prof. Dr. Wan Khairuzzaman Wan Ismail for their suggestions and constructive comments during the proposal defence and viva voce. Special thanks to GSB senior lecturers, Dr. Yusliza Mohd Yusoff, Dr. Yudi Fernando and Dr. Fathyah Hashim for their contributions in this PhD journey. Also, this research could not have been accomplished without the discrete support and omnipresent words of encouragement from my PhD colleagues.

Finally, I would like to extend my greatest appreciation to my mother, my beloved wife and children for their love, support and encouragements. I am also thankful to my cousin, Dr. Aza Sherin for her moral support and suggestions in the thesis writing at the end of my study. Finally, thanks to each and every one who has contributed in their own ways throughout my PhD journey. Thank you all...!

## TABLE OF CONTENTS

ACKNOWLEDGEMENT .....	ii
TABLE OF CONTENTS.....	iii
LIST OF TABLES .....	viii
LIST OF FIGURES .....	xii
LIST OF ABBREVIATION .....	xiii
LIST OF APPENDICES.....	xiv
ABSTRAK.....	xv
ABSTRACT.....	xvii
<b>CHAPTER 1 - INTRODUCTION.....</b>	<b>1</b>
1.1 Introduction .....	1
1.2 Problem Statement .....	5
1.3 Research Questions .....	10
1.4 Research Objectives .....	12
1.5 Scope of the Study.....	13
1.6 Significance of the Study .....	16
1.7 Definitions of Key Terms.....	19
1.8 Organisation of Dissertation.....	21
<b>CHAPTER 2 - THE LITERATURE REVIEW .....</b>	<b>22</b>
2.0 Chapter Overview.....	22
2.1 An Overview of Relevant Concepts.....	22
2.1.1 An Overview of SMEs in Malaysia.....	22
2.1.2 An Overview of Exporting .....	33
2.1.3 An Overview of Business Model View.....	50
2.2 The Research Variables .....	62
2.2.1 The Internal: Firm Export Business Model (BM) .....	62
2.2.2 The External: External Environment (EE) .....	86

2.2.3	The Moderator: Export Assistance (EA) .....	88
2.2.4	SMEs Export Performance (EP).....	91
2.3	Underpinning Theory of Export Performance.....	99
2.3.1	The Resource-Based View (RBV) .....	101
2.3.2	The Structural Conduct Performance (SCP) Paradigm .....	104
2.3.3	Institutional Theory (INT).....	107
2.3.4	Concluding remarks about underpinning theory of export performance .....	109
2.4	Initial Theoretical Framework of the Study .....	112
2.5	Summary of the Chapter.....	115
<b>CHAPTER 3 - THE RESEARCH METHODOLOGY .....</b>		<b>116</b>
3.0	Overview .....	116
3.1	Research Philosophy .....	116
3.2	Research Design .....	118
3.3	Sampling Design .....	119
3.4	Phase One: Qualitative / Exploratory.....	122
3.4.1	Interview.....	123
3.4.2	Sampling.....	124
3.4.3	Data collection.....	125
3.4.4	Interview administration plan.....	125
3.4.5	Data management .....	126
3.4.6	Data analysis.....	126
3.4.7	Data validation .....	127
3.5	Phase Two: Quantitative / Explanatory.....	127
3.5.1	Survey questionnaire .....	128
3.5.2	Sampling.....	128
3.5.3	Data collection.....	130
3.5.4	Survey administration plan.....	131
3.5.5	Survey questionnaire validation .....	131
3.5.6	Data analysis.....	133
3.5.7	Structural Equation Modeling (SEM) .....	134

3.5.8	Justification for using PLS-SEM.....	135
3.5.9	Specifying the PLS-SEM Model.....	138
3.5.10	Data examination.....	148
3.5.11	Descriptive analysis for demographic and control variables procedure .....	153
3.5.12	PLS-SEM Assessment Procedure.....	154
3.6	Summary of the Chapter.....	167
<b>CHAPTER 4 - QUALITATIVE APPROACH RESULTS.....</b>		<b>168</b>
4.0	Chapter Overview.....	168
4.1	Exploratory Approach - Interview .....	168
4.1.1	Interview.....	169
4.1.2	Response rate.....	173
4.1.3	Data collection.....	173
4.1.4	Data management and analysis .....	174
4.2	Result of Descriptive Analysis of Demographics of Study - Qualitative.....	174
4.3	The Export Business Model of Malaysian Processed Food and Beverage SME Manufacturers .....	176
4.4	External Environment (EE) .....	195
4.5	Export Assistance (EA) .....	197
4.6	Development of Theoretical Framework .....	200
4.7	Summary of Research Hypotheses.....	202
4.8	The Control Variable .....	202
4.9	Summary of the Chapter.....	203
<b>CHAPTER 5 - QUANTITATIVE APPROACH RESULTS.....</b>		<b>205</b>
5.0	Chapter Overview.....	205
5.1	Explanatory Approach – Survey .....	205
5.1.1	Questionnaire.....	207

5.2	Results of Data Examination .....	215
5.2.1	Response rate.....	215
5.2.2	Missing data .....	216
5.2.3	Outliers .....	217
5.2.4	Test of non-response bias .....	221
5.2.5	Common Method Variance (CMV).....	227
5.2.6	Test of normality .....	230
5.3	Result of Descriptive Analysis of Demographics of Study - Quantitative .....	233
5.3.1	Respondent demographic profile.....	233
5.3.2	Company demographic profile .....	235
5.3.3	Company export profile.....	236
5.3.4	Descriptive analysis of variables of study .....	238
5.3.5	Control variable analysis .....	238
5.4	Results of PLS-SEM Assessment.....	239
5.4.1	Assessment of HCM Type II Reflective-Formative measurement model.....	239
5.4.2	Assessment of HCM Type II Reflective-Formative structural model.....	251
5.4.3	Assessment of Moderating Effect .....	256
5.5	Advanced PLS-SEM Analysis – The Importance-Performance Map Analysis (IPMA) .....	260
5.6	Summary of Results of Model Path, Hypotheses Testing and IPMA .....	273
5.7	Summary of the Chapter.....	279
<b>CHAPTER 6 - DISCUSSION AND CONCLUSION.....</b>		<b>280</b>
6.0	Chapter Overview.....	280
6.1	An overview of the research.....	280
6.2	Discussion of the Qualitative Findings .....	284
6.3	Discussion of the Quantitative Findings.....	285
6.3.1	Discussion on descriptive demographic profiles .....	285

6.3.2	Discussion on the direct effect of the firm export business model on the firm export performance of Malaysian processed food and beverage SME manufacturers.....	286
6.3.3	Discussion on the direct effect of an external environment on the firm export performance of Malaysian processed food and beverage SME manufacturers.....	289
6.3.4	Discussion on the moderation effect between firm export business model, external environment and firm export performance of Malaysian processed food and beverage SME manufacturers with the usage of government agencies export assistance.....	291
6.3.5	Discussion on the firm export business model components of Malaysian processed food and beverage SME manufacturers.....	296
6.4	Significant Implications of the Research.....	299
6.4.1	Theoretical implications.....	299
6.4.2	Methodological implications.....	304
6.4.3	Practical implications.....	306
6.5	Limitation of the Research.....	311
6.6	Direction of Future Research.....	311
6.7	Conclusion.....	313
	<b>REFERENCES.....</b>	<b>316</b>
	<b>APPENDICES</b>	

## LIST OF TABLES

		<b>Page</b>
Table 2.1	Definition of small and medium enterprises (SMEs) in Malaysia, 2013	23
Table 2.2	Principal statistics by sector, subsector and size, 2015	25
Table 2.3	Principal statistics of manufacturing sector 2015	31
Table 2.4	World top 10 and ASEAN countries all products export value 2013 - 2016	35
Table 2.5	Summary of comprehensive empirical literature review on determinants of export performance	38
Table 2.6	Classification of promoting internal determinants of export performance	39
Table 2.7	Classification of promoting external determinants of export performance	43
Table 2.8	Major internal export barriers since 1967 - 2013	44
Table 2.9	Major external export barriers since 1967 - 2013	47
Table 2.10	Grouping of business model core components	54
Table 2.11	Grouping of business model sub-components	55
Table 2.12	Internal building blocks of business model canvas by Osterwalder and Pigneur (2010)	57
Table 2.13	External building blocks of business model canvas by Osterwalder and Pigneur (2010)	57
Table 2.14	Definition of resources	64
Table 2.15	Export performance measures	94
Table 3.1	The present research philosophy	117
Table 3.2	Research sample frame	120
Table 3.3	Sample size power analysis	149
Table 4.1	Probe of key variables indicator	170
Table 4.2	Firm profiles and characteristics	175
Table 4.3	Typology of themes on key export resources	179
Table 4.4	Typology of themes on key export activities	182



Table 4.5	Typology of themes on key export partnerships	184
Table 4.6	Typology of themes on key export cost structure	185
Table 4.7	Typology of themes on key export revenue streams	187
Table 4.8	Typology of themes on key export value propositions	189
Table 4.9	Typology of themes on key export channels	192
Table 4.10	Typology of themes on key export customer segments	193
Table 4.11	Typology of themes on key external environment	196
Table 4.12	Typology of themes on key export assistance	199
Table 5.1	Number of variables for the research	208
Table 5.2	Measurement of variable: Operational definition of Part A - Respondent Demographic Profile	209
Table 5.3	Measurement of variable: Operational definition of Part B - Company Demographic Profile	210
Table 5.4	Measurement of variable: Operational definition of Part C - Company Export Profile	210
Table 5.5	Measurement of variable: Operational definition of Part D - Export Business Model Components	211
Table 5.6	Measurement of variable: Operational definition of Part E - External Environment	213
Table 5.7	Measurement of variable: Operational definition of Part F - Export Assistance	214
Table 5.8	Measurement of variable: Operational definition of Part G - Export Performance	214
Table 5.9	Response rate of distributed questionnaire	216
Table 5.10	Outliers analysis	219
Table 5.11	Chi-square test for differences between early and late responses for demographic variables – Respondent demographic profile	222
Table 5.12	Chi-square test for differences between early and late responses for demographic variables – Company demographic profile	223
Table 5.13	Chi-square test for differences between early and late responses for demographic variables – Company export profile	224
Table 5.14	Independent T-Test and nonparametric test for non-demographic variables	226

Table 5.15	Principal component factor analysis	228
Table 5.16	Latent variable correlations	229
Table 5.17	SPSS test of normality	231
Table 5.18	WebPower statistical power analysis online – Mardia’s univariate and multivariate skewness and kurtosis	233
Table 5.19	Respondent demographic profile	234
Table 5.20	Company demographic profile	236
Table 5.21	Company export profile	237
Table 5.22	Descriptive statistics of variables of study	238
Table 5.23	One-way-ANOVA test for control variable – Firm size	239
Table 5.24	Result of reliability and convergent validity of the reflective first-order construct of the business model components, export assistance, external environment and export performance	240
Table 5.25	Fornell-Larcker criterion of discriminant validity	245
Table 5.26	Heterotrait-Monotrait ratio (HTMT) of discriminant validity	246
Table 5.27	Result the assessment of the statistical significance and the relevance of the indicator weights, and collinearity of the formative second-order construct of the business model components	248
Table 5.28	Structural model path coefficient of direct relationship	251
Table 5.29	Coefficient of determination ( $R^2$ ) and predictive relevance ( $Q^2$ )	253
Table 5.30	The effect size ( $q^2$ ) of predictive relevance ( $Q^2$ )	256
Table 5.31	Structural model path coefficient of moderation relationship	257
Table 5.32	Importance-Performance Map Analysis (IPMA) for main constructs	262
Table 5.33	Importance-Performance Map Analysis (IPMA) for LOCs	265
Table 5.34	Importance-Performance Map Analysis (IPMA) for ARD and CSCD indicator performance	267
Table 5.35	Importance-Performance Map Analysis (IPMA) for CRP, PBN and VPS indicator performance	268
Table 5.36	Importance-Performance Map Analysis (IPMA) for CHIC and RVRI indicator performance	271

Table 5.37	Importance-Performance Map Analysis (IPMA) for CSMM indicator performance	273
Table 5.38	Result of hypotheses testing	278

## LIST OF FIGURES

		<b>Page</b>
Figure 1.1	Global SMEs export performance	3
Figure 1.2	The conceptual contribution	16
Figure 2.1	A business model canvas by Osterwalder and Pigneur (2010)	58
Figure 2.2	The Resource-Based View (RBV)	104
Figure 2.3	The Structure-Conduct-Performance Paradigm	107
Figure 2.4	The Institutional Theory (INT)	109
Figure 2.5	Underlying theory of export business model framework	109
Figure 2.6	Initial framework of the study	114
Figure 3.1	Research structural model (Path Model)	139
Figure 3.2	Business Model as HCM	141
Figure 3.3	The repeated indicator approach	145
Figure 3.4	Step one of two-stage approach	146
Figure 3.5	Step two of two-stage approach	146
Figure 3.6	The repeated indicator approach of HCM Type II model	147
Figure 4.1	Final theoretical framework of the study	201
Figure 5.1	Outliers boxplot and stem-and-leaf	218
Figure 5.2	Importance-Performance Analysis Map (IPMA) for main construct	261
Figure 5.3	Importance-Performance Analysis Map (IPMA) for LOCs	264
Figure 6.1	The business model view of the firm (BMV)	302
Figure 6.2	Business model in SCP paradigm	303
Figure 6.3	The existing export business model canvas of Malaysian processed food and beverage SME manufacturers	308

## LIST OF ABBREVIATION

BMV	Business Model View
CFA	Confirmatory Factor Analysis
EFA	Exploratory Factor Analysis
CMV	Common Method Variance
DV	Dependent Variable
ES	Effect size
HCM	Hierarchical Component Model
HOC	Higher-(second)-Order Component
INT	Institutional Theory
IV	Independent Variable
LOC	Lower-(first)-Order Component or construct
MATRADE	Malaysia External Trade Development Corporation
MIDA	Malaysian Investment Development Authority
MITI	Ministry of International Trade and Industry
MNC	Multi-national corporation
PLS-SEM	Partial Least Square – Structural Equation Model
RBV	Resource-based view
SCP	Structure Conduct Performance paradigm
SME	Small Medium Enterprises
SMARTPLS	Software package for PLS-SEM
SPSS	Statistical Package for the Social Sciences
ULMC	Unmeasured Latent Method Construct

## LIST OF APPENDICES

Appendix A	Review of empirical studies on export barriers 1967 - 2000
Appendix B	Review of empirical studies on export barriers 2001 – 2014
Appendix C	Interview transcript
Appendix D	The in-depth interview coding
Appendix E	Interview protocol
Appendix F	Questionnaire development sources
Appendix G	Questionnaire
Appendix H	SPSS missing data analysis
Appendix I	Test of Non-Response Bias
Appendix J	Independent T-Test for non-demographic variables
Appendix K	Common method variance (CMV) – Harman’s single factor test
Appendix L	Descriptive analysis of study
Appendix M	Cross loading for discriminant validity
Appendix N	Heterotrait-Monotrait (HTMT) - Confidence Intervals Bias Corrected
Appendix O	Formative construct convergent validity assessment
Appendix P	IPMA sub-construct analysis result
Appendix Q	IPMA outer weight
Appendix R	Control variable analysis
Appendix S	Business model canvas analysis
Appendix T	Assessment of structural model of direct relationship between each export business model component on export performance

**PENENTU PRESTASI EKSPORT:  
MODEL PERNIAGAAN EKSPORT, PERSEKITARAN LUARAN DAN BANTUAN  
KERAJAAN DI KALANGAN PENGILANG PKS PEMROSESAN MAKANAN  
DAN MINUMAN DI MALAYSIA**

**ABSTRAK**

Malaysia sebagai sebuah negara ekonomi yang bersaiz kecil, memerlukan perdagangan antarabangsa bagi memastikan pertumbuhan ekonomi yang mampan kerana ia tidak lagi boleh bergantung kepada permintaan dalam negeri untuk memacu ekonominya. Ketika ini, Malaysia adalah merupakan negara ke-empat di dunia yang sangat bergantung kepada perdagangan antarabangsa. Melangkah ke hadapan, Kerajaan Malaysia telah memulakan Model Ekonomi Baru sebagai usaha merubah negara ke arah negara maju waima mengiktiraf PKS sebagai enjin pertumbuhan eksport barangan perkilangan. Di sebalik peranan penting yang dimainkan oleh PKS, sumbangan eksport semasa PKS negara berada pada kedudukan yang tidak memberangsangkan. PKS seharusnya mula merancang model perniagaan eksport yang lebih cekap. Walaubagaimanapun, terdapat kekurangan pengetahuan tentang konsep model perniagaan sebagai penentu prestasi eksport PKS dalam kajian semasa. Oleh itu, tujuan penyelidikan ini adalah untuk menyiasat secara empirikal kesan model perniagaan eksport, persekitaran luaran dan bantuan eksport yang disediakan oleh agensi kerajaan ke atas prestasi eksport syarikat PKS bagi menjana kefahaman baru dalam pengetahuan tentang penentu prestasi eksport. Asas dalam teori pandangan asas sumber (RBV), pandangan model perniagaan (BMV), paradigma struktur laksana prestasi (SCP) dan teori institusi (INT) digunakan untuk memberikan pemahaman asas mengenai pembolehubah kajian dan kaitannya dengan prestasi eksport. Penyelidikan ini menggunakan kaedah rekabentuk turutan penerokaan bercampur yang merangkumi kajian fasa pertama kaedah kualitatif (penerokaan) yang menggunakan kaedah temuduga mendalam melalui persampelan

bukan kebarangkalian bertujuan keatas lima responden (organisasi) dan kajian fasa kedua kaedah kuantitatif (penjelasan) yang menggunakan soal selidik tinjauan rentas masa dalam talian melalui persampelan banci (bukan kebarangkalian) terhadap 142 pengilang PKS pemprosesan makanan dan minuman di Malaysia untuk memenuhi agenda penyelidikan. Penyelidikan ini menggunakan pendekatan model hiraki komponen (HCM) bagi memahami rangka kerja teori penyelidikan dan menggunakan perisian PLS-SEM SmartPLS 3.0 untuk analisis statistik. Hasil penyelidikan mendedahkan bahawa pembolehubah model perniagaan eksport firma mempamerkan kesan positif ketara yang tinggi secara statistik keatas prestasi eksport firma, sekaligus menunjukkan bahawa konsep model perniagaan adalah sebagai penentu kukuh prestasi eksport. Walaubagaimanapun, pembolehubah lain seperti persekitaran eksport luaran dan bantuan eksport oleh kerajaan sebagai moderator mempamerkan keputusan yang tidak ketara. Secara teoritikalnya, penyelidikan ini mengukuhkan lagi ujian empirikal keatas logik teori RBV dengan mencadangkan pandangan baru bahawa konsep model perniagaan sebagai satu bentuk penentu prestasi eksport. Secara metodologinya, apabila penyelidikan ini mengkaji kesan bersih gabungan sumber, keupayaan dan proses perniagaan dalam konteks komponen model perniagaan eksport firma, penyelidikan ini berjaya mengukur konsep model perniagaan sebagai kesan bersih gabungan komponen model perniagaan eksport dengan menggunakan pendekatan model hiraki komponen (HCM) PLS-SEM refleksi-formatif jenis II dan bukannya mengukur hanya satu komponen model perniagaan eksport secara tunggal. Secara praktikalnya, penyelidikan ini (1) memaparkan model perniagaan pengilang PKS pemprosesan makanan dan minuman di Malaysia; (2) mengenalpasti empat komponen model perniagaan yang penting bagi industri (iaitu perkongsian [rangkaian perniagaan], cadangan nilai [penyeragaman], hubungan pelanggan [memperibadikan], dan segmen pelanggan [segmen pasaran massa]); dan (3) mengenalpasti kekuatan dan kelemahan dalam model perniagaan sedia ada pengilang PKS pemprosesan makanan dan minuman di Malaysia. Implikasi teoretikal, metodologikal dan praktikal ini dapat menyumbang kepada pengetahuan baharu tentang penentu prestasi eksport PKS.



**DETERMINANTS OF EXPORT PERFORMANCE:  
EXPORT BUSINESS MODEL, EXTERNAL ENVIRONMENT AND  
GOVERNMENT ASSISTANCE OF MALAYSIAN PROCESSED FOOD AND  
BEVERAGE SME MANUFACTURERS**

**ABSTRACT**

Malaysia as a small size economy, requires international trade to ensure sustainable economic growth as it can no longer rely on domestic demand to drive its economy. Currently, Malaysia is the fourth country in the world relying heavily on international trade. Moving forward, the Government of Malaysia has embarked on a New Economic Model to transition the country into an advanced and developed nation which recognized SMEs as the engine for export growth of manufactured goods. Despite the significant role played by SMEs, the current export contribution of Malaysian SMEs is still at the discouraging state and SMEs should start planning a more efficient business model. However, there are still deficiencies of knowledge about business model concept as determinants of SMEs export performance in the current literature review. The purpose of the present research is to investigate empirically the effects of firm export business model, external environment and export assistance provide by government agencies on firm export performance, thus offers new insights for the nature of export performance determinants. The theoretical foundations of the resource-based view (RBV), business model view (BMV), structure conduct performance (SCP) paradigm and institutional theory (INT) provide fundamental understanding on the research variables and their relationship with export performance. This research employs mixed-method exploratory sequential design which include phase one qualitative approach (i.e., exploratory) that utilizes an in-depth interview on a non-probability purposive sampling of five respondents (organization) and phase two quantitative approach (i.e., explanatory) that utilizes a cross-sectional online survey questionnaire on a non-probability census sampling of 142 Malaysian

processed food and beverage SME manufacturers to fulfill the research agenda. The present research applies hierarchical component modeling (HCM) approach to capture theoretical framework and utilised PLS-SEM using SmartPLS 3.0 software for statistical analysis. The results revealed that firm export business model construct exhibit a highly statistically significant positive effect on the firm export performance, suggesting that the business model concept is a strong determinant of firm export performance. However, other variables such as external environment and government assistance as moderator exhibit non-significant results. Theoretically, the present research reinforces the empirical test of RBV logic by suggesting new insights that business model concept as a form of determinants of export performance. Methodologically, when the present research setting examines the net effect of a combination resources, capabilities and business process in the context of firms' export business model components, the present research succeeded in measuring business model concept as a net effect of a combinations of export business model components using type II reflective-formative HCM of PLS-SEM approach rather than measuring in a single export business model component. Practically, the present research able to (1) map the existing Malaysian processed food and beverage SME manufacturers business model; (2) identify four important business model components for the industry (i.e., partnership [business network], value proposition [standardization], customer relationship [personalize], and customer segment [mass market segment]), and (3) identify strength and weaknesses in the existing Malaysian processed food and beverage SME manufacturers business model. Those theoretical, methodological and practical implications thus contribute to the new knowledge on determinants of SMEs export performance.

## **CHAPTER ONE**

### **INTRODUCTION**

This chapter provides a synopsis of the present research which includes the background of the study, the research problem statement, the research questions, the research objectives, the scope of the study, the significance of the study, definitions of key terms and finally the organisation of dissertation.

#### **1.1 Introduction**

The shift in economic activity from national or domestic-oriented towards globalization or industrial liberalization and global trade, is the most world radical economic change happened during the end of the 20<sup>th</sup> century. The term “globalisation” describe “the increasing internationalisation of financial markets, and of markets for goods and services” whereby most of the barriers to market access have been removed (OECD, 2005), and it raised new challenges and opportunities for firms, industries, and countries (Singh, Garg, & Deshmukh, 2010).

Globalisation transformed the world into borderless marketplace. Thus, offers lucrative business opportunities for SMEs and serves as a platform for SMEs to boost business achievement. With the increasing trend towards globalisation of trade activities, exporting represents the most frequently used foreign market entry mode by small and medium enterprises (SMEs) and multi-national corporation (MNCs) or large firms to boost growth and gain access to new foreign markets, which can lead to a considerable success and increased profits (Armstrong & Kotler, 2009; Leonidou, 1995a; OECD, 2009). Exporting involves low commitment of resources, reduced business risks, offers high flexibility movements (Leonidou, 1995a; OECD, 2009) and offers flexibility and cost-effective way for the firms to penetrate global market (Armstrong & Kotler, 2009; Leonidou, 1995a; OECD, 2009; Sousa, Martínez-López, & Coelho, 2008).

Ideally, exporting has become one of the rapid-growing economic activities in the current globalisation era. The export growth has scaled from almost USD40 billion in 1945 to exceeding USD7 trillion in 2002 (Smith, Gregoire, & Lu, 2006). In 2014, world export value exceeded USD18 trillion (see Table 2.4 in Chapter Two) (ITC, 2015). The growing trade liberalisation increased firm engagement in exporting activities in global market (Tambunan, 2011; Ural, 2009) thus draw attention to the importance of firm export performance (Rose & Shoham, 2002). Export performance is the consequence of the firm's marketing efforts and other business activities in foreign markets, thus providing an indication of its overall firm export success or failure (Leonidou & Katsikeas, 2010).

In present global scenario, SMEs make up the vast majority of 85% to 99% business population (ACCA, 2010; OECD, 2018; WTO, 2016) and contributes not only to employment creation but also to the enhancement of the development of entrepreneurship, rural social and economic development, income distribution, and poverty alleviation, (Lee & Habte-Giorgis, 2004; Leonidou, 2003; Morgan & Katsikeas, 1997; OECD, 2017; Smith et al., 2006; WTO, 2016). In most countries over the world, SMEs performed the bulk of exporting activities (WTO, 2016). The SMEs primary aims for going global are survival, opportunities, growth and achievement (Armstrong & Kotler, 2009; Kotler & Keller, 2009). However, despite their important roles, SMEs have long faced with performance issues (Andersson & Florén, 2008; OECD, 2018; WTO, 2016). These issues draw consideration to the importance of SMEs export performance (Rose & Shoham, 2002) and attracted many scholars to study the subject.

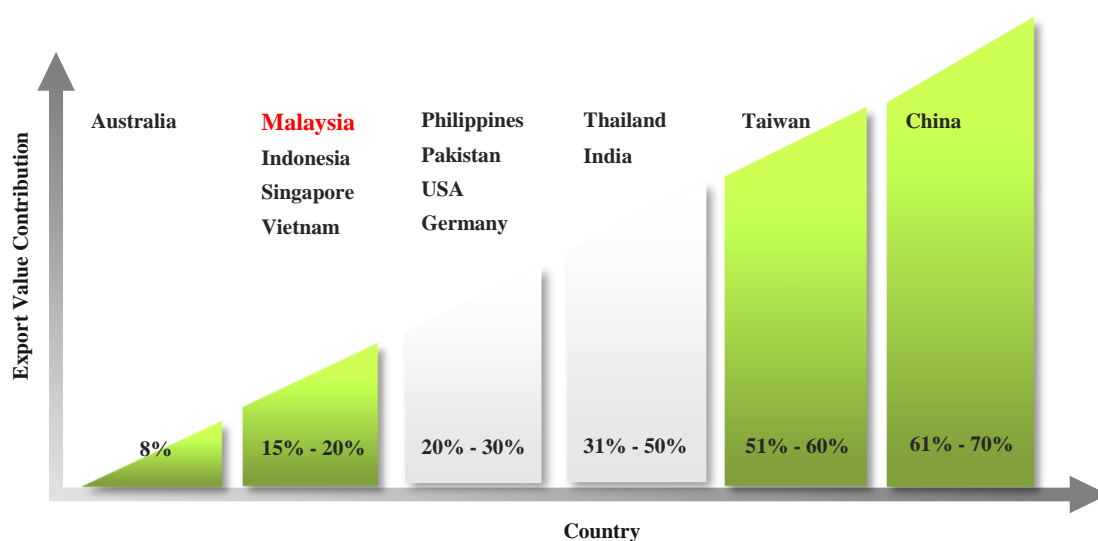
### **1.1.1 Global SMEs export performance**

Generally, SMEs are expected to persistently generate significant contribution to export value. However, SMEs tend to be under-represented (a lower share of trade turnover) in international trade relative to larger firms (OECD, 2017). It is estimated SMEs' contribution at around 20% - 40% of exports and 10% of foreign direct investment (ACCA, 2010; OECD, 2018). Even within the industrial sector, SMEs only contribute between 10% and 35% of world

exports in manufacturing activities (Andersson & Florén, 2008; OECD, 2018; WTO, 2016). Furthermore, SMEs contribution to the total export value varies among countries, from 8% in Australia, 16% - 18% in Indonesia, 15% - 19% in Malaysia, 16% - 20% in Singapore, 20% in Vietnam, 22% in Philippines, 25% in Pakistan, 30% - 46% in Thailand, 28% in Germany, 26% - 30% in the United States, 40% in India, 56% in Taiwan, and a massive 60% - 68% in China (ACCA, 2010; OECD, 2013; Tambunan, 2009; WTO, 2016).

Even though the data is inconsistent due to estimation and SMEs definitional variations, the evidence indicate that SMEs' contribution to export is typically lower (except in China and Taiwan) in most countries, thus trigger a major concern globally (Leonidou, 2003). Figure 1.1 summarised the global SMEs export performance.

**Figure 1.1 Global SMEs Export Performance**



However, a sizeable share of SMEs that export is embedded in global value chains (GVCs) as suppliers of exporters. In other word, SMEs' indirect contribution to exports, as suppliers to larger domestic firms or multinational companies (MNCs) that export, represent more than half of total exports in value added terms (OECD, 2017). For example, SMEs may be contracted to produce certain parts according to specifications of other companies, often larger ones, and enter value chains (WTO, 2016).

Further evidences also show that participation of SMEs in developing countries in trade is low, with exports accounting for 7.6% of manufacturing sales, compared to 14.1 % for larger firms. In developing economies, indirect exports in the manufacturing sector of SMEs were estimated, on average, at 2.4% of total sales, which is lower than the estimated share of direct exports. Most manufacturing SMEs in developing countries have low levels of integration in GVCs, with few backward and forward linkages in production. However, in developed economies, the direct contribution of SMEs to domestic value-added exports is predominant over indirect exports (WTO, 2016).

### **1.1.2 Malaysian SMEs export performance**

The Malaysian government has been constantly supporting SMEs as (1) an economic agent in achieving high income nation, (2) an enabler of growth, (3) a driver of economic growth, and (4) the engine for export growth of manufactured goods. Additionally, the paths for SMEs to be involved in export market have already been paved by the Malaysian government through various financial incentives, training and development programmes, Free Trade Zone Agreements (FTAs) and economic communities.

There are three industries in the manufacturing sector that contribute more than 10% to the national export value (see Table 2.3 in Chapter Two). First, electric and electronic industry contributes the largest value to the national export amounted to RM210 billion or 37% of RM562 billions of total export value from 292 export establishment. The electric and electronic industries have exported about 81% of RM260.7 billion of total sales values. Second, petroleum industry contributes the second largest value to the national export amounted to RM98.5 billion or 18% of RM562.8 billion total export value from 20 export establishments. The petroleum industry has exported about 78% of RM126.1 billion total sales values. Third, the processed food and beverage industry that contributes the third largest value to the national export amounting about RM69.3 billion or 12% of RM562.8 billion total export

value from 1,837 export establishments. The processed food and beverage industry has exported about 34% of RM204.2 billion total sales values (DOSM, 2017a).

With the overall Malaysian government national and globalisation agendas: (1) moving towards transforming Malaysia into an advanced and developed nation by the year 2020, (2) measures to liberalize and integrate the ASEAN Economic Community (AEC) (world sixth largest economy) with approximate 625 million people, (3) the abundant of export opportunities in China market (i.e., Malaysia's biggest trading partner and world second largest economy) with approximate 1.4 billion people, in India market (i.e., Malaysia's emerging trading partner) with approximate 1.3 billion people, and in other big market such as United State (US), Latin America, Europe and Africa; Malaysian SMEs should take advantage and strive for those huge lucrative export markets (SME Corporation Malaysia, 2016; The Sun Daily, 2017).

## **1.2 Problem Statement**

Nevertheless, the Prime Minister of Malaysia, Dato' Seri Najib Tun Abdul Razak voiced out that "SMEs' share of exports stands at 17% and we want to increase it to 23% by 2020" (Bernama, 2015a). Similarly, according to Dr Mohd Shahreen Zainooreen Madros (Matrade CEO), the current export contribution of Malaysian SMEs is still low and discouraging, at only 17.8%, despite their huge 97% number of establishments (The Sun Daily, 2017). Furthermore, the achievement of Malaysia's SMEs export performance falls within the group of low performing countries (see Figure 1.1). Specifically, Malaysian processed food and beverage SME manufacturers exhibit low export value contribution of 12% compared to electric and electronic industry of 37% and petroleum industry of 18% respectively. This discouraging situation will cause the Malaysian SMEs to suffer from difficulties to tap the huge lucrative export markets. In fact, emerging economies such as Vietnam, Myanmar, Laos and Cambodia can rival and defeat Malaysia in tapping those export markets.

Given the relatively weak contribution of SMEs in national export value despite the emergence of new opportunities and the benefits that can be expected from the world markets, the question of the determinants of their export performance arises.

In export performance research, over the past decades, substantial attention has been paid by the researchers, managers and policy makers to the determinants of SMEs export performance (Chen, Sousa, & He, 2016). The previous research efforts in identifying and examining the influence factors revealed that such determinants are multi-dimensional concept characterised by both internal and external factors. Internal factors are justified by resources-based view (RBV) which consist of firm-specific-factors such as firm characteristics (i.e., experience, age, size and orientation), management characteristics (i.e., managers' international experience), marketing strategy (i.e., price, place, promotion product, environmental, standardization, and adaptation) and firm resources and capabilities (i.e., export market orientation and technology orientation). External factors are supported by contingency theory which consist of industry-specific-factors (i.e., technological, industrial characteristics, industry concentration, and industry adaptation) and country-level characteristics (i.e., domestic market factors [domestic demand, export assistance, local market characteristics, infrastructure quality, legal quality, and institutional environment], and foreign market factor [competitive intensity]).

However, there is an absence of agreement on the exact determinants of firm export performance. A comprehensive framework of an inclusive and general conceptual structure or accepted model of export performance has yet to be generated (Chen et al., 2016; Chugan & Singh, 2014). There is still more factors that should be added to the current literature (Sousa et al., 2008) such as a dynamic theoretical model, attention on fast-growing developing countries, and advanced statistical methods are needed to explore the antecedents of export performance in a changing market (Chen et al., 2016).

Undoubtedly, in most cases, ventures may fail despite the presence of market opportunities, talented entrepreneurs with novel business ideas, and adequate resources. A



possible cause of failure may be the underlying model driving the business (Morris, Schindehutte, & Allen, 2005). Every viable organization is built on a sound business model. Whenever a business enterprise is established, it either explicitly or implicitly employs a particular business model that describes the design or architecture of the value creation, delivery, and capture mechanisms it employs, delivers value to customers, entices customers to pay for value, and converts those payments to profit (Teece, 2010). Thus, the successful implementation of business model is directly reflected in the success of a business (Wirtz, 2011).

President and Chief Executive Officer of Malaysia's Export Academy (MEA), Prof. Dr. Abdul Kabur Ibrahim highlighted that most Malaysian SMEs have good quality products for sale in the international arena, but still need to be guided so that they can really be marketed. He further stressed that Malaysian SMEs actually have a lot of potential, with their superb product being comparable to other brands abroad. What they need to do is to grab the opportunities of export activity through changing their mind-sets that small-sized businesses are incapable of exporting and they should start planning a more efficient business model to begin exports as Malaysia is the fourth country in the world that relies heavily on international trade (Harian Metro, 2016).

Hence, there are considerable evidences show that the Malaysian SMEs needs an efficient export business model to improve the problem of low export contribution, especially on further strengthening the export capability of the Malaysian processed food and beverage SME manufacturers as per ETP NKEA agro-based sector goal.

Further review of the literature on export performance research was conducted in order to identify export business model and how a firm's performance in export markets can be improved through export business model. Generally, in literature, it is frequently emphasized that successful companies need a flexible and "good" business model (Wirtz, Pistoia, Ullrich, & Göttel, 2015). However, surprisingly, little attention has been given to business model

concept by researchers (Morris et al., 2005), specifically on the relationship between export business model construct and export performance.

Furthermore, previous research effort on understanding the determinants of export performance derive from the conceptualization of different single independent factors that come in bit and pieces that must exist for the firm performance but neglecting the influence of any particular model that comprise of combination of multi-dimensional variables within the particular model. For example, previous research focused only from the single perspective such as marketing strategy, customer relationship, customer segment, value proposition, cost structure and revenue streams, in bit and pieces, but leaving out the influence of multi-component of business model that exist in combination and fit together to explain firm export performance.

In considering the critical role that exporting can play for the survival and growth of firms, particularly SMEs, this knowledge deficiency signifies an important research gap (Makri, Theodosiou, & Katsikea, 2017). Thus, the knowledge gap somewhat indicate that the knowledge on SMEs export performance is yet conclusive and still necessitate further research to be explored in order to advance the knowledge (Chugan & Singh, 2014; Czinkota, 2000; Katsikeas et al., 2000; Morgan et al., 2004; Styles & Ambler, 1994). Therefore, this research is timely to be undertaken in advancing knowledge of export performance research.

Hence, the central focus of the present research is identifying the particular effective export business model which may constitute essential components of export business model as determinants of export performance of Malaysian processed food and beverage SME manufacturers.

Theoretically, resources-based view (RBV) suggests that a firm is characterised by distinctive bundles of resources and capabilities that are available for deployment by the firm's business units. Resources and capabilities can only be a source of competitive advantage if they are exploited through business processes or business activities (Amit & Schoemaker,

1993; Barney, 1991; Black & Boal, 1994; Conner, 1991; Day, 1994; Hamel & Prahalad, 1994; Peteraf, 1993; Porter, 1991; Ray, Barney, & Muhanna, 2004). In other word, resources and capabilities that are not translated into activities, routines or business process cannot have positive impact on a firm's performance (Ray et al., 2004). While business model based view (BMV) posits that a firm as an entity of systematic business logic organise through it business model(s) management. Every viable organisation is built on a sound business model, that is, a system of how the pieces of a firm business activities fit together to produce firm performance (Magretta, 2002). It is a system that is made up of components, linkages between the components and dynamics (i.e., span beyond boundaries) (Afuah & Tucci, 2001) which encompasses the set of which activities to perform, how it performs, and when it performs (Afuah, 2004) by a focal firm, its partners, vendors or customers, etc. Business model is a multi-dimensional concept that comprise of nine building blocks such as resources, activities, partnerships, cost structure, revenue streams, value propositions, customer relationships, channels and customer segments (Osterwalder & Pigneur, 2010). In the meantime, structural conduct performance paradigm's (SCP) suggest that structure of the foreign market may affect exporting firms therefore influence the export performance. Furthermore, institutional theory (INT) also explain that external forces could motivate firms in adopting organisational activities (Hirsch, 1975; Lai, Wong, & Cheng, 2006) and could also influence organizations to carry out the same strategic actions (Hoffman, 2001; Scott, 2008). Hence, the present research shows that the theories highlighted above may serve as a critical explanation of what constitutes an efficient business model for Malaysian SMEs success in their global business ventures.

Thus, efficient business model implies that it consists of components of export activities that fit together to produce export performance results. The present research operationalise business model as internal factors (i.e. firm-specific-factors) which consist of nine multidimensional measure to form a system of a firm business activities that fit together to produce firm performance (Magretta, 2002). The nine specific multidimensional building

blocks or components: (1) resource (i.e., quality certification), (2) activity (i.e., research and development [R&D]), (3) partnership (i.e., business network), (4) cost structure (i.e., cost driven), (5) revenue stream (i.e., recurring income), (6) value proposition (i.e., standardization), (7) customer relationship (i.e., personalize relationship), (8) channel (i.e., indirect channel), and (9) customer segment (i.e., mass market segment) are combined with external environment and government assistance as moderator component of a model of the determinants of export performance of Malaysian processed food and beverage SME manufacturers.

The present research believes that the use of business model view (BMV) to understand the key determinants of SMEs export performance has a great potential to enhance and advancing the knowledge in export performance research thus offering new insight in understanding the nature of determinants of SMEs export performance, specifically in the Malaysian processed food and beverage SME manufacturers context.

### **1.3 Research Questions**

Accordingly, this research explores the following specific questions:

1. What are the elements within the export business model components (i.e., resources, activities, partnerships, cost structure, revenue streams, value propositions, customer relationships, channels and customer segments), external environment (i.e., export barriers) and export assistance rendered by government agencies (i.e., services) that are relevant to the Malaysian processed food and beverage SME manufacturers?
2. What is the relationship between export business model (i.e., as a system of interconnected components of business logic such as resource [quality certification], activity [R&D], partnership [business network], cost structure [cost driven], revenue streams [recurring oncome of volumes oriented], value

proposition [standardization], customer relationship [personalize], channel [indirect] and customer segment [mass market], that fit together and manage to achieve goals) and export performance of Malaysian processed food and beverage SME manufacturers?

3. What is the relationship between external environment (i.e., export barriers) and export performance of Malaysian processed food and beverage SME manufacturers?
4. Does export assistance provided by government agencies moderate the relationship between export business model (i.e., as a system of interconnected components of business logic such as resource [quality certification], activity [R&D], partnership [business network], cost structure [cost driven], revenue streams [recurring income of volumes oriented], value proposition [standardization], customer relationship [personalize], channel [indirect] and customer segment [mass market], that fit together and manage to achieve goals) and export performance of Malaysian processed food and beverage SME manufacturers?
5. Does export assistance provided by government agencies moderate the negative relationship between external environment (i.e., export barriers) and export performance of Malaysian processed food and beverage SME manufacturers?
6. What are the set of export business model components (i.e., resource [quality certification], activity [R&D], partnership [business network], cost structure [cost driven], revenue streams [recurring income of volumes oriented], value proposition [standardization], customer relationship [personalize], channel [indirect] and customer segment [mass market segment]) perceived to be important in export performance of Malaysian processed food and beverage SME manufacturers?

## **1.4 Research Objectives**

The main purpose of this research is to investigate business model concept as a form of determinants of export performance, therefore, to extent the understanding of how BMV and SMEs export performance interrelated and what can be discovered to enhance and improve SMEs export performance. This research aims to show how knowledge on export business model components can help to better explore and understand the determinants of SMEs export performance, and become a new field in export performance research. Thus, the research purpose and aim lead to accomplish the following specific objectives:

1. To discover the elements within the export business model components (i.e., resources, activities, partnerships, cost structure, revenue streams, value propositions, customer relationships, channels and customer segments) that are relevant to the Malaysian processed food and beverage SME manufacturers.
2. To examine the relationship between export business model (i.e., as a system of interconnected components of business logic such as resource [quality certification], activity [R&D], partnership [business network], cost structure [cost driven], revenue streams [recurring oncome of volumes oriented], value proposition [standardization], customer relationship [personalize], channel [indirect] and customer segment [mass market], that fit together and manage to achieve goals) and export performance of Malaysian processed food and beverage SME manufacturers.
3. To examine the negative relationship between external environment (i.e., export barriers) and export performance of Malaysian processed food and beverage SME manufacturers.
4. To examine the moderation effect of government agencies assistance on the relationship between export business model (i.e., as a system of interconnected components of business logic such as resource [quality certification], activity [R&D],

partnership [business network], cost structure [cost driven], revenue streams [recurring oncome of volumes oriented], value proposition [standardization], customer relationship [personalize], channel [indirect] and customer segment [mass market], that fit together and manage to achieve goals) and export performance of Malaysian processed food and beverage SME manufacturers.

5. To examine the moderation effect of government agencies assistance on the negative relationship between external environment (i.e., export barriers) and export performance of Malaysian processed food and beverage SME manufacturers.
6. To identify the set of export business model components (i.e., resource [quality certification], activity [R&D], partnership [business network], cost structure [cost driven], revenue streams [recurring income of volumes oriented], value proposition [standardization], customer relationship [personalize], channel [indirect] and customer segment [mass market]) perceived to be important in export performance of Malaysian processed food and beverage SME manufacturers.

### **1.5 Scope of the Study**

First, the present research is mainly a mixed-method exploratory sequential design in nature which consist of two distinct phases: qualitative followed by quantitative. The design was chosen based on the premise that an exploration is needed due to the limited evidences informing what export business model components are important in the context of Malaysian processed food and beverage SME manufacturers, and relevant quantitative instruments are also limited. The intent of the two-phase exploratory design is that the results of the first qualitative method can help develop or inform the second quantitative method. Multiple worldviews or philosophical assumptions (i.e., constructivist and positivist) are used in this design, and the assumptions shift from one phase to the other phase (Creswell & Plano-Clark, 2011).

On the phase one of qualitative exploratory part, the present research, first, identifies multi-dimensional variables of study and illustrates relationship between the variables in the form of initial theoretical framework as per literature review (i.e., Chapter Two). Second, an in-depth interview was conducted on five Malaysian processed food and beverage SME manufacturers in order to understand and captured the evidences of the research constructs which later were evaluated through inclusive approach and deductive process for the selection of the specific variables of export activities (i.e., Chapter Four). The specific variables (i.e., Chapter Four) are then matched with multi-dimensional variables delineated and collected from the literature (i.e., Chapter Two). On this basis, the present research illustrates relationship between the variables in the form of final theoretical framework. This qualitative approach contributes to the development of the hypotheses of the present research that serve as the basis for the quantitative part of the present research.

Then, on the phase two of quantitative explanatory part, survey instrument was developed based on findings from phase one of qualitative approach. Then, the present research model or final theoretical framework are tested using advance empirical research methods such as using Smart PLS software advance techniques of hierarchical components models (HCMs) (Chen et al., 2016). The present research depends on generation of main findings and conclusion of the quantitative approach. This quantitative approach focuses on empirical verification that explains the relationship between firm export business model and external environment on Malaysian processed food and beverage SME manufacturers. In addition, this research also examines the moderation effect of government agencies assistance on the relationship between firm export business model and external environment on Malaysian processed food and beverage SME manufacturers.

Second, the present research is interested in knowing which firm-specific-factors (i.e., the underlying business model components) can shape the success of businesses' export operation across firms (i.e. SME manufacturers) within the Malaysian processed food and beverage industries. Thus, the present research may identify potential factors to add to



managers' dashboard controls that can enhance export outcomes. The present research proposes mapping export business model on the basis of the nine building blocks or components (i.e., resources, activities, partnerships, cost structure, revenue streams, value propositions, customer relationships, channels and customer segments) in order to capture the important parts of an export business (Osterwalder & Pigneur, 2010; Ritter & Lettl, 2017). However, this research does not aim to describe the entire firm. The concepts are grouped into a nine key constructs to accommodate the limitation of data analysis software. The success of a business model relates not only to its design or components but also to its implementation which is not part of this research.

Third, the present research targets the Malaysian processed food and beverage SME manufacturers as the subject of the study because the industry exhibit low export value contributions compared to the other two major industries (i.e., electric and electronic, and petroleum) in the manufacturing sectors that contribute substantial amount to the national export value. Hence, any effort to improve this industry can produce substantial benefits. A total of 646 processed food and beverage manufacturers gathered from two directories of MATRADE and FMM, however only 464 are exporters and selected as a target sample for the present research. Foods categories include 'ready to eat' meals, bakery products, cereals, cocoa products, coconut products, confectionery – biscuits, confectionery, chocolates and candies, cooking oil (other than palm oil), dairy products, flavouring, colouring and fragrances, jam, jelly and puddings, pasta, noodles and pancakes, processed meat, poultry and seafood, sauces and paste, snacks, spices and condiments, and vegetables and fruits (processed) while beverages categories include carbonated drinks, coffee, tea and cocoa, health drinks, juices and cordials, and mineral water (FMM, 2015; MIDA, 2015).

Finally, the present research adopted the guideline for new SME definition issued on October 2013 by SME Corporation, Malaysia, and focuses on the size of employees of less than 200 employees as reference for SME definition for the present research.

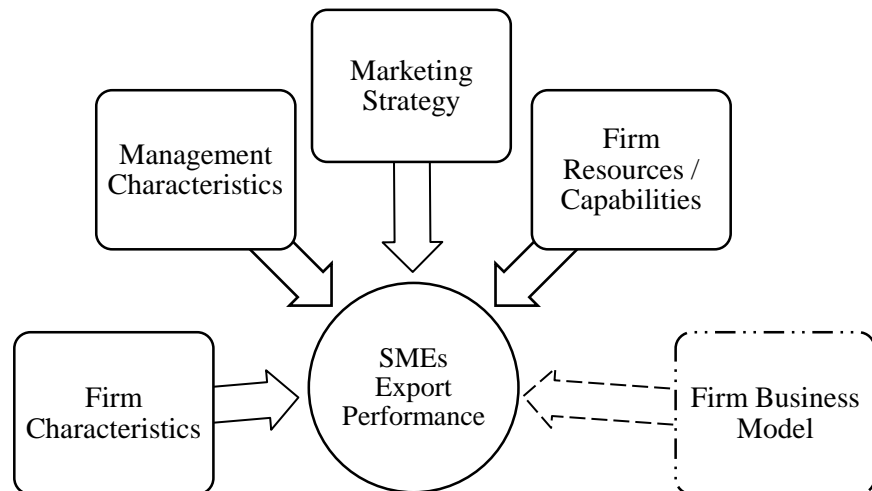
## 1.6 Significance of the Study

Hence, the present research is anticipated to contribute to the body of knowledge in several ways. Specifically, the present research is significant for two reasons: (1) theoretical contribution, and (2) practical contribution.

### A. Theoretical contribution

First, previous research efforts revealed that the determinants of export performance is characterised by both internal and external factors that have an effect on the firm export performance (Chen et al., 2016; Chugan & Singh, 2014). However, previous studies on SMEs export performance of internal firm-specific-factors tended to focus on firm characteristics, management characteristics, marketing strategy, and firm resources and capabilities.

**Figure 1.2 The conceptual contribution**



Currently, little attention has been paid to investigate the relationship between the underlying model that driving the business (Morris et al., 2005) or firm business model and export performance as shown in Figure 1.2. Whether or not this business model has been actually studied in different way so that it was actually partly business model here and there within the determinants in the previous research, however, it just not been taken as one package of determinants. Hence, the significance of this study for the present literature is that it involves

the identification and conceptual definition of additional or new constructs to be added to the conceptual framework (Summers, 2001), that is, firm business model construct as additional potential independent variable that may have an effect on export performance. It is hope that the present research findings will be able to shed new light in export performance research.

Second, the present research reinforce the empirical tests of resource-based view (RBV) logic proposed by Ray et al. (2004), by suggesting new insights of the business model view of the firm (BMV) that characterizes a firm's overall performance depends on the net effect of the distinctive bundles of resources, capabilities and activities that fit together as a system of interconnected components of business logic to achieve goals.

Third, the present research effort reinforces the role of the business model in structure-conduct-performance (SCP) paradigm. Thus, the present research constitutes a direct linkage between market structure (i.e., export barriers), conduct (i.e., business model – new construct) and export performance. The present research contributes to the SCP paradigm through examining the impact of business model conduct as a system of interconnected components of business logic (i.e., resources, capabilities and activities) that fit together and manage to achieve goals.

Fourth, a review of the literature also shows that to date no serious attempt has been made to empirically assess the moderating effects of export assistance (Faroque & Takahashi, 2015) in the context of institutional theory (INT). There is considerable evidence to support that export assistance can be potential moderator that moderate the relationship between the two constructs. Hence, this study contributes to the determination of the effects of a potential moderator variable (Summers, 2001), that is, export assistance by government agencies on the nature of the relationship between firm export business model and export performance.

Fifth, as argued by Fielt (2012), business model frameworks are not developed or tested via a systematic and evidence based approach, and verified in a rigorous manner, hence, this study contributes to the testing of a theoretical linkage of two constructs that have not

previously been tested (Summers, 2001), that is, the theoretical linkage between firm export business model and export performance using Hierarchical Component Model (HCM).

#### B. Practical contribution

The present research provides a snapshot or view of the current Malaysian processed food and beverage SME manufacturers export business model (i.e., strength and weaknesses), and it may serve as input for future export business model innovation. This is a valuable input that can help researchers, managers and policy makers: (1) adjusting, improving, or defending the existing export business model to adapt to a changing environment, or (2) design new export business model options towards which Malaysian processed food and beverage SME manufacturers can evolve (Osterwalder & Pigneur, 2010).

To conclude, the present research effort is necessary and significant because it fills some important gaps in the literature (i.e., theoretical, empirical and practical). Hence, the present research effort also warrants a particular attention in future research that may help researchers, managers, decision makers, practitioner and SMEs exporters to understand the determinant of a successful export venture.

## 1.7 Definitions of Key Terms

1. Business model - a system of interconnected components of business logic that fit together and manage to achieve goals
2. Resources – the possession of assets that are necessary to create value for the customer and are required to make the business model possible. It includes human resources, financial resources, physical resources, knowledge resources and organizational resources (Lambert, 2012; Lambert, 2008; Osterwalder & Pigneur, 2010; Seppänen, 2009)..
3. Capabilities - the organizational processes by which available resources are developed, combined and transformed into value offerings for the export market (Amit & Schoemaker, 1993; Day, 1994)
4. Activities – the routines of activities that a firm develops in order to get something done such as acquiring supplies and other raw materials, the process of producing products or services, the process of delivering products or services to customers, and the process of providing after sales service (Nelson & Winter, 1982; Porter, 1985, 1991).
5. Partnerships – engagement with the network of suppliers and partners that make the business model work (Osterwalder & Pigneur, 2010).
6. Value propositions – the bundle of products and services attributes or characteristics that are offered to a specific export customer segment such as products standardization or product adaptation (Osterwalder & Pigneur, 2010).
7. Cost structure – cost strategy to operate business model such as cost driven (i.e., cost-leadership strategy) or value driven (i.e., differentiation strategy or niche strategy) (Osterwalder & Pigneur, 2010).

8. Revenue streams – how a company generates from each customer segments such as products sales, volumes driven and wide products line offering (Osterwalder & Pigneur, 2010).
9. Customer relationships – the types of relationship mechanism a company establishes with specific customer segments such as personalize, automated, community or co-creation (Osterwalder & Pigneur, 2010).
10. Customer segments – the different groups of people or organisations a firm aims to reach and serves such as mass-market or niche market (Osterwalder & Pigneur, 2010).
11. Channels – how a firm communicates with and reaches its export customer segments to deliver a value propositions or products offerings such as export distributors or online platform (Osterwalder & Pigneur, 2010).
12. External environment – refers to the external business environment such as foreign countries procedural and practices, economic condition, political-legal condition, sociocultural and market forces (Afuah, 2004; Osterwalder & Pigneur, 2010).
13. Export assistance – refers to all government measures designed to assist firm's exporting activities such as providing sales leads, customer and distributor information, meeting overseas customers, financial assistance and guarantees, foreign business practices awareness, sources of market intelligence awareness, and source of procedural assistance awareness that can shape and provide a general foundation for the firm's export specific expertise and competencies (Johanson & Vahlne, 1977; Shamsuddoha & Ali, 2006; Wang & Olsen, 2002).
14. Export performance – refers to the extent to which the firm achieves its objectives, both financial (i.e., profitability, volume, and growth) and achievement (i.e., satisfactory, success, and expectations) (Lages, Lages, & Lages, 2005).

## **1.8 Organisation of Dissertation**

This thesis is presented as follows:

- Chapter One provides a brief introduction on the effect of globalisation, export opportunities, export performance issues, the problem statement, the research objective, research question, the scope of study, significance of study and the key terms used in the present research.
- Chapter Two provides the literature on SMEs in Malaysia, SMEs export performance, the underlying theories used in the present research, the firm business model, external environment, export assistance and the development of initial conceptual framework.
- Chapter Three explains the research methodology that focuses on research philosophy, research design, the instrument design and administration, and data analysis design.
- Chapter Four discuss the outlook of specific export business model components from the Malaysian processed food and beverage SME manufacturers from an in-depth interviews conducted and the development of the final theoretical framework and hypotheses.
- Chapter Five presents the findings of the data analysis such as data examination results, descriptive analysis results, and PLS-SEM assessment results.
- Chapter Six discusses, deliberates and conclude the overall findings of the study.

## **CHAPTER TWO**

### **THE LITERATURE REVIEW**

#### **2.0 Chapter Overview**

As explained in the scope of the study in Chapter One, the present research is a mixed-method exploratory sequential design in nature which consist of two distinct phases: qualitative followed by quantitative. On the phase one of qualitative exploratory part, the present research, first, identifies multi-dimensional variables of study and illustrates relationship between the variables in the form of initial theoretical framework as per literature review. The chapter begins with an overview of SMEs in Malaysia. Followed by the discussion on research variables and theoretical gaps in their respective subsection. Then followed with the explanations on underpinning theories that govern the present research in order to provide fundamental understandings on the present research variables and their relationship. Lastly, the research initial theoretical framework is developed upon the discussions of the variables that are grounded from the identified theories, and is presented towards the end of the chapter.

#### **2.1 An Overview of Relevant Concepts**

##### **2.1.1 An Overview of SMEs in Malaysia**

The acronym SME – “small and medium-sized enterprise” – is used in most contexts as the generic term to qualify all small enterprises. There is no commonly agreed definition of “micro” enterprises, “small” enterprises and “medium” enterprises. The different definitions used by national governments and international organizations generally set thresholds on the number of employees and/or annual turnover. The majority of countries use the following definitions: (a) micro enterprises are firms with up to 10 employees, (b) small enterprises are firms with a number of employees ranging between 10 and 50, and (c) medium-sized



enterprises are firms with a number of employees ranging between 50 and 250 (OECD, 2017; WTO, 2016).

Malaysia has adopted a common definition of SMEs to facilitate identification of SMEs in the various sectors and subsectors. This has facilitated the Government to formulate effective development policies, support programs as well as provision of technical and financial assistance. This research follows the guideline for new SME definition issued on October 2013 by SME Corporation, Malaysia. The SME definition summarised as follow:

**Table 2.1**

***Definition of Small and Medium Enterprises (SMEs) in Malaysia, 2013***

<b>Category</b>	<b>Macro</b>	<b>Small</b>	<b>Medium</b>
Manufacturing	Sales turnover of <b>less than RM300,000</b> OR <b>less than 5 full-time</b> employees.	Sales turnover from <b>RM300,000 to less than RM15 million</b> OR full-time employees from <b>5 to less than 75</b>	Sales turnover from <b>RM15 million to not exceeding RM50 million</b> OR full-time employees from <b>75 to not exceeding 200</b>
Services and other sectors	Sales turnover of <b>less than RM300,000</b> OR <b>less than 5 full-time</b> employees.	Sales turnover from <b>RM300,000 to less than RM3 million</b> OR full-time employees from <b>5 to less than</b>	Sales turnover from <b>RM3 million to not exceeding RM20 million</b> OR full-time employees from <b>30 to not exceeding 75</b>

Source : SME Corp. Malaysia (2013)

Notes:

- A. Manufacturing refers to physical or chemical transformation of materials or components into new products.
- B. Services refer to all services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing-related services such as research and development (R&D), logistics, warehouse, engineering etc.
- C. Others refer to the remaining 3 key economic activities, namely:

- (i) Primary Agriculture includes perennial crops (e.g. rubber, oil palm, cocoa, pepper etc.) and cash crops (e.g. vegetables, fruits etc.), livestock, forestry & logging, marine fishing and aquaculture
- (ii) Construction includes infrastructure, residential & non-residential and special trade, and
- (iii) Mining & quarrying

#### *A. SMEs establishments and performance*

According to the Department of Statistics Malaysia (DOSM, 2017b) as shown in Table 2.2, business establishments in Malaysia in 2015 amounted to 920,624 establishments. SMEs represented by 907,065 establishments (or 98.5%), while large corporations amounted to 13,559 establishments (or 1.5%). In size, most SMEs are micro establishments amounted to 693,670 establishments which made up 77% of total SMEs in Malaysia. Small size establishments amounted to 192,783 establishments (or 21%), followed by medium size establishments which only represented 20,612 establishments (or 2%). Among the 98.5% of SMEs, the majority were in three sectors, namely, services, manufacturing and construction. The largest is the services sector which constituted of 89% or 818,311 establishments while manufacturing sector constituted to 5.3% or 49,101 establishments and constructions sector constituted to 4.4% or 40,588 establishments. The bulk of the services sector were micro size establishments represented over 80% or 649,186 establishments out of 809,126 SMEs services establishments. Small size establishments represented 18% or 148,078 establishments and medium size establishments represented 2% or 11,862 establishments. For the manufacturing sector, micro size establishments represented 46% or 22,083 establishments out of 47,698 SMEs manufacturing establishments, small size establishments represented 48% or 23,096 establishments, while medium size establishments represented 6% or 2,519 establishments. For the construction sector, micro size establishments represented 44% or 17,321 establishments out of 39,158 SMEs construction establishments, small size establishments

**Table 2.2***Principal statistics by sector, subsector and size, 2015*

	<b>Total</b>	<b>Large</b>	<b>SMEs</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>No. of Establishment</b>	<b>920,624</b>	<b>13,559 (1.5%)</b>	<b>907,065 (98.5%)</b>	<b>693,670 (77%)</b>	<b>192,783 (21%)</b>	<b>20,612 (2%)</b>
Services	818,311	9,185	809,126	649,186	148,078	11,862
Manufacturing	49,101	1,403	47,698	22,083	23,096	2,519
Construction	40,558	1,400	39,158	17,321	17,008	4,829
Mining and Quarrying	1,026	161	865	217	458	190
Agriculture	11,628	1,410	10,218	4,863	4,143	1,212
<b>Gross Output Value (RM million)</b>	<b>2,489,473</b>	<b>1,483,203 (60%)</b>	<b>1,006,270 (40%)</b>	<b>142,514 (14%)</b>	<b>430,561 (43%)</b>	<b>433,195 (43%)</b>
Services	964,651	417,041	547,610	130,705	263,474	153,431
Manufacturing	1,141,963	784,117	357,846	6,289	141,295	210,262
Construction	177,939	109,777	68,162	3,327	24,637	40,198
Mining and Quarrying	131,067	125,003	6,064	96	2,888	3,080
Agriculture	73,854	47,265	26,589	2,612	10,674	13,303
<b>Value Added (RM million)</b>	<b>983,100</b>	<b>563,174 (57%)</b>	<b>419,926 (43%)</b>	<b>78,126 (19%)</b>	<b>188,916 (45%)</b>	<b>152,884 (36%)</b>
Services	518,265	223,085	295,180	73,108	143,694	78,378
Manufacturing	257,118	175,041	82,077	2,328	37,388	42,362
Construction	63,184	38,895	24,290	1,342	8,955	13,992
Mining and Quarrying	103,059	100,134	2,925	53	1,511	1,361
Agriculture	41,473	26,019	15,454	1,667	6,404	7,383
<b>Employment (persons)</b>	<b>8,732,238</b>	<b>3,079,678 (35%)</b>	<b>5,652,560 (65%)</b>	<b>1,935,868 (34%)</b>	<b>2,316,058 (41%)</b>	<b>1,400,634 (25%)</b>
Services	4,795,721	1,020,004	3,775,717	1,775,016	1,462,672	538,029
Manufacturing	2,119,158	1,079,496	1,039,662	68,566	572,396	398,700
Construction	1,290,474	660,411	630,063	73,344	232,211	324,508
Mining and Quarrying	82,354	61,680	20,674	939	8,532	11,203
Agriculture	444,531	258,087	186,444	19,860	71,425	95,159

**Notes:**

- Services (wholesale and retail trade; transportation and storage; accommodation; food and beverages; information and communication; financial; real estates activities; professional; administrative and support services; education; health and social work services; arts, entertainment and recreation; and other services)
- Manufacturing (food products; rubber and plastic products; chemical products; fabricated metal products; and basic metals)
- Construction (residential, non-residential, civil engineering, and special trades)