

**THE EFFECT OF ONLINE BUSINESS
RESOURCES AND CAPABILITIES ON BUSINESS
PERFORMANCE IN MALAYSIAN FASHION
INDUSTRY**

TEO SHAO ZHEN

UNIVERSITI SAINS MALAYSIA

2022

**THE EFFECT OF ONLINE BUSINESS
RESOURCES AND CAPABILITIES ON BUSINESS
PERFORMANCE IN MALAYSIAN FASHION
INDUSTRY**

by

TEO SHAO ZHEN

**Thesis submitted in fulfilment of the requirements
for the degree of
Master of Arts**

July 2022

ACKNOWLEDGEMENT

I would like to send my special gratitude to my honourable supervisor, Dr. Siti Hasnah Hassan, for her valued guidance, support and patience throughout the journey. A sincere note of thanks is extended to the Dean of School of Management, Professor Dr. Noor Hazlina Ahmad and deputy deans, Associate Professor Dr. Zamri Ahmad for providing vision and leadership that paved the way for my study. Moreover, I would also like to thank all staff from the School of Management, especially Puan Robitah, for helping me throughout the progress of this research.

Besides that, I also would like to express my thanks to all my family, especially my father Teo Seng Soon, who gave me great mental support during the tough time in my journey. The completion of this thesis has been made possible only through the encouragement and support from my parents and siblings. They have devoted their time and money in assisting me to complete my study without financial worries.

Moreover, I also would like to dedicate a special thanks to my colleagues and friends particularly Sin Mei, Matthew, Zeyen and Shan Shan for their support during my data collection period as well as intellectual discussion during my study. Their friendship and generosity of spirit lifted me up in times of distress and spurred me on towards the completion of this thesis.

Last but not least, I also would like to express my heartfelt appreciation to everyone who has been directly and indirectly involved. I am personally indebted to all respondents of the survey research who took their time out from their busy schedules to answer my questionnaire.

TABLE OF CONTENTS

ACKNOWLEDGEMENT	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	x
LIST OF FIGURES	xii
LIST OF ABBREVIATIONS	xiii
LIST OF APPENDICES	xiv
ABSTRAK	xv
ABSTRACT	xvii
CHAPTER 1 INTRODUCTION	1
1.1 Introduction.....	1
1.2 Research Background	1
1.2.1 Online Business Establishments in Malaysia	2
1.3 Problem Statement	8
1.4 Research Questions	12
1.5 Research Objectives	12
1.6 Significance of the Study	13
1.6.1 Theoretical Significance	13
1.6.2 Practical Significance.....	15
1.7 Scope of the Study	16
1.8 Definitions of Key Terms	17
1.9 Organizations of Thesis	19
CHAPTER 2 LITERATURE REVIEW	21
2.1 Introduction.....	21
2.2 Underlying Theories	21
2.2.1 Resource-Based View Theory	21

2.2.1(a)	Resource-Based View Theory, Firm Competitiveness and Business Performance.....	23
2.2.2	Dynamic Capabilities View Theory.....	28
2.2.2 (a)	Dynamic Capabilities View (DCV) and Business Performance	30
2.3	Business Performance	31
2.3.1	Online Business Performance	34
2.4	Online Business Resources	36
2.4.1	Relational Resources.....	39
2.4.2	Financial Resources	42
2.4.3	Human Capital	44
2.5	Online Business Capabilities	47
2.5.1	Digital Marketing Capability	51
2.5.2	Customer Relationship Management (CRM) Capability.....	54
2.5.3	IT Capability	57
2.6	Firm Competitiveness	59
2.7	Research Gaps in Literature.....	64
2.8	Research Framework and Hypotheses Development	67
2.8.1	The Relationship between Online Business Resources and Online Business Performance	67
2.8.1(a)	Relational Resources and Online Business Performance	67
2.8.1(b)	Financial Resources and Online Business Performance	69
2.8.1(c)	Human Capital and Online Business Performance	70
2.8.2	The Relationship between Online Business Capabilities and Online Business Performance	71
2.8.2(a)	Digital Marketing Capability and Online Business Performance	71
2.8.2(b)	CRM Capability and Online Business Performance	72

2.8.2(c)	IT Capability and Online Business Performance	72
2.8.3	The Relationship between Online Business Resources and Capabilities	73
2.8.3(a)	Financial Resources and Online Business Capabilities.....	73
2.8.3(b)	Relational Resources and Online Business Capabilities.....	75
2.8.3(c)	Human Capital and Online Business Capabilities	75
2.8.4	The Mediating Effect of Firm Competitiveness on the Relationship between Online Business Capabilities and Online Business Performance	77
2.8.4(a)	The Mediating Effect of Firm Competitiveness on the Relationship between Digital Marketing Capability and Online Business Performance.....	77
2.8.4(b)	The Mediating Effect of Firm Competitiveness on the Relationship between CRM capability and Online Business Performance	78
2.8.4(c)	The Mediating Effect of Firm Competitiveness on the Relationship between IT Capability and Online Business Performance	80
2.9	Summary of Hypotheses	83
2.10	Summary	84
CHAPTER 3 METHODOLOGY		85
3.1	Introduction.....	85
3.2	Research Paradigm.....	85
3.3	Research Procedures	87
3.3.1	Type of Study.....	88
3.3.2	Nature of the Study	88
3.3.3	Unit of Analysis	88
3.4	Research Design.....	89
3.4.1	Population	89
3.4.2	Sample Size.....	89

3.4.3	Sampling Technique	91
3.5	Data Collection Procedure	92
3.6	Questionnaire Development.....	96
3.6.1	Operationalization of the Construct	96
3.6.1(a)	Online Business Resources	96
3.6.1(b)	Online Business Capabilities.....	99
3.6.1(c)	Firm Competitiveness	102
3.6.1(d)	Online Business Performance	104
3.7	Questionnaire Design	105
3.7.1	Scale and Measurement	105
3.8	Pre-Testing	107
3.9	Statistical Data Analyses.....	109
3.9.1	Data Screening	109
3.9.1(a)	Data Screening for Missing Data	109
3.9.1(b)	Data Screening for Outliers.....	110
3.9.1(c)	Data Screening for Normality	111
3.9.1(d)	Data Screening for Common Method Variance (CMV)	111
3.9.1(e)	Data Screening for Response Bias	113
3.9.2	Justification of SEM SmartPLS Selection	114
3.9.3	Measurement Model Evaluation	115
3.9.3(a)	Validity and Reliability	115
3.9.3(a)(i)	Convergent Validity.....	115
3.9.3(a)(ii)	Discriminant Validity.....	117
3.9.4	Structural Model Evaluation	118
3.9.4(a)	Coefficient of Determination (R^2).....	118
3.9.4(b)	Cross Validated Redundancy (Q^2)	118
3.9.4(c)	Path Coefficient.....	119

3.9.4(d)	Effect Size (f^2)	119
3.10	Summary	120
CHAPTER 4 DATA ANALYSIS AND RESULTS		121
4.1	Introduction	121
4.2	Descriptive Analysis	121
4.2.1	Characteristics of Online Business Owners	121
4.2.2	Nature of the Organizations	122
4.2.3	Mean Score and Standard Deviation Scores	123
4.3	Response Rate	124
4.4	Preliminary Analysis	125
4.4.1	Identification of Outliers	126
4.4.2	Normality	126
4.4.3	Common Method Variance	127
4.5	Results of Reflective Measurement Model Assessment: Construct Level	128
4.5.1	Reliability Analysis	129
4.5.2	Convergent Validity	129
4.5.3	Discriminant Validity	131
4.6	Results of Structural Model Assessment	132
4.6.1	Collinearity Assessment	132
4.6.2	Structural Model Path Coefficients	133
4.6.3	Mediating Effect	136
4.6.4	The Results of Hypothesis Testing	138
4.7	Variance Explained (R^2)	139
4.8	Effect Size (f^2) of Study Variables	140
4.9	Predictive Relevance (Q^2)	141
4.10	Summary of the Chapter	142

CHAPTER 5 CONCLUSION AND RECOMMENDATIONS	143
5.1 Introduction.....	143
5.2 Recapitulation and Summary of the Study Findings	143
5.3 Discussion on Findings	145
5.3.1 What is the relationship between online business resources and online business performance?	145
5.3.1(a) Relational Resources and Online Business Performance	146
5.3.1(b) Financial Resources and Online Business Performance	147
5.3.1(c) Human Capital and Online Business Performance	148
5.3.2 What is relationship between online business capabilities and online business performance?	150
5.3.2(a) Digital Marketing Capability and Online Business Performance	151
5.3.2(b) CRM Capability and Online Business Performance	152
5.3.2(c) IT Capability and Online Business Performance	153
5.3.3 Do online business resources will lead to online business capabilities?.....	155
5.3.3(a) Financial Resources and Online Business Capabilities.....	155
5.3.3(a)(i) Financial Resources and Digital Marketing Capability	156
5.3.3(a)(ii) Financial Resources and CRM Capability	157
5.3.3(a)(iii) Financial Resources and IT Capability	158
5.3.3(b) Relational Resources and Online Business Capabilities.....	159
5.3.3(b)(i) Relational Resources and CRM Capability	159
5.3.3(c) Human Capital and Online Business Capabilities	160

5.3.3(c)(i)	Human Capital and Digital Marketing Capability	161
5.3.3(c)(ii)	Human Capital and CRM Capability	162
5.3.3(c)(iii)	Human Capital and IT Capability	163
5.3.4	Does firm competitiveness mediate the relationship between online business capabilities and online business performance?.....	165
5.3.4(a)	The Mediating Effect of Firm Competitiveness on the Relationship between Digital Marketing Capability and Online Business Performance.....	166
5.3.4(b)	The Mediating Effect of Firm Competitiveness on the Relationship between CRM Capability and Online Business Performance	167
5.3.4(c)	The Mediating Effect of Firm Competitiveness on the Relationship between IT Capability and Online Business Performance	168
5.4	The implication of the Findings	170
5.4.1	Theoretical Implications	170
5.4.2	Practical Implications.....	172
5.5	Limitations of the Research Study	174
5.6	Future Research Directions	175
5.7	Conclusion	176
	REFERENCES.....	178

APPENDICES

LIST OF PUBLICATIONS

LIST OF TABLES

	Page
Table 2.1. Theories Employed in the Business Performance Studies.....	25
Table 2.2 Definitions of Business Performance from Past Studies	32
Table 2.3 Definitions of Firm Competitiveness in Past Studies	61
Table 2.4 Summary of Hypotheses	83
Table 3.1 Questionnaire Sources and Items for Relational Resources	97
Table 3.2 Questionnaire Sources and Items for Financial Resources.....	98
Table 3.3 Questionnaire Sources and Items for Human Capital.....	99
Table 3.4 Questionnaire Sources and Items for Digital Marketing Capability	100
Table 3.5 Questionnaire Sources and Items for CRM Capability.....	101
Table 3.6 Questionnaire Sources and Items for IT Capability.....	102
Table 3.7 Questionnaire Sources and Items for Firm Competitiveness.....	103
Table 3.8 Questionnaire Sources and Items for Online Business Performance	104
Table 3.9 Amendments based on Suggestions from Pre-Testing	108
Table 3.10 Marker Variable	112
Table 4.1 Profile of Respondents (N = 98)	122
Table 4. 2 Nature of Organization (N = 98).....	123
Table 4. 3 Means and Standard Deviation of the Study Variables	124
Table 4. 4 Response Rate	125
Table 4. 5 Normality Test (Skewness and Kurtosis)	127
Table 4. 6 Mardia's Multivariate Skewness and Kurtosis	127
Table 4. 7 Marker Variable	128
Table 4. 8 Summary of Convergent Validity and Reliability	130
Table 4. 9 Discriminant Validity (Fornell-Larcker Criterion)	131

Table 4. 10	Discriminant Validity Analysis (HTMT0.85 Criterion)	132
Table 4. 11	Lateral Collinearity Assessment (Variance Inflation Factor)	133
Table 4. 12	Assessment of Structural Model (Direct Relationship)	135
Table 4. 13	Assessment of Structural Model (Indirect Relationship).....	137
Table 4. 14	Summary of Hypotheses Tested	138
Table 4. 15	<i>Coefficient of Determination (R²)</i>	140
Table 4. 16	Effect Size (f ²) of the Study Variables	141
Table 4. 17	Results of Blindfolding (Predictive Relevance).....	142

LIST OF FIGURES

	Page
Figure 2.1 Literature Gaps.....	67
Figure 2.2 Proposed Research Framework.....	82
Figure 3.1 G-Power Analysis Result	90
Figure 3.2 Data Collection Procedure	95

LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
CB-SEM	Covariance-Based Structural Equation Modelling
CMV	Common Method Variance
CR	Composite Reliability
CRM	Customer Relationship Management
DCV	Dynamic Capabilities View
EM	Expectation-Maximization
e-WOM	Electronic Word of Mouth
GDP	Gross Domestic Product
HTMT	Heterotrait-Monotrait
ICT	Information and Communications Technology
IP	Internet Protocol
IT	Information Technology
MDEC	Malaysia Digital Economy Corporation
PLS-SEM	Partial Least Square Structural Equation Modelling
PUIM	Malaysian Internet Entrepreneurs Association
R&D	Research and Development
RBV	Resource-Based View
SEM	Structural Equation Modelling
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
SSM	The Companies Commission of Malaysia

LIST OF APPENDICES

Appendix A	Questionnaire
Appendix B	Past Studies on Online Business
Appendix C	Frequency and Percentage
Appendix D	Descriptive Analysis
Appendix E	Outliers
Appendix F	Normality
Appendix G	Harman Single Factor Test
Appendix H	Reflective Measurement Model
Appendix I	Latent Variable Correlations
Appendix J	Cross Loadings
Appendix K	Structural Model
Appendix L	Confidence Interval
Appendix M	Confidence Interval Bias Corrected
Appendix N	List of Identified Online Fashion Business in Malaysia

**KESAN SUMBER DAN KEUPAYAAN PERNIAGAAN ATAS TALIAN
TERHADAP PRESTASI PERNIAGAAN DI INDUSTRI FESYEN MALAYSIA**

ABSTRAK

Kemajuan teknologi maklumat dan internet telah merevolusikan perniagaan yang melibatkan pembelian dan penjualan barang serta perkhidmatan di platform maya. Kerajaan telah berusaha untuk membangunkan sektor perniagaan atas talian dan usaha ini semakin berkembang di Malaysia. Walaupun kerajaan telah bertungkus lumus membangunkan industri ini, namun pasaran perniagaan atas talian di Malaysia hanya menyumbang kepada 6.3% daripada nilai tambah kasar kepada produk domestik kasar (KDNK) negara pada tahun 2017. Berlandaskan teori Pandangan Berasaskan Sumber (RBV) dan Pandangan Keupayaan Dinamik (DCV), penyelidikan ini mengkaji pengaruh sumber perniagaan atas talian dan keupayaan perniagaan atas talian kepada prestasi perniagaan atas talian; hubungan sumber perniagaan atas talian (sumber hubungan, sumber kewangan dan modal insan) dengan keupayaan perniagaan atas talian (keupayaan pemasaran digital, keupayaan CRM dan keupayaan IT). Tambahan pula, kajian ini juga mengkaji sama ada daya saing firma mengantarakan hubungan antara keupayaan perniagaan atas talian dengan prestasi perniagaan atas talian. Melalui pensampelan terpilih, data telah diperolehi daripada 98 perniagaan atas talian yang beroperasi dalam industri fesyen, termasuk sektor pakaian, kasut dan aksesori. Kemudian, data telah dianalisis dengan menggunakan pemodelan persamaan struktur 'Partial Least Squares' (PLS-SEM). Hasil kajian menunjukkan bahawa hubungan wujud antara beberapa aspek daripada sumber perniagaan atas talian dan keupayaan perniagaan atas talian. Berdasarkan hasil kajian, sumber kewangan hanya menyumbang kepada kesan positif secara

signifikan terhadap keupayaan IT. Sementara itu, hasil kajian juga menyimpulkan sumber hubungan mempengaruhi keupayaan CRM secara signifikan dan positif. Hubungan yang signifikan dan positif juga dijumpai antara modal insan dan semua aspek keupayaan perniagaan atas talian. Selain itu, hasil kajian juga menunjukkan bahawa daya saing firma berfungsi sebagai perantara bagi hubungan antara keupayaan pemasaran digital dan prestasi perniagaan atas talian; keupayaan CRM dan prestasi perniagaan atas talian. Penyelidikan ini menyumbang dari segi teori dengan memberi sokongan dalam pernyataan yang diajukan oleh teori RBV dan DCV bahawa organisasi memerlukan kelebihan daya saing untuk menghasilkan prestasi perniagaan yang mantap dalam pasaran fesyen yang dinamik. Dari segi praktikal, kerajaan, perniagaan atas talian dan institusi pendidikan boleh memanfaatkan hasil kajian empirikal ini untuk membangunkan dasar dan program yang efektif bagi meningkatkan prestasi perniagaan. Akhirnya, batasan kajian telah dikenal pasti dan cadangan untuk kajian pada masa hadapan juga turut disarankan dalam penyelidikan ini.

THE EFFECT OF ONLINE BUSINESS RESOURCES AND CAPABILITIES ON BUSINESS PERFORMANCE IN MALAYSIAN FASHION INDUSTRY

ABSTRACT

The advancement of information technology in addition with internet access has revolutionized trades which involve buying and selling of goods and services in the virtual platform. The government has been striving to boost online business establishments and this effort is rising in Malaysia. Nevertheless, it was discovered that there was only 6.3% contribution by online business market in terms of the gross value added to the gross domestic product (GDP) in the year 2017 although the government has been striving to establish online business in Malaysia. Grounded on Resource-Based View (RBV) theory and Dynamic Capability View (DCV) theory, the current research examined the effect of online business resources (relational resources, financial resources and human capital) and online business capabilities (digital marketing capability, CRM capability and IT capability) on online business performance. Besides that, the direct relationship between online business resources and online business capabilities were also been tested. In addition, this study also investigated whether firm competitiveness mediates the relationship between online business capabilities and online business performance. Using a purposive sampling technique, data was obtained from 98 online business in Malaysian fashion industry, including apparel, footwear and accessories sectors. The data was analysed using Partial Least Squares structural equation modelling (PLS-SEM). Results discovered that there was relationship existed between some aspects of online business resources and online business capabilities. According to the results, financial resources only have positive and significant effect to IT capability. Furthermore, results also

deduced that relational resources significantly and positively impacted on CRM capability. Moreover, a significant and positive relationship was found between human capital and online business capabilities. Besides that, results also showed that firm competitiveness mediates the relationship between digital marketing capability and online business performance; CRM capability and online business performance. This research makes several contributions by supporting the assertions forwarded by RBV and DCV theory that argued an organization need competitive advantage to perform well in the dynamic market. On the practical side, this study highlights a feasible path for online business in fashion industry to perform in the digital market. Policymakers and educational institutions also can make use of the empirical results of this study to develop policies and programmes that would assist online business to boost their performance in dynamic market. Finally, limitations and several potential avenues for future research were also identified and proposed in this research.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter comprises the introduction part of this study in which the research background, problem statement, research questions, research objectives, scope of the research and the study's significance are discussed.

1.2 Research Background

Technology advancement has transformed the platform of entrepreneurship from physical into virtual world. Digitalization has changed the traditional ways of interaction between consumers and businesses. The concept of online business has emerged through these years. According to Lian and Yen (2017), the specific nature of online business's environment differs from that of traditional entrepreneurship. The emergence of social media has as well altered the traditional practices of consumer behaviour (Taiminen & Karjaluoto, 2015). Therefore, the factors affecting online business performance cannot be fully applied to traditional entrepreneurship. Online business differs from traditional business in a way that online business can be established successfully without substantial physical investment by entrepreneurs. Hence, online business performance can be enhanced by improving the competitive advantage of such business ventures.

Meanwhile, the model of online business performance is highly unstable (Spiegel et al., 2016). Various factors have been found by past scholars that affect online business performance. The key factors in determining online business performance had been said to be the resources, capability and ability of online

business, but the study on the effects of online business resources and capabilities on online business performance is still scarce in the past literature (Adam et al., 2022; Iyer, Srivastava, & Srinivasan, 2019; Popa, Soto-Acosta, & Loukis, 2016). Besides, past studies had also focused on online business performance through the lens of social network perspectives (Xiang, Chen, Mei, & Chen, 2017), while others had examined the effect of psychological traits of online business owners (Lian & Yen, 2017). On the other hand, the study on online business is still focusing on the early stage of the internet start-up. The literature only focus on the qualitative studies, where they mostly discussed on the challenges (Amin, 2018), social environment (Chan, Selvadurai, Hamid, & Nurdin, 2015), social network (Daniel, Domenico, & Sharma, 2015; Wing-Fai, 2016) of online business.

Business is said to not having the ability to survive in a competitive environment without sufficient performance (Barazandeh, Parvizian, Alizadeh, & Khosravi, 2015). However, no standard definition of business performance has been established up to now despite the exceptional contribution that entrepreneurial activities give to the society (Lee, 2016). According to Kaur, Kumar, and Kumar (2016), the performance of a business is highly dependable on the competitiveness of the firm. By focusing on the stable determinants of individual performance and behaviour such as resources and capability, which will lead to the firm competitiveness, this research aimed in enlightening the complicated pattern with regard to online business performance in the developing economy.

1.2.1 Online Business Establishments in Malaysia

The advancement of technology on these modern days has contributed towards drastic transformation of today's world (Abdulgani, Mamangkiang, & Islam,

2016; Gaudenzi, Mola, & Rossignoli, 2021; Hoque, Awang, & Siddiqui, 2017). Technology is the application of strategies and methods to convert raw material into final products (Padhy, 2015). Technology can also be considered as the usage and knowledge of tools, crafts, organizational methods and system to solve problems or provide services (Abdulgani et al., 2016). The definition of Internet itself has been referred to the worldwide network in which desktop computers are connected around the globe, through the means of modems and typical telecommunication lines which allow access to network services by several users (Kiboro, 2018).

With the establishment of internet, individuals are able to involve themselves in online business (Kiboro, 2018). In fact, it is due to such internet technology, that the group of entrepreneurs acquired the medium to invest in both physical and virtual business world (Lian & Yen, 2017). There are various definitions of e-business or online business that have been provided in past studies. The definition of E-business has been linked to internet utilization in connecting the buyer, supplier, business associates, along with the personnel where it involves using at least one of these: e-commerce, webpage for customer service, webpage with sales affairs, extranet along with supply chain, intranet with portals on enterprise details, as well as the interchange of IP electronic data (Wu, Mahajan, & Balasubramanian, 2003). Whereas, Bi, Davison, and Smyrnios (2017, p. 559) described e-business as “the application of internet-based technologies to conduct both downstream and upstream business activities along the value chain”. Meanwhile, Gupta and Narain (2015, p. 339) defined e-business as “a form of inter-organizational system that enables buyers to interact digitally with suppliers”. E-business has been identified as a business model that is fresh in which a group of business strategies are set up for the sake of supporting particular areas of business besides allowing trade actions to be

performed by the means of electronic use (Tsironis, Gotzamani, & Mastos, 2017). Kiboro (2018, p. 8) also defines online business as any business in which the operations entail buying and selling of goods and service on a virtual platform.

In upcoming decades, it is expected for these internet-based companies to have a rise of 10% of the formation. For the next decades, the internet-based companies are expected to exhibit an increase of 10% of the establishment (Sanchez-Gutierrez, Gonzalez-Uribe, & Camacho-Sotelo, 2013; Teo & Hassan, 2019). Following this, business sector will come up as among the biggest economic sectors, particularly in Malaysia. Recently, Malaysia has developed from production-based economy to knowledge-based economy (Tan, Egge, & Mohamed, 2010). Hence, the government is heavily fostering the online business establishment by enhancing the contribution of ICT towards economic growth. The Companies Commission of Malaysia (SSM) has offered training and courses for such purpose such as field training, techniques for digital marketing strategies by the means of social media and effective joint venture of online businesses and government agencies, industries, higher learning institutions, non-governmental organizations and Malaysian Internet Entrepreneurs Association (PUIM). Other agencies such as Malaysia Digital Economy Corporation (MDEC) and SME Corporation Malaysia also assist small and medium enterprises (SMEs) to engage in online businesses (Bernama, 2017).

According to Rehman, Bhatti, and Chaudhry (2019), in developing and developed countries, SMEs is among crucial sources that contribute to the global economic development. Therefore, for this reason, SMEs are deemed as the economy pillar. In Malaysia, SMES contribute to 98.5% of business establishment in which there are overall 907,065 establishments (SMEinfo, 2018) contributing to 38.3% of Malaysian's gross domestic product (GDP) in 2018 (Department of Statistics

Malaysia, 2019). SME corp defined SMEs in services and other sectors as firms in which the turnover rate of sales is not more than RM20 million or the number of workers not more than 75 people. It is apparent that SMEs play an important role in Malaysian economy. Therefore, the study about online business in SMEs sector is important because this sector can contribute significantly to Malaysian economy. As such, the focus of a lot of past studies in this area is only with regard to information technology acquisition and application in small business operations. For instance, the study by Wu et al. (2003), Bi et al. (2017) and Soto-Acosta, Popa, and Palacios-Marqués (2016) are the researchers that focused on studying the effect of e-business adoption upon Small and Medium Enterprises (SMEs) performance.

Undeniably, the challenges that exist in online business marketplace have impeded Malaysia's economic growth, resulting in the differences of the ecosystem compared to the rest of Asian countries. According to the Department of Statistics Malaysia (2020), the households that have access to internet increased from 87.0% in 2018 to 90.1% in 2019. Besides, the individual usage of internet had also increased from 81.2% in 2018 to 84.2% in 2019. Despite the high penetration rate of internet in Malaysia, there are issues of trust with regard to online shopping which is a concern to the consumers. Based on Suzanna Pillay (2017), complaints from consumers continuously came from online business sector in Malaysia as a result of irresponsible online sellers that commit fraud to the consumers. It somehow affects the performance and reputation of online business in Malaysia

The fashion industry has emerged to become a highly competitive market as the organization keeps offering lower price and better quality to compete against competitors (Gazzola, Pavione, Pezzetti, & Grechi, 2020). According to Selvarajah (2018), fashion is a popular trend that is associated with the style of dressing. The

words that are related to fashion are style, clothing, accessories and dress. In Malaysia, fashion industry has large revenue which amounts to 1,206 million USD in the year 2020 (Statista, 2020). The fashion industry includes segments such as apparel, footwear as well as accessories and bags. In fashion industry, the online apparel segment is the largest market segment with a market volume of 697 million USD in 2020 (Statista, 2020). According to Statista (2020), the revenue for fashion industry has increased from 674 million USD to 1039 million USD from the year 2017 to 2020. In 2022, this industry is expected to earn the revenue of 2.9 billion USD in Malaysia (Statista, 2022). This signifies that such industry exhibits a huge potential to contribute significantly to the economic growth in Malaysia. However, the sustainability of fashion industry is the main challenge that the business must overcome in order to sustain in the stiff competition of dynamic market. The online fashion industry has emerged into a more intense and competitive sector when the megabrands such as Uniqlo and Forever 21 have an online presence as well (Gazzola et al., 2020).

The contributors such as price-sensitive consumers, high expectation towards the product and service quality, the costs of online advertising, the changing trends and fashion season as well as consumers' trust issue have caused it difficult for fashion industry to sustain in the business environment that is constantly changing. Moreover, the risks of purchasing fashion products through online platform, such as not being able to try on the garment to check the fit, quality, texture or colour, have made this industry even harder to sustain. The online businesses which are not able to respond rapidly towards customers' inquiries also contribute to the negative online purchasing experiences. Consequently, customers tend to feel dissatisfied towards the online customer services provided by online business. These will give a negative

impact on online business performance because customer satisfaction is essential in sustaining the business in the marketplace. This can be proven by several past studies which had discovered a significant correlation between customer satisfaction and business performance (Cuevas-Vargas, Parga-Montoya, & Fernández-Escobedo, 2019; Kanten & Darma, 2017; Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015). Hence, online business resources, online business capabilities and firm competitiveness are essential for online business to compete and next outperform their competitors in the dynamic market.

In Malaysia, online business enhancement has a promising future due to customer's awareness of what they will gain from online shopping, which is the cost-saving feature (Adam et al., 2022). Thus, the expectation is that more frequent purchases will likely to be made by online shopping users, while those who shop using offline platform has started to explore online shopping due to Covid-19 outbreak worldwide. Despite a relatively low GDP contribution by the internet economy sector in Malaysia, online business still possesses a big opportunity for rapid advancement to occur as compared to the United States and also China. Hence, in boosting the performance of economy in Malaysia, this research values the importance of examining online business success performance, especially in the firm level performance during the pandemic such as Covid-19.

The nation needs adequate performance in the firm-level enterprise so that it will leave a positive effect to the economic development of the nation. Nevertheless, even though online business has attracted past scholars, only a few researchers have attempted to identify the resources and capabilities that lead to online business performance (Adam et al., 2022; Iyer et al., 2019; Popa et al., 2016). The nature of online business environment prompts the study of such businesses as previous

studies were only focusing on traditional entrepreneurship hence cannot be fully applied to online business. Hence, it was viewed as a necessity by this present study in examining online business performances as the nation requires adequate performance at firm-level to leave a positive effect towards the national economy.

1.3 Problem Statement

The government has been striving to boost online business establishments and this effort is rising in Malaysia (Adam et al., 2022). The government emphasizes on online business because this sector has a great potential to create massive employment opportunity in Malaysia, especially during the Covid-19 crisis where consumers are motivated to shift to virtual shopping routine (NST Business, 2020). It is expected that people will keep going online to search, shop, browse and compare prices. Thus, many brick-and-mortar companies have adopted e-business in order to sustain in the market during the pandemic. Besides, setting up online business only incurs a low cost compared to traditional way of business. Nevertheless, the downsides of online business could hinder the growth of such ventures. For instance, there could be challenges in online business in terms of the taxation and insufficient global harmonization of legal framework that governs the cross-border transactions. There are also other factors that might obstruct the performance of such ventures such as improper planning, assessment and proactive benefits management related to their online businesses.

It was discovered that there was only 6.3% contribution by the online business market in terms of the gross value added to the gross domestic product (GDP) in the year 2017 although the government has been striving to establish the online business in Malaysia (Malaysian Communications and Multimedia

Commission, 2018), in which such contribution from this sector is very low compared to developed countries such as China. In China, the digital economy accounted for 32.9% of the national GDP in 2017 (Xinhua, 2018). The low contribution could be due to the constraints faced by Malaysian fashion industry. There are constant changes in fashion consumers' buying habits, intensified competition among peers, and various available digital platforms in the market (Leu & Ridzuan, 2020). Interestingly, Gaudenzi et al. (2021) point out that the fashion industry's customers' values are ambiguous. Hence, when the fashion customers' values are vague, products are complex, expertise is scarce, and learning is noisy, consumers are more susceptible to influence. As a result, firms have bigger opportunities to drive the market.

Online business requires the right capabilities and competencies to succeed, which the online fashion sector tends to lack, which explains its low performance. Based on Daniel et al. (2015), the common problem is that online businesses lack business and technical competencies. Leu and Ridzuan (2020) also claimed that most small fashion firms are experiencing a talent and infrastructural deficit. Those online businesses do not possess the capability, competencies and apprehension of the value chain activities the moment they set up the online business. Leu and Ridzuan (2020) backed up the statement by adding that the players in the fashion industry are still utilizing outdated business strategies, although there is a huge shift in the industry. The myth that online business is a platform for people who want to earn quick cash seems to be the only guide for these people (Azhari-Karim, 2018).

Besides that, past literature has paid a lot of attention in the assessment of competitiveness at national level, in which it comprised the measurement of performance between organisations, income level per capita, and the comparison of

costs among the rest globally. However, the field that received less focus was the assessment of competitiveness in firm level, particularly involving the identification and discussion of numerous potential drivers of competitiveness with regard to small businesses (Sauka, 2014). Since competitive companies which include small businesses are particular elements that contribute towards any country's economic growth, therefore this is a bit unexpected to occur. The resources of a company are regarded to be able to generate competitive advantages for them, in which those benefits allow the institutions to have a surrounding that is high in dynamic and critical, which eventually help them to be unique as compared to their competitors. According to Royce Tan (2019), the global competitiveness in Malaysia in the year 2019 has dropped in the global ranking. The government has suggested that firm competitiveness of small businesses in Malaysia should be enhanced by promoting the innovation and skill development of these firms. According to Yee (2012), the firms that are equipped with capabilities can diversify themselves as well as online business performance from their competitors to remain competitive, in which later the capabilities will allow the expansion of business revenue along with efficient performance of the business for the firms. Therefore, this study attempted to identify the types of online business capabilities that are able to contribute to the firm-level competitiveness as well as online business performance with regard to fashion industry in Malaysia. The mediating relationship of firm competitiveness between online business capabilities and online business performance had been empirically tested in this study.

Apart from that, based on the indication made by past research, more studies should be performed with regard to the rise of online business establishment (Kiboro, 2018; Lian & Yen, 2017). Nevertheless, there is insufficient work that had performed

in the identification of the resources and capabilities of online business and the study on their respective impacts towards accomplishment. Correspondingly, no extensive research has been carried out to examine the correlation of online business resources along with capabilities (Iyer et al., 2019; Popa et al., 2016). It is also much less known of the procedures and enablers configuring and transforming cross-firm supply chain resources into distinguishing capabilities (Iyer et al., 2019). Therefore, this research attempted to indicate the significant role of resources in online business performance. Besides that, the capabilities of online business capabilities are significant in determining the online business performance. Hence, enhanced competitiveness and accomplishment might be possible to achieve with the association of online business resources along with their unification in online business capabilities.

Based on the previous discussion, government has invested so much on online business establishment in Malaysia. However, the online business performance is not as what has been expected on it. This is because the online business performance is very much dependent on their resources, capabilities and competitiveness of this business venture. Besides that, less studies have concentrated on the relationship between online business resources and capabilities (Iyer et al., 2019; Popa et al., 2016), particularly in the fashion industry in Malaysia. Therefore, the present study was determined to bridge the gap through investigating the online business resources and capabilities that contributed to the performance of online businesses in Malaysia. Moreover, the mediating relationship of firm competitiveness between online business capabilities and online business performance had as well been tested. This study is a crucial step to fully comprehend the complicated relationship between online business resources, online business

capabilities, firm competitiveness along with online business performance in Malaysia.

1.4 Research Questions

1. What is the relationship between online business resources and online business performance?
2. What is the relationship between online business capabilities and online business performance?
3. Do online business resources lead to online business capabilities?
4. Does firm competitiveness mediate the relationship between online business capabilities and online business performance?

1.5 Research Objectives

1. To determine the relationship between online business resources and online business performance.
2. To investigate the relationship between online business capabilities and online business performance.
3. To study the relationship between online business resources and online business capabilities.
4. To inspect the mediating effect of firm competitiveness upon the relationship between online business capabilities and online business performance.

1.6 Significance of the Study

This study originally aimed to contribute in the exploration into an emergent research area of online business in terms of online business resources, online business capabilities, firm competitiveness and online business performance in fashion industry. This study contributes theoretically and practically in online fashion industry in Malaysia and other developing countries.

1.6.1 Theoretical Significance

A lack of research had been performed in investigating online business resources and capabilities that are important for the performance of online business (Iyer et al., 2019; Popa et al., 2016). Hence, this study contributes to the literature of online business in Malaysia by evidently examining the path process between different variables with Resource-Based View and also Dynamic Capabilities View Theory. It is an area of study that is slowly being explored by the scholars. The analysis of this study supports previous research findings as well as providing new insights to the current topic. Therefore, the findings can be useful in optimizing local online business performance by identifying the resources and capabilities that reinforce the competitiveness of such ventures.

Apart from that, this study which is grounded in the theories, Resource-Based View (RBV) and Dynamic Capabilities View (DCV) discovered the factors that affect online business performance within fashion industry in Malaysia. The understanding of the concept has broadened the understanding of online business in the subject area as a model is proposed to simplify the understanding of the resources and capabilities influencing the online business performance, especially in Malaysia.

The study's empirical outcomes exposed the factors that have a vital impact on online business in achieving a competitive advantage to perform in the market.

Moreover, the literature review provides a good overview of the current knowledge on related subjects. Past studies influencing the success of online business performance had been carried out previously in other countries (Sebora, Lee, & Sukasame, 2009; Tsironis et al., 2017; Xiang et al., 2017). Hence, this study will initiate the closing of a critical gap in theory and practice by studying the online business performance in Malaysia. The literature aims to provide a better understanding of the link among online business resources, online business capabilities, firm competitiveness and online business performance so there will be fewer wasted resources as a result of the failure of such business ventures.

The originality of this study was set out to examine firm competitiveness which mediates the relationship between online business capabilities and online business performance in fashion industry, which is an area that has been neglected by past studies, especially for small businesses (Sauka, 2014). Nonetheless, these existing empirical researches could not reach unified interpretations that generate a gap of applying diverse variables regarding various resources and capabilities that could assist online businesses in achieving a competitive advantage and contribute to online business performance (Rossi, 2012). Thus, this study attempted to prove the resource-based view theory and dynamic capabilities view theory which claimed that it is possible to produce a competitive advantage and enhance the performance through resources and capabilities.

1.6.2 Practical Significance

In this current research, there are some indications for current and potential online business, educational institutions and policy makers. This research has established a practical model stating the resources and capabilities that are critical to the success of an online business venture. The nature of this research has contributed in terms of providing the empirical evidence about the factors that could enhance the firm competitiveness of online firms for the success of online business in Malaysia. This study also assists policy makers to develop policies and programmes based on their own competitive characteristics to strengthen the development of online business in Malaysia. For instance, technology-related training programs to enhance the skills, disclosure of market information and networking activities on national and international levels for online business should be carried out by the government. Therefore, the potentials of online business can be discovered and trained in order to flourish as successful business people.

Moreover, this study also indicates how information technology alters the traditional business practices in numerous ways that allow online business to pursue international markets and opportunities. Therefore, past studies of traditional entrepreneurship cannot be applied directly to online business. The current study has facilitated educational institutions to discover sophisticated techniques to train and develop online business in terms of their competitiveness in business environment. The training processes should be aimed at developing online business to become more competent in online business platform. The selection of appropriate activities and tasks for online business skill development or self-development through different teaching methods should as well be focused by educational institutions. The training

should be able to produce a population of online business that are capable to incorporate into modern business environment independently and competently.

Moreover, the outcomes from the current research can also be regarded as a guide or template for individuals who are interested to become online business apprentices and want to perform successfully in the dynamic online business world. Individuals who are in attempt to operate an online business can evaluate themselves first before proceeding with the implementation of the business venture. It also allows the foundation to explore the significant factors affecting competitiveness and online business performance in Malaysia. The new knowledge from this study could provide insights for individuals to understand the success factors that could affect the business growth in the first five years of the business and to ensure that it is profitable.

1.7 Scope of the Study

This is a descriptive correlational study to examine the online business resources and capabilities affecting the firm competitiveness as well as online business performance in the Malaysian fashion industry. Therefore, this research aims to examine the relationship between online business resources, online business capabilities, firm competitiveness and online business performance.

In this research, the term online business specifically refers to the business that are using an electronic platform to perform all types of business activities and it is based upon the electronic creation of value. In other words, the online business develop their business through the Internet platform where the activities such as business promotion, customer relationship management, distribution channel and business sales are conducted through virtual platform. Internet usage refers to

utilization of social media, official website or e-commerce to reach customers through internet access. The online businesses that are considered as performing are the one that maintain their business operation for at least three years.

This is a quantitative research where a self-administered questionnaire is developed and all items are adapted from previous literature. The unit of analysis in this study was organization. Business that exhibit online presence by selling fashion products in the virtual platform such as social media and official website had been chosen as the sample for this study by using judgemental sampling method. Responses were collected through a structured questionnaire from online business that has been established for at least three years in fashion industry. The online business were contacted through face-to-face data collection method, phone survey as well as online questionnaire.

1.8 Definitions of Key Terms

Online Business: Any business in which the operations entail buying and selling of goods and service on a virtual platform (Kiboro, 2018).

Online Business Performance: The degree to which online businesses reach the expectation of the owners and managers in terms of sales, profitability and overall online performance (Jaaffar, Baharom, Zaini, & Ahmed, 2017).

Online business resources: A stock of available factors in terms of technology, finance, human, institutional and physical resources of which the online firms possess or control (Monteiro, Soares, & Rua, 2019).

Relational resources: The number, strength and quality of the relationships regard to the relationships with the company and external entities like the customers,

competitors, suppliers and government organizations (Morgan, Vorhies, & Schlegelmilch, 2006).

Financial resources: The ability of a firm to access cash and capital (Morgan et al., 2006).

Human capital: The degree of creativeness, apprehension, and idea establishment capabilities that exist and use by people in the institution (Subramaniam & Youndt, 2005).

Online business capabilities: The transformation and combination of online business resources and organizational processes that create value to the firms by establishing inter-firm business competences and enhancing performance (Bi et al., 2017).

Digital marketing capability: The firm's ability such as marketing planning, sales, pricing, product management and distribution, communication, and marketing implementation competencies to market and sell its products over the internet (Wang & Cavusoglu, 2015).

Customer relationship management (CRM) capability: Firm's ability to establish and maintain beneficial relationships with target customers over the Internet (Orr, Bush, & Vorhies, 2011).

IT capability: A firm's ability in using information technology resources for the purpose of enhancing the strength of competitiveness and promote the development of organization by adjusting, reconfiguring and integrating (Yeh, Lee, & Pai, 2015).

Firm Competitiveness: The ability of a firm in creating and producing better market products as opposed to their competitors relevant to the price and non-price qualities (Ajitabh & Momaya, 2004).

1.9 Organizations of Thesis

There are five chapters altogether in this thesis. The first chapter serves as the research's introduction, in which the overall picture of the study background is provided and the current issues that had to be pointed out are discussed through the methodologies performed for this research. Moreover, the research questions, research objectives along with the significances of the study are as well discussed in the chapter.

Chapter 2 comprises the literature review in which the theories and the review of related literature regarding online business resources, online business capabilities, firm competitiveness and online business performance are discussed. In addition, in this chapter, the research framework and hypotheses are also developed and outlined.

Chapter 3 includes the methodology utilised by this research. The research design, sample and sampling methods utilized as well as the procedure of data analysis are discussed in this chapter. Besides that, it discusses data collection procedures and questionnaire establishment. Finally, it covers the statistical data analysis operationalization.

Chapter 4 uncovers the research outcomes. This chapter contains discussion which comprises the required data analysis in answering the research questions. The demographic profile of the respondents, descriptive analysis, data screening, the

validity and reliability of the construct, and the hypotheses testing analysis are as well covered in this chapter. The measurement and the structural model of this study are also included. This chapter concludes with the summary of the findings, in which it shows whether the hypotheses in the study are accepted or rejected.

Chapter 5 discusses the primary issues and objectives of this research, besides the result discussion. After that, it elaborates on the study's contributions and implications with regard to practical and theoretical perspectives. The limitation of the study and recommendation for future research regarding the topic are also presented.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Chapter 2 starts with the discussions on the underlying theories and the variables of this study based on the findings of previous literature. Following that, the hypotheses of the study as well as the theoretical framework for the study are presented.

2.2 Underlying Theories

This part provides a thorough discussion review with regard to the underlying conceptions which were selected in this study. There were various theories employed by past studies in relation to success factors and competitive advantage in the field of strategic management and entrepreneurship. Table 2.1 demonstrates the theories that have been employed by scholars based on the extensive literature review. The resource-based view and dynamic capabilities view theory of a firm were employed in this research in understanding the relationship between the variables.

2.2.1 Resource-Based View Theory

Resource-based view (RBV) theory explains the distinct performances between firms are due to the different resources used by the firms and the fact that they have different capabilities. Both of these elements are able to produce sustainable competitive advantage and hence improve the business accomplishment. There are tangible and intangible resources of the firm such as financial, social and human resources that are bound to the firm, while the capabilities and competencies are the complicated form of skills and knowledge patterns which became the

embedded customary that belong to the organizations (Teece, Pisano, & Shuen, 1997). RBV further explained that the firm capability and resources are two mutually dependent factors because the firm's resources are expected to fail in achieving a superior performance without sufficient capabilities to utilize the resources within the firm (Abaho, Aarakit, Ntayi, & Kisubi, 2017).

Besides that, this theory emphasizes on the resources of the firms, where the resources of the firms must be valuable, rare, and imperfectly imitable to generate a sustainable competitive advantage (Barney, 1991). Financial, social and human resources are the three types of firm resources that have been identified by past scholars (Soejono, Mendari, & Rinamurti, 2015). Financial resources are known as the firm's equity, retained earnings and debts, while human resources refer to the knowledge, expertise and experience possessed by the members in the organization, while social resources are the social network or social capital of the organization.

This theory argues that there is no firm that is equipped with the same sets of resources and capabilities, hence, the unique combination between the resources and capabilities of a firm represents the potential to achieve sustainable competitive advantage. Besides, the full exploitation of the resources must also be allowed by implementing the strategies for value creation activities. These will enable the firm to perform better than its competitors because it is difficult for them to imitate the strategies of the firm.

Moreover, past studies had developed the relationship between the firm capabilities, competitive advantage and business performance. Business performance has been found to be depended on the firm capabilities rather than business environment (Mohamad, Julian, & Ahmed, 2015). However, the limitations of this

theory are the difficulties to measure the intangible resources or the static perspective of this approach; past studies still could not conclude the integrated results of this theory. Hence, the empirical studies of the resources intangibility such as the firm capabilities and their effect on business performance are essential. Therefore, it was chosen as the base to study the relationship between intangible resources and business performance.

2.2.1(a) Resource-Based View Theory, Firm Competitiveness and Business Performance

Penrose (1959) was among the first to propose the relationship between RBV and the firm growth. RBV demonstrates that business performance depends on the competitive advantage by the means of capabilities and resources treatment being the main deliberations in strategy formation and the primary profitability sources (Bi et al., 2017). Therefore, business performance lies on various internal attributes such as corporate assets, resources and the application of assets and resources. On the other hand, numerous authors have as well directly or indirectly proposed the relationship between firm resources and capabilities that lead to firm competitiveness (López-Cabarcos, Göttling-Oliveira-Monteiro, & Vázquez-Rodríguez, 2015). Past literature argued that the resources and capabilities of organizations can create and sustain the competitive advantages which lead to the high level of business performance (Adam et al., 2022; Chikán, Czakó, Kiss-Dobronyi, & Losonci, 2022; Gaudenzi et al., 2021).

The overall concept of RBV is that the expansion of the firms is explained through various resources and capabilities of the firm, the resources existence along with the implication of the resources and capabilities for value creation which assist in the expansion of the firm. According to Adam et al. (2022), RBV has a strong impact on the study of organizational performance since it provides detailed insights into how

an organization might outperform its competitors in the similar market. The concept of business expansion is explicable as a sequential process that is dependent on the path where resources exploitation is combined with the establishment of new resources and capabilities of the firms. RBV has suggested that capabilities are a strong predictor of the successful implementation of digitization strategies, implying that more in depth investigation is required (Gaudenzi et al., 2021).

In the study by Chikán et al. (2022), RBV theory has been chosen to explain firm-level competitiveness from the perspectives of drivers and capabilities. The authors argued that the environmental models of competitive advantage elucidate the impacts of a firm's environment on performance. Gaudenzi et al. (2021) further supported the assertion, noting that firm resources and capabilities are exploited based on market prospects. Hence, RBV appears to be linked to the firm's internal characteristic and performance.