

**THE EFFECT OF GLOBAL MINDSET AND
EXPORT MARKET ORIENTATION ON
MALAYSIAN FOOD INDUSTRY SMEs TOWARDS
INTERNATIONAL PERFORMANCE**

NURUL ULYA BINTI ABDUL RAHMAN

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INTERNATIONAL PERFORMANCE**

by

NURUL ULYA BINTI ABDUL RAHMAN

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LIST OF ABBREVIATIONS

CMV	Common Method Variance
DC	Dynamic Capability
DML	Decision-Making Logic
EMO	Export Market Orientation
FMM	Federation Manufacturing of Malaysia
GM	Global Mindset
GDP	Gross Domestic Product
MATRADE	Malaysia External Trade Development Corporation
RBT	Resources Based Theory
SME	Small and Medium-Sized Enterprise
SA	Strategic Alliance

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**IMPAK MINDA GLOBAL DAN ORIENTASI PASARAN EKSPORT KE
ARAH PRESTASI ANTARABANGSA IKS INDUSTRI MAKANAN
MALAYSIA**

ABSTRAK

Ekonomi sesebuah negara amat bergantung pada industri kecil dan sederhana (IKS). Namun begitu, sebahagian daripada IKS tidak berkeupayaan untuk mengekalkan kecemerlangan prestasi dalam pasaran antarabangsa. Menurut teori keupayaan dinamik, minda global dan orientasi pasaran eksport merupakan faktor penting dalam mencapai prestasi yang diinginkan. Penyelidikan ini menyiasat kesan minda global dan orientasi pasaran eksport terhadap prestasi antarabangsa IKS industri makanan di Malaysia. Logik membuat keputusan (sebab dan kesan) ialah pemboleh ubah pengantaraan dalam hubungan antara minda global dengan prestasi antarabangsa. Selain itu, penyelidikan ini menggunakan perikatan strategik domestik sebagai pemboleh ubah penyederhanaan dalam hubungan antara orientasi pasaran eksport dengan prestasi antarabangsa. Kajian kuantitatif ini dijalankan terhadap IKS industri makanan di negara yang sedang pesat membangun, iaitu Malaysia. Teknik PLS-SEM telah digunakan untuk menganalisis data. Hasilnya menunjukkan dua aspek minda global, iaitu jangkaan tindak balas dan jangkaan penyelarasan bahagian, menghasilkan impak positif terhadap logik membuat keputusan (sebab dan kesan). Satu aspek orientasi pasaran eksport, iaitu tindak balas perisikan eksport, memberikan kesan positif terhadap prestasi antarabangsa. Hasil kajian menunjukkan logik membuat keputusan tidak memberikan kesan pengantaraan yang signifikan dalam hubungan antara minda global dengan prestasi antarabangsa. Peranan penyederhanaan perikatan strategik domestik dalam hubungan antara orientasi pasaran eksport dengan prestasi

antarabangsa juga didapati tidak signifikan. Kajian ini memberikan beberapa sumbangan terhadap teori berserta pemahaman yang lebih mendalam tentang prestasi antarabangsa, terutamanya berkaitan dengan industri makanan di Malaysia. Implikasi metodologi dan praktikal telah dibincangkan, dan beberapa kemungkinan yang berpotensi untuk penyelidikan akan datang turut dikenal pasti dan dicadangkan. Kesimpulannya, penyelidikan ini membantu dalam memberikan gambaran menyeluruh tentang faktor-faktor yang menyumbang kepada prestasi antarabangsa IKS.

**THE EFFECT OF GLOBAL MINDSET AND EXPORT MARKET
ORIENTATION ON MALAYSIAN FOOD INDUSTRY SMES TOWARDS
INTERNATIONAL PERFORMANCE**

ABSTRACT

A country's economy relies heavily on small and medium-sized enterprises (SMEs). However, some SMEs were unable to maintain outstanding performance in international markets. According to dynamic-capability theory, a global mindset and export market orientation are crucial factors in achieving desired performance. This research investigates the effects of global mindset and export market orientation on the international performance of food industry SMEs in Malaysia. On the other hand, decision-making logic (causation and effectuation) is a mediating variable in the linkages between global mindset and international performance. On top of that, this research incorporates domestic strategic alliance as a moderating variable between export market orientation and international performance relationship. This quantitative study was conducted on food industry SMEs in the emerging country, Malaysia. The PLS-SEM technique was used to analyse the data. The results showed that two aspects of a global mindset, responsiveness expectations and divisional coordination expectations, positively impacted decision-making logic (causation and effectuation). One aspect of export market orientation, export intelligence responsiveness, has a positive effect on international performance. The results reveal that the mediating role of decision-making logic on the linkages between global mindset and international performance was insignificant. The moderating role of a domestic strategic alliance between export market orientation and international performance was also insignificant. This research makes several theoretical contributions and provides

further insights into international performance, particularly in the Malaysian food industry. Methodological and practical implications were discussed, and several potential avenues for future research were identified and proposed. In short, this research helped produce a global picture of factors that contribute to SMEs international performance.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter provides a brief explanation of the research. Following the introduction, section 1.2 presents the background of the study, section 1.3 describes Malaysia's SMEs and Internationalization, while section 1.4 specifies the significance of food industries to SMEs and internationalization. Further, section 1.5 outlines the research problem, while sections 1.6 and 1.7 describe the research questions and objectives, respectively. Finally, section 1.8 explains the significance of the study. Section 1.9 defines the terms utilized in this investigation, and section 1.10 gives the scope of the study.

1.2 Background of The Study

Small and medium enterprises (SMEs) play a crucial role in the expansion and growth of the country, especially in this dynamic era of globalization (Paul, Parthasarathy, & Gupta, 2017). Although SMEs face a dearth of resources and relatively lower-scale economies, they are noteworthy contributors to employment and sources of innovation (Amini, 2004; Chin & Lim, 2018; Pavitt, Robson, & Townsend, 1987). Small and medium-sized enterprises (SMEs) have played an increasingly crucial role in Malaysia since the late 1990s. SMEs were more robust relative to large companies during the Asian Financial Crisis of 1998-99. The establishment of the National SME Development Council (NSDC) in 2004 was one crucial milestone that marked the importance of SMEs to the Malaysian economy (Chin & Lim, 2018). Given this attribute, recent research in International Entrepreneurship highlights the increasing attention given to SMEs due to the awareness that SMEs play a major part

in any country's economy in numerous ways (Djebarni & Al-hyari, 2009; Paochoo, 2016).

The current movement of economic evolution and fast industrial development has made Malaysia one of the world's most open economies (Economic Planning Unit, 2015; Muhammad, 2010). SMEs operate in almost every key and major industry in the Malaysian context. This scenario witnesses the growth and development of SMEs over the years (Chelliah, Sulaiman, & Pendian, 2010; SME Corporation Malaysia, 2020). According to the Economic Planning Unit (2015), SMEs persistently boosted the economy. They resulted in more comprehensive sustainable growth, reflected by rising household income, low unemployment rate, benevolent inflation, and a dynamic financial system (Economic Planning Unit, 2015).

However, challenges still draw near for Malaysia as it remains exposed to external risks and shocks as a small and open economy. To reduce the challenges the small and open economy faces, Malaysia must emphasize boosting productivity, improving innovation and expanding export potential (Economic Planning Unit, 2015) to improve its financial stability. Due to the changes in the global economy in recent years, SMEs must advance their plan and strategies to involve in international business (Chen, 2013; Oviatt & Mcdougall, 1994). Moreover, to maintain the business growth and success of companies, the small business must become an international player (Al-Hyari, Al-Weshah, & Alnsour, 2012; Ngoma et al., 2017).

To date, internationalization is considered a serious strategy for all firms worldwide (Ferreira & Franco, 2017; Paochoo, 2016; Ren, Eisingerich, & Tsai, 2015) and vital for organizations' growth and expansion (Mohamad Anuar, 2018). In the case of the smaller firm, to sustain growth, depending on only the domestic market is

insufficient (Bose,2016). International venturing efforts are required for a small firm to maintain its businesses. Thus, smaller firms nowadays must seek growth by depending on the domestic market and obtaining new customers through international venturing efforts.

Exporting SMEs can expand because they rely on the domestic market and gain new customers through global venture efforts (Miocevic & Morgan, 2018). Apart from the domestic market, the international market has the potential to encourage international competition benefits, intensify survival prospects and grow into a stronger participant in the home market (Bose,2016; Zhou & Wu, 2014). To nurture SME development in Malaysia, the government has enforced internationalization policies and support programs (Saad & Idris, 2014; SME Corporation Malaysia,2019). However, Malaysian internationalization performance was lower compared to other countries. The contribution of SMEs to the GDP, business establishments, employment, and exports for the various Asian countries where data are available is summarised in Table 1.1. It indicates that Malaysia's SME share of total exports (%) as an upper-middle-income country was lower than Thailand (2018, 28.8%).

It demonstrates how Malaysia has a stronger tendency toward domestic markets. Due to the intense competition, survival and growth of Malaysian SMEs, an internationalization strategy can be the best option. Besides, according to the World Trade Organization (WTO), Malaysia is the 24th largest exporter globally but ranks 53rd in global value chain participation based on the Organization for Economic Cooperation and Development (OECD) STI Scoreboard 2017 report. This means that entrepreneurs in Malaysia need to create a strong network of cooperation with the

international market to boost their involvement in the global economy (Kementerian Pembangunan Usahawan, 2019).

Prior studies on the internationalization of small and medium-sized businesses have demonstrated that internationalization enhances SMEs' ability to compete and their chances of survival (Bose,2016; Zhou & Wou,2014). Internationalization is also important for SMEs to reinforce their creativity (Kalinic & Forza, 2012; Ren et al., 2015) and increase efficiency (Ren et al., 2015; Coviello, McDougall, & Oviatt, 2011) contrasted to companies that do not internationalize. Additionally, internationalization is a success factor for achieving economic expansion, economic strength, and better performance due to diversification advantages, efficiencies of scale, and learning advantages (Coviello et al., 2011; Paochoo, 2016).

Table 1.1 SME's Contribution to Economic Activity and Trade

Country	SME Share to GDP	Total Business Establishments	SME Share of Total Employment (%)	SME Share of Total Exports (%)
Malaysia (2018)	37.4	98.5	66.2	17.5
Thailand (2018)	36	99.7	80.4	28.8
Vietnam (2016)	41	97	50	-
Indonesia (2015)	56	99.9	97.2	15.7
Singapore (2017)	60.8	99	65	-

Note: Adapted from an online report provided by 'Dasar Keusahawanan Nasional' 2030 (2019)

Additionally, despite recording an increase in the export value from RM155.1 billion in 2016 to RM 167.4 billion in 2017, SME contribution to the total exports was lower at 17.3% (2016:18.6%) as shown in figure 1.1, due to higher growth by large firms (SME Corporation Malaysia, 2018). While in 2018, SMEs contributed to total exports remained the same as in 2017, which is 17.3%. It shows that despite being the major contributor to the country's economy, the involvement of Malaysian SMEs in the international market remains small and stagnant. Moreover, as shown in figure 1.2,

the annual growth rates for SME exports were 3.4% in 2018 compared to 7.2% in 2017. It shows that there has been a decrease in growth for SME exports.

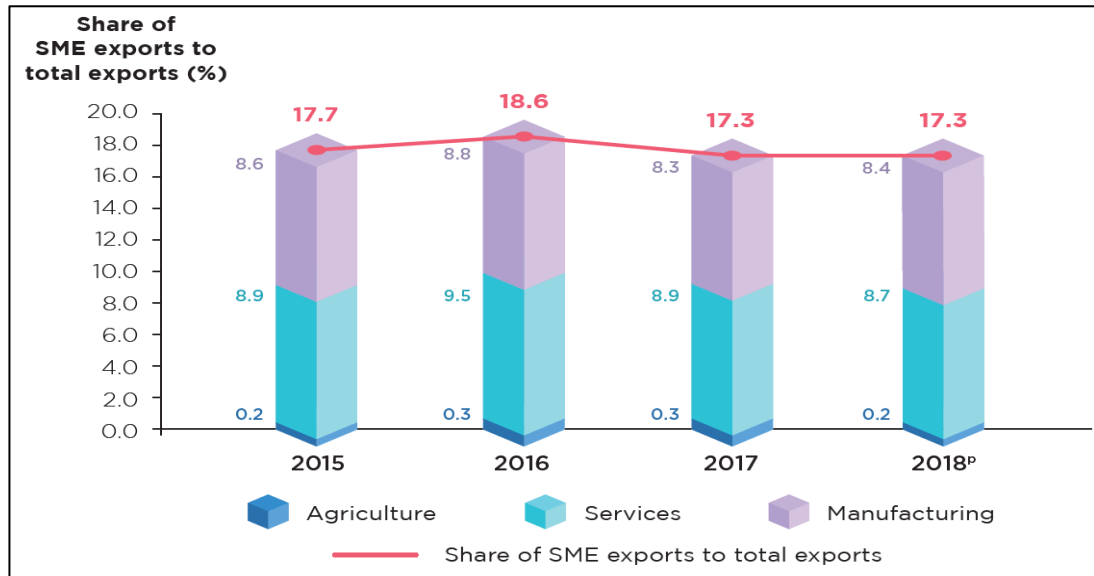


Figure 1.1 Percentage Share of SME Exports by Economic Sector (%)
Sources: SME Corporation Malaysia (2019)

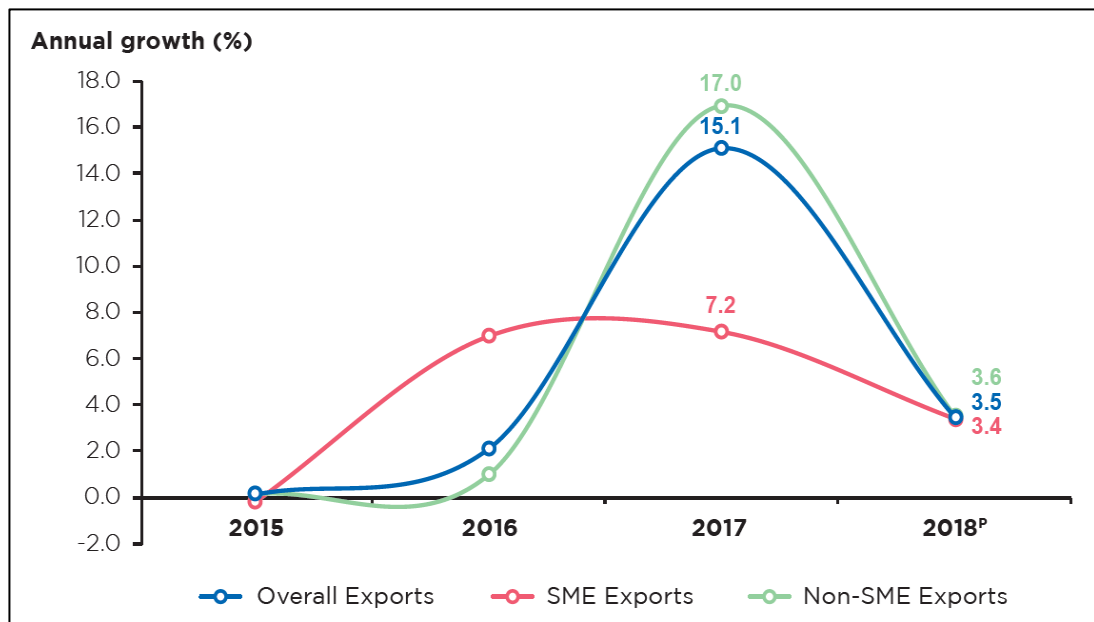


Figure 1.2 SME Exports Growth (%)
Sources: SME Corporation Malaysia (2019).

Internationalization is one of the critical measurements for the growth of a firm (Peng & Delios, 2006). In Malaysia, the government also encourages internationalization activities due to the intense competitive domestic market and to boost the economy (SME Corporation Malaysia,2019). However, based on the preceding literature, internationalization remains challenging for firms, especially SMEs, due to limited resources (Hashim, 2015; Paul et al., 2017; Yener, Doğruoğlu, & Ergun, 2014). The international performance of SMEs remains inconclusive and inconsistent (Fernández-Mesa & Alegre, 2015; Paul et al., 2017) as well as in Malaysia (Chin & Lim,2018). Moreover, the business performance of Malaysian SMEs, as evaluated from their contribution to the Malaysian Gross Domestic Product (GDP), was not significant compared to the total business establishments of SMEs in Malaysia, which are almost 98% (Chin & Lim,2018; SME Corporation Malaysia, 2018). Thus, further investigation is essential to explore aspects that might lead to the favourable international performance of small and medium-sized businesses.

1.3 Malaysia SMEs and Internationalization

SMEs refer to the number of employees or the net assets, whichever is fewer (Paochoo,2016), and the definition differs through countries (Harvie, 2004). In the 14th National SME Development Council (NSDC) meeting in July 2013, NSDC announced a new Malaysian SME definition due to the numerous economic changes since 2005. According to SME Corporation Malaysia (2018), SMEs are defined by their sales turnover and the number of full-time employees, including the manufacturing sector. SMEs are defined as firms with sales turnover not exceeding RM50 million or full-time employees not exceeding 200 workers. Second, sales turnover for services and other sectors is not exceeding RM20 million, and full-time

employees not exceeding 75 workers. The SMEs definition in Malaysia include table 1.2 illustrate a detailed definition of SME.

Table 1.2 Detailed Definition by Category Namely Small and Medium Enterprise

Size	Small		Medium	
	Sales Turnover	Employees	Sales Turnover	Employees
Manufacturing	RM300,000 to < RM15 million	5 to < 75 employees	RM15 million to ≤ RM50 million	75 to ≤ 200 employees
Services and other sectors	RM300,000 to < RM3 million	5 to < 30 employees	RM3 million to ≤ RM20 million	30 to ≤ 75 employees

Sources: SME Corporation Malaysia (2018)

Since the late 1990s, small and medium-sized enterprises (SMEs) have played a crucial role in Malaysia. During the 1998-99 Asian Financial Crisis, SMEs showed more robustness than larger enterprises (Chin & Lim,2018). Furthermore, SMEs play a crucial role in Malaysia as they can be considered sources of employment, innovations, and growth and Malaysia's transformation into a modern economy demonstrates a significant contribution of small and medium enterprises (SME Corporation Malaysia,2012).

In 2018, against the challenging economic situation, Malaysian SMEs remained resilient. For instance, SMEs' gross domestic product (GDP) increased by 6.2% in 2018 from the previous year. In terms of overall GDP, SMEs grew by 4.7% in 2018. Moreover, SMEs contributed 38.3 percent to the total GDP and 17.3 percent to total exports. SMEs also play a vital role in employment and job creation, whereby in 2018, SMEs contributed 66.2% of employment during the year. It shows a slight increase from the previous, which is 66.0%. Besides, SMEs account for 98.5 percent of business establishments in Malaysia (Department of Statistics Malaysia, 2018).

Therefore, without a doubt, Malaysian SMEs are a catalyst to address socio-economic disparities across regions and ethnicities (SME Corporation Malaysia, 2018) and automatically determine the country's performance (Chin & Lim, 2018).

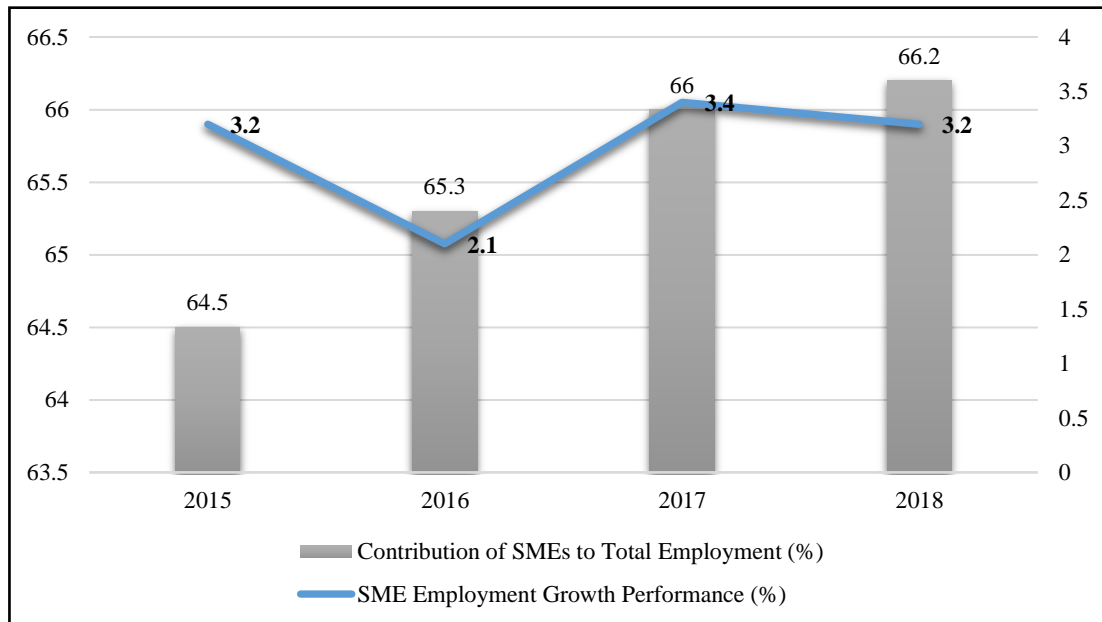


Figure 1.3 Contribution of SMEs to Total Employment (%) and SME Employment Growth Performance (%)
 Note: Adapted from SME Annual Report 2018

In 2012, although SMEs contributed almost 33 % of gross domestic product (GDP), the contribution of SMEs in the export and international market remained relatively small at 18 % in 2012. This figure was far below-bordering countries, especially Thailand, Taiwan and Japan (Hashim, 2015). While for 2015, GDP was about 32 % and total exports remained small, which is about 19 %, indicating Malaysian SMEs are domestic market-oriented (Chin & Lim, 2018).

1.3.1 Food Industry of Malaysia SMEs

The Malaysia Food and Beverage Industry (F&B) is one of the fast-growing markets and significantly contributes to national accounts. Among the variety of food and beverages in the F&B industry in Malaysia, the industry is vibrant, with many different types of Western-style favourites and a variety of Asian food for Asian tastes and dietary preferences. The food and beverage sector are diverse, with cocoa and chocolate products, cereal products, fruits and vegetables that have been processed, cereal products, beverages, animal feed, etc. Malaysia is also heavily dependent on importing many of its essentials, such as rice, meat, and seafood (Flanders Investment & Trade, 2020).

1.3.1(a) Key Food and Beverages Sector

Nowadays, Malaysia is positioned to be one of the countries that are leading the food-producing and processing in Asia. The food processing industry accounts for approximately 10% of Malaysia's output. In 2017, processed food produced nearly RM21.1 billion and was exported to more than 200 countries, while its import value was RM20.7 billion (Malaysian Investment Development Authority, 2018). Malaysia's food industry is predominantly Malaysian-owned and dominated by small and medium-sized businesses. It encompasses cocoa and cocoa preparations, prepared cereals and flour preparations, processed seafood, dairy products, prepared and preserved vegetables and fruits, processed meat, sugar and sugar confectionery, coffee, tea, spices and edible products, and preparations (Bhuiyan, Said, Ismail, Jani, & Fie, 2016; Malaysian Investment Development Authority, 2018).

This industry offers vast opportunities to SMEs, including boosting business performance, improving product quality, enhancing the productivity of output, profit and market share, strengthening Bumiputera SMEs' networking, and generating competitive advantage (Zain, Anas, Hassan, Lehar, & Shamsuddin, 2012). Furthermore, the food processing SME plays a vital role in economic growth, and this industry is the most significant Malaysian SMEs' mainstream (Bhuiyan et al., 2016).

According to Malaysia Statistic Department, in 2019, 4.6 million people were employed by SMEs in the services sector. This accounted for 50.5% of total employment in the services sector. This sector reported the highest growth of 4.4 % (2018:4.2%), and food and beverages are one of the sub-sectors that supported growth. Meanwhile, there were 1.2 million people employed in small and medium-sized manufacturing businesses. This contributed 46.7% (2018:46.6%) to the total employment in the manufacturing sector. Employment in the SME sector increased by 2.2% compared to 2.3% in the previous year, with the food subsector being the primary contributor (Department of Statistics Malaysia, 2018).

In addition, the food processing industry in Malaysia is expanding by approximately 3% per year (Ngumbang, 2020). The food processing industry consists of domestic, international, and medium-sized businesses. Malaysian-owned companies dominate the industry, but the government provides several incentives for successful foreign investment. By 2020, the food sector will expand to focus on the Malaysian economy in food production and distribution, focusing on Halal foods, while Malaysia Investment Development Authority estimated the global halal food industry to be worth \$6.4 billion by 2030 (Mohamed, Abdul Rahim, & Ma'aram, 2020). Malaysia's Halal F&B sector is essential among Muslims due to its crucial role

in the Muslim-majority nation. Halal certification indicates that the food is permissible to consume by Muslims. For Halal certification, one must adhere to specific Halal requirements from the production facility to the retail location throughout the supply chain process.

The Malaysian Department for Islamic Development (JAKIM) is the Halal certifying authority. To become a global leader in the Halal food industry the government plans to establish Malaysia as the global leader in the Halal sector by 2020. Likewise, Halal Industry Master Plan (2030) also aims to strengthen the Malaysian Halal ecosystem and make it more globally competitive by reassessing and enhancing current initiatives and introducing high impact initiatives in line with the government's policy. As a result of its globally recognized Halal certification standards, Malaysia is well-positioned to increase its Halal food products.

Table 1.3 Major Export Products (The Year 2018-2019)

No	Products	Export Value (RM billion)	
		2018	2019
1	Electrical & Electric products	381.54	373.12
2	Petroleum Products	76.16	71.51
3	Chemicals & Chemical Products	57.71	57.48
4	Palm oil & Palm oil-based agriculture products	44.73	44.21
5	LNG	42.32	42.48
6	Machinery, Equipment & Parts	40.67	41.60
7	Manufactures of Metal	44.66	41.49
8	Optical and Scientific Equipment	36.56	39.91
9	Crude Petroleum	36.65	26.35
10	Rubber Products	26.49	25.84
11	Other Products	216.08	231.09

Sources: MATRADE

Table 1.3 illustrates that palm oil and palm oil-based agricultural products, which are classified under the food industry (Malaysia Investment Development Authority,2018), are one of the primary contributors to Malaysian product exports. Despite slight decreases in value in 2019 compared to 2018, it remains one of Malaysia's most important exports. It demonstrates that food industry products have a good opportunity to grow and contribute more to the economy.

Table 1.4 Food Processing Export Products for The Year 2019

No	Products	Export Value (RM billion)
1	Seafood Processed Products	1.1
2	Cereal Products/ Flour Based Products	3.5
3	Chocolate and Sugar Confectionaries	5.5
4	Pepper and Pepper Products	0.2466
5	Processed Fruits and Vegetables	1.1
6	Palm Oil-based Products	63.7

Sources : Malaysia Investment Development Authority (MIDA)

Table 1.4 shows a list of food processing export products for 2019, including seafood processed products, cereal products/flour-based products, chocolate and sugar confectionaries, pepper and pepper products, processed fruits and vegetables, and palm oil-based products. An export-oriented seafood processing sector includes prawn processing, frozen products, canning of fish and producing surimi and surimi products. The total exports exceeded RM1.1 billion. Malaysia is the world's seventh largest cocoa producer and a net exporter of cocoa products, which include chocolate, which are exported to more than 90 countries. Exports of cocoa preparations totalled RM5.5 billion in 2019. The cereal and flour-based products include pre-mix, bread, biscuits, snack foods, instant noodles, vegetarian food, frozen cakes and pastries with net exports exceeding RM3.5 billion.

In 2019, Malaysian pepper and pepper product exports totalled RM246.6 million. Specialty pepper and processed pepper-based products such as spice mixes and blends, seasonings, and flavourings are examples of value-added pepper and pepper products. The export of processed fruits and vegetables from Malaysia is valued at RM 1.1 billion, and the primary fruit processing activity is the canning of pineapple and pineapple juice. Other fruits, such as guava, passion fruit, jackfruit, and banana, are processed into puree/juice, snacks, pickles, and jam, whereas vegetable processing is limited to sauces and pickles. Lastly, Malaysia is the largest exporter and second-largest producer of palm oil in the world, respectively. In 2019, palm oil products exported to India, Europe, the People's Republic of China, Pakistan, and the Philippines made RM63.7 billion in revenue.

Table 1.3 and table 1.4 reveals that the food industry is significant to the Malaysian economy. Moreover, as shown in table 1.5, among all the sub-sectors, the food and beverage producers have the second-highest total number of SMEs (6016 SMEs') in manufacturing sector. Nevertheless, there are numerous challenges and issues regarding the SMEs food industry in Malaysia, such as financial constraints (Saleh & Ndubisi, 2006), human capital issues, and lack of infrastructure support (Bhuiyan et al., 2016). Furthermore, the rise in free trade zones such as AFTA and intense competition from other countries also expose the Malaysian food industry to stiff challenges that impact SMEs' performance, particularly in the international market (Talib, Ali, & Idris, 2014).

Table 1.5 Distribution of SMEs in Manufacturing Sectors By Sub- Sector and Size

Sub Sector	Micro	Small	Medium	Total SMEs
Textiles & Wearing Apparel	9,123	872	52	10,047
F&B Products	3,278	2,233	505	6,016
Fabricated Metal Products	2,070	1,698	190	3,958
Printing & Reproduction of Recorded Media	1,717	1,145	56	2,918
Machinery & Equipment (Including Repair & Installation of Machinery)	841	1,178	97	2,116
Furniture	886	847	110	1,843
Rubber & Plastics Products	322	1,126	308	1,756
Wood&Wood Products	499	791	158	1,448
Non-Metallic Products	484	758	131	1,373
Basic Metal	431	543	109	1,083
E&E Products	231	639	198	1,068
Chemicals & Chemicals Products	271	534	156	961
Paper& Paper Products	283	442	103	828
Furniture	886	847	110	1,843
Rubber & Plastics Products	322	1,126	308	1,756
Motor Vehicles, Trailers & Semi- Trailers and Other Transport Equipment	242	440	77	759
Leather & Related Products	219	151	6	376
Basic Pharmaceutical Product & Pharmaceutical Preparations	60	115	17	192
Coke (carbonization product of high-boiling hydrocarbon fractions obtained in petroleum processing) & Refined Petroleum Products	19	39	5	63
Tobacco Products	30	27	3	60
Others	613	356	27	996
Total	21,619	13,394	2,308	37,861

Source: Economic Census 2011 by Department of Statistics, Malaysia

Moreover, SMEs also have issues with high operational costs in business that causes fewer international market outlets in the Malaysian food industry (Zain et al., 2012). Moreover, most SMEs in the food industry face problems that diminish their performance in production which is a lack of knowledge. While the Malaysian government provides grants and incentives, a lack of knowledge prevents SMEs from improving their food processes and optimizing their business processes (branding, distribution, and communications channels) (Flanders Investment & Trade, 2020).

SMEs must have a long-term plan for their future growth, and to realize this, they must expand their market into foreign countries. Thus, research on this industry is relevant because discussion on international performance, especially for small enterprises in the Malaysian food industry, remains scarce (Bhuiyan et al., 2016; Zain et al., 2012).

1.4 Significant of Food Industries to SMEs and Internationalization

The food industry plays an important role in Malaysia that contributes to Malaysia's economic growth due to its dynamic internal and external environment (Ayupp & Tudin, 2013; Lee, 2018). For example, in 2017, processed foods from Malaysia were exported to more than 200 countries, producing an annual export value of more than RM21.1 billion (Malaysian Investment Development Authority, 2018). Additionally, the Malaysian food industry is dominated by SMEs (SME Corporation Malaysia, 2018; Zain et al., 2012). 62% of total employment emanates from the Malaysian food industries contributing to Malaysian employment (SME Corporation Malaysia, 2018). Besides, the food industries are recognized targets to reduce the country's trade bill for agriculture products. Meantime, Malaysia's agricultural sector is being modernized as an important engine of growth (SME Corporation Malaysia, 2020). According to Bhuiyan et al. (2016), Malaysian SMEs play an important role in sustaining the country's economic transition to developed-country status by 2020, and the food industry is expected to play a significant role in sustaining the country's economic growth.

Furthermore, Malaysia External Trade Development Corporation's (MATRADE) objective is to internationalize export-ready SMEs. Among the industries to accomplish this objective is through food industry (SME Corporation Malaysia, 2018). Besides, the Malaysian Investment Development Authority (2018)

statistic shows that the agriculture sector is anticipated to grow at 3.5% per year, contributing 8.2% of the total GDP. The agro-food subsector is anticipated to increase annually by 5.4%. In addition, the food processing sector is one of the oldest industries in the country, accounting for approximately 10% of Malaysia's manufacturing output, and is designated as the National Key Economic Areas (NKEA) for the agro-based sector (Malaysian Investment Development Authority, 2018).

The continuous increase in global food demand in the processed food industry provides a vital impetus for growth. Since 2000, processed food exports have posted a resilient growth of 9.7% per year and the growing share of processed food in merchandise exports, from 4.1 % in 2000 to 9.0 % in 2017, considers the value of processed food exports (Idris, Ismail, Ahmad Sidique & Kaliappan,2020). Furthermore, Malaysian product process food exports focus on intermediate goods, with a 25 % share of 75 % of consumer products (Idris, Ismail, Ahmad Sidique, & Kaliappan, 2020). Intermediate goods are raw materials used in the production process to create other finished goods or products (Akkerman, Van Der Meer, & Van Donk, 2010). This contrasts with global processed food exports, which showed a concentration of products for household consumption (Idris et al., 2020).

Moreover, SME Corporation Malaysia (2018) stated that in 2017, the food industry increased the SME value-added in the manufacturing sector by 6.8%, benefiting from the higher demand for food-related products. SME value-added refers to the economic value SMEs contribute to the economy (Bahri, St-Pierre, & Sakka, 2011). Based on the Annual Report, one of the most important industries contributing to Malaysia's economic expansion is the food industry (Malaysian Investment Development Authority, 2018). However, this industry faces challenges remaining

competitive in foreign market environments (Bhuiyan et al., 2016; SME Corporation Malaysia, 2018; Zain et al., 2012). Additionally, the food industry has been facing many problems, such as increasing international competition, pressure from retail chains on price reductions, increasing imports of food products (Tuzová, Toullová, & Kubíčková, 2017), and productivity and export competitiveness (Idris et al., 2020). The food and beverages trade deficit in Malaysia 2017 has reached RM 18.7 billion, as shown in figure 1.4. The key food imports consist of mutton, beef, raw materials, cocoa beans, vegetables and fruits.

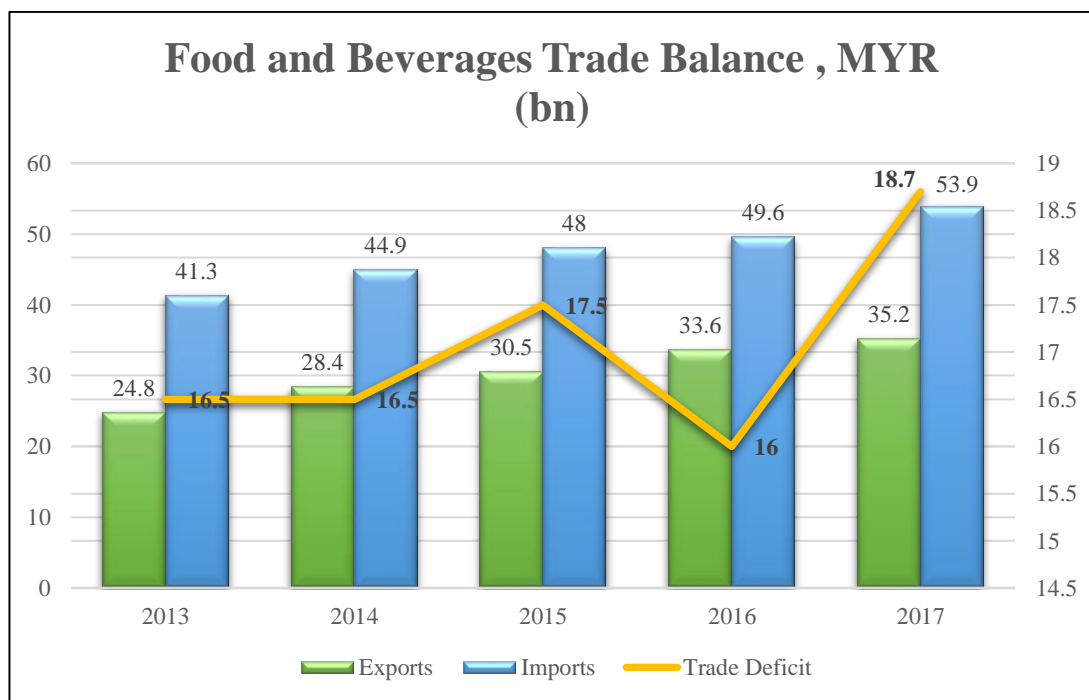


Figure 1.4 Food and Beverages Trade Balance (MYR, bn)
 Sources: State of the Global Islamic Economy Report 2017/18, An EMIS Insights Industry Report

1.5 Problem Statement

Internationalization is one of the major measurements of the growth of a firm (Peng & Delios, 2006). In Malaysia, the government encourage internationalization activities due to intense competitive domestic market and boost and prosper the economy (SME Annual Report, 2018). However, based on the preceding literature, internationalization remains a challenge for firms, especially for SMEs, due to the limited resources (Hashim, 2015; Paul et al., 2017; Yener et al., 2014) and one of the main factors impeding the development of SME is unskilled labor (Mohamad, A., 2021). The international performance of SMEs remains inconclusive and not consistent (Fernández-Olmos, Gargallo-Castel, & Giner-Bagües, 2016; Paul et al., 2017), including in Malaysia (Chin & Lim,2018). Further investigation is necessary to explore factors that may lead to better international performance of SMEs.

Therefore, for SMEs to be at par with those in the advanced economies, much more need to be done and yet, despite SMEs' contribution to GDP has improved over the years, the total GDP contribution to the country is still overly low given that SMEs are approximately 98 percent of business establishment in Malaysia (Chin & Lim,2018; SME Annual Report 2017/18).

Table 1.6 SMEs' Contribution to Economic Activity and Trade

Country	Income-level	SME Share to GDP/Value Added (%)	SME share of Total Employment (%)	SME Share of Total Exports (%)
Germany	High	53.8	79.0	55.9
Japan	High	50.0	70.3	53.8
Republic Korea	High	49.4	87.5	30.9
Singapore (2014)	High	46	66	20
Republic of China	Upper-middle	59.0	80.0	68.0
Thailand	Upper-middle	38.7	77.9	29.5
Malaysia (2013)	Upper-middle	31.9	58.9	19.0
Vietnam	Lower-middle	40.0	77.0	20.0
Indonesia	Lower-middle	57.8	97.2	15.8
Philippines	Lower-middle	35.7	61.0	20.0
Sri Lanka	Lower-middle	52.0	35.0	20.0
Pakistan	Lower-middle	30.0	70.0	25.0
India	Lower-middle	17.0	40.0	40.0
Bangladesh	Low	22.5	40.0	11.3

Sources: Chin & Lim (2018)

Table 1.6 shows that Malaysian SMEs account for 19% of total exports as an upper-middle-income country. It was lower compared to the lower-middle-income Asia countries such as India (40%), Pakistan (25%), Vietnam (20%) and the Philippines (20%). Nonetheless, due to numerous challenges Malaysian SMEs face, exporters have been losing competitiveness among exporters in foreign countries. In response to the above finding, the Malaysian SME market needs to have a strategy to increase the share of the total export.

In addition, the food industry contributes 21.3% of the total number of SMEs in the manufacturing sector, making it one of the major value-added component industries among SMEs (Lee, 2018). However, as shown in table 1.7 and figure 1.5, the food industry is declining in export value. The performance of the food industry may continue to deteriorate as annual growth in exports of food products declines.

Hence, to survive in the international market, there is a need to investigate factors that may promote satisfactory SME performance in the food industry globally.

Table 1.7 Export for Manufactured Goods

Industry/ Year	2015	2016	2017	2018
Food, Beverage, and Tobacco	RM 22945	RM 24639	RM 23926	RM 22 821

Sources: Monthly External Trade Statistics (2018)

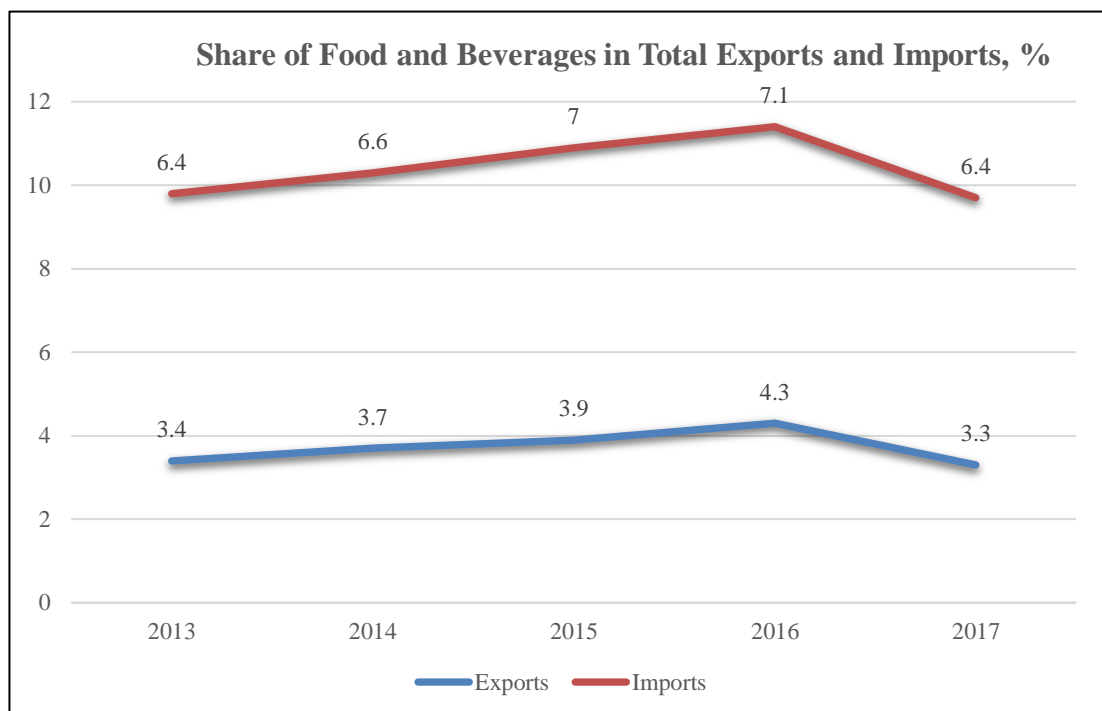


Figure 1.5 Share of Food and Beverages in Total Exports and Imports (%)
Sources: State of the Global Islamic Economy Report 2017/18, An EMS Insights Industry Report 2018/19

Internationalization has proven its ability to strengthen SME competitiveness and intensifies survival prospects (Azman,2017; Bose,2016; Zhou & Wu, 2014). Additionally, internationalization encourages innovative capability (Kalinic & Forza, 2012; Ren et al., 2015) and enhanced productivity (Coviello et al., 2011; Ren et al., 2015) compared to non-internationalized SMEs. In addition, internationalization is a success factor for growth, competitiveness, and superior performance due to

diversification benefits, economies of scale and learning advantages (Coviello et al., 2011; Paochoo, 2016).

Due to the unsatisfactory international performance of SMEs, past research has investigated the factors that lead to the better international performance of SMEs instead of their dearth of resources, including the impact of entry mode choice (Brouthers & Nakos, 2004; Hollender, Zapkau, & Schwens, 2017; Stoian, Criado, & Dimitratos, 2016), organizational capability (Charoensukmongkol, 2016; Manimala & Kumar, 2012; Paochoo, 2016; Rua, Monteiro, & Soares, 2017; Zhang, Sarker, & Sarker, 2008) and entrepreneurial orientation (Brouthers, Nakos, & Dimitratos, 2015; Fernández-Mesa & Alegre, 2015; Hooi, Ahmad, Amran, & Rahman, 2016; Knight, 2001; Thanos, Dimitratos, & Sapouna, 2017). Although various significant contributions to International Entrepreneurship research have been made, there are still knowledge gaps in this field. In contrast, one of the most important is related to the role and behaviour of entrepreneurs in the internationalization process (Ciszewska-Mlinaric, Obloj, & Wasowska, 2016). Furthermore, SMEs' relative strengths are mostly behavioural, which are characteristics of SMEs that tend to stand out (Paul et al., 2017). Thus, examining this topic would be helpful to get a new perspective on internationalization performance among SMEs.

Within international business literature, the global mindset has appeared as one of the entrepreneurs' vital cognitive characteristics and behaviour (Gupta & Govindarajan, 2002; Kyvik, 2018; Levy, Beechler, Taylor, & Boyacigiller, 2007; Nummela, Saarenketo, & Puumalainen, 2004; Torkkeli, Nummela, & Saarenketo, 2018). A global mindset is a critical success factor affecting numerous organizational outcomes and performances (Astini, 2017; Gupta & Govindarajan, 2002; Levy et al.,

2007). This includes international performance (Andersson, 2011; Nummela et al., 2004; Torkkeli et al., 2018) and creates more international market opportunities (Falbe & Welsh, 1998; Gupta, Govindarajan & Hwang, 2008). Hruby, De Melo, Samunderu, and Hartel (2018) also revealed that the global mindset's dimensions significantly predict international performance. Moreover, a global mindset is one of the main components of international growth. It is a prerequisite for building partnerships with international stakeholders, exploiting the global knowledge base in new locations, and accessing additional capital (Wójcik & Ciszewska-Mlinarič, 2020).

Numerous studies have highlighted the importance of decision-makers' cognitive abilities in influencing organisational outcomes (Gupta & Govindarajan, 2002; Harveston, 2000; Levy, 2005). Successful entrepreneurs require a different mindset, viewing businesses globally and fostering a global culture within organisations (Scarborough et al., 2012). In the highly competitive business environment, it is necessary to shift the attention from administrative mechanisms and organisational structures to capabilities based on mindset (Bartlett and Ghoshal, 1990).

However, the assumption that a global mindset leads to better firm performance still lacks empirical support (Gupta & Govindarajan, 2002; Torkkeli et al., 2018). Torkkeli et al. (2018) stated that a global mindset is worthy of investigation. Furthermore, a global mindset is one factor that leads to SMEs' international performance (Astini, 2017; Nummela et al., 2004; Torkkeli et al., 2018). As a result of the dynamic change in the business world and inconclusive results from previous research on global mindset and international performance, this research is anticipated to add a new dimension to the global mindset and SMEs' international performance.

On the other hand, with globalization and the rapid expansion of global trade, firms' survival depends heavily on exporting (Chen, Sousa, & He, 2016). It is also noted that Malaysian SMEs are facing challenges in gaining access to export markets (SME Corporation Malaysia, 2020). Thus, for firms, especially SMEs, to survive in the international market and remain competitive, they must develop market orientation in the context of export among the owner/managers (Murray, Gao, Kotabe & Zhou, 2007; Olabode, Adeola, & Assadinia, 2018). In accordance with Malaysia's plan to become a high-income nation by 2020, exporting activities have become one of the most productive pursuits for promoting the growth of SMEs (SME Corporation Malaysia, 2017) through expanded markets for their goods or products. Similarly, export market orientation research has gotten much attention (İpek & Tanyeri, 2020). However, empirical research on SMEs' export market orientation and international performance remains scarce, particularly in Malaysia (Singh & Mahmood, 2013). To further explore the diversity and productivity level of international markets, this study aims to look into the impact of export market orientation on SMEs' international performance in Malaysia. It guarantees its survivability in the global market.

Decision-making logic plays an important role in managers making decisions about internationalization. It is either based on causation, uses planning and prediction-oriented thinking, or effectuation that is based on logical reasoning to control the environment, especially when dealing with a highly uncertain environment (Sarasvathy, 2001; Sarasvathy, Dew, Read, & Wiltbank, 2008; Smolka, Verheul, Burmeister-Lamp, & Heugens, 2018). Although past research has investigated managers' global mindset, previous studies have mainly focused on the direct impact of global mindset on international performance. Prior research has specifically looked at the role that global mindset and decision-making logic play in enhancing

international performance independently. Regrettably, only a few studies have evaluated managerial decision-making logic and managers' global mindset; little is known about the two concepts towards international performance and ignored the existence of possible mediating effects (Torkkeli et al., 2018). This research posits that these two factors do not only act on their own, but that relationship between global mindset and international performance is mediated through decision-making logic.

A mediating relationship may exist because managers with a high global mindset have an awareness of cultural diversity and manage geographically spread operations (Eriksson, Nummela, & Saarenketo, 2014). In addition, internationalization often means entering unfamiliar territory, which can seem risky, especially at the beginning of the process. Managers who can endure risk and make decisions under uncertainty perform better in novel situations that may arise as a result of internationalization. As a result, the global mindset and decision-making relationship extends to and is relevant in SME internationalization. Hence, managers with a global mindset prefer decision-making logic, and SMEs that use decision-making logic also perform better in international markets. Nevertheless, as both concepts are important drivers of SME international performance, to fill the literature gap, besides examining the direct relationship between a global mindset and SMEs' international performance, this study also examined the mediating effect of decision-making logic.

Past empirical studies on the decision-making logic of international entrepreneurs suggest that the performance of SMEs is positively related to causal business planning and effectual action orientation (Chandra, Styles, & Wilkinson, 2015; Kalinic, Sarasvathy, & Forza, 2014; Reymen, Andries, Berends, Mauer, Stephan & Van Burg, 2015). However, studies have been very limited in testing the potential