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Impact of Effective Entrepreneurship and Strategic Management on Business Success: An Empirical Study of SMEs in Malaysia

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Findings: The study suggested that there are three generalized factors that influence success and performance in SMEs based on the entrepreneur's perceptions: the "owner and manager attributes" which involves the language skills factor, financial and networking partnership, and business characteristics with a focus on the location factor, which was mainly associated with the selected districts in Malaysia. The importance of financial resources stemmed from the substantial challenges faced by SMEs in Malaysia. A response to these challenges often adopted an equity model of financial resources. Furthermore, the concepts of conduct, equipment, and commitments, clearly explained the importance of a good infrastructure to the appreciation of success in this type of business.

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Originality/Value: The study contributes to the understanding of the impact of critical external factors on the success of SMEs in Malaysia. The three significant factors could be considered to be ways of understanding the external environment by small business owners and managers, allowing the impact of external factors to become part of the way that the small business owners conduct their business.

Keywords: strategy; strategic management; entrepreneurship; small and medium-sized enterprise; success; internationalization; malaysia.

I. Introduction

The imperative commitment of a vibrant and flourishing small and medium enterprise (SME) sector in the national socio-economic development of a nation has been broadly recognized. In perspective of its expanding significance, success of small and medium enterprises (SMEs) has been important to a few researchers, global associations, and policy makers, at least, since the Bolton report (1971), and accordingly has turned into the subject of a lot of analysis. Consideration regarding the SME sector has elevated in view of the globalizing economy and the undeniably extreme rivalry that is intrinsic in this development. In the light of this, the accompanying research study tries to understand and investigate the external success factors as apparent by proprietors and/or managers of SMEs in Malaysia.

II. Background

The significance of SMEs is all around perceived in academic and policy literature (e.g. Birch, 1989; Story, 1994; Abdullah and Beal, 2003). Both developed and developing countries have understood the significance of SMEs in the economic and social development. In Europe, the yearly report of European SMEs affirmed that SMEs remain the European Union's economic spine in spite of the worldwide financial crisis (The European Commission, 2011). Representing 99.8% percent of all enterprises, SMEs add to 66% of employment in the European Union.

SMEs in Malaysia plays a crucial part in the development of the nation. The significance of SMEs is confirm by their high presence in the economic structure of the nation. SMEs have been at the core of Malaysia's economic transformation since the 1990s to an upper-middle income nation and are an important driver of employment and growth.

According to the regional report (2016) of the World Bank, Malaysia is considered to be a difficult area with respect to the regulations affecting four stages of a business's life: starting a business, dealing with construction permits, registering property, and enforcing contracts. The sector faces a number of constraints especially in accessing finance, markets; training and technology. Although, there are many advantages to use strategic management, there are still many SME organizations that resist using it, since some of them may think this process is only useful for larger organizations and due to this, they do not recognize that it's also very helpful for SMEs as a whole. With respect to the SME sector, manufacturing SMEs in Malaysia account for over half of the total firms in the region. Around ninety-seven percent (97%) of business establishments in Malaysia are SMEs, and these businesses account for nearly 36% of the country's GDP, 65% of the country's employment, and nearly 18% of Malaysia's exports (World Bank, 2016).

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However, despite their value in the regional economy, their contribution to the industrial value added remains limited with respect to the national economy. Recent available data from the regional report also showed that the contribution of the region to the industrial value added was only 17% in 2015 compared to the 3% drop in 2016. This does not reflect the potential of the SME sector, especially after the recent remarkable economic developments in Malaysia. Recent economic developments in Malaysia, and particularly in the selected districts have been considerable. By virtue of these developments, as well as the strategic position of the city, its special tax status and the economic free zones, several local and international investments have been attracted to the city in the last 10 years, which have transformed the region into a competitive hub. SMEs in Malaysia have been vulnerable to these business environment challenges which could have an impact on their performance. As contended by Man and Lau (2005), SMEs are more probable than bigger firms to be influenced by changes in their internal and external environment which are regularly spontaneous for. In this manner, an imperative issue emerges concerning the capacity of small and medium firms to adapt in an exceptionally difficult environment. While trying to address this issue, the present study has been embraced with the point of exploring the entrepreneurs' impression of the external critical success factors in Malaysia.

III. Literature Review

The performance of SMEs has been of interest to many researchers, international organizations, and policy makers, at least, since the Bolton report (1971), and therefore has become the subject of a great deal of analysis. This performance may have two strategic outcomes that is often referred to in the literature as firm success or failure (See Dess & Robinson, 1984; Ostgaard & Birley, 1995). In a management field, success and failure can be interpreted as measures of good or indifferent management (Jennings & Beaver, 1997), but it may occur for other reasons such as luck (Storey, 2011). Numerous terms have been used in the literature to describe firm failure, for example: bankruptcy, insolvency, liquidation, death, deregistering, discontinuance, ceasing to trade, closure, and exit (See for example: Storey, 1994: 78-81; Bruno et al. 1987). These terms overlap each other to some extent (Sten, 1998) and thus, the concept of failure is ambiguous, as it can have different interpretations by different people (Wickham, 2001). The many different interpretations and definitions of both success and failure make it very hard to compare research findings on the performance of small firms. In strategic management and entrepreneurship literature, the concept of success remains a topic of debate (Gorgieveski et al., 2011). This is despite the evidence that the success of small firms has been subject to a great deal of research. However, there is no general agreement in the literature on what is meant by the success of a firm. Indeed, a myriad of perspectives, ranging from mere survival to the achievement of certain levels of performance, exist about such a concept in the entrepreneurship literature. Very often, the terms 'success', 'survival', 'growth' are very closely linked and sometimes used interchangeably. Besides the multi-dimensional aspect of success, variables that contribute to the success of SMEs are not unanimously agreed upon by researchers. While some analysts suggested that the dynamics of the success of businesses remain a black box (Deakins & Freel, 1998; Dockel & Ligthelm, 2005; Ligthelm, 2010), others argued that the success of enterprises is a function of both external and internal factors (Penrose, 1959; McCline et al., 2006; Guzman & Santos, 2001; Markman & Baron, 2003).

Literature on the performance of SMEs usually identifies several causal factors with regard to the internal and external environment of the firm. In terms of internal factors, several researchers have attempted to investigate the characteristics of SMEs and characteristics of the entrepreneur as the internal factors that influence SMEs performance (Hambrick & Mason, 1984; Bates & Nucci, 1989; Storey, 1994). For the firm characteristics, several studies have revealed that size, age, and location of the firm could be related to business performance (for example: Bates & Nucci, 1989; Liedholm, 2002). On the other hand, other researchers have shown great interest in understanding the relationship between characteristics of the entrepreneur and business performance (for example: Hambrick & Mason, 1984; Boden & Nucci, 2006; Rogerson, 2001).

As for the external factors, it is widely recognized that successful organizations are those that best adapt to fit the opportunities and the constraints inherent in the environment in which they operate (Kalleberg & Leicht, 1994). According to Miller & Dess (1996), the external environment of the enterprise can be classified into two dimensions, namely the general and competitive environments. The general environment consists of the political- legal, macroeconomic, socio-cultural, technological, demographic and global factors that might affect the organization's activities. On the other hand, the competitive environment consists of other specific organizations that are likely to influence the profitability of the enterprise, such as customers, suppliers and competitors. Several previous studies in both developed and developing countries have identified a range of external performance factors that relate to the general as well as the competitive environment of the firm (for example: Yusuf, 1995; Swierczek & Ha, 2003; Clover & Darroch, 2005; Beck et al., 2006; Nieman, 2006; Nabli, 2007; Ben Mlouka & Jean-Michel, 2008; Benzing et al. 2009; Olawale &

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Garwe, 2010; Jasra et al., 2011). For the general environment, data from several sources have identified economic factors, in particular financial resources and taxation, as central for the success of businesses (Beck et al., 2006; Chu et al., 2007; Ben Mlouka & ean-Michel, 2008; World Bank, 2009; Benzing et al. 2009).

Other studies have found that political legal factors significantly relate to business performance (Yusuf, 1995; Beck et al., 2005; Jasra et al., 2011). Much literature has focused on the technological factors. These studies have highlighted the positive relationship between technology, information, and infrastructure and business performance (Swierczek & Ha, 2003; Clover & Darroch, 2005; Nabli, 2007; Olawale & Garwe, 2010). The networking factor, which could be classified under the socio- cultural factors, has been subject to a great deal of research. Numerous studies have documented a positive association between networking and various aspects of firm performance (Duchesneau & Gartner 1990; Zhao & Aram, 1995). On the other hand, a large and growing body of literature has investigated the competitive environment of the firm in relation to three stakeholders: customers, suppliers, and competitors. There is a large volume of published studies describing the role of customer relationship management as a key factor in business performance (Dwyer et al., 1987; Morgan & Hunt, 1994; Berry, 1995; Sheth & Parvatiyar, 1995). Similarly, an increasing amount of literature has highlighted the effect of suppliers on the performance of businesses (Dollinger & Kolchin, 1986; Gelinas & Bigras, 2004; Morrissey & Pittaway, 2006). Other researchers have argued that an analysis of the role of competitors and counter- competition intelligence and actions are crucial for the survival of an SME (Ligthelm & Cant, 2002; Rwigema & Venter, 2004; Nieman, 2006).

There are a number of issues with the current literature. Right off the bat, the group of three of customers, suppliers, and competitors is a typical tool for the analysis of the external environment. This is often adopted in an instructional manner as a tool for the understanding of this external environment. It can be proposed this does not reflect the real concerns of the entrepreneur and there is a need to revisit this definition. Secondly, the identification of money related resources and tax collection policies tends to be viewed from an economic development approach and lends itself to the development of international correlations of the business environment. While these correlations are critical, the reports produced barely do justice to the elements of small business engagement in the economy. Entrepreneurs tend to center around both personal and professional criteria of success.

The latter is conceived to change systemically crosswise over cultures, gender, or other salient dimensions. It is imperative to highlight here that unless there is congruence between the objectives of public, policy, open approach and those of business owners, government policies might be misdirected or ineffective. Noting these concerns provides the justification for further studies in this area.

IV. Research Methodology

This study focuses on the basic external success factors for assembling SMEs that were tested in a previous quantitative study, which was conducted from April 2017 to August 2017, utilizing a survey questionnaire. This survey tested the occurrence in Malaysia of those basic success factors that were identified from the literature. In spite of the fact that the results of the quantitative survey offered a general understanding and some underlying bits of knowledge on the perceptions of business owners and managers with regard to the external factors that influence business success. However, these results remain limited and ought to be warily interpreted since the factors that respondents were asked to evaluate were derived from the literature in different contexts and in this way imposed on respondents. This did not permit sufficient understanding of members' personal views of the vital factors in the specific context of Malaysia, which may be different from other contexts. Hence, the identified need for a qualitative approach in order to begin overcoming this constraint. The present study is exploratory since it attempts to explore the experiences, beliefs, and attitudes of SME owners and managers in Malaysia with respect to the external factors of success. Accordingly, the study embraced a qualitative approach, based on Geertz (1980) concept of thick description, in order to explain not only the behavior yet additionally its context. This study used personal interviews to explore perceived success and its connection with the external environment. A phenomenological interview approach was adopted that enabled the identification of personal beliefs. In addition, fifteen in-depth face-to-face semi-structured interviews were conducted to collect qualitative data. A thematic analysis was undertaken to permit the development of cross case themes.

a) Interview Design

Preparation for qualitative interviewing is vital. As per Cornford and Smithson (2006), keeping interviews to the subject is very critical and the researcher needs to carefully design the questions and take control. In this manner, to provide guidance and to ensure consistency all through the interview process, an interview guide was developed. However, there is a need for an open exploratory context to generate rich data so a flexible design was taken into account when developing such guide. This was based on the advice of Hammersley and Atkinson (2007: 117) that stated: "Ethnographers don't more often than not decide beforehand the exact questions they need to ask, and don't ask each interviewee precisely the same questions, however they will for the most part enter the

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interviews with a rundown of issues to be covered. Nor do they seek to establish a fixed sequence in which relevant points are covered; they embrace a more flexible approach, enabling the exchange to stream in a way that seems characteristic". Therefore, it was not the researcher's intention to use directional or even to make all inquiries at every interview, yet rather to cover the subject matter of the theme over the span of the interview.

The interview guide consisted of a presentation, principle questions, extra questions and clearing up questions. The fundamental questions looked to explore how business owners and managers of assembling SMEs in Malaysia see business success factors in relation to their experiences. In order to acquire more data on perceptions of the success factors, a question on the advice that the members would give to someone who needs to begin his or her own business was included in the primary questions. Elucidating questions were used in order to elicit the greatest measure of data. The questions of the interview guide were designed in English.

b) Selection of Respondents

The business owners and managers who participated in the previous quantitative study were the populace for the qualitative study. They were 88 owners and managers of SMEs, identified from the official website of the Ministry of International Trade and Industry responded positively to the questionnaire. With regard to the selection of specific SME owners from this populace, then judgment was used. The selection criteria were: sector, area, and gender. The judgmental selection was deemed appropriate for the study since this study has an exploratory nature. The intention of the researcher was to explore perceptions and views of external success factors in relation to the experiences of business owners and managers of SMEs in Malaysia, and not to generalize the results to a wider populace. With respect to the sample size, in judgmental selection, the researcher uses his or her judgment to decide when enough members have been sampled. As suggested by Kvale (2001), new interviews may be conducted until a state of saturation, where further interviews yield little new knowledge.

In this qualitative study, the sample size was achieved when fifteen interviews were conducted. The cut-off point was not predetermined, however emerged from the research process and concurrent data analysis (Babbie, 2012).

c) Interview Administration

The data collection for the qualitative study occurred from September 2011 to November 2011. It was carried out in two separate time frames due to strategic and practicable reasons. It was very hard to get hold of the managers of SMEs in the period of September 2011 since the larger part of them were still on vacation, and therefore just five beginning interviews occurred inside this month. Arrangements were made to meet up with business owners and managers in April 2017 to complete more interviews. As a result, another ten interviews were conducted inside this month totaling to a number of fifteen interviews. The break between the two interview periods provided time to reflect on the preliminary analysis of the interviews. All interviews were singular, face-to face interviews and were conducted utilizing the French language. The duration of the interviews ranged from 32 to 65 minutes. With regard to the settings, the strategy was to enable all sources to choose the area so as they could feel more relaxed. The strategy resulted in nine interviews being conducted at the members' business premises, five out of a coffee shop, and one while driving an auto. Before undertaking each interview, a verbal brief about the point of the study and issues related to confidentially was given to members. The permission to sound record the interview by an advanced recorder was looked for from the interviewee. Permission was granted and all the fifteen interviews were sound recorded. Furthermore, ownership and copyright of transcripts were established at this stage and members were informed that transcripts will be destroyed once the research study come to an end. Amid the interview, an open-ended flexible way to deal with interviewing, which is emphatically recommended by Patton (1990), Bogdan and Biklen (2007), and Hammersley and Atkinson (2007), was used.

Along these lines, open-ended questions were deliberately asked to encourage members to engage in the conversation. The flexible approach was useful and resulted in new emerging issues to be explored. Furthermore, members' responses were frequently rephrased and repeated in order to ensure accurate understanding of the fundamental indicates and encourage the interviewees expound their views on these focuses. Toward the end of the interview, a standard frame was given to members to fill in their personal characteristics, for example, age, gender, and educational foundation, and in addition the firm characteristics, for example, legal status, movement of the enterprise, years in business, and number of employees. Moreover, members were thanked for partaking in the study, were reassured again about the confidentiality issues and were alerted that they could be contacted should the researcher need more elucidation.

V. Results and Discussion

The analysis of qualitative data was carried out utilizing thematic coding techniques that match semi-structured interviews conducted in this study (Cornford and Smithson, 2009). The analysis process followed the six phases described by Braun and Clarke (2009) which are: acquaintance with the data; generation of

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introductory codes; searching for themes; reviewing themes; definition of themes; and report creation. To facilitate qualitative data analysis and to make qualitative analysis more reliable and transparent (Fielding and Lee, 1999), the software QSR NVivo 12 was used. To ensure an accurate identification of data, all interviews were labeled when introduced into QSR Nvivo 12 software. For example, with the label ENTERview01, the abbreviation ENTER represents the entrepreneur, view means interview, and 01 refers to the number of order in QSR Nvivo 12 software. Table 1 demonstrates the profile of the respondents who participated in the interviews:

Table 1: Respondents Profile

Participants	Respondents Characteristics			Business Characteristics				
	Gender	Age	Education	Legal Status	Type of Activity	Longevity	No. of Employees	Location
Participant 01	Male	37	University	PLC	Textile	> 5 years	106	Kuala Lumpur
Participant 02	Male	33	University	PLC	Textile	> 5 years	97	Kuala Lumpur
Participant 03	Male	41	University	PLC	Textile	> 5 years	16	Kuala Lumpur
Participant 04	Male	39	Secondary Education	PLC	Agri-food	> 5 years	13	Cyberjaya
Participant 05	Male	40	University	PLC	Agri-food	> 5 years	130	Kuala Lumpur
Participant 06	Male	38	University	PLC	Agri-food	> 5 years	64	Kuala Lumpur
Participant 07	Male	48	University	PLC	Chemical	> 5 years	93	Petaling Jaya
Participant 08	Male	32	University	PLC	Chemical	> 5 years	78	Kuala Lumpur
Participant 09	Female	35	University	PLC	Chemical	> 5 years	18	Cyberjaya
Participant 10	Male	39	University	PLC	Electrical	> 5 years	35	Kuala Lumpur
Participant 11	Male	34	University	PLC	Electrical	> 5 years	21	Kuala Lumpur
Participant 12	Male	40	University	PLC	Electrical	> 5 years	197	Cyberjaya
Participant 13	Male	43	Secondary Education	PLC	Metal & Engineering	> 5 years	80	Putrajaya
Participant 14	Male	37	University	PLC	Metal & Engineering	> 5 years	52	Kuala Lumpur
Participant 15	Male	37	University	PLC	Metal & Engineering	> 5 years	131	Kuala Lumpur

Source: Author

Discoveries of the qualitative study provided rich data that enabled deep understanding of the critical external success factors for SMEs in the context of Malaysia, specifically: financial resources, access to infrastructure, and competition.

a) Finance Resources

The finance theme was prominent in the brains of the participant and was consistently regarded one of the significant factor influencing the success of SMEs in Malaysia. Its importance stemmed from the considerable challenges faced by SMEs in Malaysia. Vital bits of knowledge were therefore revealed in relation to requirements related to the accessibility of monetary resources. The presentation of a solid dossier (business design), high interest rates, and high asset collaterals were the key requirements that restrain the success of SMEs in Malaysia. Discoveries revealed that getting a credit from money related organizations can be achieved provided that the enterprise presents a solid dossier that includes the greater part of the data required to request an advance. One business owner-manager indicated:

"Yes, of course. Banks are now available to help because there is a favorable climate for investment. Yet, you need to know that you have to present a solid dossier. The way that you present a solid dossier will encourage and persuade the bank to process your application and give you the credit you need."(ENTERview05)

Another business manager argued this point further by explaining how present a solid dossier to the bank to get endorsement for the credit requested. As per him, to get a bank credit, you should give fixed assets for collateral.

"To get a bank credit, you should present a solid dossier. You should provide a certified balance sheet that is accredited by the assessment authorities. Following a review of your certified balance sheet (money related circumstance, your turnover, your debts), the bank will make a decision based on whether the balance sheet gives a decent picture about your business or not. In other words, in the event that you have fixed assets, that is great and the bank will use them as guarantees to permit a bank advance. Generally, the bank must get collateral."(ENTERview02)

The issue of collateral and its inherent difficulties was unequivocally reinforced by another business owner who argued:

"Getting credit from banks isn't so easy. Enterprises should at any rate provide guarantees because banks, as you know, don't get involved in

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investments if no guarantees are provided. To obtain money, you should normally give guarantees to the bank."(ENTERview06)

Another issue was raised in respect to finance by a business manager expressed his concerns about perceived high interest rates charged by banks and described such issue as an impediment to investments.

"There is no fixed interest rate. There are variable rates. That is the reason enterprises have to check different banks and negotiate the interest rate. I will state, here in Morocco, we have genuinely high interest rates. Indeed, this is an impediment to investments."(ENTERview09)

From the above qualitative results, obviously perceived success of SMEs is typically constrained by the perceived surprising expense of credit; not simply interest rates and collaterals, yet in addition the effort required to produce the dossier. Indeed, the limitations of collaterals and interests are very often mentioned in the literature. In this respect, the discoveries of this study fit in with the discoveries of The International Finance Corporation (2012) and several creators (Schiffer and Weder, 2001; Cosh and Hughes, 2009). However, what was very interesting is the way that the presentation of a solid dossier to the banks becomes not just a money related yet in addition an emotional influence on success. The generation of the dossier presents a considerable measure of cooperate with the identification of assets. The need to focus on such a process was often a requirement on the perception of success. This was often seen as tedious process. This may likewise be the case in other more developed countries, yet in the context of Malaysian relationship based enterprise, this process was unfamiliar to the standard method of working together.

Most importantly, the issue of interest rates raised another issue that was of high concern to most managers who were not willing to breach their religious beliefs. Uncertainty was expressed by respondents about the accessibility of non-Islamic banks in Malaysia, which is a Muslim nation. A business manager revealed his wonder about this issue by expressing:

"Personally, I fear breaching my religious beliefs and therefore won't approach customary banks. I would prefer to use an Islamic bank to get access to finance on a profit and loss sharing premise" (ENTERview10)

Most banks in Malaysia operate in a comparative mold to customary European banks, offering no alternatives to entrepreneurs yet to deal with these banks. The idea of Islamic keeping money is seen as a possible alternative to European model. This seems to hold out the prospect of a linkage between economic and profound success. This is clearly appeared in the above quote which reveals the importance of profound success in the conduct of the business that needs to do with religious beliefs. This process likewise has consequences for the method of financing of private companies in Islamic countries. It focuses greater emphasis on joint subsidizing and profits rather than assets. It would thus be able to be concluded that a joint subsidizing based on profit and misfortune sharing, and not interest charges, was perceived as an ingredient for not just money related, yet additionally otherworldly success. Careful talks with members unfolded another strategy used by business owners and managers of SMEs in Malaysia in order to tackle the laws related to monetary resources. Some managers referred to the use of trade credits as an efficient external financing source to enhance the performance of their businesses. An manager explained this point by showing that the vast majority of his purchases of raw materials from suppliers are done on credit.

"Because of our solid relationship with our suppliers, we are able to get a trade credit. In this manner, we purchase raw materials without immediate payment. This enables us to sell our finished items and after that compensation at a later time. This is very useful for us because it helps to ease our income management by having more money inflows at a specific time than money outpourings." (ENTERview07)

The use of trade credits by SMEs in Malaysia is in line with the academic literature that considers trade credit as an external source of finance for little and medium companies in countries with less developed money related market (Biais and Gollier, 1997; Bougheas et al., 2009; Bellouma, 2011).

However, it can be stressed here that the use of trade credit not just allowed businesses to discover alternative to the banks, yet this additionally was appropriate for the Islamic way to deal with finance. There was no interest charged yet there was shared business development and a partnership method of being successful. Being personally responsible to others was a significant factor in the appreciation of success.

b) Access to Infrastructure

Discoveries of the qualitative study underpinned that a decent physical infrastructure has a great positive effect on the success of SMEs in Malaysia. The importance of the infrastructure factor evolved from the significant challenges faced by SMEs in Malaysia. Imperative experiences were therefore revealed in relation to the requirements related to infrastructure. Specifically, the requirements covered three sub-themes that emerged from the exhaustive analysis of qualitative data: Electricity, water and sanitation, and transport.

Limitations of accessing electricity and water were considered very challenging for managers of Manufacturing SMEs. Findings showed that the mind-boggling expense charged by Tenga Nasional Berhad

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(TNB), for the dispersion of electricity and water was a consistent finding among all members. One business manager stressfully expressed his concern in respect to the expensive electricity charges by expressing:

"We really have serious problems with the organization TNB (The provider of utilities) because it sends us charges that far exceed our utilization. We have technicians that can tell us the amount KWH we consume exactly because we do cost bookkeeping. In this way, we know exactly the amount we consumed. However, when we receive the invoice, it's always a surprise."(ENTERview02)

The discoveries further suggested that despite the fact that electricity and water services are reliable, this reliability weakens when catastrophic events strike the city. A decent and reliable infrastructure is vital to business success. Bearing this in mind, it comes as no surprise to discover a witness, located in the modern zone Kuala Lumpur, Sabah, Pahang expressing serious concerns about the infrastructure's reliability with solid reference to the flooding events that struck Malaysia in 2017. Critically, the business manager highlighted the concepts of conduct, equipment and commitments. As per him, the manner in which he manages his business relates to the two equipment used in the generation (equipment) and the capacity to deliver to his customers (commitments):

"As you know, not long back, around 6 months prior, we had surges especially in the area where we exist today, the mechanical zone Kuala Lumpur, so we had real problems of flooding. We have had surges that really had a negative effect, whether on the conduct of our business, or on the equipment that were damaged and furthermore on the level of profitability and the commitments we had with our customers. Therefore, we had a problem of late deliveries caused by the surges. Due to power cuts, we had a stop that endures 7 days and you can see the effect that must have such a problem especially on the image of the business because the business image is very vital for us."(ENTERview03)

It is worth to mention that some of the modern areas were based on minor terrains, which were often low lying and need poor infrastructure. This explains why that specific mechanical zone Kuala Lumpur and another modern zone Sabah were impacted heavily by the surges. With regard to the vehicle infrastructure, solid reference was made to the new port by respondents. It was stressed that such port, which is the one of the largest in Southeast Asia, has contributed to the success of SMEs, specifically to the mechanical firms that are located in the free zone associated with the port. Reducing the strategic cost was emphatically highlighted in the view of a business manager:

"*Nowadays, there is the new port that has given success to the free zone of Malaysia. It normally positively affects the development of our business especially in terms of coordination cost. As you know, the coordination cost is very essential. In this way, in the event that we endeavor to optimize them, we can be competitive with our competitors."* (ENTERview09)

Linked to the vehicle theme, the street infrastructure emerged as significant for the perceived success of SMEs in Malaysia. Restricted movement on the roads and the issue of movement appear to be a problem that obliges the success of businesses. It was discovered that these problems affect creation and commitments which are related to business success. This was highlighted by a business owner who stated:

"We have another problem which is the problem of transportation. Sometimes, our coaches that vehicle personnel may get involved in accidents, or delay in delivery due to speed limits. Another problem is the movement. To arrive to the modern zone, one must experience heavy traffic"(ENTERview02)

"Because of traffic congestion, our personnel transport arrives late. This causes delay in our creation lines which thus delay the respect of our commitments. This really affects our business image."(ENTERview09)

Essentially, the factor of infrastructure was mentioned extensively by the interviewees. It seems to indicate the importance of this factor, as detrimental to success. The interruptions caused by poor infrastructure negatively affected the direct of the business in that they enforced changes in the manner in which the business worked. It additionally produced damage to the creation equipment and furthermore this impacted on the commitments entered into by the organization. These were significant factors in the appreciation of the success of the business. The other issue is the mastery of this area by international companies, which embrace different methods of working than the private ventures. These companies were often seen as remote and not committed to the success of private ventures.

c) Competition

The qualitative study revealed that a competitive advantage over the opponents is a salient factor for the success of businesses in Malaysia. The importance of such factor emanated from the challenges of the increasing globalization and in addition the unreasonable competition in the market. Discoveries suggested that organizations located outside the free zones in Malaysia claim that they are not competing on equal and reasonable terms, compared to their counterparts established in the free zones. A possible explanation for this is the generous incentives that are available to firms in the free zones together with a higher level of infrastructure development. A business owner of a firm located outside the free zone came up with a solid message showing that his firm does not remain on the

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same balance as its competitor which is located in the free zone. He further argued that the competitor benefits from numerous favorable and advantageous conditions and incentives that could enhance his competitiveness:

"I think we are not on the same balance compared to our competitor who is located in the free zone. The competitor has several financial advantages that can be used to go far in the business and venture out in front of us."(ENTERview02)

The findings further revealed that the partial competition caused by the pirating of merchandise from the neighboring countries, which is few miles a long way from Malaysia, does affect the mechanical creation of SMEs, specifically the agri-food industry. This was significantly related to the perception of success. As proclaimed by an manager:

"Due to its closeness to Siem Reap, Cambodia, Malaysia is well known for the illegal trade of smuggled merchandise, specifically nourishment items. The smuggling activities devaluate our neighborhood items which affect our agri-food production"(ENTERview09)

Another respondent in the food business further explained that the evasion of traditions duties on smuggled food items enables smugglers to sell the items at lower prices. As indicated by him, in the current economic emergency, consumers seek to minimize their expenses by purchasing cheap items. In this way, they prefer to purchase the cheap smuggled items.

"Attributable to the non-payment of traditions duties, carrying merchandise are sold with cheap prices in the market. Consumers prefer to purchase these cheap items especially in the current economic emergency. Subsequently, this affects our production."(ENTERview07)

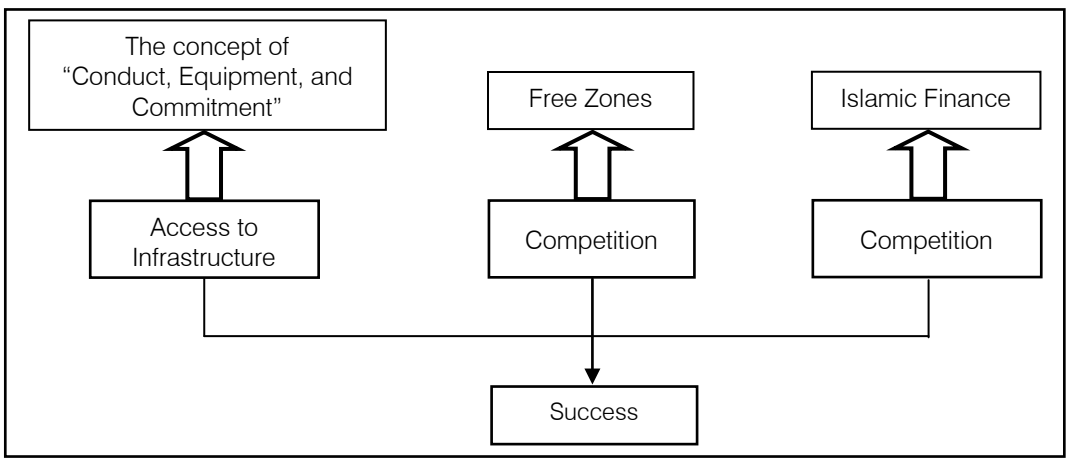
To sum things up, competition seemed to be about perceived unreasonable competition (smugglers, companies in the free zones) and area (are enabling this to happen). It was recognized that unfair competition (smugglers, financial and economic incentives in the free zones), damage the performance of the SMEs in Malaysia. This was a study of manufacturing companies and this was a significant emerging issue. It can be concluded that the preponderance of grey-imports and in addition the attractive incentives available for firms in the free zones significantly affected the perception of success.

Business owners and managers of firms, especially the ones that are established outside the free zones could wonder (are their firms in the correct area?) Hence, it can be assumed that unfair competition is an element of the area. Being in the correct area meant the enjoyment of favorable conditions (exempt or reduced tax assessment, great infrastructure and non-carrying of products). Dahlqvist et al. (2009) argued that the geographic area where firm is located, has suggestions for its access to markets and resources, for example, finance, skilled work, subcontractors, infrastructure, and other facilities. However, the present study has gone some path towards enhancing our understanding of the competition factor in relation to area. The unfair competition was related to the area of the firm and came out very clear in the connection to perceived success and the capacity to achieve that success. In this respect, the area factor can be seen here as an essential budgetary and emotionally significant perspective on equity in relation to success.

VI. Conclusion

The present study is imperative because it provides a mechanism for seeing how perceptions of success are generated by entrepreneur managers with respect to external factors. The qualitative data analysis used here has subsequently provided a number of critical bits of knowledge.

The three factors discussed here were the most noticeable factors that arose from the thematic analysis of the interviews. These factors are depicted in figure 1 below:



Source: Author

Figure 1: Factors that influence business success as perceived by managers in Malaysia

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From the figure, it can be seen that the three factors can be considered to be methods for understanding the external environment by entrepreneur managers. This view enables the effect of external factors to become mostly that the entrepreneur managers direct their business. Furthermore, it permits a method for understanding the effect of the external environment on private ventures that relate to their adopted success criteria.

This study found that the perception of success among business owners and managers of SMEs in Malaysia could be described using the concepts of personal conduct, equipment being used and commitments to others. These concepts emerged from the study and provided a useful conceptual instrument to develop the perception of success among the group of firms studied. The evidence from the qualitative interviews emphasized that the SME managers liked to conduct their business in specific way that were influenced by their determination of success. This included a way to deal with business that enabled them to direct their issues in an Islamic manner. This included the relationships with suppliers, technology partners, and the methods of finance. The equipment employed inside the business enabled the continuation of creation and the yields of the business. To this extent, it was related to the commitments undertaken to customers and suppliers. The arrangement with the banks allowed this equipment to be available for production. An Islamic type of finance would have allowed the owner to direct his issues through a means of social interaction.

It can be concluded here that finance partnership based on profit and misfortune sharing seemed to be perceived as an ingredient for monetary and otherworldly success. In Sharia compliance business wards, the way that there is that base for partnership in the finance stimulates more unequivocally the need for partnership working. The commitments entered into enabled the continuation of the business. Aspects of commitment were seen in the other two factors above, yet they were additionally manifested in the response to infrastructure difficulties. The unreliable transport network and the charges for electricity and water challenged their commitments to their customers and partners.

The findings of this study could have several ramifications. The research revealed that the possibilities that Islamic finance opens up here for the success of SMEs cannot be ignored. Therefore, this could in any event begin dialogs among policy makers on the most proficient method to improve the accessibility of finance for entrepreneurs, specifically the ones who fear breaching their religious beliefs. The development of a uniform regulatory and legal framework for the Islamic finance system in Malaysia will enable entrepreneurs to get access to finance on a profit and loss sharing (PLS) premise instead of paying interests. Another ramifications of the study relates to the different effects on SME operation through routes to development utilizing free ports and zones. The strategy of building free zones has been adopted by a number of ASEAN Countries (Cambodia, Indonesia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.). It has been discovered that this approach affects the perceived success of SMEs in Malaysia. The findings of the study could encourage the government to embrace policies that will help indigenous firms to benefit from advantages that are comparable to those that are in the free zones.

Another essential ramifications for research is that terms of personal conduct, equipment being used, and commitments to others could have wider relevance in this field of research since these terms permit a better understanding of the placement of independent ventures inside their market and the perception of success.

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