

## DETERMINANT OF SUCCESS FACTORS ON PERFORMANCE OF SOLE TRADERS BUSINESSES IN MALAYSIA

**Nor Suhaily Bakar**

**Zawir Daud**

**Nur Suriana Awaludin**

**Shuhaimi Jaafar**

Faculty of Management & Muamalah,

International Islamic University College Selangor, Malaysia

[norsuhaily@kuis.edu.my](mailto:norsuhaily@kuis.edu.my), [suriana@kuis.edu.my](mailto:suriana@kuis.edu.my), [shuhaimi@kuis.edu.my](mailto:shuhaimi@kuis.edu.my)

### ABSTRACT

Small and Medium Enterprises (SMEs) in Malaysia are crucial for economic growth and development, as well as employment creation exclusively sole traders. In order to ensure the full development of the SME's sector in the world economy, proper management of SME's is required. The success of entrepreneurial ventures will lead to improved standards of living and reduced levels of poverty in underdeveloped communities. The performance of Sole trader business is depending on owner capability and ability to managing their businesses using knowledge and skill. Owner with lack of entrepreneurship knowledge and skill might be affected the overall performance of the business. Therefore, the objective of this study is to explore the success factors of performance measurements for Sole Traders Business. Based on the data collected from 144 sole traders in Bandar Seri Putra, Bangi, the results showed all the success factors indicates high level of affecting the performance of the business.

**Keywords:** *Sole trader, performance, effective entrepreneurship, human resource management, marketing information and information technology*

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### 1. Introduction

Small and Medium Enterprises (SMEs) in Malaysia are crucial for economic growth and development, as well as employment creation exclusively sole traders' businesses. They are involved in activities ranging from petty traders, grocery store operators, medium-sized contract manufacturers supplying parts and components to multinational corporations and professional services such as software firms or medical researchers selling their services to overseas markets. It is also operating in different market environment such as urban, rural, online, physical, domestic, regional and international. These Small Traders Businesses may be formal or in the informal sector and they possess different levels of skills depending on their activities. These elements form the characteristics of SME's in Malaysia and the basis for policy response.

SME's businesses can be legally structured as entities registered either under the Registration of Businesses Act 1956 (Act 197) or Companies Act 1965. Constituting more than 99% of total business establishments in Malaysia, it is clear that promoting a viable sector is essential in the nation's stride towards broadening the sources of growth and sustaining the growth momentum. This is reflected in the national development agendas, namely the Ninth Malaysia Plan (9MP: 2006-2010), Third Industrial Master Plan (IMP3: 2006-2015), Eighth Malaysia Plan (8MP: 2001-2005) and Second Industrial Master Plan (IMP2: 1996-2005).

Small traders' businesses are crucial to the economic growth process and play an important role in the country's overall production network. Some advanced economies have succeeded because this business form a fundamental part of the economy, comprising over 98% of total establishments and contributing to over 65% of employment as well as over 50% of the gross domestic product.

Although the numbers might be lower in Malaysia, Small traders' businesses have the potential to contribute substantially to the economy and can provide a strong foundation for the growth of new industries as well as strengthening existing ones, for Malaysia's future development.

This study attempted to establish whether an effective of entrepreneurship, appropriate human resources, and use of marketing information and application of Information Technology are factors affecting the performance of Small Traders Businesses in Bandar Seri Putra, Kajang, Selangor.

## **2. Literature Review**

### **2.1 Measurement Performance of Sole Traders Businesses**

#### **2.1.1 Profitability**

It constitutes the ability of a business to make a profit after taking into account all the operating costs. Several empirical studies have attempted to identify firm profitability determinants, focusing on firms in various industry sectors and in various periods (e.g. Adams and Buckle, 2003; Phillips and Sipahioglu, 2004; Goddard et al., 2005).

#### **2.1.2 Management**

In today's fast-changing business environment, issue management has become increasingly critical for organization as an essential means to acquire information about emerging problems and opportunities in their business contexts, with an overall focus on proactive strategic planning (Bronn and Bronn, 2002; Brooks and Waymer, 2009).

#### **2.1.3 Financial**

A general problem for Small traders' businesses is that they often face a situation of limited resources compared with large firms. The role of finance has been viewed as a critical element for the development of small and medium-sized enterprises. Previous studies by Ligthelm and Cant (2003:5) have highlighted the limited access to financial resources available to smaller enterprises compared to larger organizations and the

consequences for their growth and development. Typically, smaller enterprises face higher transaction costs than larger enterprises in obtaining credit, insufficient funding has been made available to finance working capital and poor management and accounting practices have hampered the ability of smaller enterprises to raise finances (Abedian, 2001; Peel & Wilson, 1996).

## **2.2 Success Factors Affecting Performance of Sole Traders Businesses**

### **2.2.1 Effective Entrepreneurship**

Entrepreneurship can be defined as “the process of creating value by bringing together a unique package of resources to exploit an opportunity” (Stevenson et al., 1989). The process itself consists of the set of activities necessary to identify an opportunity, develop a business concept, assess and acquire the necessary resources, implement the concept and then manage and harvest the venture (Morris and Jones, 1993). The person that performs this set of activities is called the entrepreneur.

### **2.2.2 Appropriate Human Resource Management**

A research by Adnan, Abdullah and Ahmad (2011) indicated that HRM practices did have some effects on Malaysian firm bottom line performance. Islam and Siengthai (2010) found that most of the core processes of HRM, namely, recruitment and selection, performance appraisal, training and development, as well as compensations have a momentous and positive impact on firm performance.

### **2.2.3 Use of Marketing Information**

A research has been conducted by Cacciolatti, Fearne, and McNeil (2011) indicated that SME's that make good use of structured marketing information presented a higher probability of growth. The research of Mahmoud (2011) concluded that the higher the level of market orientation, the greater the level of performance in Ghanaian SME's. The study of Keh, Nguyen, and Ng (2007) showed that there was a positive relationship between information utilization and the firm performance.

### **2.2.4 Application of Information Technology**

Subrahmanya, Mathirajan, and Krishnaswamy (2010) summed up that those SME's which have technological innovation have a higher growth compared to the SME's which are not creative in the sales turnover, investment and job.

## **3. Methodology**

Questionnaires have been distributed to total of valid 144 sole traders' businesses in Bandar Seri Putra registered under the Companies Commission of Malaysia (SSM) as sample size of this study. Frequency or score mean is a specific test method used to explore the success factors of performance measurements for sole traders' businesses.

#### 4. Finding and Discussion

Objective of this study is to explore the success factors of performance measurements for sole traders' businesses.

**Table 1. Score Mean for Factors Effective Entrepreneurship**

No	F1- Effective Entrepreneurship	Mean	Level
1	Levels of education have impact in the positive effect entrepreneurships.	4.67	High
2	Training is crucial in determining the output, efficient and growth of effective entrepreneurship.	3.91	High
3	The final success and result of entrepreneurship positive is determined by the knowledge of the entrepreneurship and his employees.	4.20	High
4	Customer satisfaction is more important greater that will resume positive growth.	4.10	High
5	It is compulsory for merchant to get entrepreneurship course before start a business.	3.79	High
TOTAL		4.13	

Table 1 show total score mean for effective entrepreneurship is 4.13 indicates high level of affecting the performance of the business which is question no.1 indicates that levels of education have impact in the positive effect entrepreneurships.

Table 2 show score mean for appropriate human resources management is 4.14 also indicates high level of affecting the performance of the business. It means sole traders need to focus on the business procedure to ensure to be success in business.

Table 3 show score mean for use of marketing information is 4.09 indicates high level of affecting the performance of the business.

Table 4 show score mean for application of information technology is 4.12 indicates high level of affecting the performance of the business. In spite of that it helps to gear greater level of achievement, efficiency and output.

Based on Table 5 first success factor affecting performances of Small Traders Businesses is appropriate human resources management, secondly is effective entrepreneurship, thirdly is application of information technology and finally is use of marketing information.

**Table 2. Score Mean for Factor Appropriate Human Resources Management**

No	F2 - Appropriate Human Resources Management	Mean	Level
1	Business procedure is keys and important role in determining the success of entrepreneurship.	4.43	High
2	Human resources management activity will enhance the efficiency output and quality of positive entrepreneurship.	4.24	High
3	A good human resource management is helping in business to generate profit.	4.25	High
4	It is important to merchant, manage appropriate human resources well.	3.91	High
5	It is true if not properly manage human resources will affect the level of business performance.	3.87	High
TOTAL		4.14	

**Table 3. Score Mean for Factor Use of Marketing Information**

No	F3 - Use of Marketing Information.	Mean	Level
1	Trough good use marketing information the SME's will benefit in term of competitiveness, efficiency and greater level of performance.	3.96	High
2	Higher level of marketing orientation leads to positive development and growth of SME's.	4.26	High
3	Information utilization will spur growth and related to firm's performance.	4.17	High
4	Experiential knowledge of entrepreneur is a prime factor in positive marketing.	4.22	High
5	Marketing activities largely created with profit as the prime goal.	3.83	High
TOTAL		4.09	

**Table 4. Score Mean for Factor Application of Information Technology**

No	Factor Application of Information Technology	Mean	Level
1	Information technology determining SME's and its position.	4.31	High
2	Information technology is crucial if SME's to survive in this dynamic environment.	3.98	High
3	Information technologies help to gear greater level of achievement, efficiency and output.	4.42	High
4	Information technology help to identify in the faster manner which area of management of SME'S that need greater intention.	4.22	High
5	Information technology is important to the business.	3.67	Average
TOTAL		4.12	

**Table 5. Summary Analysis Rank of Score Mean for Determinants of Success Factors on Performance of Small Trader Businesses**

Success Factors	Score mean	Level
F1-Effective Entrepreneurship	4.13	High
F2-Appropriate Human Resources Management	4.14	High
F3-Use of Marketing Information	4.09	High
F4-Application of Information Technology	4.12	High

## 5. Conclusion

Most of respondents were agreed that all success factors give effect to the performance of the business. Small traders' business should focus on how to manage their employee and should clearly give instruction to subordinate and followed by they also should have a good skill in entrepreneurship. Information technology and marketing as other factors that give a strong impact to the success in operating the business.

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