A STUDY ON RELATIONSHIP SUCCESS FACTORS AND PERFORMANCE MEASUREMENT OF SMALL AND MEDIUM ENTERPRISES IN MALAYSIA

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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: (i) determine the relationship success factors that influence the performance of Sole Traders business and (ii) To gain the recommendation or suggestion towards improvement the performance of business. Based on the data collected from 144 sole traders in Bandar Seri Putra, Bangi, the results showed that there is a significant positive relationship between effective entrepreneurship, appropriate human resource management (HRM), the use of marketing information as well as the application of information technology and the performance of Sole Traders Business.

Keywords: Sole Trader, Performance, Effective Entrepreneurship, Human Resource Management, Marketing Information and Information Technology.

1. INTRODUCTION

Small and Medium-scaled Enterprises (SME's) in Malaysia have been identified as an important contributor to the economy (Hashim, 2005). 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 which influence on the performance of Small and Medium Enterprises in Bandar Seri Putra.

Small and medium enterprises (SME's) in Malaysia are a very heterogeneous group. 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. SME's also operate in different market environment such as urban, rural, online, physical, domestic, regional and international. These SME's 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 SME's 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).

Developing a group of diverse and competitive small and medium enterprises (SME's) is a central theme towards achieving sustainable economic growth. SME's 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 SMEs 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, SME's 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.

1.1 Objective Of The Study
1. To determine the relationship between success factors and the performance of SME's.
2. To gain the recommendation or suggestion towards improvement the performance of business.

2. LITERATURE REVIEW

2.1 Measurement Performance of SMEs

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 SME's 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 that influence the Performance of SMEs

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. METHOD

Questionnaire has been distributed to respondent who are among the workers and owner of the business located at Bandar Seri Putra area and specific test has been conducted to answer the objectives of the research questions.

Table 1: Specific Test Method

No	Objectives	Method
i.	To determine the relationship between factors influence and the performance of SME.	Pearson Correlation
ii.	To gain the recommendation or suggestion towards improvement the performance of business.	frequency

4. RESULTS AND DISCUSSION

4.1 Objective 1 Analysis: To determine the relationship between success factors and the performance of SME's.

Table 2 Correlation between Success Factors and Performance of SME's.

		Performance of SME's	Effective Entrepreneurship	Appropriate Human Resources	Use of Marketing Information	Application of Technology
Performance of SME's	Pearson correlation	1	.484"	.528"	.507"	.475"
	Sig.(2-tailed		.000	.000	.000	.000
	N	127	127	127	127	127
Effective Entrepreneurship	Pearson correlation		1	.823"	.777"	.804
	Sig.(2-tailed	.		.000	.000	.000
	N		127	127	127	127
Appropriate Human Resources	Pearson correlation			1	.848"	.859"
	Sig.(2-tailed				.000	.000
	N			127	127	127
Use of Marketing Information	Pearson correlation				1	928"
	Sig.(2-tailed					.000
	N				127	127
Application of Technology	Pearson correlation					1
	Sig.(2-tailed					
	N					127

**correlation is significant at 0.01 level (2 tailed)

From the table 2 above, it can be explained that:
1. H_{f1}:   There is a positive relationship between Effective Entrepreneurship and performance of SMEs in Bandar Seri Putra.

Table 2 shows the findings of Pearson correlation analysis to see the level of the relationship among the independent variables and dependent variable in this study. The result

explained there was a significant relationship between factor and performance SME's. Evidenced by the results of Pearson correlation analysis was between r = 0.484** and significant value is *p* =.000.factor effective entrepreneurship are influence the performance of SME's. Hereby *Hf1* is acceptable.

2. Hf2: There is a positive relationship between Appropriate Human Resources Management (HRM) and Performance of SMEs in the Bandar Seri Putra.

Table 2 shows the result relationship factor appropriate human resources management with performance of SME's the result explained that there was a significant relationship between factor and performance SME's. Evidenced by the results of Pearson correlation analysis was between r = 0.528** and significant value is *p* =.000.factor appropriate human resources management are influence the performance of SME's. Hereby *H$_{f2}$* is acceptable.

3. Hf3: There is a positive relationship between the use of marketing information and performance of SMEs in Bandar Seri Putra.

Table 2 shows the result relationship factor use of marketing information with performance of SME's the result explained there was a significant relationship between factor and performance SME's. Evidenced by the results of Pearson correlation analysis was between r = 0.507** and significant value is *p* =.000.Factor use of marketing information are influence the performance of SME's. Hereby *H$_{f3}$* is acceptable.

4. Hf4: There is a positive relationship between application of information technology (IT) and performance of SMEs Bandar Seri Putra.

Table 2 shows the result relationship factor application of information technology with performance of SME's the result explained there was a significant relationship between factor and performance SME's. Evidenced by the results of Pearson correlation analysis was between r = 0.475** and significant value is *p* =.000.Factor application of information technology are influence the performance of SME's. Hereby *H$_{f4}$* is acceptable.

Based on the above findings indicate that the fourth of factors that were presented in this study would influence the performance in Bandar Seri Putra because of all these factors has reached a significant value was between *p* = 0.000 and has positive value. Therefore the overall hypothesis for this study is acceptable.

4.2 Objective 2 Analysis: To gain recommendations or suggestions towards improving the performance of business.

Table 3: Frequency for recommendations or suggestions towards improving the performance of business.

Measurements	frequency	percent
Profit	16	12.6
Management	22	17.3
Information Technology(IT)	13	10.2

Based table 3 showed the frequency of respondent to give recommendation or suggestion to improving the business towards profit, management and information technology (IT). The highest score is improving the business towards management about 22 of respondent (17.3%) followed by profit 16 of respondent (12.6%) and the lowest is financial 13 of respondent (13%). In summary the respondent is suggested to improve the business in term of management which is more to procedure in keeping, checking and paying the item to get the best result of financial. In term of profit the goods or services must followed the standard pricing to ensure the seller can bare the needs to sustain in business field. In term of (IT) the entrepreneurship suggest that (IT) have to up to date the machine or systems to enhance the capability and maximum the profitability.

5. CONCLUSION

This study helps the SMEs' business entrepreneurs to adopt structural innovation in the daily operation of their business. This will ultimately lead to improvement, effectiveness and efficiency in the management of their business. It is supported by the research conducted by Pasanen (2003), where the results found that most of the successful SMEs were characterized by qualities such as innovativeness, specialization and networking in their daily operations. Another research carried out by Jouirou et al., (2004) showed there should be a match between an organization's system and its strategy in order to enhance the performance. This is to ensure that their business continue to grow and ultimately help to support the development of economy. Thus, SMEs need to demonstrate a high degree of innovation in designing the strategies and organizational practices as well as coordinating with the conditions of the external environment to gain competitive advantage in this industry. For instance, it is essential for the entrepreneurs of SMEs to have an innovative skill to tackle the unpredictable circumstances or conduct things in a different way. This research also proposed a new integrated model that is useful as there is lack of study on the factors influence the performance of the SME's in Bandar Seri Putra, Bangi to expand the knowledge regarding the factors influence SME performance.

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