

THE EFFECT OF GOVERNMENT INTERVENTION ON THE SUSTAINABLE COMPETITIVE ADVANTAGE AMONG SMES IN MALAYSIA

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Abstract: *This pilot study is conducted to see whether government intervention affect the sustainable competitive advantage of SMEs in Malaysia or not. It has become imperative since the numbers of SMEs establishment in Malaysia rose every year. However, their sustainability towards competitive advantage was questionable whether it is due to the intervention of the government or their own effort. It was focused on a general question whether government intervention importance among SMEs and provides empirical verification on types of government intervention received by SMEs. In an attempt to contribute to the body of knowledge in this area, this paper collected 30 respondents for pilot testing before commencing the main research study on sustainable competitive advantage. Data were collected from the SMEs of service sector that have been established at least five years in Malaysia through questionnaires. The results show that most SMEs agreed that government intervention is important towards the sustainable competitive advantage and success of SMEs.*

Keywords: *Government Intervention, Malaysia, Smes, Sustainable Competitive Advantage*

Introduction

This paper assesses how government intervention affect the relationship between information management capability and sustainable competitive advantage of SMEs in Malaysia. One area where the Government can help a business like in SMEs is to provide proper infrastructure and business facilities in rural areas where there are no telephone and internet access, electricity, water supply, irrigation and drainage and other basic amenities (SME annual report 2016/2017).

The evolution of SMEs in Malaysia has been started up in 1971 with the implementation of the New Economic Policy (NEP) introduced by late Prime Minister Tun Abdul Razak that designed to increase people's wellbeing and streamlining the imbalances of ethnic economic. In 2010 the Malaysian Government unveiled the New Economic Model (NEM) that was needed to transform Malaysia into a high-income nation by 2020. As a result, in 2010 the National Transformation Programme (NTP) was implemented the NEM aligned with The Economic Transformation Programme (ETP) launched by then Prime Minister Y.A.B. Datuk Seri Najib Tun Razak on 25th September 2010. The vowed by the Malaysian Governments to strengthen SMEs can be seen from the level of execution of the Malaysia Industrial Master Plan, predominantly the Industrial Master Plan 2 or IMP2 from 2000 to 2005 which was followed by the IMP3 covering 2006 to 2020. The implementation and monitoring of the ETP and Government Transformation Programme (GTP) are overseen by the Performance Management and Delivery Unit (PEMANDU), which was established in September 2009 as a unit within the Prime Minister's Department (PEMANDU, 2012).

There are many policies in Malaysia are supporting to the entrepreneurs, including funding, physical infrastructure and business advisory services. The government is playing an important role in entrepreneurship development. According to Global Entrepreneurship Monitor (GEM), in Malaysia there are many government-led initiatives headed by experts which provide funding to entrepreneurs. Currently there are 14 agencies working under 8 ministries that provide grants for research and development (R&D) activities. Example of key ministries and agencies include the Ministry of Science, Technology and Innovation (MOSTI), Unit Inovasi Khas (UNIK), the Malaysian Innovation Agency (AIM), the Ministry of Higher Education (MOHE) and the Malaysian Technology Development Corporation (MTDC). They are responsible for innovation-related policies. It shows that the government intervention has play a vital role in helping and boosting the business activities especially for SMEs.

In the SMIDEC report's 2007 foreword by then Minister of International Trade and Industry Malaysia (MITI) Tan Sri Rafidah Aziz, to strengthen the economic foundation of SMEs in key industrial clusters, the Government continues to provide strong support in developing competitive and resilient SMEs. Gaining competitive advantage is critical for small medium and enterprises (SMEs). It is understood that across sectors, most firms should recognize that attaining competitive advantages is the most challenging issue facing firms in the 21st century (Eniola & Ektebang, 2014; Munir, Lim, & Knight, 2011; Supriyadi, 2017; Tasmin et al., 2016).

Living in this globally competitive environment, SMEs must ensure their existence can be lasted longer and remain sustain over period of time. It is important to know the percentage of firms that close their business in a given year and to compare it over time, across countries and around the globe. According to SME Annual report 2015/2016, more than half of start-ups fail within the first five years, with rates of surviving firms varying from less than one in five firms in Lithuania to about two-thirds in Sweden. In Austria, Belgium, Luxembourg, the Netherlands and Sweden, the survival rates of start-ups are consistently higher than in other countries (SME Corp Malaysia, 2016). Emphasis has been given to creating competitive advantage based on information and communications technology (ICT), capacity building and enhanced productivity, to enable the SMEs to face the challenges of a more liberalised market (SMIDEC, 2007).

Literature review

Sustainable Competitive Advantage

The empirical indicators of the potential of firm resources to generate sustained competitive advantage value, rareness, imitability, and substitutability (Barney, 1991). According to Hoffman (2000), sustainable competitive advantage is the prolonged benefit of implementing some unique value creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy. In line with this, it is important for all SMEs to ensure their understanding on the types of resources/capability possess by their organization can give competitive advantage and contribute to the SCA.

This is because, from the services sectors, most of the sectors provides homogenous products and services. In order for them to sustain, they have to ensure what they can offer is absolutely different from their competitors without jeopardising the concept of sustainable competitive advantage comprises of value, rare, inimitable and non-substitutable (Barney, 1991; Barney, Wright, & Ketchen, 2001). In study by Coplin (2002), the researcher believes and has addressed the idea that businesses all over need to explore how their resources and skills can be transformed into competencies and competitive advantages that will position the firm in advantageous position vis-à-vis competitors. One of the important resources would be information. According to Barney (1991) one of the competitive advantage is information as a strategic resource.

Information Management Capability (IMC)

In this study, the information can only become sustainable competitive advantage if it has certain capabilities. According to Mithas et al. (2011), IMC refers to a firm's ability to leverage IT resources to provide accurate and valuable information for the firm to improve its competitive advantage (Mithas et al., 2011).

SMEs with innovative products or service, gain a competitive advantage over other firms, which in turns help them in the process of internationalization & engagement in foreign collaborative projects (Pierguiseppe & Guisseppina, 2005; Ramayah, Lim, & Mohamed, 2005), but this somehow cannot be implemented without the help from a good information as a global enabler with the potential or desire to begin international activities could improve and benefit from their information practices (Julien & Ramangalahy, 2003; Levy & Powell, 2005). The use of information and internet has helped producing the innovation in clusters, no longer geographically (Gupta, 2007).

Normally, the information always been considered as important only when it gets help from the technology and people innovate it into new ideas. But technology and innovation cannot give impact towards the performance of SMEs without having an accurate, reliable and good information. This consistent with Mithas, Ramasubbu, & Sambamurthy (2011) that the ability to provide accurate, timely, and reliable data and information to appropriate entities and stakeholders permit firms to configure and tailor other organizational capabilities that might influence firm performance.

Therefore, based on the existence of the valuable and abundance of information created in SMEs, this paper highlighted information capability as one of the pivotal back born mentioned in supporting SCA. Information in this aspect will be considered as an important asset and

resource along with technology and innovation (S.L. Jarvenpaa & D.E. Leidner, 1997), since the negligence in technology can decrease the competitiveness of the enterprise and fail to produce expected result due to both are the keys toward organization success (Agafonov, Genin, Kalinina, Brel, & Zhironkina, 2017; Junaidah Hashim, 2007; Saira, Zariyawati, & Annuar, 2010).

Government Intervention

Government plays a critical role in shaping the success of SMEs. The Government is already helping SMEs by providing financing, promotion, developing capacity, marketing, and through many other aid programmes under various Ministries and agencies.

Many studies show that the government has intervene in many ways to help the company, for instance in financial aspect (Cull, Li, Sun, & Xu, 2013; Owenvbiugie, 2017), adoption of green innovation (Kousar, Sabri, Zafar, & Akhtar, 2017), policy (Lazzarini, 2012) and any government related intervene and assistance. Apart from providing direct funds, fiscal measures such as tax reductions or exemptions also play a role (Alhnity, Mohamad, & Ishak, 2016). Therefore, in this study, government intervention was selected to be examined for its moderating impact into the IMC and SCA relationship.

Methodology

For the present study, sample consisted of SMEs belonging to sectors. A total of 30 SMEs from across the country participated in pilot study. The criterion followed in selection of SMEs was based on the following characteristics:

- Established at least 5 (five) years
- Award recipients (E50 and SME100– the enterprise award meant for SMEs achievements among small firms)
- Service sector

The instrument of the study was based on the innovation (process, product, administrative and marketing) and the growth of the company (sales turnover). A team of 20 specially trained enumerators was engaged to collect the data. The questionnaires were adapted from the previous studies for the study and was based on the knowledge capability, innovation capability and technology capability (KIT) survey with five-point Likert scale rating. After considering all the elements, this study integrates and develops a framework (Figure 1) that serves as a guide that will contribute to the body of knowledge by taking RBV and dynamic capability as underpinning theories that names KIT as part of the information management capability toward measuring SCA of SMEs by highlighting government intervention.

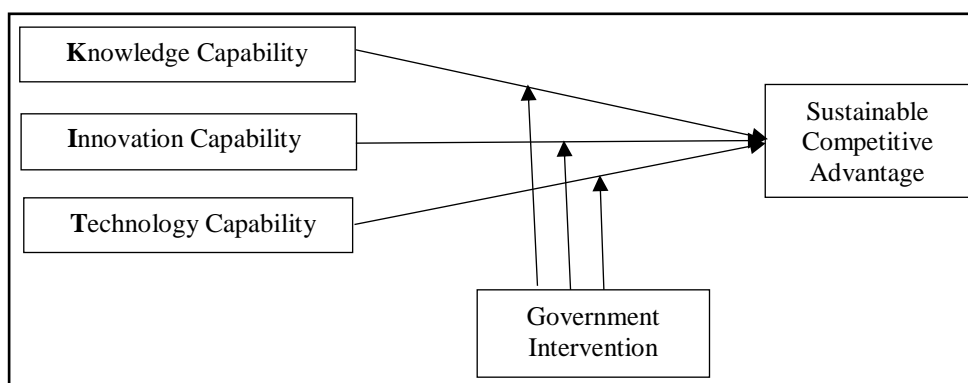


Figure 1 Framework Developed for This Study

Findings

Based on the analysis, the responses were highly obtained from two subsectors, wholesale & retail trade and food & beverage (23.3%), accommodation, ICT, health services and professional services with 10% respectively, finance & insurance (6.7%) and 3.3% for education services and real estate. 20% of the companies have at least 5 – 7 years of establishment, with 50% have more than 11 years of establishment. 100% responses agreed on the importance of government intervention towards the sustainable competitive advantage of SMEs.

Table 1: Convergent validity

Construct	Items	Loadings	CR	AVE
Information Management Capability	IMC1	0.729	0.91 3	0.602
	IMC2	0.752		
	IMC3	0.856		
	IMC4	0.718		
	IMC5	0.845		
	IMC6	0.809		
	IMC7	0.706		
Government Intervention	INVOLVEMENT	SIM	NA	NA
Sustainable Competitive Advantage	SCA1	0.840	0.90 3	0.654
	SCA2	0.883		
	SCA4	0.855		
	SCA5	0.816		

Note: IMC8, SCA3, SCA6, SCA7 and SCA8 were deleted due to low loadings

Convergent validity is the extent to which a measure correlates positively with alternative measures of the same construct, and to establish convergent validity, researchers consider the AVE (Hair, M.Hult, Ringle, & Sarstedt, 2017). The results shown in Table 1 indicates that the scales have good convergent validity where all items show above 0.7, 0.5 and 0.7 respectively for loadings, AVE and CR. According to Hair, Babin, & Krey (2017), convergent validity was reported based on loadings ≥ 0.70 , average variance extracted (AVE) ≥ 0.50 for each construct, and composite reliability (CR) ≥ 0.70 (in exploratory research, 0.60 to 0.70 is considered acceptable). This reveals that as information management increases, the sustainable competitive advantage of SMEs also can be achieved. Based on the table, there is no CR and AVE for government intervention since the question asked during the pilot study consisting only YES/NO question that asked whether government intervention is important to the sustainable competitive advantage of the SMEs. SIM indicates as “single item measured”.

Discussion

This study is intended to test the moderating effect of government intervention by using SmartPLS software. Unfortunately, since the sample size was only 30 responses, the result could not run as it needed since the software needs at least 50 sample size. Therefore, in this study, SmartPLS only run the significant moderation relationship on the government intervention between information management capability towards sustainable competitive advantage from CR and AVE aspects. Although the result did not project the objective of this study, but the importance of government to intervene in SMEs is still relevant. Based on the findings, it shows that 100% of responses agreed that the intervention of government is

important to ensure SMEs remain competitive. Service sector has been chosen due towards becoming high income economy, Malaysian GDP continued to be driven by this sector in line with strong activity in domestic-oriented services, particularly the wholesale and retail trade as well as communication subsectors with overall GDP of 21.8% by key economic activities (Malaysian Ministry of Finance, 2014).

Conclusion

Government play as a pivotal role in ensuring the success of business. But for SMEs, most of the companies have established by continuing their family business. The proposed of government intervention in this study is to see whether the sustainable competitive advantage of SMEs that have been established more than five (5) years due to the intervention of government or because of their own effort. The result was not projecting the actual involvement of the government since only 30 responses involved. But it can work as a stepping stone for future study. A lot of evidence has proven that many SMEs sustained because of the government intervention by providing the small enterprises early funding to start up business, or indirect assistance like training, promotion or advisory part. Therefore, diligent effort is needed to create awareness among the SMEs in Malaysia with the enforcement of the government especially with the approach of Industry 4.0. To remain competitive, all SMEs around the world and specifically in Malaysia need to integrate information management capability components like knowledge, innovation and technology. The main objective of confirming the reliability and internal consistency of the instrument utilized in this study is achieved when the results showed AVE and CR readings well above the threshold of 0.50 and 0.70 (Hair, Babin, et al., 2017). Hence, the instrument is valid for further use for the service sector of SMEs in Malaysia. This instrument will be proceeded to be used in the main data collection.

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