

# Cross Border SMEs: Malaysia & Indonesia

Edited By: MOHA ASRI ABDULLAH, RIZAL YAYA, DZULJASTRI ABDUL RAZAK

CROSS BORDER SMES: MALAYSIA & INDONESIA

Elsewhere in these two nations, SMEs are much regarded as “unsung heroes” as they play significant economic and social roles by offering new job opportunities, lowering unemployment rate, increasing competition and productivity, and providing substantial benefits to the economy of the two countries, Malaysia and Indonesia alike. The SMEs in both the neighboring nations are considered to be the backbone of the modern-day economy. Thus, it is far from being a surely not a “fish bone” anymore. The importance of this segment is undisputed. For instance, a total of 98.5 percent of the Malaysian business establishments are SMEs. In 2017, these businesses were responsible for 37.1 percent of the country’s GDP, 66 percent the total employment of the country, and 17.3 percent of the total Malaysian export. The annual growth of these SMEs’ contributions towards the GDP, employment and export are 7.2 percent, 3.4 percent and 7.9 percent respectively.

A more or less similar example can be illustrated for the Indonesian counterpart. The importance of MSMEs in the Indonesian national economy has been well noted. There are more than 56.8 million MSMEs establishments and they consist of approximately 99.9 percent of the total number of enterprises. It can be further emphasized that within MSMEs, microenterprises seem to be more dominant compared to small and medium enterprises. It covers about 98.7 percent, while small and medium enterprises represent only about 1.13 percent and 0.09 percent respectively.



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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# Preface

**M**uch have been written in various forms with respect to Micro, Small and Medium Enterprises (MSMEs). In spite of this, a compilation of works on “cross border SMEs”, especially between Malaysia and Indonesia, has still not been made available to the public. Prior to addressing the issue at hand, let us look at what we mean by MSMEs for Malaysia and Indonesia? Micro, Small and Medium Enterprises (MSMEs) have been defined differently in both countries. So far, there has not been a unified definition that is accepted by all. In Malaysia, SME Corp, a coordinating body on SMEs, refers to micro size SMEs as companies with sales turnover of less than RM300,000 and employees less than five. However, for small size SMEs in the manufacturing sector, it refers to companies that have sales turnover between RM300,000 and RM15 million and employees between 5 and 75 people, while in the services sector it is described as companies that have sales turnover between RM300,000 and RM3 million, and employees between 5 and 30 people. As for medium size SMEs, in the manufacturing sector, it includes companies with sales turnover between RM15 million and 50 million, and

employees between 75 and 200 people. However, in the services sector, companies that have sales turnover between 15 million and RM 20 million and employees between 30 and 75 people are already considered as medium size SMEs. In Indonesia, MSMEs are defined as those enterprises which have full time employment of less than 100 employees with a substantial proportion of them consisting of micro enterprises with not more than five full-time employees.

Elsewhere in these two nations, SMEs are much regarded as “unsung heroes” as they play significant economic and social roles by offering new job opportunities, lowering unemployment rate, increasing competition and productivity, and providing substantial benefits to the economy of the two countries, Malaysia and Indonesia alike. The SMEs in both the neighboring nations are considered to be the backbone of the modern-day economy. Thus, it is far from being a surely not a “fish bone” anymore. The importance of this segment is undisputed. For instance, a total of 98.5 percent of the Malaysian business establishments are SMEs. In 2017, these businesses were responsible for 37.1 percent of the country’s GDP, 66 percent the total employment of the country, and 17.3 percent of the total Malaysian export. The annual growth of these SMEs’ contributions towards the GDP, employment and export are 7.2 percent, 3.4 percent and 7.9 percent respectively. A more or less similar example can be illustrated for the Indonesian counterpart. The importance of MSMEs in the Indonesian national economy has been well noted. There are more than 56.8 million MSMEs establishments and they consist of approximately 99.9 percent of the total number of enterprises. It can be further emphasized that within MSMEs, microenterprises seem to be more dominant compared to small and medium enterprises. It covers about 98.7 percent, while small and medium enterprises represent only about 1.13 percent and 0.09 percent respectively.

Having those figures are insufficient as there is a yawning gap between the needs, demands and policy responses in SMEs that often dampen their prospects. The recent economic turbulence has only added to SMEs' problems. In this regard, SMEs in both nations have also been struggling for the improvement in the cost reducing industries by providing relatively lower prices which bring transformation to the industrial structure and development of new markets along with large and multinational corporations (MNCs). SMEs directly and indirectly assist and facilitate growth, multiply and replicate into sufficient mass across industries and sectors. Starting in the late 70s and early 80s, SMEs have started to become more innovative and flexible in terms of reducing cost, technology adoption and diversification of products. Hence, it becomes imperative for us to ensure that SMEs, which are facing one of the toughest times in the industrial history, are strongly supported by the relevant stakeholders; governments, financial agencies, institutions and associations.

Realizing the need to leverage further on the development of small and medium enterprises (SMEs) in these two brotherly countries, Malaysia and Indonesia, a small group of scholars/researchers from IIUM, UMY, UNIDA Gontor and UNISSULA have collaboratively embarked on a little-known project known as the Research Matching Grant Schemes (RMGS), International Islamic University Malaysia (IIUM), Project ID: RMGS 17-001-0027. After a successful Malaysia-Indonesia Workshop on SMEs in 2019, that was conducted to present all the RMGS findings, a subsequent effort is to compile the selected-relevant papers in the form of a book to enable the knowledge and the latest findings to be shared with the public at large. Thus, the book, "Cross Border SMEs: Malaysia and Indonesia", is put forward as an extension of a compilation of works designed to foster the status, growth, progress and development of SMEs, espe-

cially in Malaysia and Indonesia. Such an effort has not been made elsewhere.

In view of this, we would like to extend our appreciation to the Research Management Center (RMC) of the International Islamic University Malaysia (IIUM), the research centers of *Universitas Muhammadiyah Yogyakarta (UMY)*, Universitas Darussalam (UNIDA) Gontor, and Universitas Islam Sultan Agung (*UNISSULA*) for undoubtedly giving us the opportunity by providing research grants under RMGS. The grants from our respective institutions enabled us to generate and integrate these research papers into an edited book. Therefore, special thanks and the flagship's appreciation to those who have contributed their papers and their efforts and unquestionable support which have eventually led to this edited book.

Edited By:

Moha Asri Abdullah

Rizal Yaya

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## **Examining Issues and Challenges in Integrating SMEs Into Global Value Chains: Malaysia Evidence”**

*Khairunisah Ibrahim, Moha Asri Abdullah, Maliah Sulaiman, Ardian Adhiatma, and Royyan Ramdani Djayus*

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### ABSTRACT

Small and medium enterprises (SMEs) are considered as the engine of economic growth as they make a huge portion in the economic pie both in the developed and developing markets and in terms of employment and intergenerational sustainability, as well as economic growth. The development and growth of SMEs in Malaysia has significant impact in boosting productivity and increasing employment at national, regional and global markets. Increasingly globalized links in production networks or global value chain provide opportunities for SMEs to upscale their business models and to grow across borders. This chapter aims to examine the issues and challenges faced by SMEs in Malaysia in becoming more competitive and expanding their businesses into the international market. The survey was conducted using structured questionnaire that involved two sections of 18 and 16 questions in each section respectively in terms of issues in business and challenges in the global trade market. Data collected from 344 respondents were then analyzed based on descriptive statistics using SPSS software. Findings shows that Malaysian entrepreneurs are highly concerned with the future economic and cost uncertainties as well as the rapid technological changes around the world, including digital economy, e-commerce, and digital trade zone. In competing globally, SMEs in Malaysia are experiencing challenges in having

adequate knowledge and information pertaining to international ventures, including knowledge on the international market opportunities, information on the marketing channels and networks, foreign market system as well as adaptation of products to foreign markets. Discrepancies in feedbacks are also identified with regards to the distinct personalities and demographics of the SMEs. This chapter provides crucial information to regulators, policy makers and SMEs in Malaysia in enhancing SMEs participation in the global value chains.

KEYWORDS: Global Value Chains, Internationalization of SMEs, Issues and Challenges, Demographic factors, Malaysia, Survey

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## 1.0. INTRODUCTION

The development and growth of SMEs in Malaysia has significant impact in boosting productivity and increasing employment in national, regional and global markets. Increasingly globalized links in production networks or global value chain provide opportunities for SMEs to upscale their business models and to grow across borders. Recently, in Malaysia, the introduction of the e-fulfillment hub and e-services platform is set to change e-commerce activities. The world's first Digital Free Trade Zone (DFTZ) will facilitate SMEs to capitalize on the convergence of exponential growth of the internet economy and cross-border trade. DFTZ is also expected to increase the SMEs goods exports to USD38 billion, create over 60,000 jobs and support US\$65 billion worth of goods moving through DFTZ by 2025. This is the primary purpose of DFTZ. It is simplifying e-commerce by bringing together government agencies, e-marketplaces, logistics and payment providers all on one platform.

Despite the continuous initiatives and encouragement given by the regulators in Malaysia, the country is still encountering various issues and challenges pertaining to trading in the global markets. The government of Malaysia always encourages SMEs to go global by



providing assistance such as financing and training, but these governmental assistances are not accessed by all SMEs. One of the main reasons was identified as having limited or no knowledge and awareness of those assistance programmes, and the application procedure for such facilities (Tambunan, 2009). Similarly, Damuri (2006) identified several issues faced by those export-ready SMEs such as getting a license for importing, tax and tariff, payment of fees, procedures for inspection and release of goods at custom department.

As Asia's production network grows, products traded in the international markets have shifted from capital and final goods to parts and components. This is a new paradigm for the SMEs to be involved actively. Expanding production networks across the borders will encourage SMEs especially those in the related industries such as parts supplies. Hence it is crucial for the export ready SMEs in Malaysia to look beyond exporting finished products, but to capitalise on the global supply chain and production networks.

Apart from the external challenges, it is also crucial for SMEs to identify their own strengths and weaknesses in the global value chains and have awareness and understanding of the structure and dynamics in venturing into the global market. Unfortunately, this awareness and understanding of SMEs are insufficient and as a result the majority of them fail to identify their competitive strengths within the global market. Consequently, the SMEs are unable to define their business model effectively to achieve the firm's competitiveness.

In line with this, this chapter aims to examine the issues and challenges faced by Malaysian SMEs in, general, as well as the challenges faced in becoming more competitive and expanding their businesses into the international market, specifically. This chapter will provide crucial information to regulators, policy makers and SMEs in Malaysia in enhancing SMEs participation in the global value chains.

## 2.0. LITERATURE REVIEW

Debates on the issues and challenges faced by SMEs around the world are common in the literature, though the extent and nature of the challenges may differ across countries. Ahmad and Seet (2009) stated that the failure rate of SMEs in Malaysia is more than 60 percent which implies that the SMEs in Malaysia are facing severe issues and challenges. Social barrier has been observed as the main barrier to achieve competitive advantages by SMEs in a study by Alam et. al. (2011). Saleh and Ndubisi (2006), in their study, mentioned that one of the key challenges faced by Malaysian SMEs is high levels of international competition due to globalization including competition from AFTA member countries, and from MNCs or rapidly developing new competitors (e.g. enterprises from China and India).

Access to financing is considered as the most commonly discussed challenge experienced by most SMEs around the world. Smit and Watkins (2012), in their study, mention lack of access to credit as the most discussed challenges in the previous literature. It has been argued by Teoh and Chong (2008) that the major obstacles to entrepreneurship development are access to finance, access to formal business and social networks (see Khalique et. al., 2011). Difficulty in obtaining funds from financial institutions as well as from the government was identified as one of the key problems faced by Malaysian SMEs (Saleh and Ndubisi, 2006).

Apart from the competition and access to financing, having adequate knowledge and relevant skills are also being persistently pointed out by many researchers. According to the research by Salikin, Wahab and Muhammad (2013), SMEs are facing non-financial constraints more than financial constraints. SMEs often ignore management skills because they feel so confident in their experience and just rely on it. However, in this chapter, management skills is considered as general

in some specific areas and not in detail. From previous studies it has been found that small organizations fail to develop skills, knowledge and competencies among workers in the organizations (Omar, Arokiasamy & Ismail, 2009). Marketing skills and various issues in marketing is a challenge for SMEs which has been found responsible for many of SMEs failure (Scheers, 2011). Other studies also showed that there is a high failure rate among SME owners while extending their products and at the same time to sustaining in terms of product/service quality (Arasti, Zandi and Bahmani, 2014). Moreover, Dato' Hafsa Hashim, the CEO of SME Corp. Malaysia (2015), highlighted the need for SMEs to restructure their financial systems, improve management skills and emphasize on high quality products/services to ensure SME survival.

Moreover, the complex financial issues faced by SMEs are also due to their insufficient knowledge related to business management which includes developing good business plans. Financers find it difficult in grading the SMEs in terms of their credit-risks as most of the SMEs lack information on enterprise (Berry, Goto & Taylor, Sweeting, 2002). It is also important to prepare some expertise in management to ensure the growth of SMEs. It has also been argued that if the business is managed properly even without adequate financial sources, SME owners can convince banks in acquiring business funds (Islam, Khan, Obaidullah & Alam, 2011). In some of the Asian countries, short term objectives and investment have been identified as management issues among SMEs and the issues are perceived as cost by the management, whereas, they should find the issues as opportunities (Thaker & Mohammed, 2013).

In today's world the digital platform has become essential for SMEs in developing and establishing networks, contacts, and channels in the field of marketing. Access to digital platform is also a challenge

for SMEs to enter the Global Value Chain (GVC). The local SMEs can explore the opportunities to learn and upgrade industries through the rapid innovation of their products and their short life cycle when they play a role in the digital world of GVC (Sturgeon and Kawakami, 2010). Hashim and Wafa (2002), in their study, found that the main problems faced by SMEs in Malaysia are the lack of knowledge regarding marketing techniques, branding, customer loyalty, and also, the lack of good contacts with other local and international enterprises (Khalique et. al., 2011). Earlier in 2006, Saleh and Ndubisi identified limited access to better technology and ICT as one of the key challenges faced by the Malaysian SMEs. While trading products, it is essential to ensure the quality and technical requirements of the market where the products are to be exported. These requirements include packaging and labelling, style, taste, durability, adaptation to the market, and quality. Product problems have been found to be related to the aspects while trading in the global market (Scheers, 2011). Two main export problems faced by SMEs have been found to be lack of information and knowledge in marketing. The reason behind these problems involves competition in the global market, management expertise to generate sales in foreign markets, insufficient business practice and poor knowledge in the export markets.

Economic factors also have influence on the performance of SMEs and is one of the issues for them as well. It is likely to observe more product innovations during a recession than in a boom (Aghion and Saint Paul 1993) as a way of effectively innovating out of recession. Empirical research by Geroski and Gregg (1997) implies that a large number of firms bring forward investments in R&D, and product innovations, though investments in all forms of capital typically falls during recessions. In a study conducted in Lithuania, Europe, it was found that macroeconomic indicators such as inflation, average wages,

the number of enterprises, or the monetary base are not statistically significant and have no strong correlation with corporate profitability. On the other hand, unemployment, taxes, companies' number, VILIBOR rate, wages and inflation have a strong negative correlation with corporate profitability (Rokas, B. 2012).

Many literatures have been found to discuss on the factors that influence a firm's decision to globally fragment their business production as well as the various challenges facing SMEs in a globalized environment (e.g. Rugman and Verbeke, 2004; Kimura, 2006; Baldwin, 2011; Muhammad et al., (2010); Saleh and Ndubisi (2006); Samad (2007); Abu Bakar et al. (2006); Aris (2006); Harvie (2004); Wang (2003); Stuti (2005); Wafa et al. (2005); Ritchie & Brindley (2000); Decker et al. (2006); Foon (2006) and SMIDEC (2007)). Some factors have been identified as influencing a country in the Global Value Chains (GVCs), including tax and incentives, infrastructure availability, trade agreements between countries, the legal requirements of respective countries, and other related costs (Bhattacharya and Moazzem, 2013). Similarly, study conducted by Masato Abe, Marc Proksch, (2017) found several challenges for SMEs in the global market. They identified lack of strong access to international markets by SMEs, misinterpretation of agricultural markets and lack of information on global markets as significant market challenges. (Please check that my interpretation of the original sentence is correct.)

Barrios et al. (2005) showed that the timing of entry into a competitive market is another important consideration in entering the global market especially to foresee the impact of competition and the development of the local industry. It is also important to consider the size of a firm because entering a new market implies that the firm has enough resources to bear the significant amount of costs (Erramilli et al., 1997; Roza et al., 2011). Moreover, it has also been found that, in

some cases, larger firms may have less capacity to adapt to market changes (Aldrich, 2008). Decision on entry mode can also be affected by the prior experience of the business, as international involvement increases the likelihood of choosing between wholly owned or shared entry modes (Cho and Padmanabhan, 2005; Morschett et al., 2010).

### 3.0. METHODOLOGY

This chapter utilizes a self-administered questionnaire to determine the issues and challenges perceived by the Malaysian SMEs to be faced in the next three years of their business activities as well as the factors and challenges that have significant influence on SMEs participation in the global markets, as shown in Table 1 below.

TABLE 9. 1: LEVEL OF CHALLENGES ON BUSINESS FUTURE AND GLOBAL TRADING BY MALAYSIAN SMES

Challenges in Next Three Years	Challenges in Trading Global
Competition	Knowledge on International Opportunities
Economic Fluctuations	Knowledge on International Competition
Environmental Issues	Marketing Channels and Networks
Finance Difficulties	Financial resources for Market Research
Foreign Product Competition	Working Capital for Export Activities
ICT Development	Management Commitment
Knowledge and Skills in Finance and Accounting	Importers Quality Standards
Knowledge and Skills in Marketing	Product Adaptation to Foreign Markets
Knowledge and Skills in Technology	Knowledge on Market System
Knowledge and Skills in Research and Development	Culture and Language Barrier
Net Profit	Information on Export Procedures
Operational Cost	Government Assistance
Online Sales	Knowledge on ICT
Product Cost	ICT facilities and Infrastructures
Recruiting Staff	Environmental legislations
Retaining Staff	
Uncertainty of Market Direction	

The issues and challenges pertaining to trading in the global markets are classified into two broad categories in general, i.e. internal barriers and external barriers. Internal barriers include company

barriers (marketing knowledge, financial and human resource) and product barriers (quality and technical adaptation), whereas external barriers comprise of industry barriers (industry structure and competition), market barriers (customer and procedural) and macro environmental barriers (direct and indirect export).

A total of 344 valid responses were obtained within a period of three months of data collection. The findings were obtained and analyzed using descriptive analysis to provide useful insights on the challenges perceived in doing business and in venturing into the international market by the Malaysian SMEs.

#### 4.0. FINDINGS AND DISCUSSION

Table 2 below indicates that about 67 percent of the respondents were male, 33 percent female and 75 percent of the respondents were married. The age categories of 30-39 and 40-49 years old constitute 32 and 33 percent respectively and made up the majority of the respondents and those 50 years and above comprise of 13.7 percent only. About 42 percent of the respondents are with secondary school academic qualifications, and about 48 percent have either diploma or first-degree equivalent qualifications. This indicates that there are two main groups of academic qualifications amongst the respondents. In terms of religion, Muslim leads by 78.5 percent, followed by Buddhism 14 percent and Hinduism 4.7 percent.

Table 2 also shows that about 60.0 percent of the respondents did not have any prior business experience. Those who reported to have some experience ranged from about 0 to 43 years with an average of 3.90 years' experience. On average, the respondents had 2 of their family members working full-time in their business with a maximum of 7 family members. The total sales turnover and total assets turnover per year ranged from RM0 to RM23 million, and RM0 to RM50 million respectively.

TABLE 9. 2: PERSONAL AND BUSINESS CHARACTERISTICS OF SMES

Variable		Frequency	Percent
Gender	Male	229	66.6
	Female	115	33.4
Marital Status	Single	78	22.5
	Married	258	75.0
	Others	8	1.5
Age	20-29 Years	71	22.6
	30-39 Years	115	33.4
	40-49 Years	111	32.3
	50 Years and above	47	13.7
Education	Non-formal education	3	0.9
	Primary school	8	2.3
	Secondary School	144	41.9
	Diploma	72	20.9
	First Degree/Equivalent	93	27.0
Religion	Postgraduate degree	21	6.1
	Buddhism	48	14.0
	Christianity	3	0.9
	Hinduism	16	4.7
	Islam	270	78.5
	Others	7	2.0
Prior Business Experience	Having prior experience	153	44.5
	Not having prior experience	190	55.2
Number of Family Members in Business	Mean experience	3.90 years	
	Maximum	7	
	Minimum	0	
Total Sales Turnover Per Year	Mean	2	
	Maximum	RM23,000,000	
	Minimum	0	
Total Asset Turnover Per Year	Mean	RM382,475.23	
	Maximum	RM50,000,000	
	Minimum	0	
	Mean	RM627,306.15	

Table 3 and Table 4 above provide mean rank of the important challenges pertaining to future business activities and trading in the global markets by Malaysian SMEs respectively. In terms of the perceived challenges to be faced by the SMEs in the next three years of their business operations (Table 3), product cost, economic fluctuations, operational cost and ICT development were stated as the most important challenges by the respondents of this study. Interestingly, knowledge and skills related challenges have not received much attention of the SMEs as their future challenges. Table 4 ranks SMEs concern on the challenges that they faced in participating in the in-



ternational market. Having adequate knowledge and information are among the highest challenge for the Malaysian SMEs in going global, especially knowledge on the international market opportunities, information on the marketing channels and networks, foreign market system, adaptation of products to foreign markets as well as securing timely working capital to finance related export activities.

TABLE 9. 3 LEVEL OF CHALLENGES PERCEIVED TO BE FACED BY MALAYSIAN SMES IN THE NEXT 3 YEARS

Challenges in Next Three Years	N	Mean	Standard Dev.
Product Cost	343	3.671	.6347
Economic Fluctuations	344	3.669	.7486
Operational Cost	344	3.488	.7162
ICT Development	344	3.433	.8338
Competition	344	3.408	.7617
Net Profit	344	3.395	.7127
Finance Difficulties	344	3.378	.8169
Knowledge and Skills in Technology	344	3.328	.7440
Knowledge and Skills in Marketing	344	3.302	.7454
Recruiting Staff	343	3.283	.7326
Retaining Staff	344	3.253	.7423
Knowledge and Skills in Research and Dev.	343	3.251	.7617
Knowledge and Skills in Finance and Accounting	344	3.233	.7391
Online Sales	344	3.230	.9551
Environmental Issues	344	3.227	.8194
Foreign Product Competition	343	3.190	.8797
Uncertainty of Market Direction	344	3.015	.7461

TABLE 9. 4: LEVEL OF CHALLENGES FACED BY MALAYSIAN SMES IN THE GLOBAL MARKET

Challenges in Trading Global	N	Mean	Standard Dev.
Knowledge on International Opportunities	343	3.653	.9108
Information on Marketing Networks	343	3.653	.9076
Working Capital for Export Activities	343	3.536	.8874
Knowledge on Market System	343	3.516	.8087
Product Adaptation to Foreign Markets	343	3.443	.8527
Knowledge on Government Assistance	343	3.408	.7664
Knowledge on International Competition	343	3.382	.8702
Importers Quality Standards	343	3.356	.8492
Knowledge on ICT	343	3.338	.7390
ICT facilities and Infrastructures	343	3.335	.7423
Information on Export Procedures	343	3.286	.7375
Culture and Language Barrier	343	3.224	.7831
Management Commitment	343	3.207	.8452
Environmental Legislations	343	3.166	.6787
Financial Resources for Market Research	343	3.122	.9062

In better understanding the behavioral and demographic aspects of the Malaysian SMEs, this chapter provides further investigation into examining those responses from 344 respondents across their personal characteristics including gender, marital status, age, academic qualification as well as religion (Table 5 and Table 6). The tables provide information on the personality that provides the highest rank (Likert score of 4 and 5) to each of the issues and challenges listed. It is apparent from the two tables that follow that the three major personal characteristics that influence distinct responses are the educational level of the SME owners, their age group as well as gender. This information is highly crucial especially in ensuring that strategic plan and relevant assistance for the SMEs in the future could be appropriately and strategically structured according to their behavioral and personality differences.

TABLE 9. 5: HIGHEST RATING (LIKERT SCORE OF 4 AND 5) ON CHALLENGES PERCEIVED TO BE FACED BY MALAYSIAN SMES IN THE NEXT 3 YEARS ACROSS DEMOGRAPHIC CHARACTERISTICS

Challenges in Next Three Years	Gender	Status	Age	Education	Religion
Product Cost	Male	Married	30 – 39	Degree	Islam
Economic Fluctuations	Male	Married	20 – 29	Degree	Islam
Operational Cost	Male	Married	Same	Degree	Islam
ICT Development	Male	Married	40 – 49	Diploma	Islam
Competition	Male	Married	40 – 49	Degree	Islam
Net Profit	Female	Married	20 – 29	Diploma	Islam
Finance Difficulties	Male	Married	20 – 29	Secondary	Islam
Knowledge and Skills in Tech	Female	Married	40 – 49	Degree	Islam
Knowledge and Skills in Marketing	Male	Married	20 – 29	Degree	Islam
Recruiting Staff	Same	Married	30 – 39	Degree	Islam
Retaining Staff	Same	Married	30 – 39	Degree	Islam
Knowledge and Skills in R&D.	Male	Married	20 – 29	Diploma	Islam
Knowledge and Skills in Fin & Acctg	Female	Married	20 – 29	Degree	Islam
Online Sales	Male	Married	40 – 49	Secondary	Islam
Environmental Issues	Male	Married	20 – 29	Diploma	Islam
Foreign Product Competition	Male	Married	40 – 49	Degree	Islam
Uncertainty of Market Direction	Female	Married	20 – 29	Degree	Islam

As shown in Table 5 above, for the perceived future business challenges in the next three years, degree holders portray greater concern as compared to those with secondary education who made up the majority of the respondents. The younger generation, within the age

range of 20 – 29, regards challenges related to economic fluctuations, profit margin, financial difficulties as more important as compared to their matured counterparts (age within 40 – 49), who seem to be more concerned with technology-related matters and future competition. Male respondents dominate the list of highest challenges against the female respondents except on matters related to net profit margin, financial difficulties as well as technology-related knowledge and skills.

TABLE 9. 6: HIGHEST RATING (LIKERT SCORE OF 4 AND 5) ON THE LEVEL OF CHALLENGES FACED BY MALAYSIAN SMES IN THE GLOBAL MARKET ACROSS DEMOGRAPHIC CHARACTERISTICS

Challenges in Trading Global	Gender	Status	Age	Education	Religion
Knowledge on Int. Opportunities	Male	Married	30 – 39	Secondary	Islam
Information on Marketing Networks	Male	Married	20 – 29	Secondary	Islam
Working Capital for Export Activities	Male	Married	20 – 29	Secondary	Islam
Knowledge on Market System	Male	Married	20 – 29	Secondary	Islam
Product Adapt to Foreign Markets	Male	Married	40 – 49	Degree	Islam
Knowledge on Govt. Assistance	Female	Married	30 – 39	Secondary	Islam
Knowledge on Int. Competition	Male	Married	30 – 39	Secondary	Islam
Importers Quality Standards	Male	Married	40 – 49	Secondary	Islam
Knowledge on ICT	Female	Married	40 – 49	Secondary	Islam
ICT facilities and Infrastructures	Female	Married	40 – 49	Secondary	Islam
Information on Export Procedures	Male	Married	40 – 49	Degree	Islam
Culture and Language Barrier	Male	Married	40 – 49	Secondary	Islam
Management Commitment	Female	Married	20 – 29	Degree	Islam
Environmental Legislations	Female	Married	40 – 49	Secondary	Islam
Financial for Market Research	Male	Married	40 – 49	Degree	Islam

Similarly, several important differences are marked from the respondents' feedback on the challenges that they faced in going global, based on their distinct personality and demographic backgrounds (Table 6). Unlike the responses towards future business challenges, as discussed earlier, those respondents with secondary academic back-

ground indicate greater concern for the challenges in the global markets, in almost all the issues mentioned in this chapter. They are also amongst the matured SME owners who have greater concern on issues pertaining to product adaptation to foreign markets, knowledge on quality standards and ICT as well as export procedures. The female respondents have greater consideration towards ICT-related knowledge and infrastructures, government assistance, management commitment and legislations. However, marital status and religion seem not to be providing significant differences in terms of their responses towards the issues and challenges pertaining to future activities of the business as well as in venturing into the international market.

#### 5.0. CONCLUSIONS

Despite the continuous efforts taken by the regulators in Malaysia, the country is still experiencing various issues and challenges pertaining to trading in the global markets. Accordingly, this chapter examined the perceived challenges to be faced in the future by those SMEs as well as the challenges faced in becoming more competitive and expanding their businesses into the international market.

Several issues such as product cost, economic fluctuations, operational cost and ICT development were perceived to be the most crucial future business challenges by the respondents of this study. This shows that Malaysian entrepreneurs are very much concerned with the future economic and cost uncertainties as well as the rapid technological changes around the world, including digital economy, e-commerce, and digital trade zone. Examining these responses across the personality and demographic characteristics, this chapter finds that degree holders indicate greater concern as compared to those with secondary education who made up the majority of the respon-

dents. This could be associated to lack of practical business knowledge amongst the degree holders, hence elevating their perceptions on future challenges, as compared to those with lower academic qualifications but who have more practical experiences. Apart from the educational discrepancies, this chapter also discovers generation gaps with regards to perceptions on future business challenges. The younger generation indicates greater concern over economic, profitability and financial uncertainties as compared to the matured entrepreneurs who foresee greater challenges with regard to technological advances and greater competition. Gender differences also being noticed where the female entrepreneurs are having more thought on matters related to net profit margin, finance difficulties as well as technology-related knowledge and skills.

Interestingly, knowledge and skills related challenges have not received much attention of the SMEs as their future challenges. Perhaps, the entrepreneurs are well equipped with relevant knowledge as a significant number of the respondents are either degree or diploma holders. This factor can also be associated to the success of various initiatives of the government and agencies in Malaysia with regards to continuous training and skills development programmes provided for the SMEs.

In contrast to the above feedbacks, having adequate knowledge and information pertaining to international ventures are stated as the highest challenges faced by the SMEs in going global. This includes knowledge on the international market opportunities, information on the marketing channels and networks, foreign market system, adaptation of products to foreign markets as well as securing timely working capital to finance related export activities. Perhaps, this could be considered seriously by the regulators in Malaysia, especially those units that are specifically concerned with the global ventures of SMEs

such as MITI and MATRADE.

With regards to the personality differences, those with secondary academic background, matured and female respondents indicate greater concern for the challenges in the global market, in almost all the issues mentioned in this study. Specifically, they are concerned with the challenges related to product adaptation to foreign markets, knowledge on quality standards, ICT-related knowledge and infrastructures, export procedures, government assistance, management commitment and legislations.

Besides examining the issues and challenges perceived by the SMEs in Malaysia for their future business activities and going global, this chapter strengthens the arguments by cross checking those responses with the behavioral aspects of the entrepreneurs. Three major personal characteristics dominate the differences in the responses on issues and challenges, namely, the educational level of the SME owners, their age group as well as gender. This information is highly crucial especially in ensuring that strategic plan and relevant assistance for the SMEs in the future could be appropriately and strategically structured according to their behavioral and personality differences.

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