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DETERMINING THE KEY FACTORS INFLUENCING PERFORMANCE IN THE BAKERY SECTOR FOR SMALL-MEDIUM ENTERPRISES (SMES) IN MALAYSIA

Nor Hidayah Hassan Mydin
Genovasi University College, 46200 Petaling Jaya, Selangor

Mazlan Zainal
[2]*Genovasi University College, 46200 Petaling Jaya, Selangor*

***Abstract*—** This research explores the determinants of SME performance in Malaysia's bakery sector, focusing on entrepreneurial skills, marketing strategy, and government support. Employing a pragmatic research philosophy and deductive approach, it utilizes a survey method with non-probability convenience sampling of 101 respondents aged 20-50. Smart data analysis integrates demographic information for filtering. The paper outlines the research methodology, covering design, data collection, and analysis. Employing a quantitative research design, it measures variables related to entrepreneurial skills, marketing strategy, and government support, assessing their impact on bakery SME performance. Influenced by the "onion" research design, the methodology embraces layers crucial for a comprehensive study. Ethical considerations ensure participant confidentiality, informed consent, and voluntary participation. The discussion and conclusion provide insights into findings, with practical and theoretical recommendations. The researcher's reflection contributes insights for future research, emphasizing ethical practices and methodological considerations.

Keywords— Performance Determinants, SME, Malaysian Bakery Sector, Entrepreneurial Skills, Marketing Strategy, Government Support

I. INTRODUCTION

The operational success of small and medium-sized enterprises (SMEs) within the bakery sector in Malaysia faces a myriad of challenges emanating from both internal and external factors. Among these challenges, entrepreneurial skills, marketing strategies, and the adequacy of government support emerge as pivotal determinants influencing the overall landscape for these businesses. Despite their acknowledged significance, a substantial research problem persists due to a lack of clarity regarding the relative impact of these factors and the intricate interrelationships between them. Prior studies have individually underscored the importance of entrepreneurial skills, marketing strategies, and government support (Lee et al., 2022;

Ng et al., 2020). However, the existing gap lies in comprehending how these elements interact and collectively contribute to the holistic performance of bakery SMEs in Malaysia.

The bakery sector in Malaysia stands as a crucial pillar of the nation's economy, playing a pivotal role in employment generation, fostering innovation, and driving overall economic growth. This industry encompasses a wide array of products, including bread, pastries, cakes, biscuits, and confectionaries, catering to diverse consumer preferences and cultural tastes. It benefits from Malaysia's rich culinary heritage and multicultural society, offering a blend of traditional flavours and modern innovations. Within the bakery sector, small and medium-sized enterprises (SMEs) hold particular significance, serving as the backbone of entrepreneurial activity and business development (Lim & Teoh, 2021). These SMEs contribute not only to economic growth but also demonstrate agility, adaptability, and innovation within the industry. They often specialize in niche products, cater to local tastes, and foster community engagement, contributing to the vibrancy and diversity of the bakery market.

Entrepreneurial skills, such as innovation, risk management, and resource allocation, are essential for SMEs to navigate the competitive bakery industry landscape (Tan et al., 2024). This gap can impede their ability to compete effectively in the bakery industry, innovate products, manage risks, and utilize resources optimally. Marketing strategies, including market positioning and branding, are crucial for building customer relationships and sustaining a competitive edge (Chou et al., 2020). SMEs in the bakery sector may struggle with developing and executing effective marketing strategies. Challenges may include inadequate market positioning, weak branding, and insufficient customer engagement efforts, resulting in limited market reach, reduced customer base, and diminished competitiveness. Furthermore, the extent of government support, encompassing financial assistance and regulatory frameworks, significantly influences the operational environment for bakery SMEs. Challenges such as complex application processes, stringent eligibility criteria, and bureaucratic obstacles can hinder SMEs' ability to leverage government support for business growth and sustainability.

Bakery SMEs operate in a highly competitive industry characterized by numerous established players and continuous innovation. SMEs may struggle to compete with larger bakery chains or well-established brands, particularly in terms of market penetration, product differentiation, and pricing competitiveness. Bakery SMEs often confront resource constraints, including limited access to capital, skilled labour, and advanced technology. These constraints can hinder their capacity to invest in innovation, upgrade equipment, or expand operations, thereby limiting their growth prospects and competitiveness in the market.

Therefore, this research aims to address these challenges by investigating the nuanced relationships between entrepreneurial skills, marketing strategies, and government support. By conducting an in-depth examination of these factors and their interconnectedness, the study seeks to provide evidence-based insights that are indispensable for enhancing the performance and sustainability of bakery SMEs in the complex business environment of Malaysia.

II. LITERATURE REVIEW

A. Entrepreneurial Skills

Entrepreneurial skills encompass a range of competencies and traits exhibited by business owners and managers, including innovation, risk-taking propensity, proactiveness, and strategic vision (Rauch & Hulsink, 2015). Understanding the influence of entrepreneurial skills on SME performance is crucial for identifying the entrepreneurial characteristics that drive success in the bakery industry. The study of entrepreneurial skills has its roots in the works of seminal scholars such as Schumpeter (1959) and Kirzner (1973), who highlighted the central role of entrepreneurship in driving economic development and innovation. Recent research on entrepreneurial skills has expanded to encompass not only individual-level competencies but also organizational aspects of entrepreneurship, such as entrepreneurial orientation and the fostering of an entrepreneurial culture within firms (Lumpkin & Dess, 1996).

B. Marketing Strategy

Marketing strategy refers to the overarching plan or approach adopted by a firm to effectively promote its products or services, differentiate itself from competitors, and achieve its business objectives (Kotler & Armstrong, 2018). Understanding the impact of marketing strategy on SME performance is crucial for identifying the strategies that drive success in the bakery industry. The study of marketing strategy has a long history, with early scholars such as McCarthy (1960) and Porter (1980) laying the groundwork for understanding the strategic dimensions of marketing. Recent developments in marketing strategy research have witnessed a shift towards more dynamic and integrated approaches to marketing strategy, reflecting the changing dynamics of consumer behaviour, technology, and competitive landscapes. Scholars have emphasized the importance of digital marketing, customer relationship management, and brand differentiation as essential elements of contemporary marketing strategies. The evolving nature of marketing strategy research reflects the adaptation of marketing practices to the modern business environment.

C. *Government Support*

Government support refers to the various forms of assistance, incentives, and policies provided by public authorities to promote the growth and competitiveness of SMEs, including financial support, regulatory frameworks, and capacity-building programs (North, 1990). Understanding the influence of government support on SME performance is crucial for identifying the role of public policy in shaping the business environment for bakery SMEs. The role of government in supporting SMEs has been a subject of interest for scholars and policymakers alike, with seminal works by Baumol (1990) and Scott (2006) highlighting the impact of institutional arrangements on entrepreneurship and small business development. Researchers have explored the impact of government interventions, financial incentives, regulatory frameworks, and business support services on SME performance and competitiveness. Recent developments in government support research have emphasized the need for targeted and responsive government support mechanisms that address the specific needs and challenges faced by SMEs in different industries. Scholars have highlighted the importance of entrepreneurial ecosystems, innovation clusters, and access to finance as critical elements of contemporary government support programs.

D. *SME Performance*

SME performance encompasses various aspects, including but not limited to financial performance, market share, growth rate, and overall competitiveness. Research on the performance of SMEs has a rich historical backdrop, with scholars such as Penrose (1959) emphasizing the role of firm-specific resources and capabilities in driving performance. Over the years, scholars have employed various performance measures and methodologies to understand, evaluate SME performance and aiming to identify the determinants and factors that contribute to their success or failure. Recent developments in SME performance research have seen a shift towards more comprehensive and multidimensional approaches to measure SME performance. Scholars have emphasized the importance of considering various aspects of performance, including financial indicators, market positioning, innovation, and sustainability. This shift reflects the growing complexity of SME operations and the need to capture a holistic view of their performance.

III. RESEARCH METHODOLOGY

The study focuses on three main factors: entrepreneurial skills, marketing strategy, and government support. Understanding and analysing these factors is essential for shedding light on the performance of SMEs in the bakery industry and identifying the most significant factor contributing to their success. In this study, a quantitative research design will be employed to measure the variables of entrepreneurial skills,

marketing strategy, and government support and their impact on the performance of SMEs in the bakery sector in Malaysia.

A. Conceptual Framework

The conceptual framework revolves around the dependent and independent variables.

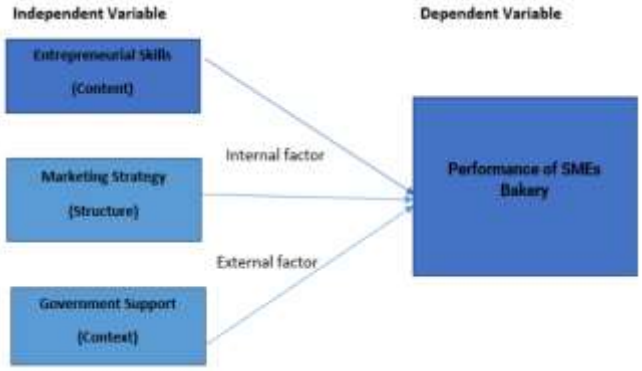

Fig. 1. Conceptual Framework

B. Data Analysis Method

When it comes to research and data analysis, using sophisticated instruments is essential for thorough and perceptive studies. We use SmartPLS 4 Software in this investigation, a powerful tool designed for path modelling and structural equation modelling (SEM). SmartPLS 4, which is well-known for its effectiveness, enables researchers to evaluate theoretical models, identify cause-and-effect links among variables, and traverse complex interactions within datasets. Because of its adaptability, it may be used for a wide range of research initiatives, especially in fields like business and the social sciences.

IV. RESULTS

Through the utilization of SmartPLS 4, this study aims to generate reliable and valid findings that contribute to the existing body of knowledge on SME performance in the bakery industry.

A. Structural Model

PLS-SEM aims to maximize the variance of the dependent variable to evaluate the predictive capabilities of the model. This meticulous procedure is essential for verifying the validity and dependability of the study's findings before exploring complex relationships. In this section, PLS-SEM model assessment will first be focusing on the measurement model to evaluate the reliability and validity of the construct measures. The analysis and results section that follows seeks to shed light on the nuances and implications that resulted from the PLS-SEM analysis, thereby advancing a thorough comprehension of the structural dynamics of the study.

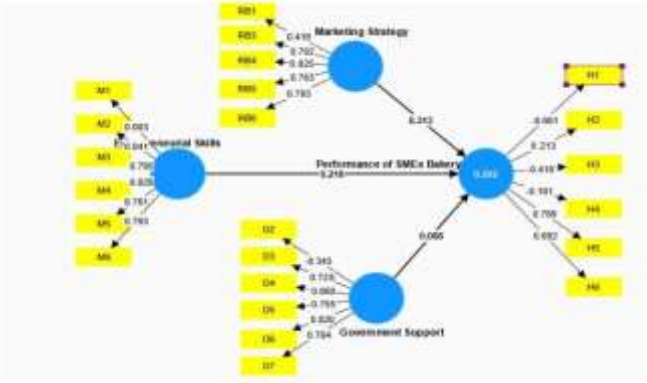

Fig. 2. PLS-SEM Model

B. R-Square

The presented data provides R-square and R-square adjusted values for the variable "Performance of SMEs Bakery." These coefficients are key metrics in regression analysis, indicating the proportion of variability in the dependent variable (SMEs bakery performance, in this case) that is explained by the independent variables included in the model.

TABLE I. R-SQUARE

	R-square	R-square adjusted
Performance of SMEs Bakery	0.292	0.27

The R-square value of 0.292 suggests that approximately 29.2% of the variability in SMEs bakery performance can be accounted for by the variables considered in the regression model. The R-square adjusted value, slightly lower at 0.27, adjusts the R-square to account for the number of predictors in the model, offering a more conservative estimate of the model's generalization to new data. Both values collectively provide valuable insights into the goodness-of-fit of the regression model, indicating the degree to which the chosen independent variables contribute to explaining the observed variations in the performance of small and medium-sized enterprises in the bakery sector.

The R-Square value of 0.292 suggests that approximately 29.2% of the variability in the performance of small and medium-sized enterprises (SMEs) in the bakery sector is explained by the factors considered in the regression model. The Adjusted R-Square, slightly lower at 0.27, adjusts this value to account for the number of predictors in the model, providing a more conservative estimate of the model's generalization to new data. These values collectively indicate a moderate level of explanatory power, implying that the

chosen independent variables contribute to understanding a significant portion of the observed variations in bakery performance. While the model may not capture all factors influencing performance, the identified predictors play a meaningful role. The findings have implications for stakeholders and decision-makers in the bakery industry, providing insights into key factors affecting SMEs' performance and potentially guiding strategies for improvement.

Despite the insights provided by the R-Square and Adjusted R-Square values, it's important to acknowledge the limitations of the regression model. The explanatory power, while moderate, indicates that there are unaccounted-for factors influencing SMEs bakery performance. The model might benefit from the inclusion of additional relevant variables that were not considered in the current analysis. Moreover, the observed R-Square adjusted value suggests that the model's generalization to new data might be somewhat constrained. Future research could explore potential sources of variability that were not captured in the current model or consider alternative modeling techniques. Additionally, external factors such as market dynamics, economic conditions, or technological advancements could be important considerations that are beyond the scope of the current model. Therefore, cautious interpretation and consideration of these limitations are essential for a comprehensive understanding of SMEs bakery performance, and further research could refine and expand upon the current findings.

C. F Square

The presented data consists of f-square values, each representing the effect size of specific predictor variables on the dependent variable "Performance of SMEs Bakery."

TABLE II. F SQUARE

	f-square
Entrepreneurial Skills -> Performance of SMEs Bakery	0.034
Government Support -> Performance of SMEs Bakery	0.008
Marketing Strategy -> Performance of SMEs Bakery	0.07

These coefficients quantify the proportion of variance in SMEs bakery performance that can be uniquely attributed to each independent variable, beyond any shared variance with other predictors. For example, the f-square value of 0.034 for "Entrepreneurial Skills" suggests that approximately 3.4% of the variability in the performance of small and medium-sized enterprises (SMEs) in the bakery sector can be explained by entrepreneurial skills when considered independently. Similarly, the values of 0.008 for "Government Support" and 0.07 for "Marketing Strategy" signify the unique contribution of each of these factors to explaining the variance in SMEs bakery performance. These f-square values provide a quantitative measure

of the individual impact of specific predictors, aiding in the understanding of their relative importance in influencing the observed outcomes in the context of SMEs in the bakery industry.

D. *Path Coefficients*

The provided data represents path coefficients, which are standardized regression coefficients in a structural equation model, indicating the strength and direction of the relationships between independent variables and the dependent variable. In this context, the path coefficients show the impact of each predictor variable on the "Performance of SMEs Bakery."

TABLE III. PATH COEFFICIENT

	Path coefficients
Entrepreneurial Skills -> Performance of SMEs Bakery	0.218
Government Support -> Performance of SMEs Bakery	0.088

For "Entrepreneurial Skills," the path coefficient is 0.218, suggesting a positive relationship between entrepreneurial skills and SMEs bakery performance. Specifically, a one-unit increase in entrepreneurial skills is associated with a 0.218-unit increase in the predicted performance of SMEs in the bakery sector.

For "Government Support," the path coefficient is 0.088, indicating a positive but smaller relationship. A one-unit increase in government support is associated with a 0.088unit increase in the predicted performance of SMEs in the bakery sector.

Lastly, for "Marketing Strategy," the path coefficient is 0.313, indicating a stronger positive relationship. A one-unit increase in marketing strategy is associated with a 0.313unit increase in the predicted performance of SMEs in the bakery sector.

In summary, these path coefficients quantify the standardized impact of each predictor on the performance of SMEs in the bakery industry, providing insights into the relative importance and direction of these relationships within the structural equation model.

E. *P Values*

In the provided data, the p-values associated with each predictor variable (Entrepreneurial Skills, Government Support, and Marketing Strategy) play a crucial role in hypothesis testing. These p-values indicate the probability of observing the reported T statistics (|O/STDEV|) or more extreme values under the assumption that there is no true effect of the predictor variable on the Performance of SMEs Bakery.

TABLE IV. SUMMARY OF P VALUES

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Entrepreneurial Skills -> Performance of SMEs Bakery	0.218	0.238	0.141	1.552	0.121
Government Support -> Performance of SMEs Bakery	0.088	0.095	0.109	0.812	0.417
Marketing Strategy -> Performance of SMEs Bakery	0.313	0.318	0.143	2.189	0.029

a) Entrepreneurial Skills -> Performance of SMEs Bakery: The p-value of 0.121 suggests a 12.1% probability of observing a T statistic as extreme as 1.552, assuming there is no genuine effect of Entrepreneurial Skills on the Performance of SMEs Bakery. With a p-value higher than the conventional significance level of 0.05, there may not be enough evidence to reject the null hypothesis. The observed relationship may not be statistically significant.

b) Government Support -> Performance of SMEs Bakery: The p-value of 0.417 indicates a 41.7% probability of observing a T statistic as extreme as 0.812, assuming there is no true effect of Government Support on the Performance of SMEs Bakery. With a p-value greater than 0.05, there may not be sufficient evidence to reject the null hypothesis. The observed relationship may not be statistically significant.

c) Marketing Strategy -> Performance of SMEs Bakery: The p-value of 0.029 implies a 2.9% probability of observing a T statistic as extreme as 2.189, assuming there is no genuine effect of Marketing Strategy on the Performance of SMEs Bakery. With a p-value less than 0.05, there is evidence to reject the null hypothesis. The observed relationship may be statistically significant.

In summary, the p-values help assess the statistical significance of the observed relationships. A lower p-value indicates stronger evidence against the null hypothesis, suggesting that the observed effects are more likely to be real and not due to random chance. Researchers often use a significance level, such as 0.05, to make decisions about the statistical significance of their findings.

V. CONCLUSION

Focused on unraveling the intricacies of SME performance in the Malaysian bakery sector, this study delves into three core factors: entrepreneurial skills, marketing strategy, and government support. Through theoretical exploration, the research aims to shed light on the interplay of these variables and their impact on SME success. The methodology, grounded in pragmatism, adopts a deductive approach, utilizing a survey-based design that is exclusively quantitative and cross-sectional. Employing a non-probability

convenience technique, data will be collected from 101 respondents aged 20-50 working in Malaysia. The survey, designed for both online and offline distribution, incorporates demographic inquiries to filter and ensure statistical significance. The p-values associated with predictor variables (Entrepreneurial Skills, Government Support, and Marketing Strategy) in the collected data will play a pivotal role in hypothesis testing, offering insights into the true effects of these factors on SME performance in the bakery sector. The study seeks to not only comprehend the dynamics of SMEs but also contribute valuable insights for industry stakeholders and policymakers alike.

Practical recommendations stemming from our research on the performance of small-medium enterprises (SMEs) in the Malaysian bakery sector focus on enhancing entrepreneurial skills, leveraging government support, and refining marketing strategies. To bolster entrepreneurial skills, SME owners and managers should invest in continuous training programs and workshops aimed at fostering innovation, leadership, and adaptability within their workforce. Collaboration with government agencies is crucial for SMEs to navigate regulatory frameworks and avail themselves of financial incentives and support programs. These programs could include hands-on sessions on product development, financial management, and customer relationship management.

Theoretical recommendations center on the refinement of existing entrepreneurial, governmental, and marketing theories to better encapsulate the nuances of the bakery industry. Scholars should explore interdisciplinary perspectives, incorporating insights from economics, psychology, and management to develop a holistic understanding of SME dynamics. Moreover, integrating cultural and contextual factors into established marketing and entrepreneurial theories can enrich their applicability within the unique Malaysian bakery context (Shane & Venkataraman, 2000). This could involve conducting qualitative studies to understand consumer preferences, cultural influences on purchasing behavior, and market trends specific to the bakery industry in Malaysia.

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