UNDERSTANDING AND PROMOTING SMALL AND MEDIUM ENTERPRISES' BUSINESS GROWTH WITHIN THE FOOD AND BEVERAGES SECTOR IN TERENGGANU, MALAYSIA

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ABSTRACT

This research investigates the underlying barriers to business growth among small and medium enterprises (SMEs) in Terengganu, Malaysia. The majority of over 98% of SMEs in Terengganu never grow to the size of a 'small' enterprise, and many remain stagnant, never achieving significant growth. This research develops a holistic view on SMEs' business growth barriers and opportunities in Terengganu, and explores the factors affecting these SMEs' business growth. It explore the relevance of branding strategy to these businesses and the relevance of branding strategy in promoting business growth. The central focus of the study presented in this thesis is to understand the factors that shape business growth so that practical tools to assist SMEs can be developed. A qualitative study was conducted with 15 SME experts and 15 SME business owners (BOs) within the F&B sector in Terengganu, Malaysia. The study identifies that SMEs' business growth is constrained by factors relating to financial inadequacy, individual attitudinal motivation and poor knowledge management. It reveals that even though branding strategy is claimed to have significant impact on SMEs' businesses, microenterprises in Terengganu are not ready to apply a branding strategy as represented by existing research literature. Thus, prior to the application of branding strategy, this research proposes and tests the development of a pre-branding strategy as a practical tool to assist and encourage SMEs towards growth. One of the outcomes of this research is a tool, entitled the IGS (Initial-Growth-Sustain) Strategy, which was designed and validated in context. BOs in Terengganu may find the IGS strategy a useful tool to evaluate their limitations, potential and risk before embarking further into their action plan as well as executing a branding strategy.

DECLARATION

I declare that this thesis is my own work and has not been submitted in substantially the same form for the award of a higher degree elsewhere. To the best of my knowledge it does not contain any materials previously published or written by another person except where due reference Is made in the best.

_____

Engku Aiesyah Amirah Engku Md Azmi

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LIST OF TERMS AND ABREVIATIONS

TERMS	DESCRIPTIONS
Atlas.ti	Atlas.ti is a computer program used to analyse the data for this thesis.
Chain devotee	Entrepreneurs who follow the current trend without further research on it.
Complacent attitude	Feeling comfortable with their business and do not want more for their business.
F&B	Food and beverages sector
Growing SMEs	A successful, active and positive entrepreneurs who manages to develop their business compared to other entrepreneurs.
IGS Strategy	Initial, Growth, Sustain (IGS) Strategy –outcome from this thesis
Inculpate attitude	Attitude where blaming other people on their situation but themselves.
Microenterprises	Micro sized enterprises are those with sales turnover of less than RM 300,000 OR less than 5 full-time employees.
SMEs	Small medium enterprises (SMEs). For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM50 million OR number of full-time employees not exceeding 200. For the services and other sectors, SMEs are defined as firms with sales turnover not exceeding RM20 million OR number of full-time employees not exceeding 75.
Stagnant-aspiring SMEs	Stagnant entrepreneurs however possessed positive reaction towards business growth and willing to change their way of operating their business.
Stagnant-reluctant SMEs	Stagnant entrepreneurs who not only have negative reaction towards business growth, but also refuse to change their way of operating the business.
Terengganu, Malaysia	It is situated in eastern Peninsular Malaysia. It has a population of 1,015,776 as of 2010, which increase to 1,153,500 in 2015. In 2006, Malays make up 94.7% of the population and Chinese, 2.6%, while Indians 0.2% and other ethnic groups comprise the remainder, 2.4%. In 2000, the state's population was only 48.7% urban; the majority lived in rural areas.

CHAPTER 1 INTRODUCTION TO THE RESEARCH

1.0 INTRODUCTION

In the new global economy, business growth has become a central issue for the long-term survival of businesses (Lee-Ross & Lashley, 2009). The first serious discussions and analyses of business growth emerged in 1959 by Penrose who provides several fundamentals governing the growth of firms. Among those, Penrose (1959) argued the importance of utilising productive services in order to innovate, as well as a source of competitive advantages. Even though previous studies have reported that growth is more common among large firms, it is deemed to be just as vital for small and medium enterprises (SMEs) as they are the "key players in modern developed economies" (Hessels & Parker, 2013, p. 137). A fundamental capability of SMEs in the constantly changing business environment is their ability to grow and adapt quickly to respond to new challenges and competition.

In the past decades a number of researchers have sought to determine successful growth factors for SMEs (Achtenhagen, Naldi, & Melin, 2010; Angel, Jenkins, & Stephens, 2018; Brown & Mason, 2017; Hessels, Van Gelderen, & Thurik, 2008). However, research has tended to focus on internationalisation (growth for import and export), rather than growth for smaller scale businesses (i.e. microenterprises). There is low interest and limited attention especially on microenterprises' business growth among researchers, even though the number of microenterprises increasing rapidly in the past decades, but without a proportional increase in microenterprise growth. Put another way, microenterprises in many places around the world have been growing in numbers instead of in size. Despite that, researchers display low interest in studying microenterprise growth in detail. A possible explanation for this limited attention may be the lack of adequate data as a significant number of microenterprises go out of operation in the first five years of business, combined their small scale and resources, and may have led to them not being considered worthy of study. Thus, one of the aims of the research is to examine factors affecting business growth among microenterprises as it may offer considerable insights to advance the understanding of what may help to promote their growth.

Business growth is a major area of interest within the fields of business management and design management, each of which offers different approaches to aid businesses in achieving growth. However, most studies regarding growth in the field of business management have focused on attaining financial resources, whilst those in the field of design management have focused on design aspects of a product or brand. It is not clear which approaches have the greater relevance or value to offer the challenge of promoting growth in SMEs and microenterprises. There is an opportunity to investigate in detail the various perceptions of microenterprise business growth that exist, and identify what can be instrumental in helping businesses transition forward from micro sized enterprises to small or medium sized enterprises (Davidsson & Wiklund, 2001). Rather than focusing on each approach individually, this thesis seeks to combine business management and design management approaches to offer strategic resources relevant to the needs of SMEs and microenterprise in particular context.

This study aims to contribute to a growing area of research by exploring barriers to growth faced by SMEs and propose strategies to overcome these barriers. The methodological approach taken in this study is qualitative, consisting of in-depth interviews and shadowing techniques. The primary research is conducted with SMEs in Terengganu, Malaysia operating within the on food and beverages (F&B) sector. This context has large number of SMEs (especially microenterprises) and high growth potential compared to other states in Malaysia. Over the past decade, there is increasing interest from the Malaysian government in promoting growth amongst microenterprises in Malaysia (BNM, 2005; SME Bank, 2019; SME Corp. Malaysia, 2017) which has translated into rigorous efforts in assisting microenterprises businesses. This study aims to produce insights relevant to this situation, with the potential to generate impact on the growth of businesses within the Terengganu region.

Throughout this thesis the terms ‘SME’ and ‘microenterprises’ frequently appear, reflecting the aim of this research to understand the spectrum of growth barriers facing businesses in both categories. In Malaysia, microenterprises are defined as part the same group as SMEs. In line with this, when SMEs is used, the term refers to all size of enterprises with less than 150 employees, including microenterprises. When the term microenterprises is used, it refers to that specific size of business, with less than five employees.

This chapter presents the research background (Section 1.1) that this study aims to fulfil. Following that, the research gaps (Section 1.2) are discussed. This chapter also outlines the research questions (Section 1.3). Next, the research context (Section 1.4) is described further. Following that, the research findings (Section 1.5) and contributions (Section 1.6) of this study are discussed briefly to give the overview of outcomes from this research.

1.1 RESEARCH BACKGROUND

Records across developed and developing countries alike have shown SMEs significant contribution to a country's Gross Domestic Product (GDP) and job opportunities. It is evident enough that SMEs are a driving factor of a country's economy as the World Bank Group (2019) reported that within developed countries they account for approximately 50 to 60 per cent of GDP and 60 per cent of job opportunities. This justifies their importance and vital role to economies worldwide. In order to remain relevant and competitive, SMEs are required to be dynamic and constantly grow their business. Recognising the significance of SMEs as a key factor for rapid economic development, governments have provided numerous programmes and grants (i.e. advisory services, product analysis, seminars and trainings) and allocated considerable sums of money for existing and aspiring business owners, offering technical advisory or assistance for their business growth (Ngumbang, 2018; SME Corp. Malaysia, 2016a, 2016b, 2019). One such example can be found in 2017 where decision by the Malaysian government to provide 88.3% of public funding for SME development was directed into financing programmes, aimed for growth and financial inclusion (SME Corp. Malaysia, 2019). Nevertheless, efforts and assistance by governments and financial institutions have seen little success in enhancing the ability of microenterprises to reliably grow into small or medium sized enterprises (Reid, 1995). A large majority remain stagnant in that micro level. This study focuses on exploring the initial step to be taken by these microenterprises in breaking barriers to transition into a larger size and remain competitive in a broader marketplace, thereby registering growth and continuing to contribute to their country's economy.

The role of design in promoting design growth

The past decade has seen rapid development of new innovative businesses not only among large firms but countless small medium enterprises (SMEs). Markets are now flooded with so many products and services that consumers are left drowning in sea of options. Competitive advantage has become a central issue for survival in this saturated market place. There has been a significant change in purchasing behaviour over the past few years, shifting from 'buying for their necessities' to 'buying for their satisfaction'. One of the key differentiating factors to help SMEs survive in this competitive environment is branding (H. Khan & Ede, 2009). The most common component of branding is its tangible elements of design –i.e. name, logo, packaging which may help consumers identify and recognise a product or service faster. However, branding can contribute more than visual design, it can provide diverse means for a business to connect with consumers emotionally (Fowdur, Kandiyali, & Narayan, 2009). Thus, providing them reasons to choose a product or service over those of a competitor.

In order to build a strong brand, a firm needs a branding strategy to create long term brand equity and competitive advantage. An important role of branding strategy is to actively influence the activity and behaviour of the business by clarifying where the firm is heading, its goal and how to get there. Branding strategy is acknowledged as a competitive tool in business which is crucial in ensuring product selection by consumers (Porter, 1980). In the same manner, Arnold (1992) concluded that branding strategy provides sustainable competitive leverage for a company. More generally, Nevado, Barata and Almendra (2016) claim that design-driven companies (*i.e. companies that approached design as a strategy at an earlier stage than other firms*) have higher probability to be innovative and grow rapidly as opposed to other companies. Branding strategy can help designers work for or with a business to gain a clear direction on what the core values of a firm and effectively translate that into coherent product branding. However, branding strategy is more common among large firms, thus questioning its applicability and successful application among SMEs. Relatively little attention has been paid to developing and evaluating applicable approaches for smaller businesses to implement branding strategies, especially microenterprises that are striving for growth.

This view appears to be supported by Sammut-Bonnici (2015) who pointed out that creating a brand that is different from its competition with the help of branding strategy may reduce the number of alternatives in the marketplace. According to Moote (2013), in order to win in the highly competitive market, companies need to manage their resources aiming for developing the best suited branding strategy. As a result, it crystallises the principal of consumer's satisfaction towards a brand as well as developing brand relations (short-term) and generating profits (long-term) (Mosmans, 1995). Using design as the anchor in developing growth strategy is another competitive tool for businesses seeking growth. This approach can help ensure the company cultivates its brand capabilities and productivity appropriate to a particular competitive market. Hence, this study aims to investigate how design can be leveraged in developing strategy to promote business growth for SMEs within the food and beverages sector in the context of Terengganu, Malaysia. Further discussion on the chosen sector will be in Section 2.3.2 (p. 56) and research context in Section 1.4 (p. 9).

1.2 RESEARCH GAPS

The idea of developing strategies for growth among microenterprises and promoting approach which encourage them to take the 'first step' towards business growth are the two most important aspects of this thesis. There are **four** research gaps that this study aims to address:

1. *Limited research on microenterprise growth*

Wiklund, Patzelt and Shepherd (2009) reported that literature on SMEs' business growth is still relatively scarce despite them being more numerous than larger firms. It is even harder to find literature that focuses on microenterprise business growth. Deeper understanding of microenterprises growth is particularly important because their needs and limitations may differ from SMEs, thus the most suitable strategies to overcome microenterprises' barriers may differ considerably.

2. *Focusing on the initial stage of growth*

Most research is targeted at SMEs' business growth towards international operation (i.e. internationalisation). There is more literature (Hasim, Ishak, & Shamsudin, 2018;

Kaiser, 1998; Senik, 2010) which focuses on SMEs internationalisation rather than the initial stage of business growth among SMEs, which is especially pertinent to microenterprises. The initial stage is even more relevant to microenterprises because of their size and limited resources. As a result, there has been limited attention paid to developing practical strategies for micro-sized companies' growth (Meressa, 2020) and most of them remain stagnant at the micro level.

3. *Bridging business and design approaches*

Existing literature on SMEs' growth shows a growing interest among business management and design management researchers. Past explorations of the topic are limited because they are highly fragmented. Business management tends to focus on acquiring financial resources (Feola, Vesci, Botti, & Parente, 2019; Pissarides, 1999; Schäfer & Talavera, 2009) while design management tends to focus on design elements (T. Brown, 2008; Karadeniz, 2009; Raheem, Vishnu, & Ahmed, 2014). For example, the government/banks increase financial assistance with the intention of solving financial barriers according to business management approaches. However, increasing financial assistance may not only fail to overcome resource-related barriers, it also has the potential for the business owners to escalate debt accumulations. As for design management field, experts/researchers frequently encourage business owners to focus on the development of their brand (e.g. logo, packaging etc.). The focus on brand development alone introduces as a limitation by looking only at brand development and failing to consider the resource financial and knowledge resource implications. This thesis argues that both business and design management approaches are equally important, thus building bridges between them is crucial for a deeper understanding on factors limiting SMEs' growth and developing comprehensive recommendations for businesses.

4. *Inapplicable branding strategy for SMEs*

As mentioned in the previous section (pg. 3) regarding the usage of branding strategy as a tool to promote business growth, conventionally, it has been a main concern and focus among large companies but barely among SMEs (Ahonen, 2008). There is a substantial amount of research (e.g. Hong & Diep, 2016; Todor, 2014; Mudambi, 2002) on the importance of companies having a branding strategy for business growth.

Authors mainly highlight its importance in assisting a company to lead to progressive business growth. Most of the research on branding refers to and benchmarks against giant brands i.e. Coca Cola or McDonalds as a reference (e.g. Hunt, 2018; Durmaz & Yasar, 2016; Lukoma & Nguyen, 2011; de Chernatony & McDonald, 2003). It is evident that branding is predominantly practiced among large companies, which raises question about its potenital impact on SMEs. Even though this is proven to be conducive for large firms, branding strategy approaches can appear irrelevant especially for microenterprises and therefor often fail to be applied. Sandbacka et al. (2013) questioned the applicability of large companies' branding strategies towards SMEs companies. SMEs can fail to apply these approaches due to having access to lesser resources that allows affordable branding (Mowle & Merrilees, 2005; Wong & Merrilees, 2007; Ojasalo et al., 2008).

1.3 RESEARCH QUESTIONS

Growth is very important for small businesses (especially microenterprises) in order to survive and sustain their business in a competitive marketplace. In Terengganu, it is reported that 75% of SMEs are registered as micro-sized operated businesses (Department of Statistics Malaysia, 2011), thus state government strongly encourages growth for this particular group of businesses (Terengganu Economic Transformation Unit, 2017). However, a scarce amount of research has been done on identifying factors affecting the growth of SMEs, especially for microenterprises during the early stages of operation. There is an even scarcer amount of research on SMEs in contexts like Terengganu, Malaysia, and this forms the start point for the questions driving this research.

The **central focus** of this research is to *understand* initial stage of SMEs' business growth and investigate *how to encourage* them to grow. The first RQ for this study is:

> **RQ 1** What are the factors affecting SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia?
>
> > **SRQ 1** What are the factors that limit their growth?
> >
> > **SRQ 2** What are the factors that encourage their growth?

Understanding the factors affecting SMEs' business growth leads on to investigating the development of practical strategies that can enable efficient business operation towards growth. Drawing upon some of the answers to **RQ 1**, this research then focuses on branding strategy as a design-driven means to provide assistance towards growth for SMEs. The literature discussed in Chapter 2 (p. 12) and data presented in Chapter 5 (p. 109) shows that application of branding strategy offers significant potential value for SMEs by encouraging business growth. This motivates a second **RQ**:

> **RQ 2** What role can branding strategy play in promoting SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia?

By drawing on the answers from **RQ 2**, this study found that majority microenterprises in Terengganu are not ready to apply existing branding strategy approaches. Branding awareness among these businesses was found to be low (discussed further in Section 5.3 (p. 142)). This finding was unexpected and prompted the development of practical tool to assist them towards growth, motivating a third SRQ:

> **SRQ 3** Which branding strategy elements are relevant to the development of practical tool to assist them towards growth?

1.4 RESEARCH CONTEXT

Figure 1.1 The location of Terengganu on the map of West and East Malaysia

The location for field research conducted for this thesis is a particular area on the East Coast of Malaysia, Terengganu (Figure 1.1). In 2010 it was reported that 75% of SMEs registered in Terengganu were micro-sized operated businesses (Department of Statistics Malaysia, 2011). Five years later, these numbers grew into the higher density of 88% of SMEs in Terengganu (Terengganu Economic Transformation Unit, 2017). Microenterprises are reported to engage in traditional services that are usually low value-added and low-productivity services (Khazanah Research Institute, 2017). Nevertheless, according to the Economic Census (2011), this region had the strongest growth potential as only 3.5% SMEs in Malaysia are from Terengganu even though they represent a significant revenue stream for the region, contributing 49.4% to state GDP (Terengganu Economic Transformation Unit, 2017). The highest contributing sector is the services sector, 88.3% with a total of 19,882 SMEs in 2015 (SME Corp. Malaysia, 2016b). Out of all subsectors of the service sector, 71% of them are in the F&B sector and it is deemed to make the highest contributions in the same year. Several product categories were identified by TEDF as having strong market potential, including ready-to-eat snacks, ready-to-eat hot food and frozen food. There are many areas in which design could get involved in helping companies grow, including product design and development, design for marketing and brand creation, design in production development and design in strategic management. Thus, this region was chosen as a field research site with a focus on the F&B sector in particular on three main grounds: (1) the sector is among the biggest sector in Malaysia, (2) it has low barriers to entry and (3) F&B brand highly impact purchasing behaviour. Further discussion will be in Section 2.3.3 (p. 59).

1.5 RESEARCH FINDINGS

This thesis presents **two** main findings from the research:

1. *Factors limiting SMEs' growth*

The study identifies three core factors (i.e. financial resources, attitude and knowledge) that hinder business growth among SMEs in Terengganu that have a direct effect on growth rate, consumer satisfaction and brand trust. This study also develops a broader perspective on factors limiting SMEs' growth especially in the F&B sector. It is beyond the scope of this study to examine other sectors, but nevertheless, this study offers some important insights of a better understanding of SMEs' barriers to growth generally, especially microenterprises.

2. *The need for a specialised growth strategy for SMEs (especially* microenterprises*)*

This study identifies the need for a simplified and 'step-by-step' strategy to respond to the realities of SMEs in Terengganu, Malaysia that require practical assistance towards business growth. As this study focuses on microenterprises, the research interest is ensuring business growth rather than innovation – this study aims to ensure sustainability. This study revealed that the need to strategy to support an initial stage of business growth is far more crucial for microenterprises. Business owners need to grow their business first and later focus on expanding their brand. Thus, acknowledging the crucial need in developing strategies to encourage business growth among microenterprises, this study presents all findings into a research finding framework (Section 6.1 p. 165). Drawing on the framework, this study designs a pre-branding strategy as a practical tool in promoting SMEs' business growth (Section 6.3 p. 186).

1.6 CONTRIBUTIONS

This study aims to contribute to this growing area of research by exploring both business management and design management approaches and applying them in a non-Western context –i.e. Terengganu, Malaysia. This study provided opportunity to advance the understanding of factors affecting SMEs' business growth (business

management approach) and aid the development of specialised growth strategies to overcome growth barriers. Therefore, this study makes a substantial contribution to research on SMEs' growth barriers by narrowing the scope of study to emphasise the business activities and efforts that lead towards growth. The study also offers some important insights into developing practical growth strategies, especially for microenterprises who often suffer from a lack of attention from research communities. These findings enhance our understanding of what is needed for SMEs' business growth and also provide means to facilitate this growth.

In addition, this study has explored branding strategy for SMEs' business growth and therefore assists in our understanding of the role of branding in helping SMEs to survive in competitive marketplaces. Branding is identified as the key driver to motivate customers in selecting products and allow the brand owner to set higher pricing which in turn leads to growth in their business. It is also serves to be the link between SMEs business growth and the application of branding strategy in overcoming their growth barriers. The findings show that SMEs in Terengganu, Malaysia are not consistently ready to apply branding strategy as their understanding on branding appears to be low, yet an application of a growth strategy prior to branding strategy is necessary. Taken together, these findings suggest a role for growth strategy in promoting SMEs business growth in Terengganu, Malaysia and also other similar geographical contexts.

CHAPTER 2 LITERATURE REVIEW

2.0 INTRODUCTION

Business growth is deemed to be vital to the long-term survival of a firm and has increasingly been recognised as a worldwide economic concern. Even though growth is more common among large firms (Merrilees, 2007), the study of growth experienced by SMEs over the past decade has resulted in an increase in literature (e.g. Becchetti & Trovato, 2002; Davidsson, Steffens, & Fitzsimmons, 2009; Ipinnaiye, Dineen, & Lenihan, 2017; Reid, 1995). Previous studies also reported that growth is a vital step in the development of SMEs (Brown & Mason, 2017; Coad, Frankish, Roberts, & Storey, 2013; Lu & Beamish, 2006). Nevertheless, despite considerable attention in recent years, previous studies of SMEs' business growth indicate that it is still underexplored (Wiklund et al., 2009) especially among microenterprises.

Exploring growth characteristics has been a continuing interest not only among business management researchers but also design management researchers as consumers have increasingly paid attention to brand when purchasing products/services (Webster, 2000). Business growth calls for increasing revenue, and also for greater ability to be competitive and 'stand-out' and be selected by consumers in a sea of similar products and services. This points to a distinct link between growing brand consciousness and business growth in consumer-driven marketplaces. Yet, branding among SMEs is often viewed as an '*oxymoron'* (Merrilees, 2007, p. 403) because it is more common among large firms with more resources and often entirely absent in smaller enterprises. According to Ahonen's (2008) analysis of academic articles on branding by SMEs, the most common answer to 'why branding is generally less common amongst SMEs' is insufficient funds for brand investment. Nevertheless, there have been explicit studies of branding by SMEs, amongst the earliest being reported by Abimbola (2001) who introduced branding as a competitive strategy. Abimbola argues that similar principles of branding can be applied regardless of the size of the firms (ibid).

Overall, the last five decades has seen increasing concern within the business management (Davidsson & Wiklund, 2001; Kautonen, van Gelderen, & Fink, 2015;

Uhlaner, van Stel, Duplat, & Zhou, 2013) and the design management (Eggers, O'Dwyer, Kraus, Vallaster, & Guldenberg, 2013; Juntunen, Saraniemi, & Halttu, 2010) research communities regarding SMEs' business growth. This research highlights two main research gaps which are (1) lack of understanding on factors affecting growth among SMEs and (2) limited exploration of branding strategy to facilitate SMEs' business growth. These two gaps in literature are the motivation for this research. Its intent is to discover what drives SMEs' (especially microenterprises) business growth and identify how to help them grow by combining management and design approaches.

This review will draw on literature from entrepreneurship research (e.g. Davidsson & Honig, 2003; Wiklund et al., 2009) (Section 2.1) and branding research (e.g. Abimbola, 2010; Wong & Merrilees, 2008) (Section 2.2). The aim of this research is to increase understanding of SMEs' business growth at the intersection between entrepreneurial and branding research domains. As such, this review will firstly survey literature relevant to business growth, then consider how brand strategy can be leverage to facilitate SME's business growth. Following that, this chapter will discuss the context of this empirical study presented in this thesis, SMEs in Malaysia. This chapter is divided into **three main parts**: **(1)** understanding factors affecting SMEs' business growth, **(2)** exploring brand strategy in relevance to SMEs' business growth, and **(3)** zooming in to examine SMEs in the context of Malaysia.

2.1 UNDERSTANDING FACTORS AFFECTING SMES BUSINESS GROWTH

Preliminary work on business growth undertaken by Penrose (1959) provides several influential fundamentals governing the growth of business and the assessment of successful growth. Her intention was to provide a "*logically consistent and empirically tractable" (p. 152)* theory of business growth (Buckley & Casson, 2007). The theory also includes factors affecting business growth which provide insights into the drivers of firm performance (D. Shepherd & Wiklund, 2009). Before further discussion on factors affecting growth, what does 'growth' mean? Penrose (1959) points out that in ordinary discourse, there are two different connotations to the term 'growth'. In some circumstances, it may signify an increasing amount, for instance, output growth or sales growth. In other cases, growth is used to indicate increasing size due to a business development process, as internal changes are made by changing the characteristics of the growing company. Hence, in the context of 'economic growth' and 'economic development', growth not only denotes an increase of quantity or improved quality of the product, but also continuous growth of the economy.

Types of growth

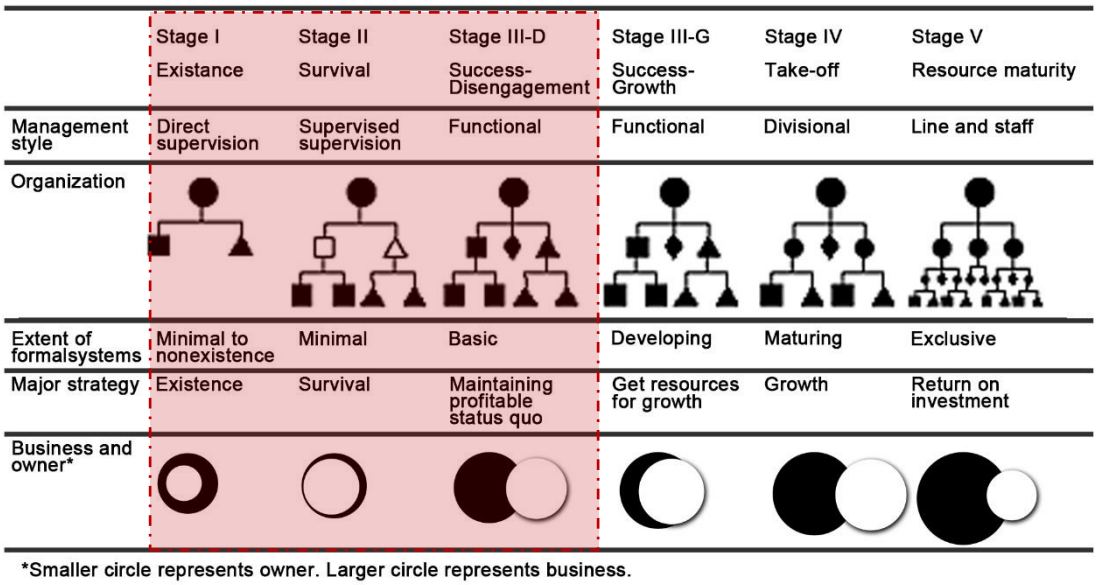
According to Lockett, Wiklund, Davidsson and Girma (2011), Penrose's theory of growth is recognised to be the most comprehensive theory to date. Central to her theory is that growth can be achieved through two types of growth: organic (internal) and acquire (external) type. Organic type growth occurs within the business when it expands its own operations by cultivating internal resources, whilst acquire type growth results from external mergers or take-overs (Penrose, 1959). In addition, businesses can also grow with different regularity and at different pace (Davidsson, Achtenhagen, & Naldi, 2005) between slow or zero growth firms and high growth firms (OECD, 1996). High growth firms are those which rapidly grow their businesses and as a result, contribute to employment growth and are considered as non-typical firms (OECD, 1996). High growth firms also have higher motivation to put extra effort in exploring diverse financial assistance and sources as compared to slow and zero growth firms. SMEs are under increasing pressure for business growth in order to remain relevant, maintain their competitiveness in the market or simply to survive (Wiklund et al., 2009). Even though new SMEs have high entry

rates, the majority of them remain stagnant or are even forecasted to declare bankruptcy within a few years (Bouazza, Ardjouman, & Abada, 2015). An analysis of new firms' post-entry performance in seven OECD countries reveals that within two years, about 20-40% are declared bankrupt, whilst only 40-50% remain beyond the seventh year (Bartelsman, Scarpetta, & Schivardi, 2005).

A business is not required to pick either one of these growth types, it is possible for them to implement both types given enough resources. For instance, Apple Inc. has been continuously releasing new products and products extensions which reflect their focus on growing the business organically, however, in 2014 they acquired Beats music in order to launch their new Apple Music streaming platform. Nevertheless, resources required for a business to acquire another business are relatively high, and therefore SMEs are more likely to grow their business organically as it bares lower risks and builds on existing activities. Even though it may need more time to grow a business organically, especially microenterprises that strive for growth, they need that slower pace in order to build brand awareness. Developing brand awareness allows customers to recognise the brand by its own features and attributes. When the market is flooded with oversaturated similar products, it is necessary for SMEs to take their time in increasing brand awareness and recognition as well as establishing good relationships, credibility and trustworthiness with their customers. Further discussions of branding will be in Section 2.2 (p. 33).

Stages of growth

According to Churchill and Lewis (1983), there are five stages of small business growth (Figure 2.1): existence, survival, success, take-off and resource maturity. They argue that understanding stages of growth in SMEs enables accountants and consultants to analyse issues and designate the solutions to current barriers for them. In addition, it accelerates the process of forecasting the key requirements at various points and it also lays the foundation for evaluating the significance of present and proposed governmental regulations and policies on SMEs.



	Stage I	Stage II	Stage III-D	Stage III-G	Stage IV	Stage V
	Existance	Survival	Success-Disengagement	Success-Growth	Take-off	Resource maturity
Management style	Direct supervision	Supervised supervision	Functional	Functional	Divisional	Line and staff
Organization						
Extent of formalsystems	Minimal to nonexistence	Minimal	Basic	Developing	Maturing	Exclusive
Major strategy	Existence	Survival	Maintaining profitable status quo	Get resources for growth	Growth	Return on investment
Business and owner*						

*Smaller circle represents owner. Larger circle represents business.

Figure 2.1 Characteristics of small business at each stage of development (Churchill & Lewis, 1983). Highlight added by author to illustrate the focus of this study.

What is interesting in Figure 2.1 is Stage I and II where Churchill and Lewis (1983) claim that in reaching these stages the business proves to be a workable entity which has successfully satisfied customers with its product or services. The organisation of such firms is considered simple, with limited employees who are unable to make decisions as the owner is the one responsible for all the company's decision making. Their system developments are found to be minimal and formal planning may at best be about cash forecasting. At this stage, the company's goal is similar to Stage III-disengagement. However, some may increase their business size and profitability, which will qualify them to move on to Stage III-growth. Nevertheless, the majority of them remain at Stage I or II for some time, earning the same profits and repetitively executing their business the same way over time without any development (Churchill & Lewis, 1983). Eventually, the business may become insolvent when the owner gives up, retires or dies (ibid).

Even though Churchill and Lewis do not explicitly consider microenterprises, the description of Stage I and II when compared with the characteristics of microenterprises show a resemblance and explains the vast number of them being stagnant in these levels. Previous research that focused on understanding business operation at the earliest stage remains limited regardless of being the crucial stage for growth (Davidsson & Honig, 2003). Ipinnaiye, Dineen and Lenihan (2017) affirm

that a firm's initial size and productivity level at the starting stage are crucial for its ensuing performance similar to Davidsson and Honig (2003) who highlight the importance of understanding early stage of operating a business. The key concern of this study is understanding factors affecting growth of firms at Stage I and II towards Stage III. Is it best understood through internal factors similar to Penrose's (1959) theory of firm growth that emphasises the effective and innovative managerial resources within the firm? Or is it better understood through interrelated internal and external factors similar to Ipinnaiye et al.'s (2017) study among manufacturing SMEs in Ireland? Even though examining factors separately may contribute substantially to the different categories, it is often left the author confused with the categorisation of these factors.

In order to understand a variety of possible concepts of SMEs' business growth, this study will refer to a model (Figure 2.2) introduced by Wiklund et al. (2009) as they integrate wide range of factors that offers a good basis in understanding factors affecting SMEs' business growth. According to Wiklund et al. (2009), their integrative model allows researchers to investigate the relationship of constructs and SMEs' growth as well as relationships that exist across perspectives. They also highlight that the integrative model enables the researcher to incorporate different level of analysis, for instance, individual, firms and environment. Wiklund et al. (2009) list a number of theoretical constructs which are entrepreneurial orientation (EO), environment, resources and growth attitude which may increase and/or decrease the possibilities of small business growth.

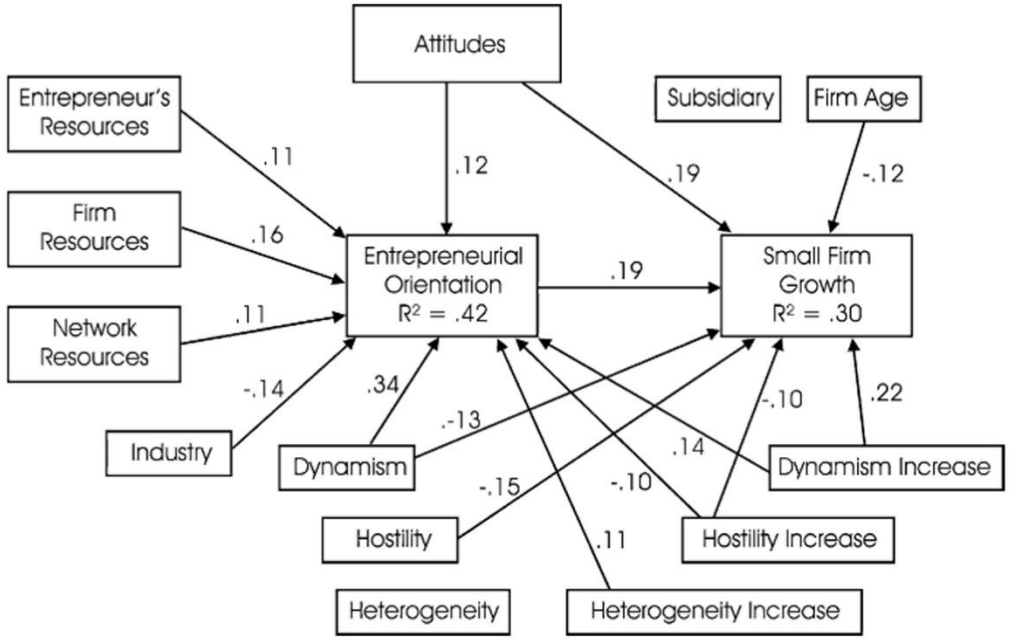


Figure 2.2 Diagram of the results for the revised model of small business growth (Wiklund et al., 2009)

What is interesting in the model (Figure 2.2) is that EO has the strongest dependent influence on growth with a path coefficient of 0.42. Wiklund et al., claim that SMEs that maintain or increase their EO sustain faster growth in employment as opposed to those firms with decreasing EO. Nevertheless, questions have been raised about the existence of entrepreneurial activities among microenterprises. Based on their performance, EO is found to be very low among microenterprises (Allinson, Braidford, Houston, & Stone, 2013). Thus, if EO is critical for business growth, then surely without engaging in entrepreneurial activities, microenterprises are predicted to fail in growing their businesses. Therefore, this study intends to determine the extent to which this claim applies to microenterprises. For the purposes of this literature review, this section will discuss **entrepreneurial orientation** (Wiklund & Shepherd, 2003b)**, resources** (D. Shepherd & Wiklund, 2006)**, growth motivation** (Anderson & Eshima, 2013) and **entrepreneurial ecosystem** (Isenberg, 2010)**.**

2.1.1 ENTREPRENEURIAL ORIENTATION (EO)

A considerable amount of literature has been published on the relationship between entrepreneurial orientation (EO), firm's performance and growth (Govori, 2013; Madonono & Barnard, 2020; Ray, 1993; Schäfer & Talavera, 2009; Wiklund & Shepherd, 2003b). A common view amongst researchers suggests that business

growth is strongly driven by a firm's entrepreneurial activities (Brown, Davidsson, & Wiklund, 2001) that drive business performance (Moreno & Casillas, 2008). It can be seen in the pursuit of growth opportunities for both start-up ventures or existing firms, EO may spur better firm performance (Anderson & Eshima, 2013). There is substantial evidence about how entrepreneurial activities contribute to business growth (Govori, 2013; Madonono & Barnard, 2020; Ray, 1993; Schäfer & Talavera, 2009). For instance, Lumpkin and Dess (1996) claimed that EO is *'an essential feature of high-performing firms'* (p. 135). Specifically, a recent study suggests (Anderson & Eshima, 2013) there is higher performance bias towards firms that undertake entrepreneurial activities compared to firms that are more conservative. EO comprises business owner/firm's readiness to innovate in order to accommodate market demands (Lowik, Rossum, Kraaijenbrink, & Groen, 2012), risk taking in trying out new and underexplored products, services and markets (Hyytinen, Pajarinen, & Rouvinen, 2015), and bolder attitude than their competitors toward new business opportunities (Davidsson & Wiklund, 2001). The nature of EO has become the fundamental part of opportunity recognition process (Suárez-Ortega, García-Cabrera, & Knight, 2016). In summary, EO is commonly referred on the basis of discovery and exploitation of opportunities that improve firm's performance that leads to business growth.

In a larger scale, researchers have also suggested that SME's EO and cooperative relations with others may be crucial factors that can explain international performance differences (Jantunen, Puumalainen, Saarenketo, & Kylaheiko, 2005). In the context of internationalisation, EO is highly recognisable among successful and high-growth firms (Gashi, Hashi, & Pugh, 2014). According to Brouthers, Nakos and Dimitratos (2015), EO facilitates and drives successful international expansion. Thus, this study might question the effectiveness and necessity of applying EO in navigating domestic growth.

Before proceeding to discussing EO further, it will be necessary to highlight that EO can be seen in both individuals' and firms' activities (Wiklund & Shepherd, 2003a). Initially, EO was introduced as a concept focusing on firms' strategic orientation (Kollmann, Stöckmann, Meves, & Kensbock, 2017) specifically on "*entrepreneurial aspects of decision making styles, methods and practices"* (Wiklund et al., 2009, p. 353). In addition, the concept of EO includes a willingness to inovate, make risky

decisions making and become proactive towards new opportunies in order to gain copetitive advantage (Brouthers et al., 2015; Hyytinen et al., 2015; Schäfer & Talavera, 2009). More recently attention has focused on the provision of individual dimensions of EO (Kollmann et al., 2017) and it has universally shown positive affect and performance implications for growth (Wiklund et al., 2009). Kollmann et al. (2017) suggest that individual members in a firm may own different aspects of EO and as a result these differences have substantial impact on firm performance. Understanding of EO among SMEs is crucial to help meet the needs of their businesses as they grow. Nonetheless, the studies presented thus far fail to consider entrepreneurial activities among microenterprises. Very little was found in the literature on the question of whether it is necessary to be an entrepreneur in order to grow a micro business. If the answer is yes, how can we help microenterprises business owners, who fail to meet the entrepreneurial characteristics? For the purposes of this literature review, this study will focus on two categories of EO; **entrepreneurial traits** (Shane & Venkataraman, 2000), and **individual competencies** (Puente et al., 2017; Shane, Locke, & Collins, 2003).

2.1.1.1 ENTREPRENEURIAL TRAITS

Entrepreneurs have been predominantly acknowledged as change catalysts, accommodating innovative ideas for business and promoting business growth by increasing profits (Howard et al., 2016). Bolton and Thompson (2004) define entrepreneurs as those who consistently create, innovate and possess the ability to recognise opportunity. In the same vein, Isenberg (2011) defined an entrepreneur as someone who is persistently aiming for higher economic value through business growth and refuses to settle into their comfort zone. Entrepreneurs are those who are persistent with their goal and determined to achieve it by using failure as a learning tool rather than deterring them from moving forward (Cardon, Zietsma, Saparito, Matherne, & Davis, 2005).

The first serious discussions of entrepreneurial traits emerged during 1921 in Knight's (1921) book which aim to focus on the specific individuals seeking entrepreneurship and what traits they own that made them an entrepreneur. Entrepreneur traits and characteristics are crucial for growth aspiration. Theoretically, individuals with a strong desire to succeed have a higher possibility to utilise entrepreneurial opportunities and achieve better results than those with

lower aspirations to succeed (Shane & Venkataraman, 2000). Poon, Ainuddin and Junit (2006) assert that the internal locus of control signifies an entrepreneur's means to survive in a highly competitive market, which is reflected in their strategic actions.

In addition, Baum et al. (2001) identified some traits of successful entrepreneurs in their study and list *tenacity, proactivity and passion* among the most common. In a similar vein, Bolton and Thompson (2004) discovered six determinants of aspiration among entrepreneurs which form the acronym FACETS: *focus* (i.e. the ability to concentrate and successfully execute the task)*, advantage* (i.e. the ability to differentiate opportunity and failure)*, creativity* (i.e. the ability to innovate which differentiates them from others)*, ego* (i.e. the ability to be confident with the responsibility of being an entrepreneur)*, team* (i.e. the ability to work in a team) and *social* (i.e. the ability to adopt a cause for the social benefit). A broader perspective has been adopted by Howard et al. (2016) who managed to outline 13 traits and personal qualities of successful entrepreneurs: commitment, determination and perseverance; drive to achieve; opportunity orientation; initiative and responsibility; persistent problem solving; seeking feedback; internal locus of control; tolerance for ambiguity; calculated risk taking; integrity and reliability; tolerance for failure; high energy level; creativity and innovativeness; vision; independence; self-confidence and optimism; and team-building. By recognising listed traits above, it serves as a checklist, which allow analysis of individuals operating a firm. It is easier to distinguish whether he/she is an entrepreneur or not and predict the growth rate and ability of the firm.

Studies of entrepreneurial traits also recognise different types of entrepreneurs. According to Howard et al. (2016), there are three types of entrepreneurs: business entrepreneurs, social entrepreneurs and small BOs. They further explain that social entrepreneurs have a lot in common with business entrepreneurs who pursue innovation and growth. However, business entrepreneurs are driven by the profits whereas social entrepreneurs are driven by a mission to contribute to social benefit. In contrast, small BOs are those who may have an opportunity like entrepreneurs, yet either they or the opportunity or both fail to constantly pursue the attributes that makes them entrepreneurial. In addition, Howard et al. (2016) also claim that small BOs often fail to grow their business and the owner is prone to opt for a stable and

safer approach as they intend to keep the size of business which they personally can manage and control. Therefore, Howard et al. (2016) conclude that growing a business requires more than just making a 'safe' decision, it demands innovation and a comprehensive strategy every step of the way concerning the best possibility of progressive business growth. In favour of remaining in the saturated and competitive market, there is an increasing and constant demand to grow businesses. O'Connor, Stam, Sussan and Audretsch (2018) claim that entrepreneurship plays a key role in innovation to adopt "*new opportunities for strategic development and confront complacency that retards change" (p. 1).* Nevertheless, small business owners' traits are found to be consistent with majority of micro enterprises in the report by Leegwater, Shaw, Nagarajan, Wood, & Ayyagari (2008) that conduct their studies on microenterprises in Bangladesh and Peru, thus explain their stagnant business and the absence of growth. On these grounds, this study aims to explore traits among microenterprises business owners and test the necessities in having entrepreneurial traits for micro enterprises' business growth.

2.1.1.2 INDIVIDUAL COMPETENCIES

The definition of competence was derived based on two perspectives. First, Prahalad and Hamel (1990) discovered that the core concept of competencies was linked to a group of production skills and technologies that allow an organisation to contribute a particular benefit to customers. Next, Caird (1992), deemed competency as a set of knowledge, skills and personality variables associated with successful behaviour in a designated field. It may seem similar to the concept of individual traits, however, individual competencies are leaning towards acquired skills. Competence development is mostly linked to individual learning, that relies on the human element of the process (Crossan, Lane, & White, 1999). The varied range of competencies includes personality variables, communication skills, managerial skills, analytical skills, career skills, knowledge and attitudes (Department of Employment, 1989) required to perform a specific job (Baum et al., 2001). As a result, SME BOs' individual competencies may contribute to their overall growth and concurrently strengthen their performance (Cerchione, Esposito, & Spadaro, 2015). The competency-based initiatives for individual/business owner

focuses on the development of managerial competency for organisational effectiveness and competitiveness (Caird, 1992).

This review highlights the importance of recognising individual competencies relates to formulating appropriate approaches to the development of microenterprises business growth strategy. This raises a series of interesting questions: what will happen to business owners who do not possess entrepreneurial traits and individual competencies? If they do not are they predicted to unable to grow their business? If so how to encourage microenterprises business owners to develop entrepreneurial traits and individual competencies?

2.1.2 RESOURCES

There is a general agreement in the literature that SMEs possess limited resources (D. Shepherd & Wiklund, 2006) compared to large firms that contradict with business growth. The availability of resources suggests that a direct link may exist between firm performance (Rafiki, 2020) and growth (Salder, Gilman, Raby, & Gkikas, 2020). Nevertheless, Penrose (1959) argues that firm growth is mainly driven by effective and innovative managerial resources within the firm and that firm size is peripheral to the growth process. She clarifies that the combination of technical expertise and accessibility of top managerial staff generates firms' growth. There are several strands of resources that have attention in the small business growth literature and it may vary across firms (Barney, 1991). For the purposes of this literature review, this study will focus on **financial resources** (Liao, Welsch, & Stoica, 2003) and **resource based view (RBV)** (Salder et al., 2020) **–**which explain how these resources are managed in accommodating growth process.

2.1.2.1 FINANCIAL RESOURCES

There is a considerable amount of literature that associates sufficient resources with progressive growth (Anderson & Eshima, 2013; Coad et al., 2013; Moreno & Casillas, 2008) but the relationship was particularly strong if firms focus on financial capital (Demirgüç-Kunt & Levine, 2008; Pissarides, 1999). For instance, in an investigation into determinants of growth for a sample of around 4000 Italian firms between 1989 and 1997, Becchetti and Trovato (2002) found financial constraints have a significant impact on growth for SMEs. Their empirical findings indicate that small surviving enterprises with access to financial capital have higher than average

growth potential. Access to financial capital is particularly valuable as it allow firm to expand more and display higher performance (Covin, Green, & Slevin, 2006). In addition, windows of opportunities for growth arise from converting access to financial capital into other types of resources that is essential to achieve growth (Davidsson & Wiklund, 2001). In addition, adequate access to financial capital may increase willingness of business owners to innovate and exploit growth opportunities (Castrogiovanni, 1996). Main sources of financing include banking institutions (de la Torre, Martínez Pería, & Schmukler, 2010) and financial development institutions (Beck, Demirgüç-Kunt, & Maksimovic, 2008).

Banking institutions

Banks commonly offer capital through bank credit for businesses, however, banks are less convinced to finance SMEs compared to larger firms (de la Torre et al., 2010). It is evident that banks are stricter to provide loans as they believe SMEs are unable to repay them. Banks were also found to charge SMEs relatively higher interest rates as well as requiring high collateral and loan guarantees (Stiglitz & Weiss, 1981). An international survey which involved 11 countries by Hankinson, Bartlett and Ducheneaut (1997) reported varying levels of: "*disappointing banking services*" (p. 172). Most SMEs felt that service had changed and had become more: "demanding", and "less helpful". As a result, SMEs have difficulty accessing and utilising financial services. For instance, their bank loan applications are mostly rejected due to various reasons such as high risk business, poor project quality and inability to pay back the loan in the future (Beck, Demirguc-Kunt, Laeven, & Levine, 2008).

Financial institutions

Governments and development agencies worldwide spend billions of dollars per year subsidising small firms, with the expressed goals of stimulating growth, reducing poverty, and encouraging entrepreneurship (Beck, Demirguc-Kunt, et al., 2008). For instance, a number of policy initiatives at the European level have sought to encourage firms to increase their innovative activities as a way to improve competitiveness, with a special focus on SMEs. In particular, the new European long-term research policy strategy ''Horizon 2020'' includes a new emphasis on promoting innovative SMEs (Máñez et al., 2015, p. 505). Nevertheless, Isenberg

(2010) argues that easy government money, handed out indiscriminately, may flood the market with overvalued, poor-quality deals, making it difficult for private equity investors to make money. In addition, Rahman et al. (2016) found that the funds provided by the government or any other sources are used without proper records and future plans. This may explain the ineffectiveness of such grants despite numerous programmes provided by the government.

In general, therefore, the literature shows that financial capital is the most crucial resource relevant to SMEs' business growth. As explained earlier, there are two sources for financing available for SMEs; banking and financial institutions. Despite numerous forms of assistance provided, the issue remained unsolved as limited access to financial capital is deemed the greatest concern among SMEs (especially microenterprises). This raises questions about financial activities among microenterprises and how to help them solve the issue.

2.1.2.3 RESOURCE BASED VIEW (RBV)

It could conceivably consider study by Wernerfelt (1984) as the first resource-based publication found in strategic management field. A central argument of the resource based view (RBV) is that firms can sustain competitive edge and overcome growth barriers by combining and deploying firm's resources (Wiklund et al., 2009). RBV addresses this issue by suggesting that firms that exploit their internal resources and capabilities may achieve competitive advantage and promote growth (Dutta, Zbaracki, & Bergen, 2003). A growing body of literature on RBV suggests that it is used widely in entrepreneurship and becoming progressively significant (Kellermanns, Walter, Crook, Kemmerer, & Narayanan, 2016). Productive factors may be described as having intrinsically differential levels of 'efficiency' which vary and are superior than others (Peteraf, 1993). Firms seeking competitive advantage should accumulate resources and capabilities that are absent in other firms. According to Wernerfelt (1984), there is a high possibility in finding the optimal product-market activities of a firm by indicating a resource profile for it. Winter (1987) defines resource as anything that is useful, whether it is *tangible or intangible.*

Tangible resources

Tangible resources are physical property that the firm uses in production and administration (Dollinger, 2008) which include capital, land, equipment, distribution

channel or other assets, for example a fleet of trucks. In addition, tangible resources also often appear on a firm's balance sheet and are the easiest to value (Collis & Montgomery, 2005). Nevertheless, they have short-term advantage as these resources are not rare or hard to copy and can be manufactured or purchased by other firms (Dollinger, 2008).

Intangible resources

Dollinger (2008) defines intangible resources as those that have a non-physical presence which include: skills, capabilities, know-how, processes and expertise. In addition, Collis and Montgomery (2005) include "*company reputations, brand names, cultures, technological knowledge, patents and trademarks, and accumulated learning and experience" (p. 30)* as intangible resources. These resources are assumed to be heterogeneous (Barney & Clark, 2007) and immobile that other firms cannot trade for, substitute other assets for, or imitate (Dierickx & Cool, 1989). Barney (1991) claims that, a firm can enjoy a competitive advantage by *"implementing a value-creating strategy not simultaneously implemented by large numbers of other firms" (p. 101)*. He also suggests that firms obtain sustained competitive advantages by implementing strategies that exploit their internal strengths, through responding to environmental opportunities while neutralising external threats and avoiding internal weaknesses. Firms equipped with such resources are "*able to produce more economically and/or better satisfy customer wants"* (Peteraf, 1993, p. 180). In addition, they hold a long-term advantage as they take time to be developed and cannot easily be purchased in the open market (Collis & Montgomery, 2005). According to RBV, the attributes of both resources are "*valuable, rare, inimitable, and non-substitutable"* (Barney, 1991, p. 117) and provide competitive advantage over competitors and allow the firm to generate sales or margins and/or retain customers.

RBV allows firms to utilise resources that specifically focus on the process *to integrate, reconfigure, gain and release resources – to match or even create market change* (Wiklund et al., 2009, p.355). In addition, RBV has important implications for SMEs' business growth as it enables firms in creating, discovering and exploiting growth opportunities.

2.1.3 GROWTH MOTIVATION

Entrepreneurs are those who demonstrate strong motivation driven by an immense desire to compete, to surpass standard expectation as well as pursue and attain grandiose goals (Howard et al., 2016). The first systematic study of pioneering work on motivation was reported by David McClelland in the 1950s and 1960s (Howard et al., 2016). Recent research has indicated two major types of entrepreneurship based on motivation: *necessity* and *opportunity-based entrepreneurship* (Acs, Desai, & Hessels, 2008; Reynolds, Hay, Bygrave, Camp, & Autio, 2010). According to Reynolds, Bygrave, Autio, Cox and Hay (2002), necessity-based entrepreneurial activity mainly depicts entrepreneurs' motivation to aim for self-employment whilst opportunity-based entrepreneurship demonstrates progressive motivation and exhibits higher potential to attain significant economic outcomes. Moreover, a number of studies have found that necessity-based entrepreneurs display lower growth aspiration compared to opportunity-based entrepreneurs (Reynolds et al., 2002; Terjesen & Szerb, 2008).

Morris, Miyasaki, Watters and Coombes (2006) further explain that this may be due to two circumstances: fulfilling 'necessity' may suppress entrepreneurs' ability to identify opportunities for growth potential and/or their initial motivation was just an option for self-employment, as opposed to opportunity-based entrepreneurs who strive to create a constantly growing organisation. The studies presented thus far provide evidence that opportunity-based entrepreneurs are more likely to pursue business growth (Acs & Varga, 2004; Autio, 2007; Morris et al., 2006; Reynolds, Carter, Gartner, & Greene, 2004). A recent study by Fini et al. (2012) indicates three concepts of motivation: *vision, growth goal* and *self-efficacy.* They claim that all three concepts denote significant empirical correlation with business performance and evidence from entrepreneurship theorists affirm the importance of these three concepts for planning and business performance (Davidsson, Achtenhagen, & Naldi, 2010). In a large longitudinal study, Baum, Locke and Kirkpatrick (1998) investigated the incidence of individual *visions* in business growth of data collected from 183 entrepreneurs/CEOs and employee pairs between 1992 and 1994. Their structural modelling confirmed that entrepreneur/CEO visions affect ensuing business growth. In addition, their data highlighted that the majority of entrepreneurs/CEOs associated vision with mission, strategy, values and goals.

This explained the need for the firm leaders to incorporate vision in their business strategy. Douglas and Shepherd (2000) draws attention to the distinctive importance of *growth goals* often observed in gaining independence or developing ideas, thus claimed as primary reasons for a firm's operation. Nevertheless, Wiklund et al. (2009) argue that these attributes are absent among SMEs as it depends on the connection between the SME BO's attitude and their aspiration to grow their business. Evidence shows that the majority of SME BOs fail to display growth goals in operating their business (Wiklund, Davidsson, & Delmar, 2003) as they may contradict with their initial goal such as personal independence (Wiklund et al., 2009).

2.1.4 ENTREPRENEURIAL ECOSYSTEMS

Having discussed three factors affecting SMEs' business, this section will review a theory introduced by Isenberg (2010); entrepreneurial ecosystems. He claims that identifying and understanding an entire ecosystem of entrepreneurs may assist governments in taking actions without losing sight of possible occurrences in the future. Supporting this, Kirkpatrick and Locke (1991) points out that entrepreneur traits alone are insufficient for successful business, rather, actions taken by them are more important to ensure progressive growth. Thus, the theory of entrepreneurial ecosystems emerged where entrepreneurship is connected with its environment (O'Connor et al., 2018). They add that, creating and sustaining entrepreneurial ecosystems may ensure thriving entrepreneurial action and facilitate an innovation driven economy. In recent years, entrepreneurial ecosystems have become a prominent concept relating to economic development especially among policy and business worlds (Hermann, Gauthier, Holtschke, Bermann, & Marmer, 2015). The entrepreneurship ecosystem strategy has become one of the most suitable one for business development for the past 10 years. The emergence of the entrepreneurial ecosystem constitutes the convergence of place and entrepreneurship (O'Connor et al., 2018).

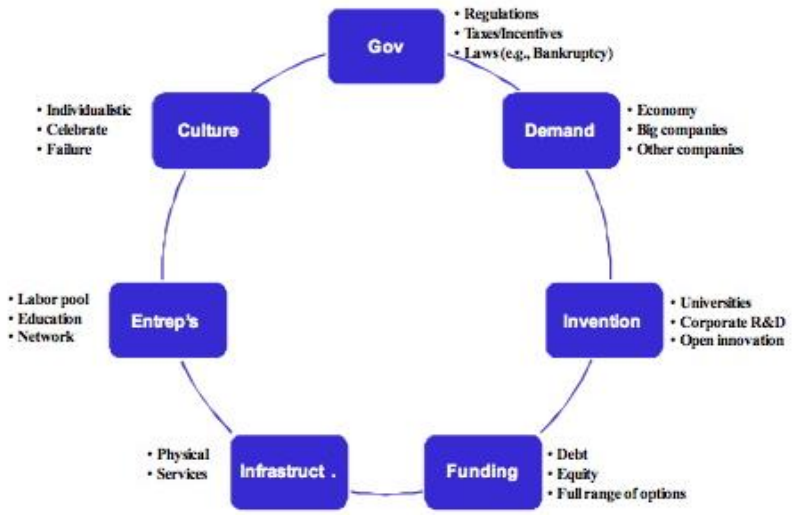


Figure 2.3 Innovation Ecosystem (Aulet, 2008)

The first serious discussions and analyses of the ecosystem concept emerged during 2008 by Aulet who described three relevant components of a successful *innovation ecosystem*: individuals, organisations and resources. He further identified seven specific 'pods' (Figure 2.3): government, demand, invention, funding, infrastructure, entrepreneurs and culture. According to Aulet (2008), the most important 'pods' are entrepreneurs and culture. Aulet (2008) applied the concept in developing a regional ecosystem in the MIT Entrepreneurship Centre by building a strong, sustainable ecosystem to bridge the gap of growth for entrepreneurs. He claimed that each region is different and has its own characteristics and problems, thus there is no one rigid answer that can answer them all, but the concept of an innovation ecosystem serves as an underlying foundation for entrepreneurs.

Preliminary work on entrepreneurship ecosystems was undertaken by Isenberg (2010) as he developed Aulet's ecosystem further. According to Isenberg (2010), entrepreneurs are able to perform outstandingly if given access to "*the human, financial and professional resources they need, and operate in an environment in which policies encourage and safeguard them" (p. 41)*. Isenberg (2011) developed The Babson Entrepreneurship Ecosystem Project which aims to stimulate economic prosperity and act as a strategy for economic development. Entrepreneurship ecosystem theory is depicted as the type of cultural, social, economic, and supportive political environment within a region that supports high-growth entrepreneurship (Isenberg, 2008).

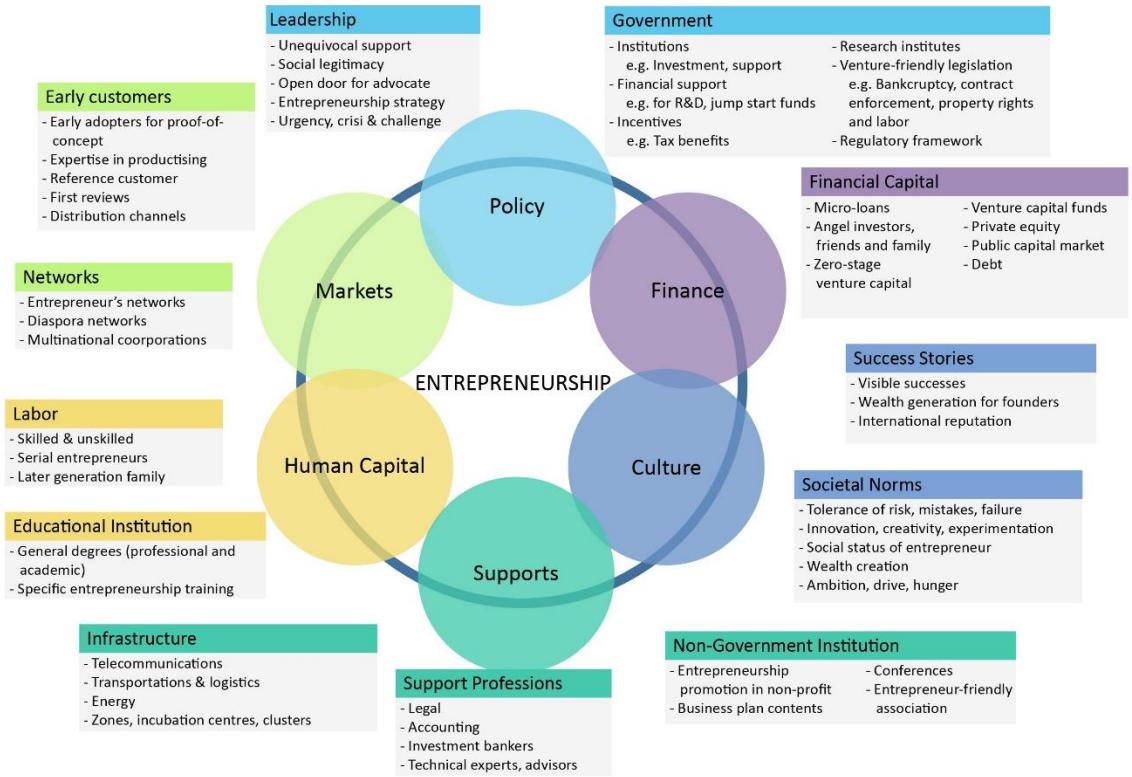


Figure 2.4 Domains of Entrepreneurship Ecosystem (Isenberg, 2011)

Figure 2.4 illustrates the correlation of six domains and stakeholders developed by Isenberg (2011) which stems from a unique, complex and evolved environment. The entrepreneurship ecosystem consists of 12 distinctive elements that correlate in complex ways and are present within self-sustaining entrepreneurship. He concluded that the combinations may differ according to the region or case, however, these six domains (i.e. conducive finance, culture, supports, human capital, markets and policy) are crucial in developing and maintaining self-sustaining entrepreneurship. According to Neumeyer and Corbett (2017), this theory is used as an analogy for a single industry which can be perceived as correlated elements of different industries in a larger system. Conceivably, the importance of applying this theory is to convey to policy-makers and entrepreneurs that the significance of collaborative effort between individuals, organisations, and institutions is that it facilitates the success of individual undertakings and the expansion of societal wellbeing that accompanies it (Neumeyer & Corbett, 2017).

The advantage of entrepreneurship ecosystem theory is its diversity and the ability to be applied in any given region (Brown & Mason, 2017). In the same vein, Andonova, Nikolova and Dimitrov (2019) also claim that the theory is perceived as

the type of systemic thinking that shows how individuals, institutions and processes are interrelated, which encourages successful businesses. They further add that the construct established understanding and best practice that supports and facilitates entrepreneurs. As mentioned by Spigel (2017 cited in Andova et al. 2019) the components are of vital importance for comprehensive insights on entrepreneurial activity for entrepreneurs and academic researchers. Similarly, Acs, Stam, Audretsch and O'Connor (2017) claim that the main purpose of entrepreneurship ecosystem theory is to identify entrepreneurs' surroundings and entrepreneurship and acknowledge their performance and influence of the company.

One question that needs to be asked, however, is to what degree entrepreneurial ecosystem theory is applicable to microenterprises, especially in developing countries. The main limitation of this approach is that it targets entrepreneurs, whereas owners of microenterprises are not necessarily considered as entrepreneurs. The majority of them are self-employed and identified only as business owners as they do not possess entrepreneurial traits. The existing approach fails to resolve the contradiction between ecosystems and microenterprises. Thus, a much more comprehensive approach to identify how ecosystems interact with other variables that are focused on microenterprises is vital in order to promote progressive growth.

2.1.5 SECTION SUMMARY

To summarise the foregoing discussion, entrepreneurial orientation (EO), resources and growth motivation plays an important role in SMEs' business growth. Hence, questions were asked as to the role of each factor with respect to microenterprises' business growth. For instance, literature shows that EO allows business owners to have discretion in utilising resources in order to exploit growth opportunities. In the microenterprise context, this view may be of particular importance given their limited resources, but without entrepreneurial activities, how is growth possible among microenterprises? The contrasting pursuits of business growth to maintain entrepreneurial activities and adapt to limited resources necessitates a better understanding of the process that can facilitate microenterprises' business growth.

While research in these three areas provides valuable insights about SMEs' business growth, this review could not identify any studies that look at the influence

of these factors on microenterprises growth. Yet previous research has found a strong relationship between firms' EO in business growth. Despite this apparent connection, studies have not investigated how these factors can be leveraged in promoting microenterprises business growth. Very little was found in the literature on the question of entrepreneurial activities among and how to encourage microenterprises' business owners to practice entrepreneurial activities? This study explores individual factors relevant to the application of aforementioned factors and branding strategy in relation to SMEs' business growth which will be discussed further in the following section.

It is also important to highlight that these factors are viewed from an individual/business owner perspective and focus on the early stages of business growth. A greater focus on individuals operating the business could produce deeper understanding of these factors, especially as they relate to microenterprise business growth.

2.2 EXPLORING BRANDING STRATEGY FOR SMES' BUSINESS GROWTH

In principle, business growth is crucial to the long term survival of a firm (Penrose, 1959) and to remain relevant in uncertain and ever-changing market place (Gherhes, Williams, Vorley, & Vasconcelos, 2016). Previous sections of this review have discussed three factors affecting business growth. However, understanding these factors per se is not enough to ensure successful business growth. The reality is that, business owners struggle to *find* and *apply* suitable strategies to grow their businesses (Cacciolatti & Lee, 2015). Relatively little attention has been paid to suggesting applicable strategies to businesses that are striving for growth, especially for microenterprises. A preliminary study by Penrose (1959) highlights the importance of business growth that allows the business to gain competitive advantage in order to stand out in the vast market.

This section of the literature review explores branding strategy as means for businesses to achieve this advantage. Branding strategy may provide a direction for a firm and a guide for implementation of branding (Wong & Merrilees, 2005) which results in increased competitive advantage. As growth requires a firm to remain competitive, branding strategy can enable firms to create a brand that is different from its competition in a customer-driven marketplace (Baeva, 2011). The application of branding strategy may allow firms to emphasise their differentiating factors and establish stronger consumer relationships. In addition, branding can encourage a firm's ability to develop and innovate, and so gain competitive advantage (Wong & Merrilees, 2008). It is relevant to this study on the contrasting pursuits of business growth in maintaining consistency and adapting to market changes. This necessitates not only to understand factors affecting growth (that focus on profitability) but also an exploration of branding strategy (that focus on design elements) to facilitate business growth.

The study of branding for SMEs as a competitive strategy was first carried out by Abimbola (2001). He highlights that branding strategy for SMEs allows the firm to focus on a comprehensive operating system to move forward in order to ensure the firm attains a competitive advantage that leads to growth. Roper and Parker (2006) pointed out that SMEs who have a branding strategy typically adopt it first with the intention of product differentiation, but later, are able to use branding strategy to

offer greater value/quality to their customers, and remain competitive and resilient in the market. Before proceeding to examine branding strategy, it is necessary to discuss the definition of brand and branding.

2.2.1 DEFINING BRAND AND BRANDING

The prevalence of brands may seem infinite. They infiltrate almost every aspect of our life - economic, social, cultural as well as sports (Maurya & Mishra, 2012). A brand can be almost anything: a product, person, a service, an idea, an organisation or a country (Schultz & Schultz, 2004). Therefore, what is the difference between brand and branding?

The word **brand** is derived from Old Norse word '*brandr'*, which means "to burn" (an identifying mark burned on livestock with a heated iron) and brands were and still are the means by which owners of livestock mark their animals to identify them. Brands have arguably existed for thousands of years (Moore & Reid, 2008). As discussed by Sarkar and Singh (2005), brands existed among the civilization of Mesopotamia, and marks and names were used to identify or indicate offerings - predominantly wines, ointments, pots or metals. According to Fullerton (1988) and McCrum (2000), the modern idea of brands emerged in the late 19th century with the introduction of trademarks and attractive packaging. A broader more recent perspective is that a brand is simply a way for the brand owner to make money. It is an economic tool that provides value for its owner and also value for its buyer. In essence, a brand is something that both the buyer and the seller can identify and for which some type of exchange agreement results in the creation of value for both parties. Therefore, a brand is something that is identifiable by the buyer and the seller and creates value for both (Schultz and Schultz, 2004). A brand is the collective impression by a consumer based on their interaction between them and the company as well as the product (Wells, 2016). It is also a direct consequence of the strategy of market segmentation and product differentiation. In addition, Ukaj (2016) suggested that a brand is used to "*attract and keep the consumers through the promotion of values, prestige, and life style" (p. 52).* To support this viewpoint, Centeno (2009) summarises that brands have four relevant common characteristics: they aid product/services' identification, enable product

differentiation, promote product competitiveness and establish strong consumer relationship's.

Branding conveys a different meaning which often confuses entrepreneurs (Clifton & Simmons, 2003). Branding is a practice by the company that can unfold over centuries. Kapferer (2008) suggested that branding involves the transformation of the product which requires long-term and continuous involvement of the company, a high level of resources and a set of skills. It is also considered as a means of process of differentiation undertaken by a firm (Carvalho, 2007) and how consumers perceive the company and the business (including product, services and employee) (Maurya & Mishra, 2012). In addition, Maurya and Mishra (2012) point out that branding is more than the name given and an indication to consumers that such "*a product or service has been stamped with the mark and imprint of an organisation" (p. 122).* In the same manner, Ukaj (2016) points out that branding is a method for constructing important diverse advantages of a product by determining the consumer's psychology and characteristics, particularly, their demands and needs that play a big role in determining and building strong brands.

Moreover, as noted by de Chernatony and McDonald (2003), the purpose of branding can be divided into functional and emotional benefits which therefore satisfy a consumer's rational and emotional needs. For instance, cigarette smokers have several rational needs such as best value, taste, quality or specific desired aroma, etc. Consequently, they may try different brands by exploring packaging, shape of the cigarette, its price, etc. in order to satisfy their particular rational needs. Apart from that, they also attempt to satisfy their emotional needs such as "*prestige, or distinctiveness, or style, or social reassurance, etc."* (de Chernatony & McDonald, 2003, p. 26). Thus, brands that are able to satisfy a consumer's emotional needs will have a competitive advantage over the other brands who fail to offer that (Centeno, 2009). Above all, branding strategy allows the brand owner to strategies their plan in order to sell the product and defeat other brands.

2.2.2 BRANDING COMPONENTS

Branding is a system to profile a company, within the context of the marketplace, competitors and consumers' needs. The core part of branding is about making connections that enabled brand to be recognised by using a memorable visual or a

catchy slogan. However, most importantly, the ability for the brand to be recognised in its particular marketplace is where the value lies in the product/service. There are three important components of branding (i.e. the identity, image, and brand positioning) that enable the brand to be recognised in a particular marketplace and where the value lies in the product/service. A company's brand image, identity and positioning must resonate with its consumers. According to Kapferer (2008), brand identity signifies the brand's tangible and intangible characteristics, thus, having a clear brand identity will help in reflecting a positive brand image. In addition, Kapferer (2008) also pointed out that brand identity extends its roots and heritage whereby gives it unique characteristics which provides the brand value and benefits which will be discussed further in Section 2.2.2.1 (p. 36).

Pike (2008) claims that brand positioning theory helps companies understand how to influence the minds of consumers who need a concise message concentrating on one or a few brand associations. The main purpose of a brand is to compete with other brands by attracting the attention from the consumers by conveying the message in the most simplified manner which is immediately recognisable; understanding what consumers believe the message is regarding the brand is the best method to achieve a positive image in their mind compared to competitor brands (Zora, 2015). Thus, by having a clear insight on these three aspects, it will be easier to plan the best branding strategy for the brand. Each of these aspects will be discussed in further detail in the following sections, starting with brand identity

2.2.2.1 BRAND IDENTITY

According to Kapferer (2012), the concept of brand identity started in Europe around 1900. Since then, the perception of its importance has slowly gained worldwide recognition. Brand identity may be defined as how the brand owners intend their brand to be perceived physically as well as the translation in the mind of their consumers (Aman, 2014). Furthermore, Aman (2014) pointed out that brand identity includes communication, the selection of logo, brand name and all the constituents of a brand. As discussed by Kapferer (2008), brand identity reflects its true self as perceived by the brand owner, driven by personal objective and unyielding to change. He also added that brand identity would be clearly defined once the following questions are answered:

1. What is the brand's particular vision and aim?
2. What makes it different?
3. What need is the brand fulfilling?
4. What is its permanent nature?
5. What are its value or values?
6. What is its field of competence? Of legitimacy?
7. What are the signs, which make the brand recognisable?

Kapferer (2008) also argued that brand is not only the identity of a product, however, he highlighted that it is the vision that drives the creation of products and services under that name. The vision, objective of the brand and its core value are termed identity. In the same vein, Pike (2008) defined brand identity as mission or vision as well as values desired by the brand owner in creating the brand image. He also added that it represents the internal organisation orientation or the aspired image that an organisation tries to communicate to the market. Overall, there seems to be evidence that relates brand identity to the desired vision intended by the brand owners in conveying their message and image towards their consumers. Kapferer (2008) concluded that brand owners need to understand their brand identity clearly and to know what and how to send the image outwards before projecting an image to the wider public.

2.2.2.2 BRAND IMAGE

According to Aman (2014), brand image can be defined as *"a creation of brand identity that the brand owner works [on] to create in the minds of the consumers about the brand" (p. 19).* He also added that, if brand owners neglect the brand image, it will negatively affect the brand as well as the company's vision and objectives. According to Kapferer (2008) firms spend considerable amounts of money measuring image from the receiver's or consumer's point of view. Image research focuses on *"the way in which certain groups perceive a product, a brand, a politician, a company or a country" (p. 174).* He also added that the image indicates the way these groups translate all of the signals that emerge from the products, services and communication projected by the brand.

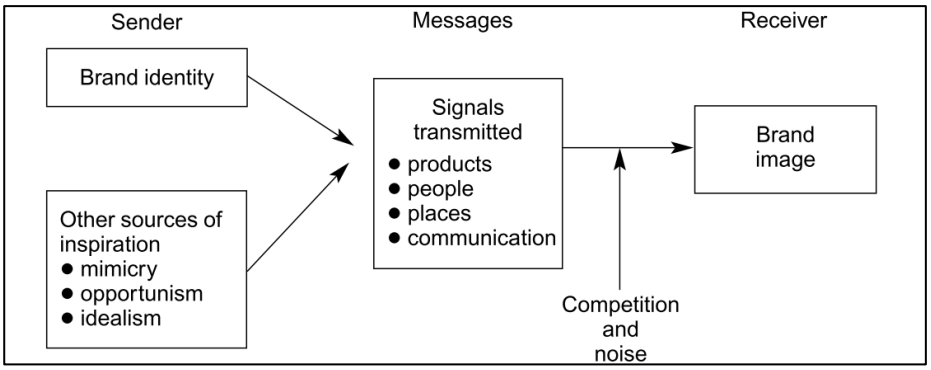


Figure 2.5 Brand identity and image (Kapferer, 2008)

One of the guidelines in building a strong brand, highlighted by Abimbola (2001), is to "*create a well-integrated set of brand elements that enhance both awareness and brand image" (p. 104)* about how consumers view the brand (Wallstrom, Karlsson, & Salehi-Sangari, 2008). In order to understand brand identity and brand image better, Figure 2.5 shows how a brand image is the output of public understanding from messages transmitted through brand identity of any products, people, places, or communication. In the same vein, Zora (2015) also agrees with Wallstrom et al. (2008) that brand image refers to the external market orientation, and it is important to understand the brand image as it will be easier to do brand positioning.

2.2.2.3 BRAND POSITIONING

In order to link brand identity and brand image is the third component, brand positioning. The aim of brand positioning is to exert influence on the brand image (Zora, 2015). Furthermore, according to Kapferer (2008), especially for existing brands, brand identity is the source of brand positioning, which stresses the unique attributes of the brand that make consumers able to differentiate it from other brands available in the marketplace. In addition, brand positioning is also able to create demand in a specific market at a specific time for its products.

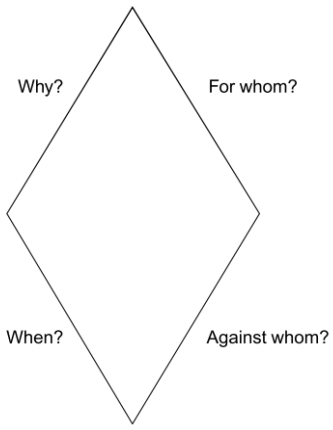


Figure 2.6 Positioning a brand (Kapferer, 2008)

Figure 2.6 illustrates how to position a brand. Kapferer (2008) points out that, there are 11 ways to evaluate and choose brand positioning:

1. Are the product's current looks and ingredients compatible with this positioning?
2. How strong is the assumed consumer motivation behind this positioning? (What insight?)
3. What size of market is involved by such a positioning?
4. Is this positioning credible?
5. Does it capitalise on a competitor's actual or latent durable weakness?
6. What financial means are required by such a positioning?
7. Is this positioning specific and distinctive?
8. Is this a sustainable positioning which cannot be imitated by competitors?
9. Does this positioning leave any possibility for an alternative solution in case of failure?
10. Does this positioning justify a price premium?
11. Is there a growth potential under this positioning?

Positioning exerts a powerful, lasting influence that literally determines the course of a brand's life. According to Mosmans (1995), in essence, brand positioning is a master strategy. Not only does it clearly identify a brand's location in the market, but it also provides the foundation for all subsequent marketing activities in the value-delivery system. Every aspect of the marketing programme - objectives, strategies, and tactics - flow from brand positioning. It is the most strategic decision that can

be made about a brand. Building a brand demands consistency and perseverance with regard to the implementation of the strategy chosen. Creating strategy consists not simply of a chosen position, but of an ingrained way of operating and steering the business (Carlopio, 2009).

2.2.3 BRANDING STRATEGY

The majority of entrepreneurs tend to be more concerned with the logo or the name of the product, but seldom with their brand strategy (Moote, 2013). Regardless, it can be one of the most important elements in business planning. In order for a brand to function properly, it needs a brand strategy to plan and eventually implement all branding components. By understanding its definition and objectives, this ensures a more effective branding strategy. However, restating a goal is not strategy, execution is not strategy, and tactics are not strategy. Surprisingly, there is no one definite and extensive definition of branding strategy, not to mention a study on how to build it (Lafley & Martin, 2013). Assuming that a strategy works in achieving its target, it appears a little like magic, unknowable and unexplainable in advance but obvious in retrospect (Lafley & Martin, 2013).

The emergence of branding strategy was primarily used in game theory and the military (The Chartered Institute of Marketing, 2003). The Cambridge Dictionary defines strategy from the perspective of business as "*the way in which a business, government, or other organisation carefully plans its actions over a period of time to improve its position and achieve what its wants".* Arnold (1992) defined branding strategy as the concept of presenting an offer in the mind of consumers to create a sense of advantage. To support this sentiment, Rumelt (2011) reiterated that branding strategy acts as a foundation for building a plan that is both focused and achievable for business growth purposes. Nevertheless, strategy is not a set of 'to-do-lists' but it drives business owners to achieve the list (Blank, 2017). A good plan will ensure a good and strong brand as it is a direct result of its brand strategy and product distinction (Maurya & Mishra, 2012). Vice versa, the absence of strong brands may be the indication of the absence of a brand strategy (Wong & Merrilees, 2007).

According to Moote (2013) in order to win in a highly competitive market, companies need to manage their resources aiming to developing the best suited branding

strategy within their companies. As a result, it crystallises the principal of consumer satisfaction towards the brand as well as developing brand relations (short-term) and generating profits (long-term) (Mosmans, 1995). Branding strategy is acknowledged as a competitive tool in business which is crucial in ensuring product selection by the consumers (Neuvonen, 2016)In the same manner, Arnold (1992) argued that branding strategy provides sustainable competitive leverage for the company and creating a brand that is different from its competition with the help of a branding strategy may reduce the number of alternatives in the marketplace (Sammut-Bonnici, 2015). Furthermore, being competitive is possible either by offering a low price or by differentiation. Thus, branding strategy can lead to the most suitable action plan in order to differentiate a product from its competitor as well as developing a relationship with consumers. Moote (2013) identified two main objectives of a brand: as a barrier to competition and as a connection to customer value.

2.2.3.1 PURPOSE OF BRANDING STRATEGY

Applying branding strategy as a competitive tool may enhance and support business growth (Temi Abimbola, 2001). In order to achieve a strong branding strategy, it requires a cross-functional approach of thorough consumer insights and segmentation merged with consumer experience design ability (Moote, 2013). Moote also added that branding strategy is the starting point of planning, not the consequence of it. He summarised three basic requirements for branding strategy, which started with a comprehensive and coherent business strategy that covers an overview and specific focus of business as well as the action plan to achieve that. Next, a profound understanding on consumers' needs and wants as well as the rapid change of business economics. And finally, the specific purpose of branding needs to be determined in order to shape strategic brand direction throughout the business.

According to Ukaj (2016), branding strategy aims to achieve greater revenues with fewer costs. Having a branding strategy, may increase the ability of the brand owner to *strengthen the internal and external opportunities* of their brands (Heding, Knudtzen, & Bjerre, 2009). The act of the consumer choosing a certain brand over another similar brand is the indicator of the ability of that brand to have a competitive advantage. Constant competition pressures brand owners to focus on the

divergence between products in order to maintain and survive in the long-term; and in order to achieve product competitiveness through branding strategy, a brand owner aims to create an image in the consumer's mind that will influence their satisfaction and navigate a significant role in developing demand for the product which in turn can boost the market share and value of the company (Bulsara, Priya, & Priya, 2014).

2.2.3.2 BRAND DISTINCTIVENESS

Brand distinctiveness is achieved by optimum application of branding strategy. Stokburger-sauer, Ratneshwar, and Sen (2012) defined brand distinctiveness as *"the perceived uniqueness of a brand's identity in relation to its competitors.* They further explained that 'uniqueness' could be achieved through the *acquisition, utilisation, and disposition of consumer goods" (p. 408)* in order to develop and enhance one's personal and social identity. Meanwhile, the theory of uniqueness was first suggested by Snyder and Fromkin (1977) who identified that it was the key component that urged people to feel good about themselves which they referred to as self-esteem. The theory was developed further by Brewer (1991) who introduced the theory of optimal distinctiveness that suggests that people try to rectify their need *"to be similar to others* and their effort *to be unique by identifying with groups that satisfy both needs" (p. 477).*

In the context of brand distinctiveness, the main objective is to provide a guideline for the planning and implementation stages in order to differentiate the brand and excel against its competitors (Wong & Merrilees, 2005). Similarly, Krake (2005) highlighted that brand distinctiveness ensures differentiation of a product compared to its competitors. In addition, brand distinctiveness evokes consumer's interest, easier identification of the brand and "*reduces consumer's cognitive effort"* (Susanty & Tresnaningrum, 2018, p. 2). To summarise, it improves and shortens the time for consumer recognition of a certain brand in the sea of other brands. In order to achieve brand distinctiveness, there are several elements highlighted by Romanuik, Sharp and Ehrenberg (2007) namely the brand name, colours, logos, taglines, symbols/characters, celebrities and advertising styles. One of the recommended strategies is identifying and creating a product's unique selling point (USP) which sets it apart from other brands. A USP imprints a permanent brand image of a

product in the minds of the consumers. Most organisations primarily focus on the value they provide for customers.

2.2.4 BRANDING STRATEGY AND SMES

There has been increasing interest on branding strategy as a key factor in company strategy to ensure survival and progressive business growth among SMEs (Anees-Ur-Rehman, Wong, & Hossain, 2016; Urde, Baumgarth, & Merrilees, 2013; Wong & Merrilees, 2005). Conventionally, branding strategy has been a main concern and focus among large companies but barely among SMEs (Ahonen, 2008). It is evident that branding is predominantly practiced among large companies, which raises a question of its impact on SMEs whom undeniably have access to fewer resources to develop a strong branding strategy. Yet, several authors recommended the application of branding strategy for SMEs (Chad, 2015; Merrilees, 2007; Odoom, Narteh, & Rand, 2017; Tan, Lin, & Smyrnios, 2016). Wong and Merrilees (2005) claimed that it is crucial for SMEs to own a branding strategy in order to promote growth. In addition, Moote (2013) argued that regardless of the size of the business, all successful companies own a branding strategy which is straightforward with a clear direction alongside business plans. This view is supported by Keller (2002), who points out that branding strategy is proven to affect greatly a company's performance. Similarly, in the context of this research, branding strategy is relevant to SMEs business growth in highly competitive, saturated market places.

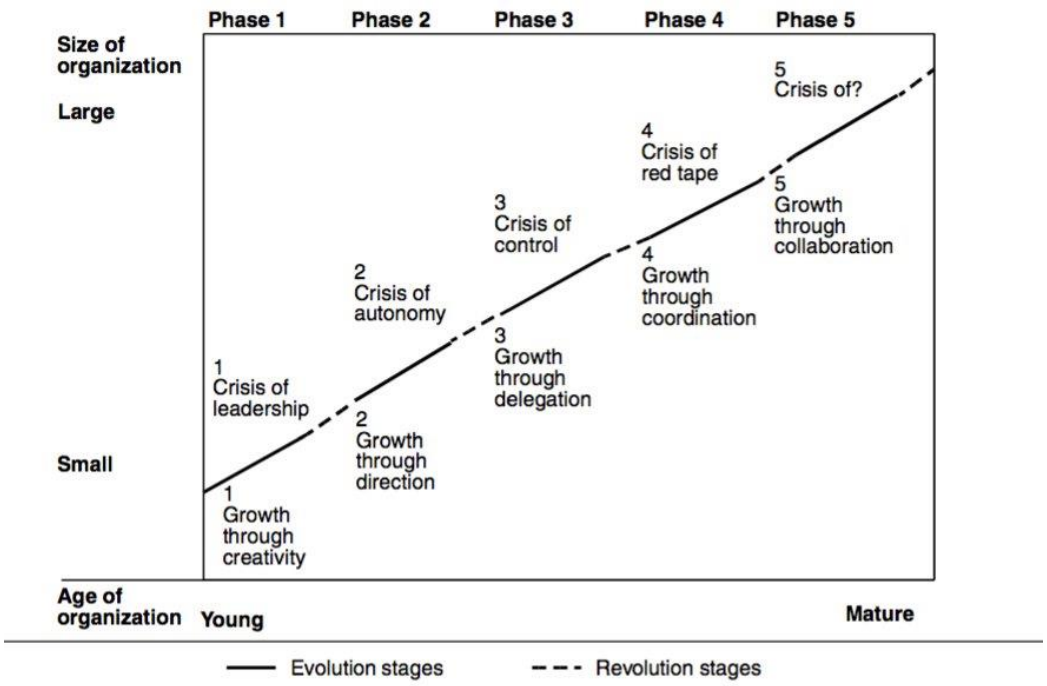


Figure 2.7 SMEs' growth phases (Churchill & Lewis, 1983)

Figure 2.7 demonstrates SMEs' five growth phases in order to examine their business growth: growth through creativity, growth through direction, growth through delegation, growth through coordination and growth through collaboration (Churchill & Lewis, 1983). From the figure, it is apparent that in order for business in the earlier stages to grow, they require some kind of direction – a strategy that can help steer their business towards growth. Returning from this argument which highlights that growth requires strategy and branding, it is possible to claim that branding strategy as a competitive tool allows firm to promote progressive growth especially in the early stage.

According to Cant et al. (2013), branding is considered as an essential element in marketing as the demand and expectation from current consumers has escalated compared to the past 10 to 20 years. Conversely, the question is whether SMEs understand the importance of having a branding strategy in order to ensure their competitive advantage and eventually contribute to business growth. It is evident that some SMEs do understand the importance of branding strategy yet the majority of them fail to fully implement it, as it does not flow through all their marketing activities (Wan et al., 2013; Ward et al., 1999). T. Branding is not seen as a vital criteria and the main focus in running a business among SMEs (Cant et al., 2013).

Only a small number of SMEs incorporate branding in their business, thus, branding strategy is considered ‘a new idea’ among SMEs (Neuvonen, 2014). Sandbacka et al. (2013) questioned the applicability of large companies’ branding strategy to SMEs as SMEs have resources that allow affordable branding (Mowle & Merrilees, 2005; Wong & Merrilees, 2007; Ojasalo et al., 2008). Similarly, Uusitalo et al. (2010) found that SMEs’ limited resources restrict them from exploring and developing a branding strategy. The limitations are summarised by Gilmore, Carson, & Grant (2001, p. 6) as: “*lack of specialist expertise (owner-managers tend to be generalists rather than specialists); and limited impact in the marketplace”.*

SMEs seem to be reluctant to decide on investing in a branding strategy formally (Hong & Diep, 2016) as the majority of them either fail to grasp its significance or experience a scarcity of financial and human resources. Hong and Diep (2016) further argue that branding is commonly considered as a luxury among SMEs rather than an investment. Surprisingly, SMEs tend to disregard the importance of branding strategy as they perceive themselves as a business essentially, not a brand (Bruce, 2016). There is a misconception among SMEs who consider that brand is only important for big companies who own more resources. SMEs tend to downplay their effort to invest in branding and may only resort to using a fun logo and flashy business card instead. Furthermore, SMEs fail to comprehend that using a branding strategy to build a respectable brand name is not a short-term process. Cant et al. (2013) argued that due to the demands of the day-to-day basis, little to no time was spent by SMEs on branding issues. This may be on account that most SMEs’ time was spent merely on daily survival, specifically short-term issues (Cant et al., 2013). They also added that, regardless of the importance of branding strategy, a lot of SMEs were still struggling to incorporate it with day-to-day business operations that can ensure a strong and established brand. This distinction is further exemplified in studies undertaken by Cant et al. (2013)where the “*majority (67.8%) of respondents agreed that they are too busy with the daily operations of the business to worry about the brand and that branding is not that relevant or necessary for small firms (64.1%)”* (ibid. p. 741).

SMEs tend to own limited financial resources, so they often focus on daily sales rather than long-term investment on branding, therefore, the time and effort required to develop branding strategy is not prioritised. One study found that even though

SMEs were interested in developing a branding strategy for their company/product,, they hesitate in making decisions to invest in it as it is a long-term process (Lukoma & Nguyen, 2011). Most SMEs questioned whether the effort, money and time invested in branding will be worthwhile in the long run, for them to revise or develop their branding strategy (Noble, Sinha, & Kumar, 2002) as well as practicing branding exercises (Vidic & Vadnjal, 2013). An example of this is the study carried out by Cant et al. (2013) in which "*it is evident that branding activities are too costly for businesses (61.5%), branding is not needed until their business grows bigger (60.8%) and that short-term selling is more important than branding (59.5%)" (p. 741)*. To summarise, SMEs fail to understand the importance of branding, are too busy with their daily operations and own limited resources to worry about branding strategy (Cant et al., 2013). Nevertheless, regardless of the size of the business, Bruce (2016) emphasised that branding strategy plays a vital role especially in increasing value, providing direction and motivations for employees as well as gaining new and sustaining existing consumers. Hong and Diep (2016) highlighted that branding strategy is crucial to SMEs who wish to sustain and grow their business in the long run. Hence, SMEs have a potential to apply branding strategies in order to guarantee their survival, growth and equip them to compete in competitive marketplace (Slater & Narver, 2000).

2.2.4.1 THE ROLE OF BRANDING IN SMES

As discussed earlier, branding is a long-term investment, however, generally SMEs tend to focus on quick short-term profits (Aaker, 2010) which explains why it was not widely practiced among them. Nonetheless, Roper and Parker (2006) pointed out that SMEs who have a branding strategy, adopt it first with the intention to avoid price competition, which eventually offers great value/quality to the customer and enable businesses to be competitive and remain resilient in the market. Anarnkaporn (2007) points out that branding strategy may ensure survival, growth and competitiveness of the company, thus, SMEs need "*to study market conditions and implement effective strategies" (p. 26).*

Survival

According to Khalique and Ageel (2011), one of the biggest issues among SMEs is to survive in the marketplace. Even though their development over the past years has been acknowledged, nevertheless, the issue with survival is still being explored (Okpara, 2011). There are several factors that contribute to the survival of SMEs, but the main variable found in Dada and Salisu's (2008) study of SMEs in Nigeria showed financial resources to be the main concern. Groenewegen and de Langen (2012) highlighted two distinct groups of critical success factors: organisational and entrepreneurial. Following that, a study of SMEs performance in terms of survival of 1000 firms in the Netherlands by Bosma, Praag, Thurik, and Wit, (2002) showed that prior experience (knowledge) in an industry may affect the rate of success. According to Nazri and Azmi (2016), it is evident that 50% of SMEs will collapse if they do not adopt a branding strategy. In order to survive, they need to opt for a knowledge-driven branding strategy. This finding supports previous research on the survival of SMEs, which links branding strategy and knowledge. Essentially, branding strategy can help SMEs in maintaining their survival (Cant et al., 2013). Cooper et.al (1994) proved that the impact of knowledge among SMEs greatly affects their survival and eventually guarantees their growth.

Growth

Several studies (Littunen, 2000; Julien, 1998; Wang, Watkins, Harris, & Spicer, 2004) highlighted that one of the normative qualities to evaluate the success of a business was through its growth. Le (2009) argued that among all of the determinants of growth, firm size and firm age have always been dominant. Omar and Fraser's (2010) study also suggested that branding strategy was identified as one of the sources of growth. Despite government initiatives in assisting SMEs' growth such as providing training programmes to enhance skills, adopting a branding strategy was proven to be more effective and doable in order to assist growth and success (Cant et al., 2013). A recent study by Sarwoko and Frisdiantara (2016) showed three determinants of growth among SMEs: 1) individual factors 2) organizational factors, and 3) environment factors. However, they highlighted that adoption of a branding strategy by SMEs determined their business and imposed a direct effect on their company's growth. It is evident that branding strategy enables

the company to have a clear direction as well as provide decision-making guidelines (Philipsen & Kemp, 2003). Le (2009) identified three models that are relevant to SMEs growth: 1) stochastic nature of firm growth, 2) human capital, 3) ability after entering into operation and adjusting behaviour. Apart from the first model which argued that company growth was based on pure chance and a result of a collection of random shocks over time, this study support the findings of the other two models discussed in Le (2009)'s paper. Particularly for the third model, it highlighted that SMEs are able to improve their company's growth through active learning which translates as having a branding strategy grounded in knowledge and behavioural change.

Competitive

Being distinctive on the shelf among a sea of other brands is not easy especially for SMEs. Branding strategy has a major role to play to increase the competitive edge of SMEs for long-term profitable survival (Banerjee & Dasgupta, 2009) which has a direct impact on them being distinctive. Five competitive forces identified by Porter (1980): 1) entry, 2) threat of substitution, 3) bargaining power of buyers, 4) bargaining power of suppliers, and 5) rivalry among current competitors demonstrate the fact that competition in an industry goes well beyond the established players. In a more recent study by Mitchell, Hutchinson, Quinn, and Gilmore (2015) found that, particularly for SMEs, branding strategy has been shown to strengthen companies and give competitive advantage. The literature reviewed presented thus far supports the study by Wong and Merrilees (2005) who pointed out that branding strategy was found to be *a potential marketing edge* for a company to achieve positive outcomes in the long-term. As SMEs own limited resources, having a branding strategy may help them strategies their action focusing on their product distinctiveness.

2.2.4.2 BRAND BARRIERS

Building a brand is not an easy task especially for small companies with a smaller budget allocation. There are several barriers as identified by Aaker (2010). Listed (below) are the eight main factors highlighted that hinder the development of brand building:

1. Pressure to compete on price

2. Proliferation of competitors
3. Fragmented markets and media
4. Complex brand strategy and relationships
5. Bias towards changing strategies
6. Bias against innovation
7. Pressure to invest elsewhere
8. Short-term pressures

As price has become one of the strongest determining factors in consumer product selection, the pressure on the brand owner has become greater in reducing the cost of the product. This is due to the investment made by the brand owner taken from the limited profit margins of the product. In addition to the competition on price, the continuing growth of competitors makes the effort to build a brand even harder. The remaining barriers in the list (Aaker, 2010) mainly involve internal pressures. For instance, attitude of the brand owner towards change in both strategy and innovation inhibit the development of the brand. Thus, once brand owners identify these barriers and aim to overcome them, the attempt to build brand may go smoothly. The above list by Aaker (2010) may be a guide for brand owners in order for them to analyse their barriers.

2.2.4.3 HOW TO BUILD A BRAND FOR SMES

One of the earliest explicit studies on SME branding was by Abimbola (2001) who explored the role of branding as a competitive strategy. Many enterprises have successfully created brands that are a testimony to the enormous impact that a branding policy can have competitiveness. Strong brands such as Microsoft, Gap, Starbucks, and Dell Computer are all SME brands created and nurtured from the scratch by small businesses and individual entrepreneurs. These brands represent some of the well-known icons of entrepreneurship branding at its best. However, they represent a very small percentage of enterprises that could benefit from branding strategy. Although branding represents a challenge for SMEs because of the high resources and budget that is required, its impact on creating growth opportunity and a market-based asset (Temi Abimbola & Kocak, 2007) underpin its importance for businesses. Also, the coherent, consistent and integrated communication policy that brand awareness can create represents an important avenue for recognition amidst fierce competition. Such a stance is particularly

important for SMEs given the level of resources that larger firms may have available for corporate communication. According to Abimbola and Kocak (2007), SMEs should pay regard to the following five notions:

1. Consider corporate branding or emphasise only one or two strong brands
2. Focus a creatively designed marketing programme on specific brand associations
3. Create a well-integrated set of brand elements that enhance both awareness and brand image
4. Design an appropriate campaign for a specific audience
5. Leverage as many secondary associations as possible

Abimbola (2001) suggested that particularly at the initial stage of a brand, it is important to have a singular focus on one of the complementary elements such as symbols, logos and names to support other marketing activities around a singular brand/company name. This is to make sure that maximum attention is directed at a single source to avoid confusion with other competing brands from the same stable. It is important to consider the role of brand name and its potential use for other of communication such as advertising, media and packaging (Murphy, 1992). This creativity can also influence the future marketing programme for the brand and its possible future extension. This should be memorable, simple, recognisable by the customer, credible and deliverable (Bendixen, 2015), so that the brand building campaign emphasises and convinces the business customer of the strength of a brand and captures end-user imagination and attention.

As small businesses must often rely on networking and word of mouth to create strong, favourable, and unique associations (Keller, 1998), avenues such as public relations through existing network such as in house-publications, charity events, low cost-promotions and sponsorship can be a very effective and less costly means of brand enhancement. In addition, linking the SME brand with other companies such as those that they have business dealings with, spokespeople, or other endorsers and events reinforces and augments the general theme of the brand. Therefore, SMEs need to improve the branding of their product (i.e. it needs to look like them and only them) and to continuously reach large audiences of light buyers cost effectively. SMEs need to research what their distinctive brand assets are (colours,

logos, tone, fonts, etc.); and use and protect these. SMEs also need to research how buyers buy their brand, when they think of and notice it, and how it fits into their lives (and shopping). SMEs need to manage media and distribution in line with this knowledge (Sharp, 2010). The general entrepreneurial research (Hong & Diep, 2016; Fatimah, Tajuddin, & Shakir, 2015; Merrilees, 2007) suggests the following key considerations in developing a branding strategy for SMEs:

1. Innovation and creativity
2. Opportunity recognition skills
3. A good business model
4. Access to capital
5. Accessing customers initially
6. Accessing suppliers initially.

2.2.5 BRAND ORIENTATION STRATEGY

Branding is much more than attaching a name to an offering. It is about making a certain promise to customers about delivering a fulfilling experience and a level of performance. Therefore, branding requires that everyone in the supply chain works to carry out that promise. The brand becomes the whole platform for planning, designing and delivering superior value to the company's target customers. In this context, the organisational perspective of brand identity management, or 'brand orientation', a term that was first introduced in the early 1990s (Gromark & Melin, 2011), is deemed vital in order to remain competitive in the market. Baumgarth (2010) affirms that one of the significant success factors in business is having a strong brand orientation strategy. There are several definitions of brand orientation found in the literature, but Gromark and Melin (2011) have developed a comprehensive definition by synthesising the previous definitions and using a holistic perspective. According to them, brand orientation can be defined as follows:

> *A deliberate approach to brand building where brand equity is created through interaction between internal and external stakeholders. This approach is characterised by brands being the hub around which the organisation's processes revolve, an approach in which brand management*

is perceived as a core competence and where brand building is intimately associated with business development and financial performance. (p. 395)

The first study of brand orientation was reported by Urde (1999), who highlighted that it is "*an approach in which the processes of the organization revolves around the creation, development and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands" (p. 117).* Seventeen years later, Urde (2016) argued that the purpose of brand orientation, also known as an "*inside-out approaches with a focus on brand identity" (p. 30)*. In addition, it is to stimulate the company's competitive edge which in the long-term may strengthen its longevity (Wong & Merrilees, 2005). Recently, there has been a growing body of literature on conceptualisation and operationalisation of brand orientation (Baumgarth, 2009; Brïdson & Evans, 2004; Ewing & Napoli, 2005; Hankinson, 2001; Reid, Luxton, & Mavondo, 2005; Urde, 1999; Wong & Merrilees, 2007). The main characteristics of these operationalisations are presented in Table 2.1.

Table 2.1 Operationalisations of brand orientation (Gromark & Melin, 2011)

Author	Key concepts	Comments
(Hankinson, 2001)	• Understanding the brand • Communicating the brand • Using the brand as a strategic resource • Managing the brand deliberately and actively	Brand orientation is described as a model consisting of four elements primarily associated with organisational behaviour and capabilities
(Brïdson & Evans, 2004)	• Distinctive capabilities • Functional capabilities • Value adding capabilities • Symbolic capabilities	Brand orientation is described as the degree to which an organisation values brands and the degree to which its practices are orientated towards developing four specific organisational capabilities.
(M. Reid et al., 2005)	• Shared brand vision • Shared brand functionality • Shared brand positioning • Brand return on investment • Brand symbolism • Brand value-adding capability	Brand orientation is described as a model containing six elements associated with organisational attitudes and capabilities
(Ewing & Napoli, 2005)	• Interaction • Orchestration • Affect	Brand orientation is characterised by three concepts associated with organisational capabilities.

(Wong & Merrilees, 2007)	• Branding flows through all our marketing activities • Branding is essential to our strategy • Branding is essential in running this company • Long-term brand planning is critical to our future success • The brand is an important asset for us	Brand orientation is characterised by five items capturing organisational attitudes and behaviour
(Baumgarth, 2009)	• Values • Norms • Artefacts • Behaviours	Brand orientation is characterised by four concepts capturing primarily attitudes and behaviour but also artefacts which makes this operationalisation unique in comparison to the others

There are three factors identified and often presented as being of vital importance for successful brand orientation: attitude, behaviour and capabilities (Gromark & Melin, 2011) individually or in combination with another. One question that needs to be asked, however, is whether these factors apply to the planning stage for microenterprises, as Wong and Merrilees (2007) claim that brand orientation is a crucial criteria to utilise a brand in order to achieve a competitive advantage in the marketing planning stage.

2.2.6 SECTION SUMMARY

Current market places are dominated by brands as compared to ten or twenty years ago. Consumers are presented with way more choice, and they are exposed to numerous brands in each product category. Thus, for a firm to sustain long-term survival and growth, the literature in this section suggests that building a brand through branding strategy offers ways to achieve long-term business survival and growth. The literature shows that branding needs to be considered as a critical part of SMEs business growth. A product with a clear brand identity, image and positioning that embodies a firm's belief inspires trust from consumers. In turn, this may lead to increasing value of that product as strong brand allow firm to sell products at higher price points that generate greater profit. As a result, it may become a driving force behind business growth, as building financial resources that enable firms to grasp growth opportunities when they arise. In addition, branding is not only a need for large firms but also SMEs as some of their challenges can often be addresses by applying branding strategy. For instance, brand may attract new

consumer and gain brand loyalty from existing consumers by creating demand and recognition. In addition, literature suggests that branding strategy brings key decisions together about the business and helps a firm to align their activities strategically across time.

This review identifies that applying branding as an integral part in operating businesses can result significant difference in the success it creates. However, as firms seek to gain competitive advantage and growth through branding strategy, focusing only on brand components is not enough. Gathering and combining information about factors affecting business growth is also critical. As mentioned above, branding is important and applicable for SMEs, however, the question is, do the same ideas apply equally to microenterprises (as they have lesser resources compared to small and medium sized enterprises) too? Looking forward to the context of this study (described in the next section), what are the level of understanding of branding strategy among SMEs in Malaysia?

2.3 SMES IN MALAYSIA

SMEs are a driving factor of the economy for Malaysia. There is a growing acknowledgement of the importance of SMEs which play a vital role in national economic development (SME Corp. Malaysia, 2016b). In particular, since 2004 Malaysia has begun placing a high priority on the development of SMEs in order to attain continuous and comprehensive growth (SME Corp. Malaysia, 2015). In 2018, SMEs accounted for 98.5% of all businesses which contributes 66% of employment and 37.1% to the country's GDP (SME Corporation Malaysia, 2018). As noted by Khan and Khalique (2014), SMEs in Malaysia 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 the existing ones.

Growth issues came to light during the leadership of Malaysia's fourth Prime Minister, Dr Mahathir Mohamad (Yusof & Bhattasali, 2008). According to SME Corp. Malaysia (2019), 76.5% of SMEs in Malaysia are actually microenterprises, which may explain why there is little progress in terms of business growth. Thus it becomes pertinent to encourage them to consider and prioritise growth. An emerging goal behind policy and business support activities from 2011 onwards gave different emphasis for SME development, particularly those with less than five employees. According to the report by Bank Negar Malaysia (BNM) (2005), SMEs in Malaysia not only have to compete with other SMEs, but also with large corporations as they participate in niche markets. Hence, SMEs in Malaysia need to identify and prioritise business growth as their contribution is crucial to economic growth (BNM, 2005b).

2.3.1 DEFINITION OF SMES IN MALAYSIA

Since 2013, the definitions of SMEs in Malaysia have been based on a fixed quantitative measure: the total number of employees and total sales turnover (Small and Medium Industries Development Corporation (SMIDEC), 2004). SMEs are divided into manufacturing and services based companies. For a company to qualify as a manufacturing-based SME, they must not exceed 150 employees and sales turnover must be less than RM25 million (£4.6 million). In the case of services-based SMEs, they must have less than 50 employees and RM5 million (£922,351) total

sales turnover. Both of them are further categorised into microenterprises and SMEs as indicated in Table 2.2.

Table 2.2 SMEs definitions (SMIDEC, 2004)

	Manufacturing, manufacturing related services & agro based		Services, primary agriculture & information and communication	
	Employees	**Sales turnover (RM)**	**Employees**	**Sales turnover (RM)**
Microenterprises	< 5	< 250,000	< 5	<200,000
Small enterprises	5-50	250,000-10mil	5-19	200,000-1mil
Medium enterprises	51-150	10ml-25mil	20-50	1mil-5mil

2.3.2 SMES' SIZE DISTRIBUTION

In 2019 SME Corp. Malaysia (2019) reported that there are 907,065 SMEs making up the aforementioned 98.5% of total companies in Malaysia. Table 2.3 provides the breakdown of SME establishments by sector and size. It reveals unevenness in the distribution, with proportionately more microenterprises than SMEs. Microenterprises dominate the category of SMEs in Malaysia, making up 76.5% of total SME establishments.

Table 2.3 Number of establishment by sector and size (SME Corp. Malaysia, 2019)

Sector	Number of SMEs Establishments				Share of SMEs (%)	Large Firms	Overall Establishment
	Micro	**Small**	**Medium**	**Total SMEs**			
Services	649,186	148,078	11,862	809,126	89.2	9,185	88,311
Manufacturing	22,083	23,096	2,519	47,698	5.3	1,403	49,101
Construction	17,321	17,008	4,829	39,158	4.3	1,400	40,558
Agriculture	4,863	4,143	1,212	10,218	1.1	1,410	11,628
Mining & Quarrying	217	458	190	865	0.1	161	1,026
Total	**693,670**	**192,783**	**20,612**	**907,065**	**100.0**	**13,559**	**920,624**
Percentage	**76.5**	**21.3**	**2.2**	**100.0**			

Despite the vast number of microenterprises compared to SMEs, it is claimed that there is a high possibility that these enterprises are still involved with traditional systems that generally have low added value as well as low productivity levels (SME Corp. Malaysia, 2019). In response to this claim, a range of questions was raised in this study: why then are so many of them still in the market and allowed to survive? Are they given extra financial assistance? Is becoming an SME as priority for the business? Either way, operating as a microenterprises means that the profit is unlikely to be high. As a result, many owners may fail to grow their company or

improve infrastructure in order to promote their productivity. Isenberg (2011) claims that evidently there is exceptionally little transition from micro to SMEs. He further adds that among 1000 microenterprises, there will only be 10 of them that successfully transform their business into high growth firms.

Growing SMEs in Malaysia

According to Heshmati (2001), SMEs play a key role in jobs opportunities and a determining factor of the well-being of nations, thus, their growth is deemed necessary. In terms of the growth rate of enterprises in Malaysia between 2010 until 2015, sole proprietors (i.e. mostly microenterprises) recorded a double-digit growth of 25.0 per cent (Department of Statistics Malaysia, 2016). More recent report by SME Corp. Malaysia (2019) highlighted that growth of SME GDP increased by 6.2 per cent in 2018 (2017: 7.1 per cent) and continued to outperform the overall GDP growth of 4.7 per cent in 2018 (2017: 5.7 per cent). Growth uptake in Malaysia occurred due to its '*underlying economic strengths, including a diversified economic structure, a strong external position, robust institutions, and significant natural resources and human capital endowments'* (World Bank Group, 2018, p. 6). Nevertheless, despite their importance, the underlying issues related to SMEs' (and especially microenterprises) growth, remain least investigated (Hasim et al., 2018; OECD, 2000; Senik, 2010). Efforts and assistance by the government and financial institutions have seen little success in the ability of these microenterprises to grow into small or medium sized enterprises. A large majority remain stagnant in that micro level. This study focuses on how microenterprises can break through the barriers to transition into a higher level of their business hierarchy, and remain competitive in a broader marketplace, thereby registering growth and continuing to contribute to the country's economy.

2.3.3 SME SECTOR CATEGORISATION

SMEs plays an important role in job creation, the maintenance of an entrepreneur's household livelihood, sources of goods and services for larger organisations (Singh, Garg, & Deshmukh, 2008) as well as preserving culture, for example within the textile and craft sector. They are divided into two main sectors: services sectors and manufacturing sectors and these sectors can also be divided into microenterprises and SMEs. Each sector is also divided into several more subsectors. The largest

concentration, by number, of SMEs in Malaysia is in the textile and apparel sector, F&B, metals and metal products and wood and wood products (Saleh & Ndubisi, 2006).

Table 2.4 Percentage Share of SMEs in Services and Manufacturing Sectors by Sub-sector (%) (Department of Statistics Malaysia, 2016)

Services Sector		Manufacturing Sector	
Subsector	**Percentage**	**Subsector**	**Percentage**
Wholesale & Retail trade	51.2	Textile and wearing apparel	18.2
Food & Beverages	20.4	Food & Beverages	17.4
Transportation and Storage	6.6	Fabricated metal products	11.1
Personal services	5.6	Machinery & equipment	9.9
Professional services	4.2	Printing	6.7
Others	12.0	Furniture	5.2
		Rubber & plastic products	5,1
		Non-metallic mineral products	4.2
		Wood products	3.6
		Electrical & electronics	3.6
		Others	14.9

Based on the Economic Census 2016 (Table 2.4), the table shows the F&B subsector has the second highest percentage in the services sector, which is 20.4%. Similarly in the manufacturing sector, F&B is also the second highest among all the subsectors which makes up 17.4% of the total percentage in that particular sector. Thus, this study focuses on the F&B subsector as it is one of the most prominent sectors both in services and manufacturing sector which also require wider opportunity for growth.

Food and Beverages (F&B) sector's growth in Malaysia

Focusing on sector's growth, SME Corp. Malaysia (2019) reported that service sector registered a stronger growth compared to manufacturing sector in 2018. The report also highlighted that service sector contributed to the increase in share of SMEs to GDP in terms of performance where they recorded 7.3 per cent between 2016 and 2018 (SME Corp. Malaysia, 2019). The growth was spurred primarily by the food & beverages (F&B) sector which formed among the biggest component of the SME value-added which accounted for 63.9 per cent of total share (SME Corp.

Malaysia, 2019). Due to increasing growth in the F&B sector, it has become the government's focus to further develop this sector (SME Bank, 2019). The F&B sector was considered as one of the 'winning sectors' in the 2018 National Budget (Ministry of Finance Malaysia, 2018). In addition, the sector is forecasted to exploit the Budget as the reduction in personal income tax may increase household disposable income (British Malaysian Chamber of Commerce, 2018). This study focuses on F&B sector in particular on **three** main grounds: (1) the sector is among the biggest sector in Malaysia, (2) it has low barriers to entry and (3) F&B brand highly impact purchasing behaviour.

Flanders Investment and Trade (2020) reported that F&B sector is among the biggest sectors and a fast-growing market in Malaysia which is also considered as one of the main contributors to the national account with revenues of around £18.94 billion in 2018. The contributions made by this sector are apparently better appreciated in 2020 than in 2010, especially as it has helped to improve the Malaysian economy (Talib, Ali, & Idris, 2013). The sector is reported growing annually at a rate of 7.6 per cent (Flanders Investment and Trade, 2020). To expedite growth among F&B sector businesses, SME Corp. Malaysia (2017) reported that the government is targeting funding of RM 1.93 billion (around £336.7 million) for access to financing programmes. Despite these programmes, the majority of F&B sector businesses are microenterprises who inherit the business from their family, with limited resources (Diana-Rose, Zariyawati, Norazlina, Annuar, & Manisah, 2016) which then complicate their growth. This appears that they are especially vulnerable to limited resources that puts pressure on them to operate their business systematically (Johnson, Whittington, Scholes, Angwin, & Regner, 2017).

Barriers to entry are defined as the entry into markets from the view of entering and creating a new company (Blees, Kemp, Maas, & Mosselman, 2003). If, therefore, the barriers to initiate a new business are easy to overcome, then, the market is considered as having low barriers to entry. Nonetheless, Burke and To (2001) argue that lowering barriers to entry can also have negative effects on market performance. For instance, in the context of F&B sector, anyone who is able to offer food products for sale are able to establish a business and fall into the category of microenterprises. This leads to the existence at any one time of many

microenterprises which increase competition in this sector. This can be seen in the study carried out by Bhuiyan, Said and Alam (2016) in which out of 247 executives of food processing SMEs in Malaysia, 58.3 per cent of strongly agreed that they faced stiff competition from local companies. Thus, innovation is the vital process to survival of market pressure and to gain competitive advantage for the F&B sector (Jani & Alam, 2011).

One of the most crucial determinants for Malaysian's purchasing decisions on food products is branding (Diana-Rose et al., 2016). British Malaysian Chamber of Commerce (2018) further highlight that the rise of private consumption and lifestyle changes among Malaysians are expected to become major drivers for the F&B sector as they are seeking quality food that match their socio-economic aspirations. Branding represents both product and business, which comprises patent, trademark, existing reputable name, symbols, and logos names (Kohli, 1997; Nyadzayo, Matanda, & Ewing, 2015). Strong brands influence the consumer's purchasing behaviour, and also may enhance the sales in a longer period (Kohli, 1997). Nevertheless, majority of microenterprises remain in that category as they are unable to offer strong brand as a result of limited resources (Shu-Teng, Zariyawati, Suraya-Hanim, & Annuar, 2015) thus lower the possibility of their product to be purchased. This is evident in the case of a study conducted by Diana-Rose et al. (2016) on 400 consumers who went to the hypermarket to shop for groceries. Their study revealed that consumers prefer established, popular brands, as they are barely aware of the SMEs brands on the same shelf. Thus, their study further prove the need to develop a strong brands among SMEs to gain competitive advantage.

2.3.4 THE INFLUENCE OF DESIGN-DRIVEN COMPANIES WITHIN THE F&B SECTOR'S BUSINESS GROWTH

Role of SMEs in Malaysia food industries has been widely acknowledged (Nazri & Azmi, 2016). The food industry has been important in the development of the manufacturing sector in Malaysia's industry. The success of SMEs in positioning products is based on marketing activities (Omar & Anas, 2014). Plans and strategic decisions that integrate all elements such as design, trademark, slogan and product may persuade consumers to make a purchase. Consumers' purchase intentions

rely highly on brand awareness which relies on brand trust (as discussed in Section 2.2.2). Therefore, Malaysian government agencies have provided advice for SME food processing business owners in terms of marketing, promotional goods and the export process. These greatly help business owners to position their product and services. Government agencies also make efforts by providing various courses that leverage the SMEs' entrepreneurship such as managing the sales, marketing strategies and also analysis of their business cash flow. However, the efforts of the agencies since 2011 have been to no avail due to poor management and operation among SMEs (Apulu, 2012).

According to Anarnkaporn (2007), investment in media takes a great amount of money. This misconception has led many SMEs to think that they only have to focus on product and price. Actually, what happens is that the global brands are forced to invest heavily in media due to their lack of ability to be present locally everywhere (Webster, 2000). The process makes customers feel closer to global brands than the smaller brands that they are often physically closer to. However, brand building is not done solely through advertising and media. Advertising only plays a part in brand building. SMEs can use its closer physical connection with the customer to create a compelling experience with the customer. They can emphasise their brand's strengths and credibility with their customers and reassure them that their small brand is the better option (Anarnkaporn, 2007). The branding process is especially important for SMEs that wish to become players outside their locality. Furthermore, it is important to determine which among many variables and processes affects success in branding (Banerjee & Dasgupta, 2009). Study by Hong and Diep (2016) reveals that branding, especially internal and external branding, contributes to brand performance, and in return brand performance contributes to the success of financial performance (Hong & Diep, 2016).

Recently, consumer demand for aesthetically pleasing packaging and product quality has been notably increasing in Malaysia. SMEs are keen to focus on the marketing and branding strategy of their food products. The design of product packaging has become one of a number of crucial criteria affecting consumer purchase decisions (Ribeiro, Carneiro, De Melo Ramos, Patterson, & Pinto, 2018). Nevertheless, despite the vital need for SMEs to focus on their branding strategy, the food industry in Malaysia has been facing some setbacks. The majority of SMEs

in Malaysia are not engaged with developing a branding strategy. SMEs argue that they own limited capital for business development of R&D (Alam, Jani, Senik, & Domil, 2011) which prevent the application of branding strategy among them.

2.3.5 SECTION SUMMARY

The main limitation of branding strategy application on SMEs in Malaysia, however, is that they might encounter issues with availability of both tangible and intangible resources that most likely will affect their growth as compared to large firms. SMEs need to work progressively to satisfy the needs of their consumers with maintained quality and personalised offers. The ability to recognise potential and implement a suitable branding strategy may benefit SMEs to remain dynamic and promote progressive growth. In addition, leveraging their raw materials and supplies may also contribute considerably towards SMEs' competitive advantage and growth. The capability of SMEs to efficiently and effectively manage their internal resources will eventually drive the differences that they offer as opposed to their competitors. Hence, this research study aims to identify factors affecting SMEs' growth in the F&B sector in Malaysia. The findings may contribute to the growth development of the SMEs in particular in the F&B sector.

2.4 CHAPTER SUMMARY

Whether it is growth in terms of increasing amount of production or size of the business, it is widely agreed to be the main concern in today's highly competitive marketplace. Literature suggests three factors affecting SMEs' (especially microenterprises) business growth –i.e. entrepreneurial orientation, resources and growth motivation. In a broader context, entrepreneurial ecosystem theory is discussed which leads to the question; do the same ideas apply equally to microenterprises? This review also recognises the increasing importance of brand image in purchasing behaviour among consumers. This has increased the need of not only large firms, but also SMEs to recognise and deal with the challenges of building strong brands and achieving growth. Thus in order to have a strong brand, a firm needs to apply a branding strategy as a means and a practical solution to achieve growth. This research seeks to understand factors affecting SMEs' (especially microenterprises') business growth and then explore how branding strategy can facilitate this growth.

Table 2.5 Main research aim and initial research propositions

Main Research Aim (MRA)	Main Initial Research Proposition (MIRP)
To *understand* initial stage and investigate *how to encourage* SMEs (especially microenterprises) within the F&B sector in Terengganu, Malaysia to grow their business.	A branding strategy offers an opportunity to promote progressive growth among SMEs that focuses on achieving competitive advantage

This chapter is formulated based on three main parts of the **MRA;** (1) understanding factors affecting SMEs' business growth, (2) exploring the role of branding strategy in promoting SMEs' business growth and (3) reviewing SMEs in Malaysia. In summary, this chapter identifies several factors that may influence SMEs' ability to grow based from the literature which are entrepreneurial orientation, resources and growth motivation. Overall, SMEs need to grow their businesses in order to remain competitive in the marketplace. This identification leads to the formulation of the **MIRP** (Table 2.5). In order to address **MRA** further, this chapter formulates two initial research propositions (IRP) that demonstrate possible answers to the **SRQ**s.

Table 2.6 Research question 1 and initial research proposition 1

Part 1 Identifying factors affecting SMEs business growth	
Research Question 1 (RQ 1)	**Initial Research Proposition 1 (IRP 1)**
What are the factors affecting SMEs' (especially microenterprises) business growth within F&B sector in Terengganu, Malaysia?	Entrepreneurial orientation, resources and growth motivation have a significant correlation with business performance that relates to formulating appropriate approaches towards the development of SMEs' growth strategy

Based on the connections between these concepts, this chapter formulates **IRP 1** in connection with **RQ 1,** which focus on identifying factors affecting SMEs' business growth (Table 2.6). The factors are introduced in Section 2.1 (p. 14) –i.e. entrepreneurial orientation, resources and growth motivation, all have a significant impact on SMEs' business performance and encouraged SMEs' business growth. The literature included in this review confirms that SMEs' (especially microenterprises) business growth presents problems that go beyond mere understanding of factors affecting business growth. There are three identified factors linked with SMEs' business growth in the literature –but it leads to question its relevance with microenterprises business growth. Previous research often excludes the study on microenterprises with the argument that majority of them fail to emerge as a stable operating firm. Nevertheless, this study argues that effort to study microenterprises activities is essential as they dominate the category of SMEs. Successful growth among them may benefit not only the firm but also Malaysia in the first instance, but also other similar contexts.

Table 2.7 Research question 2 and initial research proposition 2

Part 2 Overcoming growth barriers	
Research Question 2 (RQ 2)	**Initial Research Proposition 2 (IRP 2)**
What role can branding strategy play in promoting SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia?	Branding strategy allows SMEs to gain competitive advantage. There are three important components of branding (identity, image, and brand positioning) that enable the brand to be recognised its marketplace and where the value lies in the product/service.

Table 2.7 lists **RQ 2** and **IRP 2**. Empirical studies mainly focused on the direct link between SMEs business owner in recognising entrepreneurial activities and exploitation of limited resources, while less attention has been paid to how microenterprises business owners can utilise these factors more effectively.

Utilising these factors may entail better approaches towards business growth. Taking all the factors together, the most effective way for SMEs to grow their business is gain competitive advantage. This study chose to explore the application of branding strategy as literature shows its ability to increases the possibility of promoting progressive growth among SMEs. This application is introduced in Section 2.2 (p. 33) which leads to the formulation of **IRP 2** that relates to the impact of having a strong brand on SMEs' business growth. This section establishes that there are three important components of brand building: identity, image, and brand positioning that enables a brand to be recognised in its particular marketplace and where the value lies in the product/service. This section also identifies that most successful companies applied a branding strategy. In the context of SMEs, this section described how brand orientation strategy is highly applicable and may allow them to overcome their growth barriers and remain competitive in the marketplace.

Therefore, this research aims to focus not only on factors affecting growth but also how to utilise them in developing strategies to encourage SMEs' business growth. Literature shows that branding strategy appears to be useful construct for this purpose, with the strongest link between achieving competitive advantage and SMEs business growth. Branding strategy can provide appropriate guidelines for SMEs in steering a business to achieve brand positioning which directly links with gaining competitive advantage. However, there appears to be limited academic research on the branding activities of SMEs (especially microenterprises). Thus, this study aims to explore brand practice and its relevance among SMEs in Malaysia responding to management for both competitive and growth in order to present relevant overarching understanding of factors affecting SMEs (especially microenterprises) business growth in the context of –Terengganu, Malaysia –and to explore the role of branding strategy for future start-up and/or existing SMEs business owners.

CHAPTER 3 RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter outlines the research design and methodology used in the study presented in this thesis to attain the research activities and objectives. The discussion begins with a summary of the **RQ**s and the chosen approaches to answer them in the context of Terengganu, Malaysia. Then, it describes the relevant research techniques, and discusses the qualities of each approach. Two phases of data collection were used: the primary data collection phase then subsequently the validation phase. In both phases qualitative data collection approaches were implemented via in depth interviews and shadowing methods. This chapter concludes with a discussion on the rationale for these approaches, provides details of informant selection and a pilot study that preceded primary data collection.

3.1 SEEKING ANSWERS FOR THE RESEARCH QUESTIONS

This chapter presents the research approach developed, and the research methods adopted to seek answers for the **RQ**s. The previous chapter frames the research against the backdrop of the factors affecting SMEs' business growth, the application of brand orientation strategy to overcome these barriers, listing four initial propositions in relation to the **RQ**s. Continuing with this inquiry, this chapter describes the development of a research approach to seek answers for the **RQ**s using the propositions as a reference. As discussed in Chapter 2, there are two key aspects in this research: (1) *understanding* factors affecting SMEs' business growth, and (2) *exploration* of the role of branding strategy in encouraging SMEs' business growth. Both aspects are treated as exploratory, as literature shows that they are important in promoting business growth for SMEs (Anderson & Eshima, 2013; Odoom, Narteh, & Boateng, 2017). The intention of this exploration is to generate a better understanding on the factors that affect SMEs' business growth in Terengganu, Malaysia; and aid in the development of feasible strategies to overcome the barriers. In line with this aim, this chapter present possible research methods in order to answer all the **RQs.**

Table 3.1 Development of research approach

Research questions	Initial research propositions	Research methods	Potential outcome
Identifying factors affecting SMEs' business growth			
RQ 1 What are the factors affecting SMEs' (especially microenterprises) business growth within F&B sector in Terengganu, Malaysia?	**IRP 1** Entrepreneurial orientation, resources and growth motivation have a significant correlation with business performance that relates to formulating appropriate approaches towards the development of SMEs' growth strategy	Identifying factors affecting SMEs in Terengganu, Malaysia –whether factors discovered in LR applies the same or discover new factors **Methods:** **In-depth interviews** **Shadowing**	Microenterprises traits SMEs ecosystem –of microenterprises in Terengganu, Malaysia
Overcoming growth barriers – exploring role of branding strategy			
RQ 2 What role can branding strategy play in promoting SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia?	**IRP 2** Branding strategy allows SMEs to gain competitive advantage. There are three important components of branding (identity, image, and brand positioning) that enable the brand to be recognised its marketplace and where the value lies in the product/service.	Investigating branding activities and awareness among SMEs in Terengganu, Malaysia Propose strategy to overcome their barriers **Methods:** **In-depth interviews** **Shadowing**	Branding strategy for microenterprises in Terengganu, Malaysia
***RQ –**Research Question **IRP –** Initial Research Proposition			

Table 3.1 presents the breakdown of the **RQs**, **IRPs**, research methods and potential outcomes. The correlation between these four elements guides the development of an overarching research approach. In order to identify the first aspect of the research, a thorough understanding of the factors affecting SMEs in Terengganu, Malaysia are required. One methodological question that needs to be asked, however, is whether new understanding will support previous factors in the literature or allow the discovery of new factors. The proposed methods are qualitative as the goal is to understand, in depth, the viewpoint of those involved in SMEs' about barriers to growth. The potential outcome from data collection may include identification of entrepreneurial traits within the ecosystem of SMEs (especially microenterprises) in Terengganu, Malaysia. The second aspect involves two approaches, by investigating level of brand awareness within micro- to small-

sized F&B companies in Terengganu, Malaysia. As a result, the potential outcome is deeper understanding on factors affecting SMEs' (especially microenterprises) business growth as well as the development of brand orientation strategy for microenterprises in Terengganu, Malaysia.

3.2 RESEARCH DESIGN OVERVIEW

To explore what affects SMEs' business growth in Terengganu, Malaysia, and how to help them overcome relate barriers to growth, this research is divided into two phases (Figure 3.1). In Phase 1, the data were collected from multiple informants while Phase 2 was the validation of the findings. This study opted for a qualitative approach (Section 3.3 p. 70) with in depth interviews (Section 3.3.1) and shadowing (Section 3.3.2) as the selected methods for data collection activities.

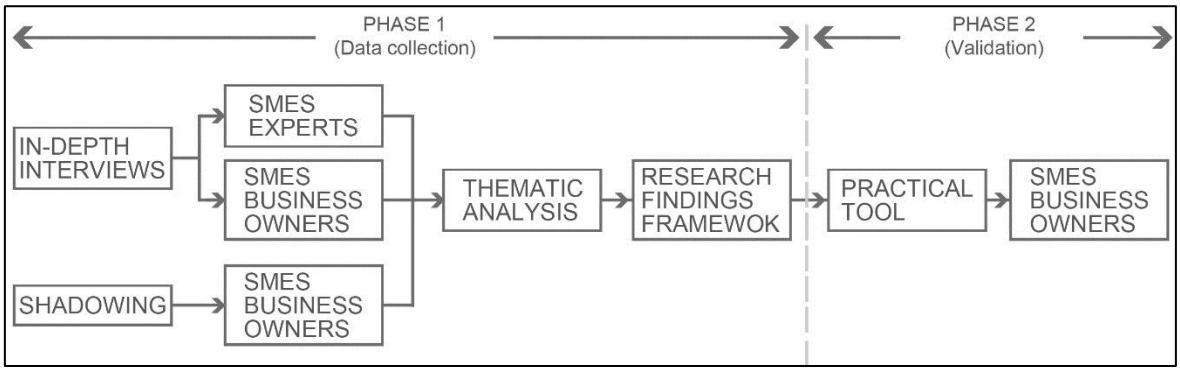


Figure 3.1 Research design overview

It was noted that collaboration between multiple informants in the data collection phase is the central strength of the qualitative approach (Neergaard & Ulhøi, 2007). Thus, the research adopted a collaborative approach for data collection between experts (i.e. SME experts, design consultants, academics) and SME BOs. The purpose of adopting this approach was to ensure comprehensive data collected covering different sources of expertise.

Thus the informants that were recruited for this study were 30 participants ranging between 20 to 55 years old. A mixture of males and females were selected to avoid gender bias. There were two clusters of informant: experts and SME BOs.

a) Experts: government-linked agencies representatives, branding experts and academics.

b) SME BOs (SME BOs): the founder of the company or marketing manager.

The researcher carefully selected 15 experts (SME experts, consultants and academics) and 15 SME BOs (involved in the F&B sector) in Terengganu, Malaysia.

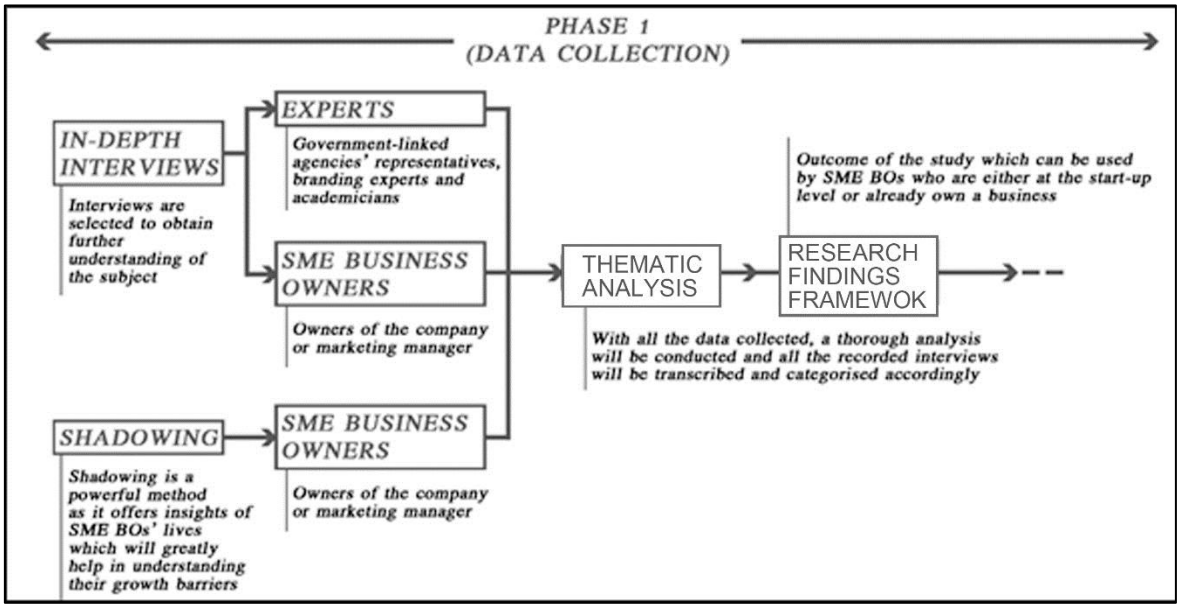


Figure 3.2 Phase one of data collection

Phase 1 of the data collection (Figure 3.2) involved two selected methods i.e. in-depth interviews and shadowing. The researcher used two methods in recruiting the respondents: quota sampling and snowball sampling (described further in Section 3.4). Collected data was analysed using the qualitative software application ATLAS.ti. Field notes, research memos and research journals were also analysed to allow the researcher to trace both factual and interpretive information about implementation processes. This process did not only help to systematically move data analysis to a conceptual level, but also assisted in understanding factors affecting SMEs' business growth which attempts to promote SMEs' business growth in Terengganu, Malaysia.

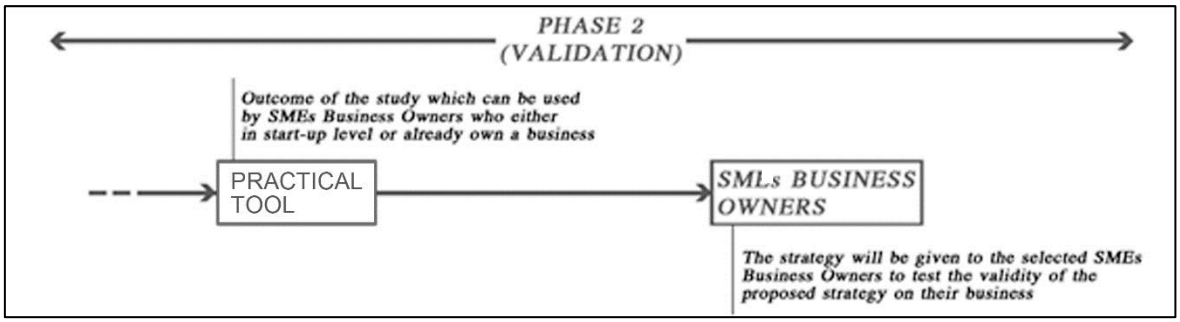


Figure 3.3 Phase two of data collection

In Phase 2, the proposed strategy was validated by SME BOs (Figure 3.3) in order to give credibility and provide internal validity to the research findings, thus giving a more holistic picture of the research area. The proposed strategy can either be applied by start-up companies or currently operating companies. They were required to apply the strategy at least for six months to verify its productiveness.

3.3 QUALITATIVE RESEARCH APPROACH

A qualitative research approach is more likely to explore processes rather than the population of people who conduct them. According to Vanderstoep and Johnston (2009), qualitative research emphasises the meanings of experiences by investigating further "*how people define, describe and metaphorically make sense of their experiences"* (p. 165). The goal is to understand, in depth, the viewpoint of a research participant. Previous studies on the application of branding strategy for business growth among SMEs often use qualitative approach (Merrilees, 2007; Neuvonen, 2016; Rao Gundala & Khawaja, 2014), producing rich descriptions of complex situations within real-world business contexts. Yin (2003) explained that qualitative approach is used as the application of branding strategy within SMEs for business growth is fairly new within the research community thus suitable in developing deeper understanding and developing theories. In addition, a qualitative approach allows real-world setting exploration, identifies how people manage these situations as well as understand the *'contextual richness of people's everyday lives'* (Yin, 2011, p. 4).

There are several recognised methods within a qualitative research approach –i.e. in-depth interviews (eg. Renton, Daellenbach, Davenport, & Richard, 2015), case study (Swanborn, 2010), participant observation (Sandiford, 2015), shadowing (Quinlan, 2008), auto-ethnography (Yin, 2011). To facilitate this study and capture

the richness of contextual settings, the methods chosen are in-depth interviews and shadowing. These methods were utilised in order to understand multiple constructions held in the minds of the experts and SME BOs. In addition, these methods aim to achieve the multifocal overview of this research subject in order to avoid bias during data analysis stage.

3.3.1 IN-DEPTH INTERVIEWS

In contrast to surveys, in-depth interviews focus on smaller and selective participants (Guion, Diehl, & Mcdonald, 2011). Throughout this study, the term 'in-depth interview' will be seen as a "*conversation with a purpose*" (Gubrium et al., 2012, p. 24). Mack et al. (2011) points out that this type of conversation allows researchers to understand the individual's perspectives as opposed to the norms of a group in a community. They also add that through this method, the participant's feelings, opinions and experiences are more accessible as most of the interviews are face-to-face. This creates a more casual setting than a formal or scripted interview, so allows participants to be comfortable and spontaneous with their answers. By using the in-depth interview method, the researcher also has the possibility to gain insight into how the participants interpret situations as well as make decisions. This method was most suitable for this study as it uses semi-structured questions which allow the researcher to deeply investigate a participant's perspectives and feelings towards the questions asked (Guion et al., 2011). In addition, semi-structured interviews allow for a freely constructed conversation based on a set of planned issues whilst offering sufficient structure to guide the conversation within the time constraints.

However, Potter and Hepburn (2012) identified eight challenges that arise while conducting in-depth interviews method. These challenges are summarised in Table 3.2 that are grouped into two groups: by attending to the reporting of the interview in the research study and during the analysis stage of the interview. Therefore, the researcher needs to pay close attention to the role of interviewer and interviewee so that these challenges can be minimised and avoided.

Table 3.2 Challenges of conducting in-depth interview method (Potter & Hepburn, 2012)

During interview	During analysis
1. Improving the transparency of the interview setup	5. How interviews are flooded with social science categories, assumptions, and research agendas
2. More fully displaying the active role of the interviewer	6. The varying footing of interviewer and interviewee
3. Using representational forms that show the interactional production of interviews	7. The orientations to stake and interest on the part of the interviewer and interviewee
4. Tying analytic observations to specific interview elements	8. The way cognitive, individualist assumptions about human actors are presupposed.

This method will be utilised for this study in gaining deeper understanding on SMEs' business growth in Terengganu, Malaysia, from both experts' and SME business owner's perspectives. One of the main concerns of this method for this study is it may be time consuming as the process includes recording, transcribing, organising and analysing. A well-planned in-depth interview process is required in order to avoid extended time for this method. This method is the best choice for this study as it allows the capture of raw experiences shared by the interviewee in an informal settings, .This may benefit this study with the chosen RQs as business strategy is complex, and often implicit – it cannot be articulated in a one-off statement, but must be elicited through discussion.

3.3.2 SHADOWING

Shadowing may not be a common method among traditional researchers. When it is used*, "it is neither discussed as a distinct research method nor examined methodologically"* (Mcdonald, 2005, p. 455). However, as shadowing falls under the umbrella of ethnographic research, there has been a growing body of literature on shadowing as a method and it has become popular among qualitative researchers as mentioned by Zwillinger et al. (2009). They argued that it is a powerful method especially for marketers as it offers insights into "*consumer lives with the products and services"* which will greatly help them in developing and bettering their products/services (ibid, p. 2). Shadowing has been found popular among designers (Martin & Hanington, 2012; Milton & Rodgers, 2013) as it may help them obtain insights on participant's actions, design patterns, and routines, providing deeper understanding of the participant and offering initial design implications. The advantages of this method are the mobility of the researcher versus being in-situ when collecting the data, and it minimises bias and researcher influence (McDonald,

2005). In comparison to traditional observation, it encourages researchers to be the 'fly on the wall' which separates the researcher from any direct involvement (Lopez, 2015). McDonald (2005) points out that shadowing allows the researcher to "'*shadow' the target participant from the moment they begin their day until they leave for home"* (p. 456). This study uses Brundin's (2007) shadowing method as a basis which are: "*the time he spent with the entrepreneurs and their process, their meetings, in meetings, in the daily 'rounds', at lunches, at coffee breaks, during informal conversations with people around the entrepreneur and so on"* (p. 289). Czarniawska (2007) concluded that shadowing an experienced individual allows the researcher to gain a reliable set of data as well as to draw information which is inaccessible by other methods (van der Weele & Bredewold, 2021).

As a result, by shadowing, researchers are able to construct a comprehensive characterisation of leadership (Bøe, Hognestad, & Waniganayake, 2016). Mintzberg (1999) pointed out that though shadowing, researchers are able to answer the questions of what, how and why, by capturing an overview of organisational life which aligns with the purpose of this study where an overview of SME BOs' life is vital. Furthermore, this method enables the researcher to attain an understanding of SME BOs' behaviour, their motivation behind it, their role and the decision-making process in their organisation. This study used the template by Recknagel (2009) (Table 3.3) to conduct the data collection process.

Table 3.3 Shadowing stages (Recknagel, 2009)

Process	Explanation
Domain and Demographics	Locate the right venue to research and the appropriate person(s) within that venue to follow. This period could also involve preliminary research into the roles, language/terminology used and issues at hand.
Secure Access	This is a critical step, as it could take as long to gain access as it does to complete the entire shadowing period. Access needs to be as unrestricted as possible and could involve contacting third parties for proper permissions.
Develop Trust	The goal of shadowing is to gain insider status. Once you have been given access, the researcher must create a healthy rapport with the person being shadowed. If the participant does not feel comfortable, critical information could be missed. This method involves a great deal of trust, and the researcher must continually work at managing the relationship throughout the shadowing period.
Shadowing	The researcher closely follows an individual over a set period of time while writing an almost-continuous set of field notes. The researcher asks frequent questions for clarification and prompts the participant to give a running commentary on his or her actions and choices.
Record	The researcher records and compiles the field notes from the shadow period and adds debriefing notes to maintain freshness of experience. If

	the shadow period continues over multiple shifts or days, debriefing with the individual must be done after each immersion.
Analysis	The researcher analyses the large data set that has been accumulated during the shadowing period. There is some debate as to whether qualitative research software should be used to facilitate this process or if it would be ineffective at capturing the nuisances and detailed nature of this method. Methods of data summary and presentation could include storyboarding, narratives and persona/character sketches.

However, van der Weele and Bredewold (2021) identified three challenges of shadowing method which are related to privacy, role confusion and ethical approval. To reduce the occurrence of these challenges, the researcher needs to be aware of the participant's condition in order to avoid discomfort and exhaustion for participants and researchers alike. It is the best choice for this study because this method allows the researcher to analyse a situation from a specific point of view and interpret it from a specific perspective (van der Weele & Bredewold, 2021) in line with scarce information on SMEs business growth activities in Terengganu, Malaysia.

3.4 PILOT STUDY

According to Peterson, (2000) a pilot study is "*essentially a small-scale study; normally it consists of administering a proposed questionnaire under simulated or actual research project conditions"* (p. 57). The main objective in a pilot study is to identify which questions need to be adopted, developed or removed from in-depth interviews in a subsequent study. Furthermore, it aims to identify potential problems specific to a self-administered technique of conducting the research (Abimbola, 2003). The method used during this pilot study was informal interviews with purposive sampling of three informants: a designer from the Malaysia Design Development Centre (DDEC) (EXP1), SME expert (EXP2), and SME BO (EXP3). The main criteria required was five years or more experience in their field. Informants were contacted prior to administration of the interviews to seek their approval to participate in the study. Once the informant had agreed to be interviewed, the researcher set the date to meet them personally. On the day of interview, the researcher thoroughly explained the purpose of this study. Once informants had a clear understanding and were willing to answer the questions, the researcher started the audio recording for the purpose of future data transcription. The pilot study was of great benefit to this study as it produced guidelines for the

primary data collection and helped to avoid unforeseen problems and inappropriate questions later on.

All questions (see APPENDIX E) were pre-tested by EXP1, EXP2 and EXP3 in order to improve and finalise the interview questions. One of the most important outcomes from the pilot study was strong justification of selecting the F&B sector as all informants agreed and provided good evidence that it is the largest sector among SMEs in Terengganu. First, the question was on the relevance of the Malaysia Plan to SMEs business growth in Terengganu, Malaysia. The Malaysia plan is a five year plan that outlines government development policies and strategies for economic development. Only one of the informants (EXP2) considered that the questions about the Malaysia Plan may benefit this study, while the other two (EXP1 and EXP3) disagreed as they thought it would require experts on that plan to answer those questions. Therefore, the question regarding the Malaysia Plan was omitted for primary data collection as it was found not have limited relevance to experts or SMEs. Following that, a question on the importance of financial resources to SMEs in Terengganu was asked. It was expected that shortage of financial resources would be the main impediment to growth among SMEs in Terengganu. Two informants (EXP2 and EXP3) affirmed that financial resources were one of the crucial determinants of business growth especially among microenterprises.

Next, questions regarding SMEs BO attitude towards growth were asked. All informants in the pilot study agreed unanimously that positive attitudes among BOs is more important than financial resources. They claimed that an SME BO who is equipped with a positive attitude towards growth may resolve their barriers to growth faster. Finally, the researcher asked informants further about assistance programme/training available for SME BOs. Response revealed that existing training provided by the government was more than enough for SMEs in Terengganu as claimed by EXP1 and EXP2. However, from a BO's perspective, EXP3 claimed otherwise. This has prompted the researcher to investigate further for primary data collection. There were generally few comments over the layout and design of the questions. The presence of bias in the questions was noted and addressed. Each comment from the pilot study was considered and appropriate amendments on the questions were developed, based on the pilot study findings

specifically tailored for primary data collection, which will be discussed in the following section.

3.5 PRIMARY DATA COLLECTION

This section describes the process of collecting primary data obtained through the qualitative research approach. The purpose of this approach is to establish validity by drawing data from both experts and SME business owner's perspectives for a series of keywords which will be discussed in Chapter 4.

3.5.1 INFORMANT SELECTION AND RECRUITMENT

Informants were selected from a group of active SME business owners (BOs) in the food and beverages (F&B) sector registered with the Terengganu Entrepreneur Development Foundation (TEDF). The **informants** for this study comprised of 15 experts and 15 SME BOs. Table 3.4 lists each informant's detailed attributes including their experiences.

Table 3.4 Informants' attributes

Group	Attributes
Experts-SMEs (n=4)	Informants in the Experts-SMEs' group primarily engage in managing and solving SMEs' problems/issues. Their roles in agencies are as: CEOs (n=2), manager (n=1), support program training (n=1), and they have experience of between five to 10 years in the field. Among four SME experts, two informants (EX TK and EX M) are CEOs from government agencies and responsible for managerial tasks related to SMEs in this region. One informant (EX EN) has previous experience as an SME BO. The last informant (EX S) is the support program training officer.
Experts-Finance (n=3)	The Experts-Finance informants primarily engage in managing and dealing with SMEs' financial support. They are involved in: management (n=2), financial consultancy (n=1), and have experience in the field of between five and 10 years.
Experts-Designers (n=6)	The Experts-Designers were primarily engaged in design/branding and SMEs. They are government linked companies' (GLCs) designers (n=3), freelance designer (n=2) and branding consultant (n=1). Three of them (EX R, EX SH and EX NZ) work with GLCs, which are heavily involved with entrepreneurs' enhancement programmes. Two of the respondents (EX AF and EX NS) are freelance designers, who operate independently serving local SMEs. The last respondent (EX NL) is someone who is specifically involved in branding and owned a branding consultancy company.
Experts-Academics (n=2)	Informants in the Experts-Academics group primarily engage with university syllabuses and research on branding and SMEs. One of them (EX DS) is the course coordinator of a university's entrepreneurship program provided for students. Another informant (EX AQ) is an expert in branding in the local university.
SME BOs-Successful (n=5)	Informants in the SME BOs-Successful group were all nominated by the TEDF as successful local SME BOs.

SME BOs-Average (n=10)	Informants in the SME BOs-Average group are a mixture of informants recruited from the provided list by TEDF and snowball sampling conducted by the researcher while doing the fieldwork.
All of the informants are based in the central region (Kuala Terengganu) of Terengganu which is also the capital city of the state. *n= number	

The aim of this study is to identify and explore experts' and SME BOs' experiences, opinions and knowledge regarding factors affecting SMEs' business growth and level of brand awareness among them. Experts' and SME BOs' perspectives were explored in order to draw two-sided views to answer the **RQs** and obtain a holistic understanding of the issues, without disregarding either of the perspectives.

Table 3.5 Experts' organisations

Field of expertise	Organisations
Small Medium Enterprises (SMEs)	SME Corp Malaysia
	Terengganu Entrepreneur Development Foundation (TEDF)
	Malaysia Productivity Corporation, Malaysia
Branding	Malaysia Design Development Centre
	Scientific and Industrial Research Institute of Malaysia (SIRIM Berhad)
	Branding consultants
Funding	***Bumiputera* Entrepreneurs' Retail Project Fund (PROSPER)**
	Terengganu Economic Planning Unit
Academic	**University Sultan Zainal Abidin, Malaysia**
	University Malaysia Terengganu, Malaysia

In order to obtain cohesive and valid results and findings, an extensive evaluation of all factors and variables from reliable sources was conducted. The organisations associated with all of the experts were carefully selected and listed in Table 3.5. These are among the key organisations for SMEs' development in Malaysia. For instance, SME Corp Malaysia coordinates the implementation of development programmes for SMEs across all related ministries and agencies in Malaysia while TEDF coordinates the implementation in Terengganu, Malaysia.

Sampling

Quota sampling is a non-random sampling technique for which participants were chosen on the basis of predetermined characteristics so that the total sample will have the same distribution of characteristics (Davis, 2005). A contact list of experts responsible for local SMEs in the F&B sector, and SME BOs registered with the

Terengganu Entrepreneur Development Foundation (TEDF) was obtained. After acquiring the contact information of the potential respondents, the researcher emailed them the consent form or contacted them via phone. A total of 30 experts were contacted, however, only 10 agreed to be interviewed. As for the SME BOs, 35 people were contacted, which were mostly participants of their training program, and of which nine agreed to be interviewed.

Second is snowball sampling, which was used once the research was on-going. This method is a non-random sampling method that uses a few cases to help encourage other cases to take part in the study, thereby increasing the sample size. This approach is most applicable in small populations that are difficult to access due to their closed nature, e.g. secret societies and inaccessible professions (Brewerton & Millward, 2001). The remaining five expert and six SME BOs were selected using this method yielding a total of 30 informants for this study.

3.5.2 IN-DEPTH INTERVIEWS

During these interviews, details of the finance, marketing and brand practices were drawn upon from each company. The semi-structured nature of the interviews ensured that the researcher could critically examine areas of interest, gain greater in-depth understanding of experts and obtain BOs' viewpoints of their current business growth barriers and branding activities. As a result, a rich stream of data was collected, enabling a broad and deep understanding of the current scenario encountered by the SME BOs. The data also gave an understanding of the existing support available for them as well as their views on the applicability of branding.

3.5.2.1 SME EXPERTS' INTERVIEWS

Castillo-Montoya (2016) suggests that in order to produce rich data using an in-depth interview method, the thorough development of interview questions is vital. The interview questions need to be aligned with overarching research questions to ensure questions asked are aligned with the study's intent. In addition, it is also important to avoid asking questions beyond the research scope. In order to analyse the alignment of questions, Castillo-Montoya (2016) recommended using *a "matrix for mapping interview questions onto research questions"* (p. 812). In addition, the matrix can act as a boundary that focuses on the scope of study, as Rivas and

Gibson (2016) argued that drawing boundaries is considered to be crucial in this method.

Table 3.6 provides the interview matrix for experts that links research questions to the interview questions as well as justifications for question topics and wordings. The questions (see APPENDIX C) were divided into four sections with 25 questions. Section A consisted of background questions (i.e. gender, age, position in the institution, responsibility and involvement with SMEs), Section B asked for in-depth information regarding SME context (i.e. Terengganu, Malaysia), following Section C which focused on design and branding strategy application among SMEs, and Section D concentrated on business context, for instance the importance of a business and marketing plan.

Table 3.6 Interview matrix for experts

Research questions	Interview questions	Justifications
RQ1 What are the factors affecting SMEs' (especially microenterprises) business growth within F&B sector in Terengganu, Malaysia?	What do you know about SME businesses in Malaysia? How big is the sector? Please list all the SME categories of sectors in Malaysia? What is the biggest SME sector in Terengganu, Malaysia? What is your opinion on the F& B sector in Terengganu, Malaysia? Please list all the barriers faced by SMEs, based on your experience. In your opinion, how crucial is it to help SMEs in developing their business? Please list all training/assistant/grant offered by your agency that you think the most suitable for SMEs. In your opinion how well do the programmes provided by the government support/help SMEs? Based on your experience, are SMEs aware of the availability training/ assistance/grants?	To investigate the size, segmentation of sectors and the biggest sector of SMEs in Malaysia. As the literature and pilot study showed the biggest sector was F&B. To identify barriers among SMEs in Terengganu, Malaysia. To investigate existing solutions available for SMEs in Malaysia and the effectiveness of the programmes. It will be further questioned why they fail to reach the majority of SMEs

RQ2 What role branding strategy place in promoting SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia?	What do you consider the most important thing in selling a product? Brand (i.e. logo, packaging, etc.) or price? In your opinion, how does branding play a role in maintaining/upgrading the business? What is the current level of awareness of branding among SMEs in Terengganu? In your opinion, how do you see the value of design in business? In your opinion, would having a strong brand be an asset to the company? Please list three local brands that you consider as a successful brand and the reasons why you choose them. In your opinion, what are the criteria of poor brand image? How can SME BOs know whether they have a successful or poor brand image? Do you think branding strategy is able to assist and promote positive business growth among SMEs? How do you think a branding strategy can help SMEs in running their business? If they do have a branding strategy, please describe why and how they developed it. If they do not have one, please explain why. How can they be encouraged to have a branding strategy for their business? Can you describe a successful branding strategy?	To measure the level of understanding on branding among SMEs in Terengganu, Malaysia and its perceived value to BOs. To classify strong and poor brand image among SMEs in Terengganu, Malaysia To analyse the importance of a branding strategy and its impact on business growth among SMEs in Terengganu, Malaysia. To provide recommendations in order to develop a branding strategy suitable for SMEs in the F&B sector in Terengganu, Malaysia.

	How crucial is it for a company to have a branding strategy? What are the key elements of a branding strategy that companies should follow and avoid? How can business owners know whether they need to change their branding strategy or not?	

Data collection

The 10 participants of SME experts who agreed to be interviewed chose a convenient day and place of interview, such as their workplace or a public area with some privacy. The aim was to get them to feel comfortable in order to get the most natural answers. Later, the informed consent (Appendix B) was presented to each interviewee and thoroughly explained by the researcher to ensure anonymity and the privacy of their identity. They read the informed consent and had the opportunity to ask any questions they may have about the study. Once they agreed to sign the consent form, the interview started and lasted between 60 and 120 minutes. The conversations were audio taped using a digital voice recorder. Interviews were performed mostly in English, with three were entirely in Malay. During the interviews, the researcher noted down verbal and non-verbal reactions of the interviewee especially their facial expressions whilst answering the questions throughout the interview. All data that were recorded manually were placed in one specific book and file and securely stored in order to protect the informants' privacy. Meanwhile, the data that were recorded digitally were protected using a password that only the researcher knew.

3.5.2.2 SME BUSINESS OWNERS' INTERVIEWS

The interview questions (see APPENDIX C) were divided into four sections with a total of 18 questions. Section A contained background questions (i.e. gender, age, position in the institution, responsibility and involvement with SMEs), Section B asked in-depth questions regarding SMEs' contexts in general, Section C focused on design and branding strategy application among SMEs in particular and Section D concentrated on business context i.e. the importance of a business plan, marketing strategy and branding strategy. Table 3.7 provides the interview matrix

for SME BOs that links research questions for this study and interview questions with justifications in the right-hand column.

Table 3.7 Interview matrix for SME BOs

Research questions	Interview questions	Justification
RQ1 What are the factors affecting SMEs' (especially microenterprises) business growth within F&B sector in Terengganu, Malaysia?	Can you explain why you chose to start business?	To investigate the motivation on becoming a business owner and identify the **barriers** in business growth.
	Can you describe why you chose to be in this sector?	
	Please list all the barriers faced by you as a business owner.	
	Based on your experience, do you need further assistance from the government in order to grow your business?	To analyse **existing solutions** and the effectiveness and reachability of the provided training and grants available for SMEs.
	Have you ever received any training/assistance/grant before and are you intending to do so in future? If yes, what is your opinion on the training/assistance/grant? How well did the training/ assistance /grant help you and your business? Please share how you got to know about the available support. If no, may I know why you did not apply for the assistance?	
RQ2 What role can branding strategy play in promoting SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia?	What do you consider the most important thing in selling a product? Brand (i.e. logo, packaging, etc.) or price?	To measure the level of **understanding** on branding among SMEs in Terengganu, Malaysia and its perceived value to the company.
	In your opinion, how does branding play a role in maintaining/upgrading the business?	
	In your opinion, how do you see the value of design in business?	
	In your opinion, would having a strong brand be an asset to the company?	
	Please list three local brands that you consider as a successful brand. Do you see them as a competitor or role model?	To **classify** strong and poor brand image among SMEs in Terengganu, Malaysia
	How can a business owner know whether they have a successful or poor brand image?	
	Do you consider your company to have a successful or poor brand image? Do you have any brand image that you want to achieve?	
	Do you have business plan? Are you aware of the Business Model Canvas (BMC)? If yes, please describe why and how did you make your business plan. Has your business plan impacted your business so far?	To analyse the **awareness and application** of a branding strategy among SMEs in

	If no, please explain why?	Terengganu, Malaysia. To provide **recommendations** in order to develop a branding strategy suitable for SMEs in the F&B sector in Terengganu, Malaysia.
	Do you have marketing strategy? If yes, please describe why and how you made your marketing strategy. How has the marketing strategy impacted your business so far? If no, please explain why?	
	Do you have branding strategy? If yes, please describe why and how you made your branding strategy. How has the branding strategy impacted your business so far? If no, please explain why?	

Data collection

There were three methods used in order to recruit the participants in this study. First, two lists of registered SMEs were obtained from the TEDF; list A was successful F&B SMEs in Terengganu and list B was the participants from the Graduate Entrepreneur Program at TEDF focusing on the F&B sector. The lists also contained potential participants' phone numbers as most of them preferred to be contacted this way. The researcher then contacted all of them and inquired about their availability for a face-to-face interview. Four from list A and five from list B agreed to be interviewed and appointments were arranged. Later, the consent forms were given to all interviewees and anonymity and privacy of their identity was thoroughly explained. Once they agreed with the informed consent, they signed it. Each interview lasted between 60 and 120 minutes. All interviews were performed mostly in Malay and they were audio taped by a digital voice recorder. During the interview, the researcher noted down verbal and non-verbal reactions of the interviewee especially their facial expressions whilst answering the questions. The manually recorded data were secured in one specific book and file in order to ensure privacy. Meanwhile, as for the digitally recorded data, it was protected using a password only known by the researcher.

3.5.3 SHADOWING

The main advantage of shadowing is that all observations are made in the natural context of the observed person. Data collection for this method can be overwhelming due to the quantity of items to observe. In this study, two means of data collection were adopted during shadowing: observation recorded through note taking and pictures recording for each prominent action. Thus, instructed by the ideas of Lakin (2006) in this study, the researcher chose to shadow EN MM who is the owner of Company M. She offers several products from her company, but her main focus is frozen donuts. The researcher shadowed EN MM in her everyday work for a week, spending approximately eight hours a day in the production house where she produced and sold her product. Furthermore, the researcher shadowed all places visited by EN MM and joined all meetings she attended. The documentation and observations provided this study with further insights of factors affecting their business growth as well as in depth understanding on brand activities and awareness level. Furthermore, this method may provide answer to both **RQs**

Figure 3.4 EN MM store and banner design

The main aim in conducting shadowing for this study was to understand stagnant SMEs' barriers to growth. After finishing the in-depth interview with EN MM (Figure 3.4), among all of the SME BOs that participated in this study, she proved to be the participant who showed the most positive reaction in improving her business and was very keen to learn and adopt a new strategy in order to develop positive business growth. To further validate her as the chosen SME BO for this study, the quality of her product was judged to be very high. The researcher could see EN MM's product had high quality and high potential for a bigger market, however, it had a poor brand image. Thus, EN MM was chosen to be the participant for

shadowing in order to investigate the daily activity of a stagnant-aspiring SME. Even though the researcher intended to shadow more SME BOs, the time constraint limited the research to only one SME BO. EN MM agreed to give full access to be shadowed for five working days, starting from 8 am to 5 pm. The opportunity to shadow her was extremely valuable as it enabled her barriers to be extensively investigated and understood and eventually a correlation could be made across all the barriers.

One of the main concerns in conducting shadowing was gaining the trust of the participant. In the case of EN MM, the relationship between the researcher and EN MM came as a result of conducting in-depth interviews, and a series of meetings afterwards discussing some of the key branding strategies among successful F&B SMEs in Terengganu. Based on the analysis of five growing SMEs in this study, the result showed 'food sampling' plays a big role in enhancing a product's sale. Therefore, she agreed to try applying that method to her product. Following that, the researcher helped her plan the date and negotiate the venue with a local hypermarket. As a result, the following week, she agreed to participate in the shadowing.

Data collection

Table 3.8 Daily activity note taking template

Day	Time	Activity	Observation	Debriefing notes
Number of day of shadowing	Starting from 8 am to at least 5 pm or more	Recording all activity that EN MM did	What researcher observed during the activity	Researcher's thoughts on the actions taken

Before commencing the data collection phase for shadowing, a template was prepared (Table 3.8) with day, time, activity, observations and debriefing notes. The researcher frequently asked questions and prompted EN MM to give further explanation of her actions and choices. Debriefing notes were important in order to maintain the freshness of the experience during each immersion. The researcher recorded and compiled all tables acquired every day and stored them in one file securely. All results will be discussed in the following chapter.

3.6 CHAPTER SUMMARY

This chapter explained the strategy for carrying out the research that is directly linked with two research questions (Section 3.1). To provide a thorough understanding on SMEs' business growth in Terengganu, Malaysia, exploratory research was devised based on qualitative approach. There are two phases for the data collection stage: (1) Primary data collection, and (2) Validation. Methods chosen for this study are in-depth interviews and shadowing (Section 3.3). There are 30 selected informants (SMEs experts and business owners) which all were recruited through quota and snowball sampling (Section 3.4). This approach was employed to identify factors affecting SMEs' business growth and to aid in the development of practical strategies to overcome business growth barriers. There were significant correlations between factors affecting growth and the role of branding strategy in promoting SMEs' business growth. The findings which then were grouped and analysed according to the thematic analysis which will be discussed further in the following chapter.

CHAPTER 4 DATA ANALYSIS AND OVERVIEW OF DATA

4.0 INTRODUCTION

This chapter presents an analysis of the primary data obtained through the qualitative methodology explained in Chapter 3. The purpose of this analysis is to establish clear validity for a series of keywords specifically grounded in qualitative data, which will be discussed in Chapter 5. This chapter investigates three key topics (i.e. SMEs growth barriers, existing support and design application) with a focus on the F&B sector in Malaysia SME. Analysis of the data provides a clear understanding of the issues faced by SMEs and guide the development of framework which will be discussed in Chapter 6 (p. 165). This chapter will be divided into two sections:

1. In-depth interviews
2. Shadowing

4.1 IN-DEPTH INTERVIEWS ANALYSIS AND RESULTS

The general process of data analysis involved gathering the data in one place, followed by a continuous process of grouping the data and condensing it into themes that emerged. The data of this study were transcribed using Atlas.ti software, which is commonly used by qualitative researchers. All audio recordings of the interviews were uploaded onto the software, which were then transcribed non-verbatim by the researcher in order to make the transcription more readable without changing its meaning or structure. The time spent for transcribing each interview varied depend on the length, speed and style of speech captured in recordings. However, in general, to transcribe one hour of audio recording, it required the researcher to spend at seven to nine hours as it involved a continuous process of listening, pausing the recording and typing. The data analysis phase, mainly involved re-reading the transcriptions in order to identify themes that emerged from the data. To make sure the analysis process went smoothly, research questions were used as a guide in arranging the themes. If the data would fail to answer all the research questions, it was an indicator that further interviews were needed. The researcher utilised both data-driven and observation-driven thematic analysis.

This researcher interviewed 30 respondents and all of them managed to answer all questions asked. Preliminary data was analysed after finishing the first five transcriptions. The data analysis process and the themes that emerged were presented to the researcher's supervisor in order to confirm the right process. Once the approval was granted by the supervisor, the researcher continued transcribing and analysing the remaining ten respondents' interviews. The principal part of their demographic profiles are shown in Table 4.1 (p. 89) with the focus on the category, name of the agency, code name of each respondent, their gender, age, position, experience in the field and responsibility in the agency and Table 4.5 (p. 97) with the focus of name, gender, age, level of education, position, employees and product summary.

4.1.1 SME EXPERTS INTERVIEW ANALYSIS

Figure 4.1 Experts category definition

Considering the exploratory nature of this research, primary data relating to the perceived factors affecting SMEs' business growth and level of brand awareness were collected. Fifteen representatives of three types of organisation (Figure 4.1) were interviewed thoroughly in order to obtain the most reliable information: government-linked companies (GLC) with extensive experience in the field, private organisations and university representatives.

Table 4.1 Experts' main demographic profile

Category	Agency	Name	Gender	Age	Position	Exp	Responsibility
GLC	TEDF	EX TK	M	57	CEO	27	Manage registered SMEs with the agency Person in charge of applying for and providing financial support for SMEs in Terengganu
		EX EN	M	36	Mng.	13	Product consultation Consult SMEs' barriers
		EX S	F	34	Mng.	10	Organise training program for SMEs e.g. Graduate Entrepreneur Program (GEP)
	SME Corp	EX M	M	44	CEO	18	Manage registered SMEs Negotiate with the government concerning SME issues
	MPC	EX ML	F	42	Mng.	7	Product consultation Consult SMEs' barriers
	PUNB	EX DY	F	41	Mng.	8	Offer loan for SMEs Consult on financial resources program
	SIRIM	EX NA	M	40	CEO	14	Negotiate with the government concerning SME issues Consult on product/ packaging design
	DDEC	EX SH	F	36	Dsg.	16	Consult SMEs barriers Consult on product/packaging design
		EX R	M	43	CEO	10	Consult SMEs barriers Negotiate with the government concerning SME issues
Private	Consul-tants	EX AF	M	29	Dsg.	6	Consult on product/packaging design
		EX NS	F	34	Dsg.	7	Consult on product/packaging design
		EX NL	F	45	Cons.	15	Consult SMEs barriers Consult on branding of a company
		EX SU	F	47	Cons.	17	Consult on financial resources program
University	UNISZA	EX AQ	F	31	Lect.	6	Branding research and development Packaging design
	UMT	EX DS	F	39	Lect.	13	Director of Student Co-operative Department Experts in accounting and finance

*Mng. = Manager Dsg. = Designer Cons. = Consultant Lect.= Lecturer Exp. = Experience

During the transcription process, all opinions and important ideas were noted in one Word file in order for reference when developing the discussion section in Chapter 5 (p. 109). After finishing the transcription, the researcher listened to the recording again while reading the transcription in order to scrutinise its accuracy, eliminate listening errors and in the case of missing points. As for the respondents' prominent behaviour and body language, all were recorded individually in a separate book while conducting the interview, and later transferred into a one-table summary (see Table 4.3 p. 92). Table 4.2 provides an observation checklist used by the researcher for the interview.

Table 4.2 Observation checklist

Items of observation	Indicators	Participant's response
Involvement with SMEs	• Positive when questions were asked • Excited to share their experience • Experienced entrepreneurship	☐ ☐ ☐
Knowledgeable about SMEs issues	• Instant response when questions were asked • Able to give examples when further explanations were asked • Manage to give existing solution for SMEs • Manage to give further reference • Able to propose a new solution	☐ ☐ ☐ ☐ ☐
Insight reliability	• Educational background (minimum degree level) • High rank position in the agency • More than five years' experience in the field	☐ ☐ ☐

Constant comparisons of each set of data for common themes were applied during the data analysis phase of this study. After finishing transcribing all the interviews, the 'word cruncher' tool in Atlas.ti was used to identify the most used words, as the tool will provide the frequency of each word in the transcript. For instance, 'entrepreneurial marketing practices', 'identification of level of awareness' and 'the implementation of branding in SMEs' were among the most mentioned phrases used in the answers. Following that, thematic analysis was utilised to systematically identify the most important themes. The interpretative findings of the study have thus been presented and analysed by themes, sub-themes, and meta themes presenting the data on the F&B sector in Terengganu, Malaysia.

Overview of data and initial classification

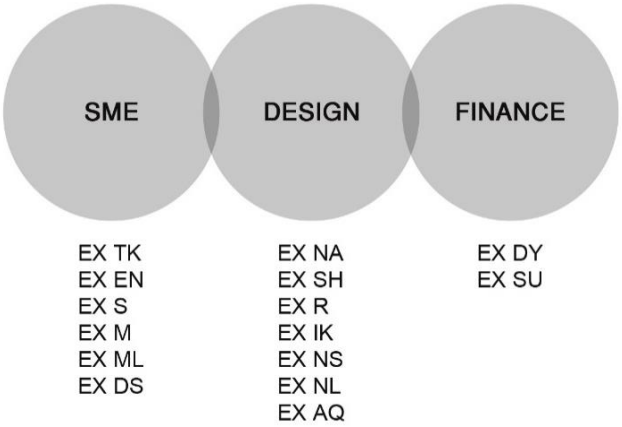


Figure 4.2 Experts' distribution categories

Before reviewing the collected data, this section presents the classifications of experts according to their categories (Figure 4.2). Different categories of were chosen due to collaborative approach of this method. Verifying data suggests confirming the credibility of the information, hence a collaborative approach is commonly used to test the reliability of the data. This approach includes the use of multiple perspectives in order to interpret a single set of information. For instance, this study used multiple perspectives from SME experts, design experts and finance experts in order to examine factors affecting SMEs' business growth. In addition, if most participants managed to give a similar answer amongst all interviewees during the interviews, the data was then considered to be valid as it gave a holistic view on the topic.

Table 4.3 presents the summary of interview transcriptions of 15 experts. The analyses were summarised into eight main codes: main barriers and existing solutions for SMEs' business growth; current level, role, readiness of branding; application of branding strategy, strategy change indicator and suggestion to improve business growth. As delineated in Table 4.3, it is apparent that the breakdown of the reported main identified barriers was divided into three themes: attitude, knowledge and finance. All three experts (EX TK, EX EN and EX S) from the same agency mainly highlighted that the biggest barrier among SMEs that prevented them from attaining growth was their attitude, if they believed that 'enough' was enough they grew more reticent to develop their business any further.

Table 4.3 Data summarisation of experts' perspectives

RQ		**RQ 1** What are the factors affecting SMEs' (especially microenterprises) business growth within F&B sector in Terengganu, Malaysia?		**RQ 2** What role can branding strategy play in promoting SMEs' (especially microenterprises) business growth within F&B sector in Terengganu, Malaysia?					
Code		**Main barrier**	**Existing solution**	**Current level**	**Role**	**Readiness**	**Application**	**Strategy change indicator**	**Improve business growth**
Participants responses	EX TK	Attitude	Networking	Poor	Highly	Yes	Limited	Sales	Growth strategy
	EX EN	Knowledge	Training	Growing	Highly	Yes	Limited	Sales	Branding strategy
	EX S	Attitude	SOP	Poor	Highly	Yes	Limited	Sales	Growth strategy
	EX M	Attitude	Networking	Poor	Highly	Yes	Limited	Sales	Growth strategy
	EX ML	Financial	Documentation	Poor	Mod.	No	Limited	Sales	Business plan
	EX DY	Financial	Documentation	Poor	Mod.	No	Limited	Sales	Business plan
	EX NA	Attitude	Networking	Growing	Highly	Yes	Limited	Sales	Growth strategy
	EX SH	Attitude	Networking	Growing	Highly	Yes	Limited	Sales	Growth strategy
	EX R	Knowledge	Training	Growing	Highly	Yes	Limited	Sales	Branding strategy
	EX AF	Financial	Documentation	Growing	Highly	Yes	Limited	Sales	Branding strategy
	EX NS	Financial	Documentation	Growing	Highly	Yes	Limited	Sales	Branding strategy
	EX NL	Attitude	SOP	Growing	Highly	Yes	Limited	Sales	Growth strategy
	EX SU	Financial	Documentation	Poor	Mod.	No	Limited	Sales	Business plan
	EX AQ	Attitude	Networking	Growing	Highly	Yes	Limited	Sales	Growth strategy
	EX DS	Knowledge	Training	Growing	Highly	Yes	Limited	Sales	Branding strategy
RQ= Research question SOP=Standard Operating Procedure Highly=Highly important Mod=Moderately important									

This common answer among experts intrigued the researcher to further examine this matter. Within the study sample, this ‘enough’ attitude was commonly seen among first generation SME BOs with ages ranging between 55-75 years old in Terengganu. However, after further data analysis, the researcher identified that there were correlation between this attitude and the three main themes that will be discussed in Section 5.2 (p. 125).

In order to promote SMEs’ business growth, experts suggested several existing solutions: training/classes, documentation, networking and application of standard operating procedures (SOPs). Surprisingly, the researcher discovered that the amount of financial grants and training/classes provided for SMEs was abundant. Alongside this, freelance designers and branding consultants were also easily found in Terengganu despite it being a small state and far from the capital city of Malaysia. However, despite the surplus amount of support, the government failed to accommodate the staggering number of microenterprises. There was various support provided by the agencies highlighted amongst interviewees which led the researcher to further investigate SMEs’ poor performance. The main focus of this study is on whether the information about support does not reach the SMEs or whether it does not result in a favourable outcome.

The majority of experts agreed branding is crucial among SMEs. However, as can be seen, the level of application was still considered limited. Nevertheless, nowadays, with the help of social media and the internet, consumers are able to appreciate branding better. As a result, demand for a brand that offers aesthetically pleasing products is increasing (Yeap, Ramayah, & Yapp, 2018). Thus, this trend requires SMEs to be more attentive to their branding. Despite the apparent need for a branding strategy among SMEs, all experts agreed that the majority of them failed to apply them to their product. This was due to their misunderstanding of the concept of branding, which led to the unsuccessful application of a coherent branding strategy. When being asked for a tool/means to evaluate the need to change their strategy, most experts answered that the simplest way was to examine the growth of their sales. If growth was identified in their sales, they are not compelled to amend their strategy. On the contrary, if the pattern of their sales is stagnant or decreasing, a change of strategy was much needed. Finally, in response to the suggestion to improve business growth, two responses were elicited. Three interviewees (EX ML,

EX DY and EX SU) suggested a business plan, while the five (EX EN, EX R, EX AF, EX NS and EX DS) suggested a branding strategy and surprisingly, seven (EX TK, EX S, EX M, EX NA, EX SH, EX NL and EX AQ) suggested a growth strategy that focuses on attitude change would play a pivotal role in the promoting progressive business growth for SMEs in Terengganu, Malaysia. This will be discussed further in Chapter 5 (p. 109).

Table 4.4 Data summarisation of observation

Items	Indicators	Participants respond														
		EX TK	EX EN	EX S	EX M	EX ML	EX DY	EX NA	EX SH	EX R	EX AF	EX NS	EX NL	EX SU	EX AQ	EX DS
Involvement with SMEs	• Positive when questions were asked	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☐	☒	☒	☒
	• Eagerness to share their experience	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☐	☒	☒	☐	☒
	• Experienced entrepreneurship	☐	☒	☐	☐	☐	☐	☐	☐	☒	☐	☒	☒	☒	☒	☐
Knowledgeable about SMEs' issues	• Instant response when questions were asked	☒	☒	☒	☒	☒	☐	☒	☒	☒	☒	☐	☒	☒	☐	☒
	• Able to give examples when further explanations were asked	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
	• Manage to give existing solution for SMEs	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
	• Manage to give further reference	☒	☒	☐	☒	☒	☐	☒	☒	☒	☐	☐	☒	☒	☒	☒
	• Able to propose a new solution	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Insight reliability	• Educational background (min. degree level)	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
	• High rank position in the agency	☒	☐	☐	☒	☒	☐	☒	☒	☒	☒	☒	☒	☒	☐	☒
	• Experienced more than five years in the field	☒	☒	☒	☒	☒	☐	☒	☒	☒	☒	☐	☒	☒	☐	☒

Table 4.4 shows a summary of the observation data obtained during the interview process, which explored three main items: experts' involvement with SMEs, knowledge regarding SMEs' issues and the reliability of their insights. The single most striking observation during in-depth interviews among experts to emerge from the data was apart from EX NL, all experts gave positive feedback especially when reflecting their experience with SMEs in Terengganu, Malaysia. A negative reaction was found from EX NL throughout the interview, especially when he highlighted the need to focus only on helping medium-sized enterprises, and suggested that microenterprises should be neglected, as he argued that seven out of 10 SMEs which started would fail. Hence, he insisted on focusing on the remaining three, which were mostly found to be medium-sized companies. The second observation was on their eagerness when they were asked about their personal experience with

SME BOs, only EX NS and EX AQ failed to give a positive response as both had had the least experience with SMEs. Notably, six out of 15 experts were found to have had experience as SME BOs themselves. For instance, EX EN had started a homemade chocolate business with his wife four years ago. Thus, their insights on SMEs barriers to growth were based on their own experience, which was considered to be valuable for this study.

The second item to be observed was their awareness and level of knowledge regarding SMEs' barriers to growth. Three experts failed to give an instant response when questions were asked. As mentioned above, EX NS and EX AQ have the least experience with SMEs and EX DY was an expert in the financial area, so involvement with SMEs mainly revolved around obtaining financial resources. Nonetheless, all of them managed to give examples when further explanations were requested, as well as listing existing solutions for SMEs. Only a few were able to provide further references to relevant literature for the researcher throughout the interview, especially EX TK and EX M who even recommended books for further review. As for EX DY, she even prepared a PowerPoint presentation and provided the researcher with publications on SMEs in Terengganu, Malaysia.

Finally, the reliability of experts' insight was classified based on whether they had been educated to a minimum of undergraduate degree level. The next indicator was their position in the agency as CEO or owner of the consultation firm. Expert's experiences with the SMEs were taken into consideration; only three had less than five years' experience. However, all their insights were still taken into consideration during the data analysis regardless of the number of years spent with SMEs.

4.1.2 SME BUSINESS OWNERS' INTERVIEWS ANALYSIS

Table 4.5 SME BOs' main demographic profile

Name	Gender	Age	Level of education	Position	Emp.	Product summary
EN AS	F	52	Degree	Owner	42	Started with restaurant later developed instant food paste Managed to obtain Halal certificate
EN MD	M	45	SPM	Owner	19	Roselle based product - snack and drinks Won an innovation competition and develop his brand
EN AZ	M	36	Degree	Owner	10	Gherkin Focus on niche market (i.e. hotels and local McDonalds)
EN SY	M	34	Diploma	Owner	25	Packed egg noodle Managed to obtain Halal certificate
EN AD	M	29	Diploma	Manager	28	Chain restaurant (chicken rice) 10 small stalls across Terengganu
EN NS	F	25	Diploma	Owner	6	*Apam Balik* (local food) Innovate the presentation of the traditional food
EN TB	F	30	Degree	Owner	8	Packed *Beke Nyior* (local food) Innovate the size and improve marketing strategy
EN MY	F	34	Diploma	Owner	7	Western food restaurant Study target market and have a design concept for the restaurant
EN AL	M	28	Diploma	Manager	8	Food catering supplier Has a central kitchen as the stall is small
EN KH	M	46	Degree	Manager	46	Fish based crisps Managed to distribute the product all over Malaysia
EN MM	F	40	SPM	Owner	5	Frozen doughnut, pizza, frozen marinated lamb and a tailor
EN NZ	M	54	Degree	Owner	35	Drinking water bottle Owns his own factory to produce their own water bottle
EN IR	F	38	Master's Degree	Owner	4	Packed home food and deliveries Current trend in Terengganu
EN NP	F	36	Degree	Owner	10	Calcium based frozen and hot pizza Innovate the dough recipe using a grant for the R&D stage
EN Z	M	57	SPM	Owner	7	Middle Eastern restaurant No valid reason as to why he chose this business
Emp. = Employees; SPM=High school certificate						

Overview of data and initial classification

Initial analysis resulted 15 respondents being categorised into three groups: *growing SMEs, stagnant-aspiring SMEs and stagnant-reluctant SMEs* based on their perception and attitude towards business growth. *Growing SMEs* were grouped as so due to their desire to keep on expanding their business and trying new methods to improve their system. *Stagnant SMEs* were grouped due to their inability to grow their business or even realise the need and importance of business growth. Further analysis identified two different *stagnant SMEs* – i.e. *stagnant-aspiring SMEs* and *stagnant-reluctant SMEs.* Both categories are struggling to grow their business, however, they display different attitudes towards business growth where *stagnant-aspiring SMEs* were eager to grow their business despite their failed efforts, while *stagnant-reluctant SMEs* firmly refused to engage in efforts to grow their business.

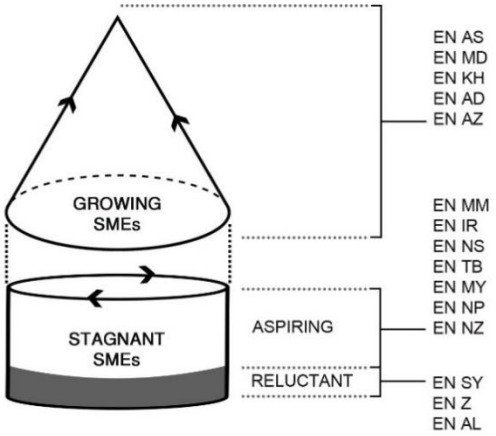


Figure 4.3 SMEs distribution categories

These categories inspired the researcher to represent the three different categories visually as climbing a mountain. In order to further comprehend the categories, Figure 4.3 illustrates a cone that represents growing SMEs with five participants and a two layered cylinder which represents stagnant-aspiring SMEs with seven participants and reluctant-stagnant SMEs comprised of the remaining three participants. *Growing SMEs* were analogically pictured as climbing the mountain which have a very vivid aim and know exactly where they aspire their product to be in the future and they are also continuously striving to achieve their goal. *Stagnant SMEs* were as if circling around at the bottom part of the mountain instead of climbing it.

Table 4.6 Data summarisation of interview transcription

Research questions	Code	Participants' responses														
		EN AS	**EN MD**	**EN AZ**	**EN SY**	**EN AD**	**EN NS**	**EN TB**	**EN MY**	**EN AL**	**EN KH**	**EN MM**	**EN NZ**	**EN IR**	**EN NP**	**EN Z**
RQ 1	Motivation	Job.	Pov.	Pov.	Inher.	Pass.	Pass.	Pass.	Job.	Inher.	Job.	Pov.	Bus.	Pass.	Pass.	Job.
	Main barriers	R&D	R&D	R&D	Finan.	R&D	Finan.	R&D	Finan.	Finan.	R&D	R&D	R&D	R&D	R&D	Finan.
	Existing solutions YES – How?	Net.	TEDF	TEDF	-	TEDF	TEDF	Net.	Net.	-	Net.	-	TEDF	TEDF	MARDI	-
	NO - Why?	-	-	-	Enou-gh	-	-	-	-	Enou-gh	-	No assis-tance	-	-	-	No assis-tance
RQ2	Current level	High	High	Low	Med	Med	Med	High	High	Low	High	Low	Med	Med	High	Low
	Value	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N	Yes	N	Yes	Yes	Yes	N
	Application	Yes	Yes	N	N	Yes	N	N	Yes	N	Yes	N	Yes	N	Yes	N
	How?	Own desig-ner	Out-source	-	-	Owner	-	-	Owner	-	Own desig-ner	-	Out-source	-	Owner	-
	Marketing strategy?	Yes	Yes	Yes	Yes	Yes	N	Yes	N	N	Yes	N	N	Yes	N	N
	How?	Sports/ food testing	Compe tition/ food testing	Open day	Advert on lorry	T-shirt/ food testing	-	Whats App	-	-	Compe tition/ food testing	-	-	Face book	-	-
	Willingness to apply new strategy?	Definit ely	Definit ely	No	Yes	Yes	Not sure	Yes	Yes	No	Yes	Definit ely	Not sure	Yes	Yes	No

Job.=Jobless; Pov.=Poverty; Inher.=Inheritance; Pass.=Passion; Bus.=Business; R&D=Research & Development; Net.=Networking; Med=Medium; MARDI=Malaysian Agricultural Research and Development Institute

Table 4.6 presents the summary of interview transcriptions of 15 SME BOs based on the RQs. Out of 18 questions from the interview, the analyses were summarised into eight main codes: motivation to be a business owner, main barriers, existing solutions; current level and value of branding and application of branding strategy; existence of marketing strategy and their willingness to apply a new strategy in order to promote their business growth. Motivations to be a business owner among interviewees were divided into financial constraints and fulfilling their duty as they had inherited the business from their parents. Surprisingly, the majority of interviewees claimed lack of knowledge to be their main barriers. As for the effectiveness of the existing solution, only four out of 15 interviewees answered that the support provided has not been effective for their business.

To address the second **RQ** for this study, SME BOs' current level of understanding of branding were found to be equally divided into three categories: high, medium and low. This was identified by responses to questions about the value of branding. The majority agreed with that having a good brand increases the value of the company, and three disagreed. However, when the researcher asked about the application of a branding strategy, only half of them showed clear understanding while the other half displayed poor understanding of branding and did not apply branding strategy in their company with multiple reasons, which will be discussed further in Chapter 5 (p. 109). Finally, to investigate the existence and the application of a marketing strategy among interviewees, half of them were aware of the strategy and successfully applied it in order to promote their business. One of the most interesting methods was through football team sponsorship, by EN AS. The last question was about their readiness and willingness in applying a new strategy proposed by this study which aims to promote progressive growth. The majority gave a positive response. Notably, EN MM gave the most promising response among all of them as she expressed her serious intention of business growth and displayed remarkable willingness to apply any strategies suggested by the researcher. Thus, EN MM was selected for the second method of this study which is discussed in the following section.

4.2 SHADOWING

After concluding the data collection phase, all data collected were reviewed to identify findings and keywords that emerged from the study. The first step in the analysis was qualitative coding using the themes identified during the in-depth interviews in this study. Recognising each theme within the limit of this study scope allowed the researcher to capture important new and contextual insights. Following that, the content was organised, condensed and categorised in order to obtain a deeper understanding of stagnant SME BOs' barriers to growth. All data recorded in EN MM's daily activity is presented in Tables 4.7, 4.8, 4.9, 4.10, and 4.11.

Table 4.7 Day 1 shadowing EN MM

Day	Time	Activity	Observation	Debriefing notes
One	8:00 am	Open the shutter for the shop, tidy up the shop, employees arrived.	EN MM hurriedly prepared 20 pieces of chicken chop.	When asked why she wanted to sell chicken chop which was totally different from doughnut-making, she answered because someone came to her shop one day and offered to put his product (fillet chicken breast) in her empty freezer.
	9:00 am	Prepare ingredient for chicken chop, fry, packed the food and deliver to her daughter's school.	She did it all by herself as her employee arrived at nearly 9:30 am after she had already finished packing.	Seeing the opportunity in making extra money, with her connection with teachers in her daughter's school, she decided to prepare 20 packed chicken chop meals every morning.
	10:00 am	Prepare ingredients for making doughnuts.	Arrived at the shop, hurriedly rushing to make doughnut dough.	Long hours in a standing position.
	11:00 am	First batch making dough, cut, pre-fried, let cool in freezer for at least two hours.	She monitored her employee in preparing the ingredient and setting up the working area.	Hot temperature during frying process.
	12:00 pm			
	1:00 pm	Lunch break, fetch her daughter from school and send to extra class.	She drove to a nearby restaurant to buy lunch for herself and her daughter.	Even her lunch break was so hectic, cramming between providing food, fetching her daughter and having lunch herself.
			Picked up her daughter from school and send her to extra class.	
			Had her lunch.	
	2:00 pm	Prepare ingredients for making doughnuts.	Monitor her employee in making doughnuts.	The absence of a SOP makes it hard for EN MM as it required her to personally teach her employee.
	3:00 pm	Second batch making dough, cut, pre-fried, let	Try to teach her employee the steps and secret ingredient.	
	4:00 pm			

		cool in freezer for at least two hours.		
	5:00 pm 6:00 pm 7:00 pm	Packed all the doughnuts manually.	Back pain as she sat on the chair packing all the doughnuts continuously.	Manually packing all the doughnuts was time consuming.
	8:00 pm	Went home.	She looked so tired and restless.	The working hours were very long. Moreover, this business required physical strength in comparison to mental strength.

Table 4.7 presents the breakdown of day one shadowing EN MM activities from 8 am until 8 pm. The researcher was given the opportunity to experience the doughnut-making process with EN MM. Through observation and self-experience, it further explained one of the barriers among the SMEs that emerged during the in-depth interviews, - the lack of time to prepare a branding strategy for their product. Through observation, it showed that EN MM underwent a daily, physically tiring cycle. As a result, she failed to prepare proper and systematic documentation for her company which includes a branding strategy. Literature shows that a branding strategy plays a pivotal role in enhancing positive business growth. Although the data analysis from interviews among experts highlighted SME BOs' responsibility for managing their time, the reality of the tiring work process was the actual restraint to their growth in business.

Table 4.8 Day 2 shadowing EN MM

Day	Time	Activity	Observation	Researcher reflection
Two	8:00 am	Open the shutter for the shop, tidy up the shop, employees arrived.	EN MM hurriedly prepared 20 pieces of chicken chop.	The researcher discovered the profit margin for each pack was too low.
	9:00 am	Prepare ingredient for chicken chop, fry, pack the food and deliver to her daughter's school.	She instructed her employee in preparing chicken chop.	
	10:00 am 11:00 am 12:00 pm	Prepare ingredient for making frozen pizza dough. Making the dough, role it, pre-heat in the oven, let cool in freezer for at least two hours	Arrived at the shop. She realised that the pizza dough was getting low so she decided to add to the stocks by making it today.	The absence of daily routine planning, which resulted in inconsistent activities which led to unfocused business.
	1:00 pm	Lunch break, fetch her daughter from school and send to extra class.	She drove to a nearby restaurant to buy lunch for herself and her daughter. Picked her daughter from school and send her to extra class. Had her lunch.	Even her lunch break was so hectic, cramming between providing food fetching her daughter and having lunch herself.

	2:00 pm 3:00 pm 4:00 pm	Someone came to her shop and asked EN MM to do some quick trimming of her clothes. Clothes trimming and quick dress making for one of her customers.	She instantly agreed to do the trimming. She showed her tailoring room at the back of her shop and a couple of pending orders that she needed to complete. She had a proper tailoring room equipped with several sewing machines.	When the researcher asked why she had all the sewing machines which proved it was more than a hobby, she said that when she was pregnant with her last child, she put on weight which made her unable to fit in her dresses. As she went to her tailor, she developed a relationship and interest in sewing. Then she learned from her experienced tailor until she managed to sew her clothes professionally which gave her the idea of adding it to one of her business offers.
	5:00 pm 6:00 pm	Helped her employee to pack all the pizza manually.	Back pain as she sat on the chair packing all the pizza continuously.	Manually packing all the pizza was time consuming.
	7:00 pm	Went home.	She looked so tired and restless.	The working hours were too long. Moreover, this business required physical strength in comparison to mental strength.

Table 4.8 presents the breakdown of day two shadowing EN MM activities from 8 am until 7 pm. During the second day, EN MM produced two products: pizza in the morning and tailoring during the evening. Her perseverance was evident as once she set her mind on venturing into a new business, she sought the professionals to develop her skills. This also proved EN MM's great business mind. However, when she aspired to carry out all the business opportunities that she saw, she unconsciously lost focus when in fact, her skills could have been the thriving factor to expand her businesses rapidly. Thus, it is crucial to provide her with a proper strategy in order to steer her professionalism and perseverance.

Table 4.9 Day 3 shadowing EN MM

Day	Time	Activity	Observation	Researcher reflection
Three	8:00 am 9:00 am	Open the shutter for the shop, tidy up the shop. Prepare ingredients for chicken chop, fry, packed the food and deliver to her daughter's school.	Her main employee was absent, thus no production of doughnut/ pizza took place. The remaining three employees tidy up the shop and do stock counting.	The researcher asked whether the profit from this product was worth her time. Only then she realised that her profit margin was too low and was not worth all the physical effort and time consumed.
	10:00 am 11:00 am 12:00 pm	Went to MARDI for product upgrade consultation. Got offered a grant by the officer and he	She just realised that her business had been stagnant for years when the officer prompted her with several questions.	EN MM did not realise that she was in a continuous cycle of doing the same thing, which prevented her from strategising her business growth.

		explained all of application process.		
	1:00 pm	Lunch break, fetch her daughter from school and send to extra class.	She drove to a nearby restaurant to buy lunch for herself and her daughter. Picked up her daughter from school and send her to extra class. Had her lunch.	Even her lunch break was so hectic, cramming between providing food, fetching her daughter and having lunch herself.
	2:00 pm	Went to warehouse to buy bakery goods and appliances for sampling day end of this week.	She drove to the warehouse and did all the decision making by herself.	EN MM plays multiple roles in her company.
	3:00 pm 4:00 pm	Open stall in front of her shop for a take away doughnut.	Suddenly decided to open the stall as no production took place that day.	The absence of daily planning, and spontaneous decision-making.
	5:00 pm	Went home.	She does not look tired physically.	The working hours were too long. Moreover, this business required physical strength in comparison to mental strength.

Table 4.9 presents the breakdown of day three shadowing EN MM activities from 8 am until 5 pm. On day three, the researcher was able to observe three separate things. EN MM attended a meeting for a consultation with MARDI officers in the morning to improve her product quality. During the meeting, some interesting data emerged when the officer inquired how long she had been running her business and the quantity of her production per day. When both questions were asked, she realised her business's stagnancy. However, she had a positive reaction towards her mistakes and was instantly willing to develop a new branding strategy prompted by the researcher without being resilient to change, regardless of her 20 years of experience as a business owner. On a separate occasion, she was also observed to be playing multiple roles in her company. Apart from being the owner and the main baker, she was also the one who had to buy ingredients at the warehouse. On top of having multiple responsibilities for her company, she failed to plan and manage her responsibility and business evenly. This was depicted through her spontaneous decision to open up the stall during the evening.

Table 4.10 Day 4 shadowing EN MM

Day	Time	Activity	Observation	Researcher reflection
Four	8:00 am	Open the shutter for the shop, tidy up the shop, employee arrived	She decided to stop making the chicken chop.	She decided to focus on adding stock.
	9:00 am	Stock counting	Her expression was seen as more relaxed	

	10:00 am 11:00 am 12:00 pm	Prepare ingredient for making doughnuts First batch making dough, cut, pre-fried, let cool in freezer for at least two hours	She decided to add more stocks for tomorrow. She monitored her employee in preparing the ingredients and setting up the working area.	She was struggling with self-doubt throughout the day.
	1:00 pm	Lunch break, fetch her daughter from school and send to extra class	She drove to nearby restaurant to buy lunch for her and her daughter. Picked her daughter from school and send her to extra class. Had her lunch	Even her lunch break was so hectic, cramming between providing food, fetching her daughter and having lunch herself.
	2:00 pm 3:00 pm	Open stall in front of her shop for take away doughnuts	Suddenly decided to open the stall as no production took place that day.	The absence of daily planning, and spontaneous decision making.
	4:00 pm 5:00 pm 6:00 pm	Help her employee pack all the doughnuts for sampling day	Back pain as she sat on the chair packing all the doughnuts continuously.	Manually packing all the doughnuts is time consuming.
	7:00 pm	Went home	She looked tired and struggled with self-doubt for business.	Worried about the stocks available for the store.

Table 4.10 presents the breakdown of day four shadowing EN MM activities from 8 am until 7 pm. Day four was concentrated more on doughnut stocks for the sampling marketing strategy the following day. Apart from the physical exhaustion from her daily activities, the researcher noticed that EN MM was nervous about her stocks' quantity. During the previous days, she had the image of a very self-driven individual who is very active. However, she experienced self-doubt during day four, as she was worried that she could not live up to the orders or the possibility of having surplus stocks the following day.

Table 4.11 Day 5 shadowing EN MM

Day	Time	Activity	Observation	Debriefing notes
Five	8:00 am 9:00 am 10:00 am 11:00 am 12:00 pm	Prepare ingredient for making doughnuts. First batch making dough, cut, pre-fried, let cool in freezer at least two hours. Prepare ingredient for making doughnuts. Making and cutting second batch of dough	Arrived at the shop, EN MM seemed more relaxed to start her day to make doughnut dough. She monitored her employee in preparing the ingredient and setting up the working area.	Long hours in a standing position. Hot temperature during frying process. As she do not have chicken chop to fry, she seemed more relaxed.
	1:00 pm	Lunch break, fetch her daughter from school and send to extra class.	She drove to nearby restaurant to buy lunch for her and her daughter.	Even her lunch break was so hectic, cramming between providing food, fetching her daughter and having lunch herself.

			Picked her daughter from school and send her to extra class. Had her lunch.	
	2:00 pm 3:00 pm	Continue pre-fried, let cool in freezer at least two hours. Second batch making dough, cut, pre-fried, let cool in freezer at least two hours.	Monitor her employee in making doughnuts. Try to teach her employee the steps and secret ingredient.	The absence of a SOP makes it hard for EN MM where it required her to personally teach her employee.
	4:00 pm 5:00 pm	Packed all the doughnuts manually.	Back pain as she sat on the chair packing all the doughnuts continuously.	Manually packing all the doughnuts was time consuming.
	6:00 pm	Went home.	She looked less tired compared to previous days.	The working hours were lessen down by two hours.

Table 4.11 presents the breakdown of day five shadowing EN MM activities starting from 8 am until 6 pm. The day starts rather earlier compared to previous days as her employees arrived at the stores at 8 am and they started making the first batch of doughnut dough straight away. The first half of the day were seen to be more productive as they managed to make a second lot of dough for the doughnuts due to targeting their focus and energy on one product. The researcher noticed that they also managed to save two hours of their working day due to EN MM not preparing the chicken chop. After the lunch hour they continued the remaining process for the second batch of doughnuts. However, the absence of a SOP still slowed down their production process. The day ended at 6 pm and EN MM and her employees appeared less tired compared to other days.

Results

Figure 4.4 Photo documentation of EN MM business

EN MM (Figure 4.4) started her business by selling doughnuts 20 years ago. As years went by, instead of growing her doughnut business, she introduced more products to her consumers. Initially, she started making pizza, and then added a few other local delicacies to her list. She manually packed all her products (Figure 4.5) and focused more on the quality of each one offered rather than on the product development. Not only that, seven years ago, she started learning how to sew and she eventually managed to offer a tailoring service for her consumers. Recently, she started to sell raw lamb meat and fried chicken fillet and sent it to her child's school. She definitely has too many products for her company and does not have a focus or a USP.

Figure 4.5 Manual packaging by EN MM

However, despite having shown great effort in growing the different offers in here business, she has a very positive attitude to develop her business and learn new skills and is willing to change. She is the firstborn of an underprivileged family, which is why she needs to support and provide for her siblings. On top of that, she needs to take care of her own family and raise her children as well. This has justified her decision to focus more on the monthly wages that she earns and sharing the money between her siblings and her children instead of expanding her business. Overall, EN MM was stagnant in her business mainly due to her lack of focus and the demands on her time from operating the business. Her approach to produce a product revolved around following the trend or any business opportunities she deemed profitable. Through this shadowing, the researcher found that her daily production lacked coherency and was too divergent, for instance, producing chicken chop, doughnut-making and even tailoring. With the presence of all these activities, it unconsciously submerged her initial core product and strength which was doughnut-making.

4.3 CHAPTER SUMMARY

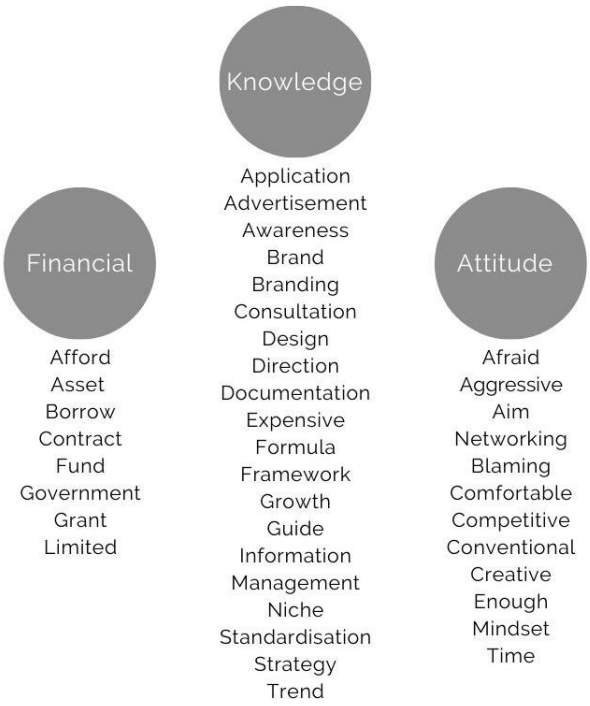


Figure 4.6 Themes and keywords emerged from the data

Based on 30 interview transcriptions and shadowing, three broad themes emerged from the thematic analysis using the Atlas.ti program. The themes that recurred throughout the dataset from the interview transcriptions are: financial resources, knowledge and attitude (Figure 4.6). The figure depicts a series of keywords that came up in the interviews in relation to each theme. ‘Financial’ contains the fewest keywords among all themes, as informants mentioned similar or identical keywords regarding this theme. On the other hand, among the three themes, knowledge has the most keywords related to it as branding strategy was identified with knowledge in this study. All data related to branding will be discussed further in the ‘knowledge management’ section in Chapter 5. Finally, the ‘attitude’ theme shows a number of keywords where common attitudes among SME BOs were identified which led to the contribution of microenterprises traits (section 5.2.1 p. 127). Interestingly, ‘attitude’ appeared to be the link between the ‘financial resources’ and ‘knowledge’ themes and the exploration and further discussion of this will be presented in Chapter 5. Among the keywords illustrated in Figure 4.6, the ‘enough’ (is enough) attitude and the reference to knowledge as ‘expensive’ were found to be interesting and receive further discussion in the next chapter.

CHAPTER 5 FACTORS AFFECTING SMES' BUSINESS GROWTH

5.0 INTRODUCTION

This chapter discusses the themes that emerged from the thematic analysis described in Chapter 4 to answer **RQ 1** and **RQ 2**. It comprises: influence of financial resources (Section 5.1), significance of attitudes (Section 5.2) and knowledge management (Section 5.3). The SMEs' barriers to growth were formed and derived from these three themes through a common scenario and context shared by all organisations sampled in this study. The barriers also have an impact in shaping the understanding of SME's potential to apply branding strategy in Terengganu, Malaysia, as well as identifying the necessary criteria to support the development of the framework presented in Chapter 6.

5.1 INFLUENCE OF FINANCIAL RESOURCES

Based on literature reviewed in Chapter 2, SMEs identify financing as their primary obstacle to growth and investment (OECD, 2004). To test this expectation, 15 SME BOs were asked to articulate their most significant barrier in doing business, and twelve of 15 respondents listed access to financial resources as first on their list. Across all the participants, shortages of financial resources was the most common reported obstacle to growth. It is also supported by informant EX S, whom when asked about the most crucial barrier to growth among local SMEs, answered: *"**Money**, attitude, and knowledge".* This was also strongly supported by her boss, EX TK who is the CEO of the TEDF and has had more than 20 years' experience working with SMEs. When asked the same question, he pointed out: *"They mostly faced four main problems; financing, quality products, human resources and business organisation".*

Funding gaps for smaller firms are a significant obstacle to growth. The wide variance in the profitability, survival and growth of SMEs, compared to larger firms, creates special financing problems. SME BOs often lack commercial experience and/or a track record as entrepreneurs' early stages of growth are marked by uncertainty in production and marketing. Obtaining a steady source of financial resources is undeniably one of the most crucial requirements in conducting business. The most essential element to operate a business requires prior and

continuous investment and this can be seen through even the smallest issue such as designing the company's logo. Even though many businesses would consider this a small investment, to microenterprises, it is not a minor issue. This will be discussed further in Section 5.3 (p. 142).

5.1.1 IMPORTANCE OF FINANCIAL RESOURCES

Approximately half of those who were interviewed indicated that insufficient financial resources hinder SMEs' effort to grow their business. The findings of the current study are consistent with those of van der Jagt and Winters, (2013) who also identify financial resources as one of the key barriers to growth of SMEs in their study. The importance of financial resources is explored further in this section. Based on the analysis, there are **six** identified factors related to the influence of financial resources (Figure 5.1).

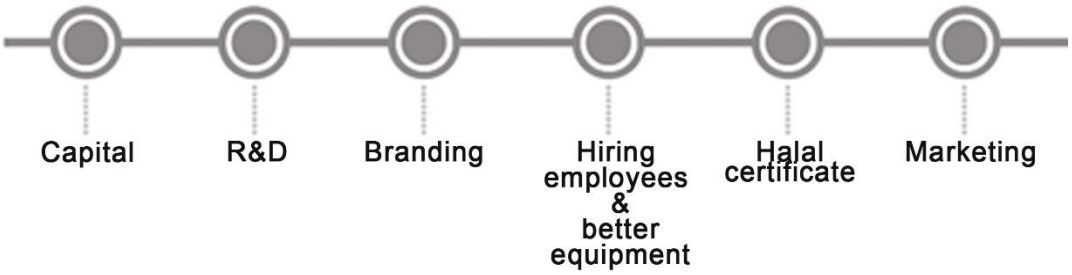


Figure 5.1 Importance of financial resources

1. Capital

Firstly, it is crucial to have sufficient capital for the company to operate and grow. Larger corporations have more capital to invest (Saad, 2008) therefore ensuring the growth of their company compared to SMEs. For SMEs to grow, they are required to secure a stable continuous source of funding. EX S asserted that without adequate financial resources it is hard for SMEs operate their business and meet the needs of the business as it grows. For instance, EN AD shared his experience of a previous business which eventually failed to be saved due to insufficient capital. He also added that experience taught him the importance of obtaining enough capital to run and grow a business. In addition, EX SU pointed out that having more capital may also encourage innovation activities among them where they are able to invest in R&D purposes.

2. Research and development (R&D)

R&D is an important driver of innovation and economic growth. However, in order to perform and operate the R&D process, it requires a substantial amount of money. That explains why R&D is generally concentrated in a limited number of large firms (Yoshino & Taghizadeh-Hesary, 2016) and even fewer among SMEs. The data revealed that only three (EX MD, EX AS and EX AZ) of the 15 informants among SME BOs mentioned activity of this kind. The remaining 12 informants did not pay much attention on R&D before releasing their product. It can also be seen that the utilisation of technology and product innovation were still relatively low and this leads to a further constraint for them in moving forward.

3. Branding

As previously discussed in Chapter 2, branding is an important management consideration for firms of all sizes (Spence & Essoussi, 2010; Kapferer, 2008). Relative to larger organisations, SMEs tend to possess fewer resources, both financial as well as the resource of internal expertise. Nevertheless, the data based on experts interviewed in this study (EX NL, EX AQ, EX SH and EX NS) revealed that the value of branding should also be considered from an SME point of view despite their limited resources. Following the work of Abimbola (2001) and Abimbola and Kocak (2007), the claims of experts (EX TK, EX NS, EX R and EX SH) suggested that SMEs require effective brand management to develop a strong brand which may be a valuable market asset that encourages SME businesses towards growth. However, the value of brand requires financial as well as time investment which is in tension with the nature of SMEs that operate on a day-to-day basis. In addition, the data identified a series of misconceptions of branding relating to its implications on business growth among SMEs in Terengganu which will be discussed further in Section 5.3.3 (p. 151).

4. Hiring employees and better equipment

Seven of SME BOs (EN AS, EN MD, EN KH, EN SY, EN IR, EN NP and EN TB) interviewed in this study claimed that making the decision to recruit employees and/or buy better equipment were crucial for growing their business. EX ML suggested that hiring new employees and purchasing new equipment to meet

demand and fulfil a business' potential is one of the indicators that business is growing. However, the data showed that SME BOs often struggle in the early phase to understand the real cost of recruiting their employees and operating equipment in their business. There are several important factors that need to be taken into consideration which are the legalities, the time it takes, the physical space required, and, most important, the financial requirements to pay for equipment and staff.

5. Halal certificate

Terengganu SMEs face many challenges in order to be able to survive and sustain their business in the current fast-moving business climate in Malaysia. Attaining and maintaining product quality is an important element for SMEs (Saleh & Ndubisi, 2006). One of the requirements in the F&B sector is to acquire a Halal certificate in order to qualify entry to hypermarkets:

> *When they want to go to the next level, they need to obtain a Halal certificate. And the process of obtaining it is not as easy as we think. The cost needed to obtain it is considerably high. For example, if we do the food processing at our home or at the back of the house with improper water drainage, 100% they will fail the requirement. To get the certificate is easy, but to fulfil all those requirements is hard. (EX S)*

Having a Halal certificate may allow greater business opportunities. However, to obtain that certificate, SMEs are required to invest a large amount of finances in order to fulfil the requirements. The costs of adapting buildings to fulfil the requirements is very high. For instance, SMEs are required to use a specific material for the flooring of their production area and install proper ventilation systems.

6. Marketing

New policy directions, strategies, programmes and action-plans for the development of competitive, innovative and resilient SMEs in areas such as marketing, determine the target and key performance indicators of SMEs' performance (MITI, 2005). Marketing should be the leading force of their business strategy (Dumitriu, 2009). SMEs need to allocate some of their budget for marketing purposes. Among all

informants, only three (EN AS, EN AZ and EN SY) have a clear understanding and have invested in marketing. EN SY affirmed that:

> *Yes I think it is important and we do allocate money for marketing purposes. We will start next year, as we will conduct several campaigns during the festivals, for example, 'Independence Day' and 'Hari Raya' special.*

The data from this study revealed that SME BOs who invested in marketing (i.e. EX AS, EX AD, EX MD and EX MD) had improved growth compared to others. This can be seen by their sales and number of employees compared to other SME BOs interviewed. Thus, it is important for SMEs to have a stable access to finance by seeking for financial support available for them.

5.1.2 WAYS OF OBTAINING FINANCIAL RESOURCES

Mahjom, Alias, and Zulkifli (2010) claimed that one of the critical success factors identified to finance the establishment of an enterprise and its future expansion is obtaining financial support. Understanding existing support available is also as important as investigating barriers to SMEs' business growth. The purpose of understanding existing support was to explore further what has been done and why it did not work in solving the issues. There are four common ways of obtaining financial resources identified in this research (Figure 5.2).

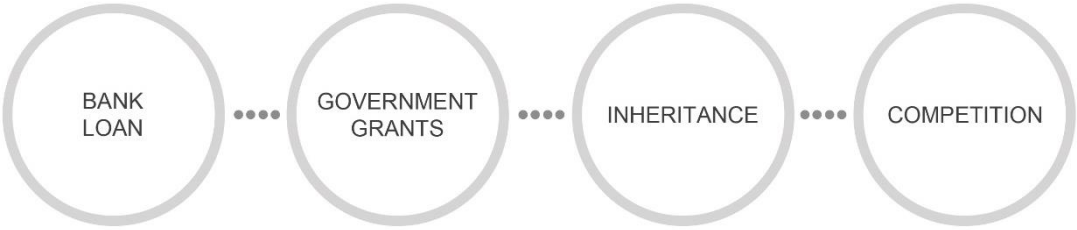


Figure 5.2 Ways of obtaining financial resources

1. Bank loan

Based on the data, in the initial phase of obtaining financial resources, a possible source of financing is bank loans. There are several banks that offer low rates of interest for SMEs in Malaysia, for instance *Perbadanan Usahawan Nasional Berhad* (PUNB), *Bank Rakyat, SME Bank and Bank Simpanan Nasional*. According to SME Bank (2019), the government set aside more than RM20 billion (£3.5 million) under

the 2018 Budget for the development and growth of SMEs. However, many SMEs still suffer from lack of access to funding offered on adequate terms (OECD, 2011). To support this, an expert on financing, EX SU claimed that: *"Financing is important for SMEs' business expansion but most banks are reluctant to approve their loan".*

A standard explanation for the lack of access to funding by SMEs is their inability to pledge acceptable collateral (Ackah & Vuvor, 2010) due to insufficient documents to support loan applications, the absence of a financial track record and because banks and traditional lending institutions are often opposed to risky ventures (Hassan, Tee, Jian, & Mohd, 2010; OECD, 2000). There are three explanations from the findings that make financial institutions reluctant to approve SMEs' loans based on EX DY and EX SU claims. First, SMEs are opaque and it is difficult to recognise their ability and willingness to pay back. Second, SMEs are likely to be informal compared to larger firms, which creates higher risks for lending. Finally, SMEs are often unable to provide reliable accounts detailing their financial activity and clear accounting information (Yoshino & Taghizadeh-Hesary, 2016).

On the other hand, another issue was identified by EX TK, EX EN and EX ML where the problem may also lie with the borrowers too. Lack of financial literacy is one of the main reasons that hinder SMEs' success in obtaining financial assistance (Thabet, Manaf, Ali, & Kantakji, 2019). Bongomin, Ntayi, Munene and Malinga (2017) suggested that financial literacy may help an individual know more how to manage their personal finances, financial planning and how to make strategic investment decisions for their long-term savings. Indeed, data revealed low financial literacy among SMEs in Terengganu, Malaysia. To support this, EN NZ pointed out that SME BOs "were not fully aware of solutions that can be found in this situation, for example, where overdraft bank facilities are available for an option to standby in case there are big orders".

Low financial literacy is either due to lack of effort in finding the solutions for their problems or lack of communication from the bank itself in informing businesses about the availability of financial resources. However, in some cases, it is also out of the SMEs' control. For example, EN M shared his experience in applying for a bank loan:

> *When I ventured this Roselle sector, unfortunately the government-linked agencies declared that Roselle does not have potential in the future. Therefore, it led to a difficult situation for me when I went to get a bank loan or a loan from any investors from outside, because they listened and trusted those agencies' claims.*

The other reason is that SMEs themselves decide not to address the problem even though they are aware of available bank loans. EN AD points out that:

> *I strongly believed that they are afraid of taking the risk of 'what if I am not able to pay the money back'. The risk of being in a greater debt is high, that is why they are waiting for grants from governments who offer money with a minimal amount of repayment or no repayment at all.*

2. Government grants

The Malaysian government provides supportive entrepreneurship programmes especially for microenterprises (Razak, 2015). According to the data, microenterprises in Terengganu are able to apply for state financial support mostly offered by the TEDF. At times, these programmes may offer a second mortgage at lower rates compared to banks and other lending sources. There are numerous grants offered by the government, EX TK listed a few:

> *For instance, we have 'Groom Big' which aims to scale up the growth from micro-to small and small to medium sized SMEs. The purpose of that program is to improve the skills of local SMEs In terms of youth, [the] TEDF have 'Program Graduan Usahawan' and MAGIC. Under SME Corp they have TUBE (Tunas Usahawan Muda) which offers funds as well.*

To support this, according to the SME Annual Report in 2017, there were 33 grants (Table 5.1) available for accessing financial resources alone. All of these grants are applicable for all sectors for both start-ups and those at the growth stage. The abundant resources that the government offered in order to address the lack of financial resources can, therefore, be clearly seen.

Table 5.1 Access to financing (SME CORP, 2017)

Ministry of International Trade & Industry (MITI)

Implementer/Agency	Programme
Malaysian Industrial Development Finance Berhad (MIDF)	Soft Loan Schemes for Service Sector (SLSSS)
	Soft Loan for SMEs (SLSME)
Bank Perusahaan Kecil dan Sederhana Malaysia Berhad (SME Bank)	Financing to Indian Community
Bank Perusahaan Kecil dan Sederhana Malaysia Berhad (SME Bank)	Skim Anjakan Usahawan
	Dana Ekuiti Bumiputera (EquiBumi)
	Malay Reserve Development Financing (MRDF)
	Tabung Usahawan Siswazah 2 (TUS 2)
	Young Entrepreneur Fund
	SME Technology Transformation Fund (STTF)
	Online Business Financing (OBF)
SME Corporation Malaysia (SME Corp. Malaysia)	Business Accelerator Programme (BAP)
	Enrichment and Enhancement Programme (E^2)
	Tunas Usahawan Belia Bumiputera (TUBE)
	Syari'ah-Compliant SME Financing Scheme (SSFS)

Ministry of Agriculture & Agro-based Industry (MOA)

Implementer/Agency	Programme
Bank Pertanian Malaysia Berhad (Agro Bank)	Dana Pembiayaan Usahawan Pertanian (DPUP)
Lembaga Pertubuhan Peladang (LPP)	Tabung Pembangunan Usahaniaga Peladang (TPUP)
TEKUN Nasional (TEKUN)	TEKUN Financing

Ministry of Rural & Regional Development (KKLW)

Implementer/Agency	Programme
Bank Kerjasama Rakyat (BKRM) / SME Bank	Rural Economy Funding Scheme (SPED)
Majlis Amanah Rakyat (MARA)	Penyaluran, Pembiayaan Perniagaan

Bank Negara Malaysia (BNM)

Implementer/Agency	Programme
Bank Negara Malaysia (BNM)	Fund for Small and Medium Industries 2 (FSMI2)
	New Entrepreneur Fund 2 (NEF2)
	Micro Enterprise Fund (MEF)

Perbadanan Usahawan Nasional Berhad (PUNB)

Implementer/Agency	Programme
Perbadanan Usahawan Nasional Berhad (PUNB)	PROSPER Pemborong
	PROSPER Runcit
	PROSPER TERAS
	PROSPER Usahawan Muda (PUMA)

Ministry of Domestic Trade, Co-operative and Consumerism (KPDNKK)

Implementer/Agency
Perbadanan Nasional Berhad (PNS)
Programme
Business in Transformation (B.I.T) Programme

Prime Minister's Department (JPM)

Implementer/Agency
Unit Peneraju Agenda Bumiputera (TERAJU)
Programme
Dana TERAS
Dana Pembangunan Usahawan Sabah
Dana Pembangunan Usahawan Sarawak
Skim Usahawan Permulaan Bumiputera (SUPERB)

Ministry of Industrial Development Sarawak (MID SARAWAK)

Implementer/Agency
Sarawak Economic Development Corporation (SEDC)
Programme
Small and Medium Scale Industry Financing Scheme (SPIKS)

Chief Minister's Department Sarawak (JKM Sarawak)

Implementer/Agency
Unit Pembangunan Usahawan dan Industri Halal (UPUIH)
Programme
Program Galakan Usahawan

3. Inheritance

Inheritance may represent a form of transferring successful businesses across generations (Fairlie & Robb, 2007). Based on the data, although very few SMEs are inherited as businesses, SMEs have a significant influence on their establishment in providing a strong foundation which enables the continuation and running of the business. This can be clearly seen when EN SY pointed out why financial resources were not an issue for the process of acquiring halal certificates:

> *Before this, my parents have a steady income as they have run the business for the past 20 years. Luckily, they have already established a strong financial foundation. Since it is a current requirement in order for me to expand the business, then I decided to use the money and do all the renovation and eventually applied for the certificate.*

Inheritance may represent an efficient form of transmitting reputation capital or an established consumer from one generation to the next. This will provide the successor with a solid and seemingly easy foundation to continue running the business. Similar to EN SY, EN AL also indicated the advantage of inheritance, when he casually answered his source of capital to run his business: *"I got the money from my parents".*

EN AD explained that one of the main influences for his business growth was due to the inheritance of a strong reputation business from his father: *"When I took over the business, I only focused on the management and marketing since my product and brand image has already been strongly built by my parents as th*ey have run the business for the past 20 years".

4. Winning a competition

One minor way to obtain financial assistance is by winning a competition that offers monetary award. According to the data, SME BOs are able to invest the award for the betterment of their product. In fact, the majority of EN M's capital was mainly sourced from several competitions that he had won. Winning a competition also ensures a wider audience and recognition across the country because of the media

coverage where reporters interview the winner during or after the award giving ceremony. Simultaneously, this may secure excellent exposure in both the consumer and trade press for their business.

5.1.3 JUSTIFICATIONS OF FINANCIAL BARRIERS

Nevertheless, despite the anticipation of winning large national competitions or favourable bank loan facilities, the majority of SMEs continue to struggle with insufficient capital to grow their businesses. The data identified four factors (Figure 5.3) which hinder their effort and potentialities in obtaining financial resources.

Figure 5.3 Factors of financial barriers

1. Heavy regulatory governance

Meeting agencies' requirements in obtaining financial assistance is viewed as being indispensable (OECD, 2011). However, this especially affects SMEs with fewer resources. According to Zulkipli, Rani and Januri (2011) one of the challenges for SMEs' business growth was heavy regulatory governance. Similar to this, Agwu and Emeti (2014) point out that internal problems of SMEs in Nigeria are due to strict regulatory requirements. These complicated and consuming bureaucratic licensing procedures and burdensome regulatory requirements have become one of the reasons that halt SMEs from applying for bank loans and government grants. This was strongly supported by EX R who stated that:

> *There are several loan schemes provided, for example, SME Bank. But, they have structured and rigid criteria for you to be eligible for that particular fund. Therefore, SMEs do not have the choice and there is no point for them even going to those agencies and applying for the fund.*

This study looked at the common and basic initial requirements in applying for a bank loan or government grant, and identified that most of them require proper

business premises. Whilst the majority of SME BOs applied for the loans to improve their business premises, which eventually resulting them to fail in fulfilling the pre-requisite requirement before they even start the application procedure. This was strongly supported by EX R who claimed that the majority of SMEs in Terengganu could not afford to provide a proper business premise as they are at the start-up level or operating their business on a day-to-day basis. On the other hand, EN Z claimed that the application process is also tedious and time consuming:

> *Our new product, instant paste, needed a Halal certificate in order for us to go further and enter the local hypermarket. However, there are loads of requirements for it. Therefore, we registered with one of the agencies and asked them for help and assistance. It sounds easy, but then the process is not very easy. It has been six months since we applied.*

The hard to meet requirements, tedious process and the fact that it was time consuming justified their reluctance to visit SME Bank even though they are aware of the programmes and assistance on offer.

2. Grants usage

Kenneth (2009) defines grant as a legal contract between a grantor and a grantee. He added that *"the grantee promises to engage in certain activities or procure certain goods, and the grantor agrees to transfer funds to the grantee to pay for these costs" (p. 14).* Regardless of the simplicity or complexity of a grant programme, the funds must be used as agreed and the grantee must maintain appropriate documentation to prove that the funds were indeed used as represented.

Figure 5.4 Types of grants

The data identified three types of grants (Figure 5.4) where the agency either provides monetary assistance for SMEs, a voucher to purchase new equipment or production facilities. Some grants may require the grantee to pay back and some of them do not, but in exchange, the grantee has to produce an innovative product for

the grantor's key performance indicator (KPI). These agencies are pressured to present high points for individual KPI every year which explain constant grant offers for SMEs. Nevertheless, three of 15 experts from this study (EX M, EX ML and EX DY) point out that several grant recipients inappropriately use the grant regardless of all the complicated processes that they undergo. There are two ways of abusing the grant which are failing to pay back and double financing.

Failing to pay back

Based on the data, EX TK, EX NZ, EX S, EX NA and EX M claimed that some grant recipients misuse the funds by engaging in other activities than the agreed terms. They either misrepresent the profit or cannot fulfil their proposal. As a result, they fail to pay back the grants to the agency surpass the due date. EX TK explained that:

> *However, some of them misused the money that they got from the grant and did not even pay back the money. Return of investment (ROI) from the grant is low, resulting in them failing to pay back the grant. Then they will start borrowing from other banks or agencies, which will create a same cycle of borrowing and may lead to bankruptcy.*

This scenario happened due to the misleading proposals submitted when they applied for the grant. For instance, EN AZ points out that he noticed several SMEs in Terengganu with a similar business to his that tend to demand more than their required amount. As a result, they fail generate expected profits. To support this, EX TK and EX S reported that several cases of misleading grant applications were recorded by the TEDF across the years. A consequence of this failure to pay back has led to the inability of the agencies to provide grants for other SMEs.

Double financing

Double financing is a fraudulent abuse of grants where the grantee applies for several grants for the same purpose from different sources. For instance, if a company applies for funding from two agencies, this would be double financing. Even though this may not apply collectively, EX S reported that in consequence to this abuse, other SMEs who are in dire need of the grant may lose their opportunity.

As the agencies operated separately before, it is almost impossible to track similar grantees with similar proposals. Thus, according to EX TK, the TEDF established '*Majlis Sekeretriat Pembangunan Usahawan Terengganu (MSPUT)',* a division that links and monitors 34 agencies to prevent the same costs being financed twice for the same grantee. This division is expected to reduce the risk of double financing and increase the effective distribution of grants.

3. Manpower shortage

Based on the data, EX AS, EX AZ and EX M affirmed that for a company to achieve progressive business growth, they require enough manpower. This does not only refer to the quantity but also the quality of the employee. Qualified employees are crucial to a company's success (Ekwoaba, Ikeiji, & Ufoma, 2015). Hiring qualified employees should promote SMEs' business growth. For instance, individual experts in accounting and finance can do excellent work in recording and keeping track of a company's expenditure. Nevertheless, the data revealed that, hiring qualified employees requires larger and stable financial resources. Their salary is higher compared to unqualified employees as they have the right to demand more for their qualifications. For many SMEs, there are insufficient financial resources to recruit more employees, therefore, it falls to the BOs to perform most of the tasks themselves. This is supported by EN NS and EN MM who admit that they were unable to hire qualified employees due to limited financial resources. As a result, they tried to record the company's expenditure themselves, but struggled to do so. Subsequently, their business displayed stagnant sales. Other informants (EN AL, EX MY, EX IR and EX Z) faced a different situation as their quantity of production was not fixed and was based on unpredictable demands. For instance, EN IR explained:

> *I do not have a permanent employee; it depends on each project. For example, if I get a 50 pack order for that week, I will hire an employee for that week to help me. However, if I can manage the order myself, then I will not hire any employee that week because I am the only one who cooks and know the recipe. An employee will only help me in preparing the food and packing it all.*

This scenario indicates a continuous cycle of insufficient financing that leads to needing financial assistance from qualified employees but SMEs fail to access due to unpredictable conditions. This is supported by EN IR who has been operating her western food business for the past five years but admitted that she has failed to break out from the cycle. When BOs manage to hire an employee, they face difficulties in ensuring permanent long term employment. Most employees are not serious and not sufficiently ready to carry the workload, as EN MY claimed:

> *Employees are choosy in the type of work they want to do. For example, if today I receive a number of customers so the workload will be greater compared to other days, the following day, my employee will ask for a [day's] leave. It is even a last minute notice for leave. Their work ethic is extremely poor.*

Based on the data, poor work ethic may lead to insufficient business production. BOs were required to re-train new employees which may be time consuming and affect skills development of the employees. This is because employee's skills development requires time and practice which is fail to be achieved when they quit the job before mastering the skills. Nevertheless, in contrast to earlier findings, EN AS, EN AZ and EN KH argued there were also SME BOs who have a very positive attitude who managed to overcome previously mentioned barriers despite having difficulties with their employees. EN AZ added that *"even though I do not have enough staff yet, for the time being, I decided to educate myself first before hiring a specific member of staff to manage company's account".*

4. Poor account management

Even though the government allocates a budget each year for SMEs' business growth, it is also worthwhile to add that efforts to resolve access to finance are not solely the responsibility of governments. SMEs need to take better initiatives rather than claiming insufficient financial resources as their main hindrance. Most significantly, SMEs must implement sound business practices and continuously invest in financial management systems (OECD, 2004). According to EX DY, financial management involves all the activities that enable a company to obtain capital for growth, allocate resources efficiently, maximise income potential for the business activity and monitor results through accounting documents. Such

management requires well-written documentation, a comprehensive financial management plan, and clearly outlining the assets, debts and the current and future profit potential of the business.

Despite the importance of financial management, the majority of SMEs in Terengganu were found to even fail to record their company's cash flows. EX TK highlighted that poor documentation resulted in them failing to apply for a bank loan or government grants. To support this, during the interview, EX EN shared his previous experience with one SME BO who desperately applied for a RM 50k (£ 8.8k) loan from TEDF. However, her application was declined. During her visit, EX EN asked several questions (Figure 5.5) while drafting the information (e.g. cost and profit of her product) on a spreadsheet:

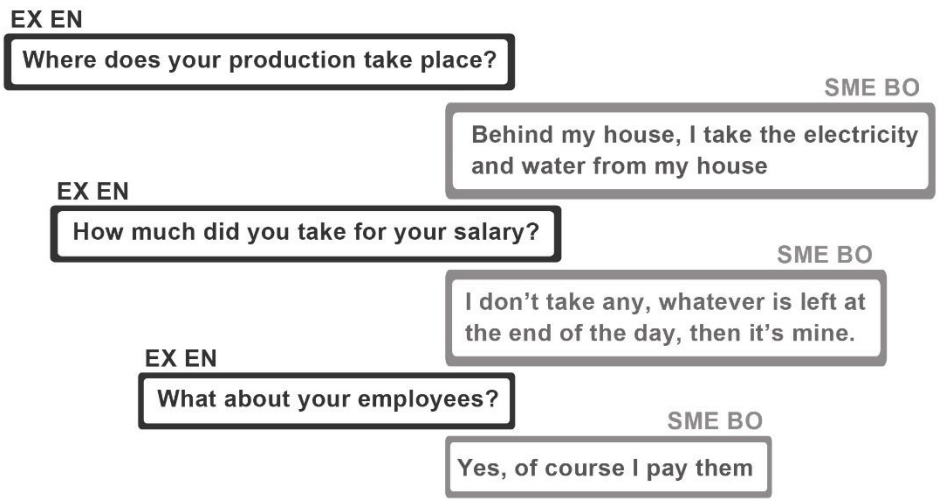


Figure 5.5 Conversation between EX EN and SME BO

Suddenly, she got upset with all the questions and crumpled the spreadsheet then put it in her bag and walked away. Six months later, the BO came back to meet EX EN. She claimed that what changed her was the spreadsheet that EX EN had drafted. She explained, when she arrived home, her daughter found the spreadsheet and continued to prompt her with the same questions. Her daughter discovered that the product had reached the breakeven point in production and sales balance but left the BO with no profit margin. The daughter advised the BO to increase the product sale by 20 percent in order to maximise profits. Now, she managed to buy a new car, allocate herself a salary and also paid herself for the electricity, water and rent for the production process. The impact of effective

documentation of financial management and business growth can be seen clearly from this example from the data.

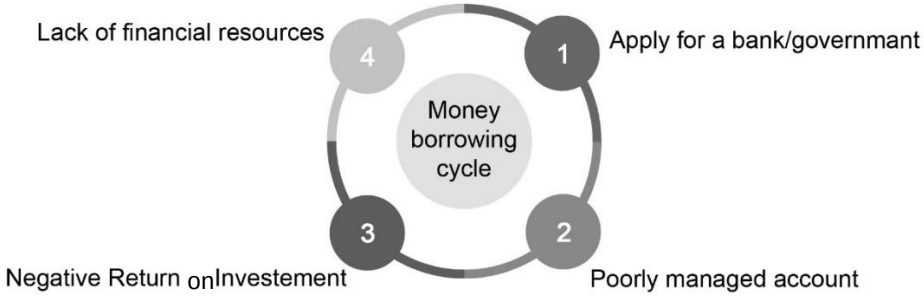


Figure 5.6 Money-borrowing cycle

Poor documentation in financial management can also lead to a vicious money-borrowing cycle (Figure 5.6). EX TK claimed that SME BOs who rely on ROI from the loan and fail to pay back may then borrow from other banks or agencies. This process will end up in a cycle of borrowing and lead to bankruptcy. Based on the data, effective documentation is proven to break the cycle, as EN AZ testified he managed to pay back his loan in six months even though the expected duration was three years. He added that proper documentation enabled his company to fully utilise and allocate the resource efficiently. On the other hand, the data revealed that the majority of microenterprises in Terengganu do not have a separate bank account for their company but use their personal account to run the business. EX SU and EX DY affirmed that “SMEs do not even have a specific bank account for their business. That explains why they are unaware of their sale and profit”.

Despite the previous discussed scenario, the data revealed that SMEs (EN Z and EN IR) were either oblivious of the impact of proper documentation over the financial assistance process or (EN MM, EN MY, EN AL and EN TB) seem to ignore its necessity. To illustrate this, when EN AL was asked about her bank statement, she answered: “I do not have a proper account and a bank statement that explained why it is hard for them to trust me since I failed to give them the bank statement”. It intrigued the researcher to dig deeper regarding the SME BOs’ ignorance over the fact that providing proper financial documentation is necessary for them to grow the business. When being prompted further regarding EN AL’s situation, he explained that he had poor financial literacy which he justified for the absence of financial

documentation for his company. The researcher noticed that he seemed reluctant to equip himself with the basic financial literacy that was necessary.

5.2 SIGNIFICANCE OF ATTITUDES

Shepherd and Wiklund (2009) found that a BO's attitude is a vital aspect in business growth. It may vary from one firm to another, depending on the sector and the type of business, amongst other factors. Nevertheless, they exhibit some common features, for instance, the desire to make profit and the ambition to impact their niche market with their products. This is because the owner's attitude affects growth directly towards the operation of the firm, which results in positive or negative business growth. Research is slowly increasing in the subject of attitudes and their role in the process of business foundation (Bergmann, 2002) however, this argument is scarce in the literature. As a result, a thorough understanding on SMEs' business growth in Terengganu, Malaysia was very poor and the barriers remain persistent. It is against this backdrop that this study seeks to explore the attitudes among SME BOs that impede growth.

The most apparent finding to emerge from the data analysis on barriers to SMEs' business growth was SMEs' attitude. The objective of this section is to ascertain the extent to which the perceived attitude affects the success of their business. Based on this, this research seeks to determine the current attitude among SME BOs and the relationship between positive attitude and SMEs' business growth. Positive attitudes among SME BOs evidently played a pivotal role in business growth. Seven out of 15 experts (EX EN, EX S, EX M, EX NA, EX DY, EX ML and EX DS) claimed that SME BOs in Terengganu were in a dire need of attitude reform that would lead to positive business growth. To support this, EX TK claimed that it is crucial that SME BOs in Terengganu change their mind set and attitude towards business growth.

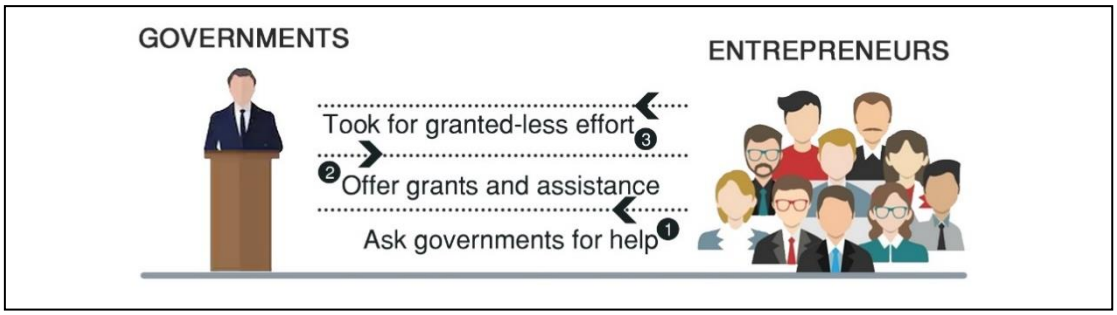


Figure 5.7 Scenario between the government and SME BOs

Figure 5.7 illustrates the current scenario between the government (experts) and SME BOs in Terengganu, Malaysia based on the data. The majority of experts were concerned about the attitude of local SMEs. They shared their perceptions of a negative attitude among some local SME BOs towards business growth. Among the negative attitudes listed were: complacency about their current business, reluctance to invest in acquiring knowledge or skills, and heavy reliance on the government. The local SME BOs were rarely independent and they tend to wait for help rather than solving their problems. For instance, EX TK shared his experience with local SME BOs: “Based on my experience, they even said to me that if the governments do not assist them with financial funding, they refused to go the seminars organised by government”.

The state government has offered a lot of financial grants and assistance for Terengganu SMEs and SME BOs in Terengganu have heavily relied on these. EX S, pointed out that the help provided by the Terengganu state government is higher compared to other states for example, Kelantan. Even though it has a similar level of development to Terengganu. As a result, Terengganu SMEs frequently took things for granted as they appear to have a default mind-set that someone else is able to and will help them. Several experts (EX EN, EX M and EX NA) reported that Kelantan SMEs cannot rely on grants to apply for, this has positively forced them to build a strong mind set and a self-dependent attitude towards their business growth. To account for potential bias in findings in attitudes among experts, interviews were also conducted among SME BOs. EN AZ agreed that the state government does offer too much support for local SME BOs, which has resulted in a negative attitude from SMEs. Although this claim may not be applied to all local SMEs, unfortunately, majority of experts claimed that most of stagnant SMEs possess this attitude. With the multiple grants offered by the government, SMEs seem to put less effort into

growing their business. EX DY, EX ML, EX TK and EX S claimed that, this attitude increases over time as more grants are given.

Nevertheless, EX TK argued that even though the government offered too much support, the most important thing was SME BOs' attitude towards it. This showed during in an in-depth interview, EX TK claimed that "the government gave full support in providing help for SMEs. But again, it goes back to their attitude seizing the opportunity".

To conclude, the relevance of SME BOs' existing attitudes was supported through in-depth interviews with experts and SME BOs. It showed that experts and SME BOs were concerned about the issue of attitude. In order to understand attitudes among SMEs in Terengganu further, the classifications and common attitudes of SME BOs were discussed further in the following section.

5.2.1 ATTITUDINAL GAP BETWEEN CONVENTIONAL AND CREATIVE SME BUSINESS OWNERS (SME BOS)

It is clear that attitudes represent an important starting point for a company's growth. However, it is limited by its lack of information on attitude among SMEs in Terengganu, hence, this section is mainly based on the primary findings of this study. Considering the participants involved in this study were mainly involved in the F&B sector, the findings will not necessarily reflect the motivations of the entire population of BOs. Similar to the findings of Hankinson, Bartlett and Ducheneaut (1997) it is clear that the vital requirements for SMEs' business growth were attitude, behaviour and adaptability. Based on the findings, attitude was one of the main indicators to determine the extent to which SME BOs in Terengganu were entrepreneurially motivated. The growth experience of an SME is expected to relate to the personal attitude of its owner and employees. Given that SME BOs with positive attitudes are more likely to achieve entrepreneurial business growth compared to those with negative attitudes, further investigation was carried out and it was found that there are two possible factors on how attitude were developed. First, collections of SME BOs' primary attitude might be conditioned by their experience of running the business. Second, an individual BO whose actual attitude is primarily related to lifestyle, who subsequently achieves considerable growth, might play down the importance of the influence of their surroundings.

Acknowledging the attitude difference among SMEs, according to experts' and SME BOs' perspectives, a pattern was seen by the researcher and among SME experts interviewed, which was the emergence of two different types of SME BOs who could be identified as conventional and creative SME BOs. Based on her experience as a head designer in DDEC for over ten years, EX SH suggested that SMEs in Terengganu were divided into two groups:

1. ***CONVENTIONAL SME BUSINESS OWNERS:*** *aged 30-75 years old. They are doing business the conventional way, with no proper system and their level of awareness is very low, as is their technology usage. They are not technologically literate and have a resistance to change.*

2. ***CREATIVE SME BUSINESS OWNERS:*** *17-35 years old. They are more style-driven, technologically savvy, optimistic, risk takers.*

This was also supported by EX R, who discussed the most common attitudes among SMEs:

> *Based on my experience, our local* SME BOs *are divided into* ***two categories****. The first group is heavily* ***reliant*** *on agencies' funding and government's support such as MARA, SME Corp, etc. Another group is very* ***eager to move forward*** *and active to find and make their own money to grow their business.*

In line with the views of EX SH and EX R, who directly classified the SME BOs into two groups, there were further findings by other experts (EX TK, EX EN, EX S, EX M, EX NA and EX DS) that also supported this classification. Therefore, a summary of the attitudinal gap between conventional and creative SME BOs is illustrated in Figure 5.8.

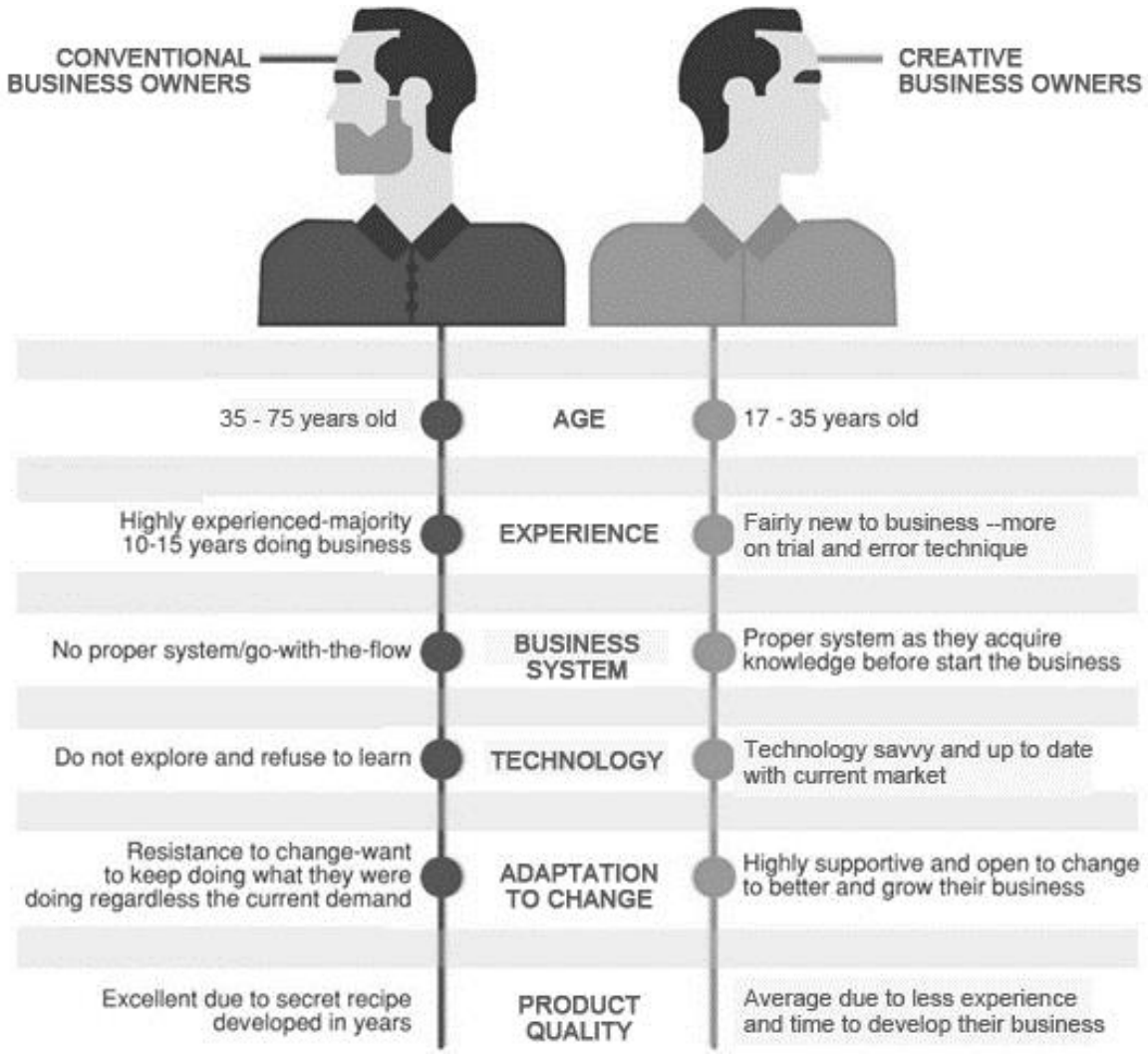


Figure 5.8 Attitudinal difference between conventional and creative SME BOs from the data

EX NA explained that it was it was not practical to try to change conventional SME BOs as opposed to creative SME BOs. In line with the effort to boost young and creative SME BOs among SMEs in Terengganu, there is a series of government means of support targeting young recipients with a specific age target. For example, SME Corp has organised a TUBE program to give motivation to young SME BOs and offer them support in starting up their businesses. In addition, the TEDF also has a program named 'Graduate Entrepreneur' which targets not only young and creative SME BOs, but those which have the compulsory requirement that they need to be graduates from any local institution.

The gap between these two groups was extremely visible especially through their brand image and accessibility to conventional SME BOs' product. EX SH shared her experience from 2013:

> *So the gap between these two is very big. There was one event organised by us in 2013, a creative fest where we had a seminar and talk about branding. During the event, we could see the gap very apparently and glaringly. Because the creative* SME BOs *understood why all businesses need brands and they had even already invested in it and done research on how to make the product interesting.*

Even though the gap is wide between conventional and young SME BOs, EX SH then pointed out the positive quality of conventional SMEs' products:

> *Honestly, those conventional products are much better in terms of the quality of their product considering their experience or inheriting the recipe from their ancestors while those creative* SME BOs *only learn it through the Internet.*

In conclusion, even though there is a gap between them, understanding and recognising BOs differences is important in order for the government and supporters to offer a specific targeted help package. Therefore, the problem can be solved systematically rather than only providing solutions with the intention of suiting everybody. Different strategies need to be planned in order to tackle this matter strategically. Thus, to have a deeper understanding of SMEs' attitudes, common key attitudes among these two categories were further investigated in this study.

5.2.2 COMMON ATTITUDES AMONG SME BOS

Previous literature would lead researchers to expect that majority of SMEs agreed that there is huge potential for low-cost domestic expansion for firms that take a progressive attitude towards growth (Brothers, 2014). The most common trait found among entrepreneurs, regardless of the size of their business is constantly growing their business. 'What is next' is a critical factor in a long-term business planning growth. This positive attitude has attracted success for so many businesses. In smaller firms, the business founder's attitudes determines how the business develops (Fillis, Johansson, & Wagner, 2006). Therefore, an 'I want more' attitude is highly demanded in operating business. Identifying their common attitudes

notably allowed further understanding, which led to a more comprehensive development of the framework in Chapter 6.

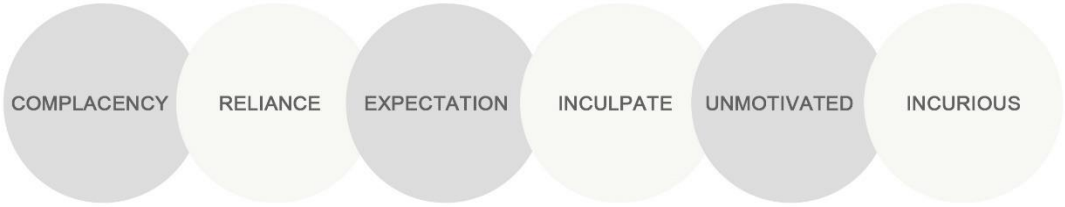


Figure 5.9 Common attitudes of SME BOs in Terengganu

Figure 5.9 shows six common attitudes found among SMEs in Terengganu through in-depth interviews and shadowing methods. Further explanation will be given below.

1. Complacency

Complacency is defined as a BO's attitude of being satisfied with what they already have and feeling comfortable with their current state of doing business. This attitude was found in the majority of SMEs in Terengganu. EX IK further supported this finding when he was questioned regarding the current scenario in Terengganu. He suggested *"SMEs tend to have an 'I have enough' attitude. They did not set their mind to go further and have a long-term goal and aim. 'If I spend more on a logo, I will not have enough money later'".*

Similarly, the view was also supported by EX NA who stated that most SME BOs do possess the said attitude. He also added that this was commonly found among conventional SME BOs, which makes it more complex because they were far more resistant to new systems and change compared to creative SME BOs. Furthermore, EX R, who is the CEO of DDEC, shared his ideas regarding the complacent attitude among local SMEs in Terengganu, which he had encountered. His response was:

> *I've approached 20 years old bakery, which is quite well known in Terengganu whom already have their packaging, but I can see for them to go further they have to be at par with other established bread brands regarding its packaging. So when I approached the owner, I said to him, 'I have a certain amount of money, I want to help you re-design your packaging which will be better than yours now, and I have a suitable fund under MARA.* ***Surprisingly, he***

> ***said to me 'what I have now is enough for me'.*** *That is the kind of local SME business owner who has achieved a certain level of success with their product and has been on the market for the last 25 years. And they give me that kind of answer.*

Based on EX R's experience, it can be seen clearly how easily satisfied SME BOs were with their current business and sales regardless of the fact that they had been doing the same thing for many years. This attitude of *complacency* was found mainly among microenterprises, which form the highest percentage among all SMEs in Terengganu. In addition, this attitude is also commonly found among those who inherit the business. They refuse to change their system as they are already satisfied with what they have, by justifying that their business is running just fine. This was supported by EX ML who suggested that: *"Actually the problem with the inherited business is that they do not want to change the system and the process they have been doing all along. They are too comfortable in their comfort zone which leads to an 'I have enough' attitude".*

EN NZ adopted a broader perspective regarding this matter, and claimed that the attitude of *complacency* might have resulted from the government itself. He added that the government provided too many facilities and indirectly pampers SMEs with all the leverages. As a result, they feel easily satisfied with what they received. This could also lead to the emergence of an attitude of being reliant on government's support.

2. Reliance

Along with the attitude of *complacency*, there was an increasing concern over the high *reliance* on the government. In a similar way to SMEs in the UK who rely overwhelmingly on banks for their funding (Freeman, 2013), SMEs in Terengganu were also found to heavily rely on government support and grants. Other than that, they had to rely on other resources in operating their business owing to the scarcity of financial resources and limited R&D capability. EX TK stated that:

> *SMEs' dependant attitude towards governmental funds was a very common scenario I faced based on my experience. Being independent was hardly a common attitude among local SMEs in*

Terengganu. They tend to wait for help rather than put out effort in anything.

EX S also admitted that local SMEs have become weaker and highly dependent on the government. This scenario portrayed their current attitude, which may result in delaying the effort to operate and grow their businesses. SME BOs tend to put off their work and opt for government funding rather than putting in the effort to gain the financial resources themselves.

3. Expectations

In most cases, SME BOs have high expectations from the government and bigger companies to assist their business from which the attitude of *expectation* emerged. According to some experts, it is widely agreed that SME appears to expect everything to be free of charge and easily accessible. It appear difficult to attend to their demands as if they simply refused to put extra work to get better results. Similar to EX SH, EX TK shared his experience with SMEs: *"For example, in my experience, they even said to me that if the government does not give or assist with money and funding, they refuse to go to the seminar, which can help themselves more than the government".* EX S shared that her experience supported EX TK. She pointed out that *"most of the local SMEs do not want to join organised talks and training by the organisations, especially the paid ones. They were reluctant to spend money on acquiring knowledge".*

Based on the findings, it seems that this attitude among SME BOs in Terengganu appears to be substantially different from those in other areas. BOs limited viewpoint appears to have halted their understanding of the cycle of business as a whole entity. This explains their tendency to undervalue other people's efforts and expect that everything is served to them free of charge. Furthermore, they were unaware of the process of acquiring knowledge and skills in order to attain a good quality outcome. For instance, the time spent for R&D purposes was commonly undervalued and underestimated by SMEs. As EX TK added: *"For example, if you want to do a branding strategy for a certain product/company, you need to pay for that research and planning, right? Unfortunately, they are not willing to do so".*

With the emergence of the attitude of *expectation*, the importance of knowledge seems to be highly relevant for this study and will be discussed further in the next

sub-chapter (Section 5.2.3 p. 136). It appears that BOs tend to wait for help rather than to work for it or find other solutions for the barriers that hinder their growth. This was supported by EN AZ:

> *They are also afraid of change and of growing their business. They frequently said it is due to money, however they don't want to make any loan, the majority of them wait for government grants. If they have this kind of attitude, they are mostly only 'waiting' for help.*

EN AS, who is one of the Top 10 most successful SMEs in Terengganu, also added that the implication of this particular attitude of expectation was the reluctance to commit to extra work and tendency to adopt the easy option rather than putting in more effort. This attitude of *expectation* is totally the opposite of her own attitude, which was pro-active, positive and risk-taking. Experts claimed that it may conceivably explained that taking the easy option was due to the insecurity of taking risks as opposed to how an entrepreneur would act. EN AZ suggested that:

> *When SMEs said they do not have enough money, weirdly enough they don't want to make a loan to solve that problem.* ***This is because they are afraid of taking a risk.*** *They are still waiting for grants from government, which are very limited.*

4. Inculpatory

A correlation was found between the *reliance* and attitude of *expectation* which resulted in an *inculpatory* attitude, an attitude of blaming others rather than themselves. This view was supported by EX TK: *"SMEs tend to blame the government even though they're the ones who ignore and do not even look for information on how to better their business".* EX AZ supported the view that ultimately, SMEs would claim that the agencies/government did not help them. EX TK believed that everybody is blaming each other: SMEs blame agencies for not telling them about the availability of grants and the agencies blame SMEs for not inquiring about the information. The claims result in an endless circle of arguments where nobody wants to take responsibility. Having said this, the root problem could be solved by a change of attitude. SMEs can start by dismissing the inculpatory attitude and changing their perception towards the government. The government's

support exists to leverage businesses hence this will be the starting point for SMEs to seek for help.

5. Lack of motivation

The data shows that small business productivity and survival are greatly dependent on the motivation of the individuals involved. One possible explanation is motivation leads to entrepreneurial activities that can be interpreted as a stimulus which may encourage BOs to run a business as reflected by EN AS, EN AZ, EN MD, EN KH and EN AD. However, it is widely agreed that SME BOs in Terengganu portray poor level of motivation in growing their business. For instance, one SME BO was quite negative about SME BOs' motivation in Terengganu compared to those in Johor:

> *For example, in my experience, I already have an offer from Johor to supply me 4 tons of cucumber.* ***It shows their open-mindedness and far-sightedness.*** *Unfortunately here in Terengganu, it* ***took me 2 years to convince*** *farmers to sign the contract farming with me to supply cucumbers. (EN AZ)*

To support this, EX TK and EX M indicate the lack of motivation among BOs in Terengganu might explain their inability to business growth. Conceivably, they may focus on short-term goal and smaller production scale. Lack of motivation or negative attitude are inimical to innovative behaviour by smaller enterprises, and constrain creativity, risk-taking and adequate returns on investment. Parallel to the attitude of complacency, EX EN suggests that the majority of BOs were unsure of the needs of their businesses, as a result, they fail to strategies their business accordingly for the purpose of business growth.

6. Lack of curiosity

The most striking result to emerge from the data was that in addition to the *unmotivated* attitude *BOs had* an *incurious* attitude about learning new things to improve their businesses. The *incurious* attitude affected both SME BOs and experts. SMEs did not know about the available support for their business, and experts were unaware of SME BOs' barriers. For instance, SME BOs fail to solve the simplest barrier affecting their business growth due to their incurious attitude. Similarly, EX SH suggested that: *"Not asking and lack of reading also make things*

worse and this scenario goes on forever. Even though it sounds lame and tiring to do all the planning, BUT for you to grow big, you need to put it down on paper".

Against this backdrop, there was a need to create the conditions to enable the improvement of these six common attitudes. In conclusion, this study investigated the motives behind the common attitude of BOs that was insufficient. Understanding attitudinal motivation is necessary to help BOs overcome its limitations, which will be discussed later in this section. Acknowledging their attitudes towards business growth would indirectly reveal their emotions, which would affect their decision-making in developing their business. Similarly, in their study, Rieple and Snijders (2018) concluded that "*emotion influenced the adoption, and especially the rejection, of innovations"* (Rieple & Snijders, 2018).

5.2.3 UNDERSTANDING ATTITUDINAL MOTIVATIONS

SMEs are key players in the economy and the wider ecosystem of firms. Enabling them to adapt and thrive in a more open environment and participate more actively in positive competition is essential for boosting economic growth. With all the listed common attitudes found among SMEs in Terengganu, further investigation was carried out in order to understand their motives in behaving in such a way. Five attitudinal motivations emerged from the analysis (Figure 5.10).

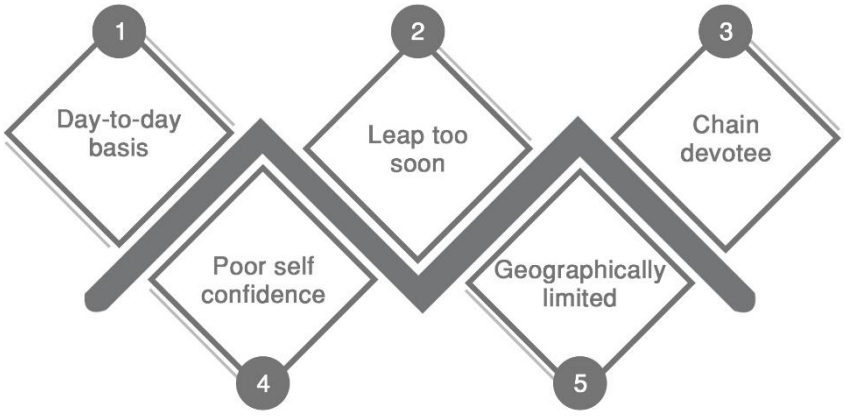


Figure 5.10 Attitudinal motivations in Terengganu

1. Day-to-day basis

In response to the interview question: 'Why do SMEs fail to grow their business?' a range of responses were elicited. The majority of those who responded to this question felt that it was mainly due to the way they ran their business on a day-to-

day basis. To support this, EX SH stated that the explanation behind SME BOs behaviour was *"because they are too tired with the day-to-day production and don't have enough time to do all the planning".* The data revealed that their packed and continuous daily routine may affect directly on their effort for business growth. To further explore this claim, the researcher had considered this in two ways: in-depth interviews among experts and SME BOs as a measure of the general business environment, and the shadowing of EN MM as a measure of validating the data. The researcher was unable to conduct the study on a larger scale due to time constraints. However, the way SMEs ran their business on a day-to-day basis appeared to substantially affect their ability or motivation for growth. The schedule of their daily lives was found to be so packed and consist of repeated routines. This might result in excessive fatigue and may be one of the main reasons they could not cope with the technical and paperwork matters concerning their business or its growth.

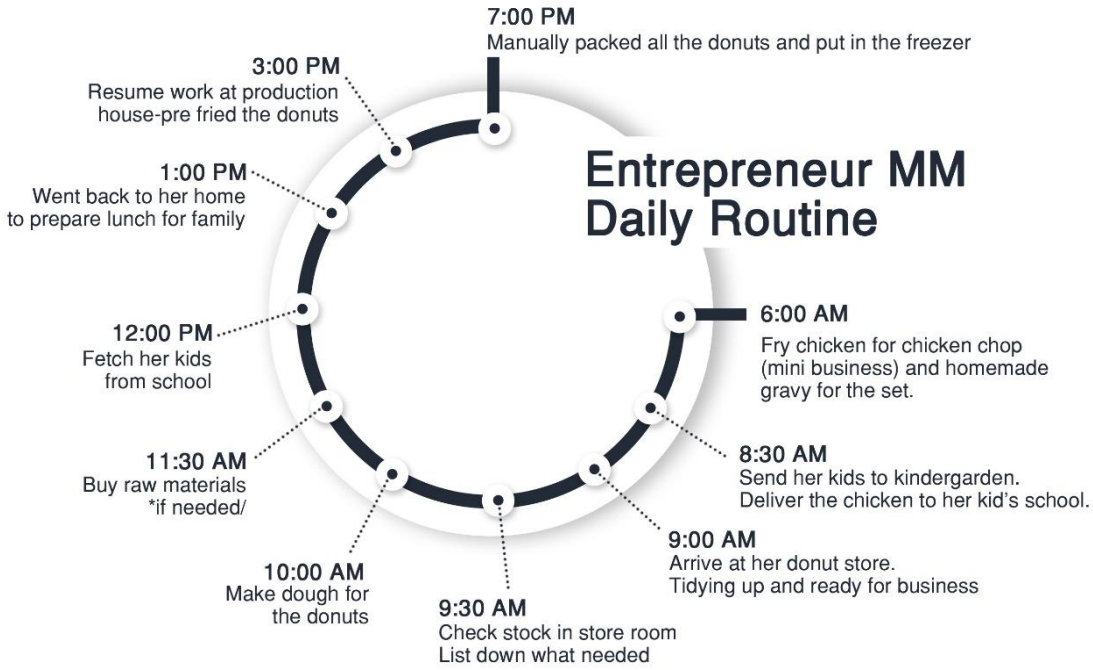


Figure 5.11 EN MM's daily routine

Using the shadowing method in order to investigate this matter, EN MM was shadowed for a week in situ rather than investigating developmental change over time (Figure 5.11). Her daily routine is how she has conducted her business since 2003. Talking about this issue, EX SH shared her experience with SMEs:

> *Most of them are on a day-to-day basis and they don't have proper accounts or structure. For example, one lady is selling gamat [see cucumber] oil that I love to buy whenever I go to Langkawi. But one day, when I went to her stall,* ***it was closed.*** *The next day I went back again. Then I asked her why she closed her stall the previous day? And she replied that the day before yesterday,* ***there's one customer who bought everything and she didn't have anything else to sell****. So can you see how the day to day basis business works?*

In addition to that, EX SH added that with their current routine, it is nearly impossible to properly be aware of how much money they make every day. However, the bank needs to know all the financial details including capacity of their production per day and their profit. They fail to provide all the paperwork, which leads to their failure in securing the bank loan. Their concept of doing business relies on the availability of fresh raw material rather than building up stock. It is concerning and difficult for the bank to leverage them with anything if their business mentality is still very restricted. In addition, they were lacking financial resources to invest in branding because their sales are on a day-to-day basis. Whatever is garnered for the day is considered sufficient for them. The correlation between day-to-day basis and time management showed that when they are accustomed to the routine, they fail to recognise the opportunity to improve their life. It may seem easy to those who know about the importance of business management, however, due to their circumstances and lack of knowledge, it is considered difficult and unnecessary to them.

2. Leaping too soon

Although many SME BOs are reluctant to grow, there are others that venture into a business that is 'too-big and too-soon' which results in them becoming overwhelmed. The data revealed that SMEs with this attitude started their business without proper market research or study on customers' demands. EX DY claimed that, whenever they see business opportunity, they grab it right away and invest too much on it as they focus on short term profit for short period of time. According to EX M and EX DS, SMEs in Terengganu, prone to jump into business with the attitude of 'start big-win big', disregarding the concept of business growth. Thus instead of following the business growth steps from the beginning they may skip few

steps to gain profit faster. Nevertheless, EX EN argued that short-term immediate profit, may generally be difficult to sustain.

According to EN K, this explained the reason behind their main barrier, which revolved around accessing financial resources. There will always be an insufficiency if a small company aspires to start their business with a huge impact right from the start. Most SME BOs tend to overlook the step-by-step in doing business and, they instantly skipped the first few steps. To support this, EN K stated that:

> *The local SMEs are too aggressive; even if the product is not on the market yet, they already invest so much in high-quality packaging, which is unnecessary. We need to do a market survey first before making such rash decisions.*

3. Chain Devotee Concept

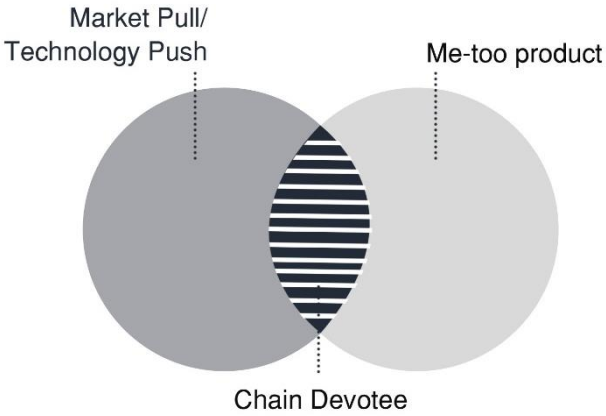


Figure 5.12 Chain Devotee concept

Applying a marketing concept as a foundation for a competitive strategy has been widely adopted by successful businesses (Carpenter, Glazer, & Nakamoto, 2001). According to Sarja (2015), the development of a new product comes either from customer needs (market pull) or from internal or external research (technology push). Following this, the emergence of a 'me too' product penetrates the market in order to inhibit competitors from increasing their profit (Karadeniz, 2009). Conversely, this study reported the emergence of a new concept from the data comparison known as the 'chain devotee' concept (Figure 5.12). The correlation between market pull and 'me too' products was interesting because it was highly

concentrated on market demands, and similar BOs would apply the ‘me too’ products in order to sustain their business and became more competitive.

The chain devotee business defines those who venture into a business only following the current highest demand, without proper market research. Based on the researcher’s observation, at a particular moment, a lot of local SME BOs were selling similar products. However, when the demand slows down, and a new demand emerges, they will start a new business all over again regardless of their strength in creating a product. To support this, EN KH asserted that:

> *The F&B sector is growing. But sadly they tend to* ***follow what's in trend*** *before doing enough research on it and having the required skills. For example, they sell one product, and if they see another product is selling faster, they will stop selling their product and start with a new product. And* ***the cycle goes on.***

EN AB suggested that this attitude was rooted in greed. When BOs see other people succeed, they want to sell the same product too. She added that behaving in such a manner may disregard their identity and she also strongly believed that it is important for SMEs to strengthen their foundation first. Conceivably, chain devotee businesses occurred due to lack of understanding on their business goal and failure to recognise their own USP as they follow other businesses aimlessly.

4. Poor self-confidence

Approximately half of the interviewees reported that the majority of SME BOs in Terengganu have poor self-confidence due to their low education level. Similar to Arthur-Aidoo, Aigbavboa and Thwala (2016) the low level of educational qualification of owners compelled them to exhibit non-standardised managerial practices which resulted in poor human relations among employees thereby affecting business growth. To support this, EN N mentioned that *“one of the reasons why local SMEs fail to grow their business is because their academic level is low”.*

EN KH was asked whether other SME BOs were aware of their problems. He affirmed that some of them were aware, and some of them were not. However, he added that for those who are aware that they lack knowledge, they do not know what to do next, and have no action plan. Unfortunately, they refuse to ask experts,

as they are afraid to be labelled as stupid, so they make their own decisions without experts' recommendations. In addition, a small number of those interviewed also suggested that SME BOs tend to give up easily because they underestimate their own ability. To support this, EN KH stated:

> *Some SMEs also have the attitude of easily giving up if the market doesn't want their product. They don't have the confidence in their product to fight for it. They also didn't even bother finding out the market's demand, the reason their product was not selling or any improvements needed for their product. They should, analyse the comments, and eventually upgrade their products.*

5. Geographically limited

Terengganu is located in the eastern peninsular of Malaysia, which is far away from the capital city. Most people in Terengganu speak Malay with their own dialect with an interesting rhythm and nuances. According to Ghafar's (2017) study on Malay dialect there, he found out that "*other Malay standard speakers find it challenging to understand".* In addition, English usage is uncommon. As a result, the language barriers between Terengganu's SMEs and other SMEs from other states are hindered. Inability to converse may directly affect their self-confidence as well as limiting their opportunities to establish good relationships with other SMEs has resulted in them remaining with the same circle of friends from the same region and field of business. To support this, EX EN explained that BOs were reluctant to communicate with other SMEs from other regions because the majority of them use English as their medium of communication. This can be reflected as a statement that vividly demonstrated the effect of communication onto SBO's self-esteem. For instance, EN KH claimed that when he went for national level events, most of the SMEs in Terengganu chose to be with their friends whom they were comfortable to converse with rather than learn or improve their English. To make things worse, those who made an effort to practice English were commonly mocked. There is a strong possibility that these occurrences may hinder their business growth as good communication skill highly likely may benefit and allow them to converse confidently.

5.3 KNOWLEDGE MANAGEMENT

Thus far, access to financial resources and the attitudes of SMEs were identified as key constraints on business growth, and have already been discussed in the previous sections. The last key constraint that emerged from the data was similar to that highlighted by Vandenberg, Chantapacdepong and Yoshino (2016), namely that poor knowledge management hindered SMEs' business growth. According to Kucza (2001), knowledge management is the planning, organising, motivating, and controlling of people, processes and systems in an organisation to ensure that its knowledge-related assets are improved and effectively employed. In addition, King (2009), points out that "*the goals of knowledge management are the leveraging and improvement of the organisation's knowledge assets to effectuate better knowledge practices, improve organisational behaviours, better decisions and improve organisational performance"(p. 4).*

According to Nonaka and Takeuchi (1995), Japanese companies have been successful because of their skills and expertise at organisational knowledge creation, unlike in this study which reported lower level motivation in acquiring and creating knowledge. To support this, EX TK claimed that most stagnant SMEs do not have enough knowledge and in-depth understanding of their business. As a result, the implications of poor knowledge management among SME BOs was a chain devotee attitude (p. 156). This reflected the correlation between the significance of attitude and knowledge management. In addition, EX EN suggested that: *"When they have poor knowledge management, that's why they see problems and their business only from the surface. They struggle to see the issue holistically".* Thus, based on the interviews and observations, acquiring knowledge as well as knowledge application was more crucial than creating knowledge among SME BOs at this stage. In order to understand knowledge management among SME BOs in Terengganu further, this study explored existing knowledge transfer programmes provided by Malaysia government.

5.3.1 EXISTING KNOWLEDGE TRANSFER PROGRAMMES

Training programmes are important for SMEs because they provide formal opportunities to acquire knowledge (Hunt, 2003). According to SME Corp. Malaysia, (2017) there were a total of 148 SME development programmes implemented in

2017 with a total fund of RM2.50 billion (42.8% of total allocation for the year) to undertake to develop the programmes under government ministries and agencies' purview for the benefit of 66,410 SME beneficiaries.

Table 5.2 SME Development Programmes for 2017 (Government-Funded) by Focus Area Focus (SME Corp. Malaysia, 2017)

Focus Area Access	Number of Programmes	Financial Allocation (RM million)	Targeted SME Beneficiaries
Access to Financing	34	1929.8	22,524
Innovation & Technology Adoption	25	236.7	1,995
Human Capital Development	**40**	**137.7**	**37,820**
Market Access	34	129.5	4,016
Infrastructure	14	61.7	55
Legal & Regulatory Environment	1	8.0	N/A
Total	148	2,503.4	66,410

The highest number of programmes to be implemented in 2017 was for human capital development (Table 5.2), an indication of the government's focus to raise the productivity level of the country's workforce, which consists largely of SMEs. The 40 programmes for this focus area were allocated RM137.7 million (5.5% of allocation) for 37,820 SME beneficiaries (SME Corp. Malaysia, 2017). Table 5.3 lists some of the programmes being implemented by the government throughout 2017, the target recipients and budget allocation.

Table 5.3 Government-funded programmes implemented (SME Corp. Malaysia, 2017)

Program's name	Descriptions	Budget
Pemantapan Syarikat Usahawan Korporat [Stabalising Corporate Entrepreneur Companies]	An entrepreneurship development programme to create 500 entrepreneurs and 100 three-star companies between 2016 and 2020.	RM12.5 million.
Membangunkan Usahawan Lepasan Institusi Pendidikan MARA (IPMa) [Developing entrepreneur graduates of MARA institutions]	An acculturation of entrepreneurship programme to develop 4,500 IPMa entrepreneurs between 2016 and 2020.	RM7.5 million.
INSKEN Business Scale Up Programme	An entrepreneurship development programme undertaken by the Prime Minister's Department that provides comprehensive entrepreneurial skills and knowledge through business counselling, training, consultation and facilitation to empower participants to develop sustainable businesses.	RM7.2 million for 500 beneficiaries
Skim Peningkatan Produktiviti Enterprise - Malaysia Productivity Blueprint (SPPE-MPB)	An entrepreneurship development programme with the focus on productivity improvement.	RM5 million to assist 125 SMEs

SME Seller Adoption	Aims to accelerate adoption of eCommerce by SMEs through national awareness campaigns, training, talent development and the establishment of a one-stop eBusiness resource.	RM0.95 million to assist 20,000 beneficiaries.
Export Training Programme	An entrepreneurship development programme to equip SMEs with knowledge and skills to enhance their export capability.	RM0.75 million to assist 4,000 SMEs.

By reviewing the government budget allocation in the effort to educate SMEs, it would be challenging to understand why SMEs in Terengganu still have a poor level of knowledge. Further investigation on knowledge transfer barriers will be discussed in the following sections.

5.3.2 KNOWLEDGE TRANSFER'S BARRIERS

The challenges confronted by SMEs require education, experience and the motivation to be engaged in business strategies that will lead to business growth (Pena, 2000). In order for knowledge to have a wide organisational impact, it must be either transferred or shared. Knowledge transfer involves the focused and purposeful communication from a sender to a known receiver (King, 2006). Similar to Lindsey's (2006) research, this section aimed to investigate the barriers in transferring knowledge. This is considered as crucial, as it increases understanding of the factors which enable SMEs to comprehend their growth barriers. The research in this area is also likely to benefit agencies which aim to raise the competence level of SMEs in Terengganu. There were seven identified barriers found in knowledge transfer among SMEs in Terengganu. In order to make the discussion clearer, knowledge transfer barriers were clustered into four different groups: experts, stagnant-aspiring SMEs, stagnant-reluctant SMEs and the combination of experts and stagnant SMEs.

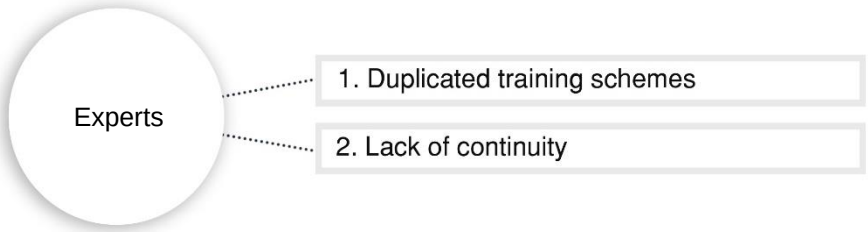


Figure 5.13 Experts' knowledge transfer barriers

Figure 5.13 illustrates the barriers in knowledge transfer found among experts, based on the in-depth interviews and the researcher observation. It was identified that there were multiple training/programme duplications and overlaps, organised by various agencies. For instance, in 2012, branding development related programmes alone were found to have been offered multiple times by various agencies (SME Corp. Malaysia, 2013). Based on the in-depth interviews with the experts, these training sessions offered SMEs a similar topic due to two circumstances. First, agencies were focusing on fulfilling their key performance indicator (KPI) regardless of the SMEs' actual needs. KPI is widely adopted by Malaysian organisations and SMEs agencies. EX S affirmed that:

> *All programmes that we organised were similar to each other. Everybody organised similar programmes, which did not have a standardisation. And at some point, each agency does not have a clear picture on their roles. This is due to the need by the agencies to fulfil our KPI each year.*

Second, there are too many ministries in charge of SMEs and responsible to support them in terms of financial and nonfinancial endeavours. It is indisputable that the Malaysian government acts as both facilitator and catalyst in supporting SMEs' activities. However, duplicated programmes/training were inevitable when there is no single ministry who has sole responsible authority for SMEs in Malaysia. Hironaka, Ashhari and Faizal (2017) reported 15 ministries and 60 agencies were involved in creating and implementing programmes to assist SMEs' development. Even though most training programmes from various agencies were designed to promote growth, they were introduced independently which often resulted in a lack of continuation and monitoring. This was highlighted by EN IR during her interview: *"For example, the introduction of branding. There are a lot of programmes that were organised by agencies regarding this topic, but they do not provide us with the next step. We were left hanging".*

The abundance of programmes offered might give more choice to SMEs, however, they fail to provide the succeeding steps for SMEs to take. For instance, some of these programmes were only for the introductory level, which will leave SMEs

wondering about the next steps. The lack of continuation of support programmes leads to unsuccessful outcomes regardless of the quantity of support programmes.

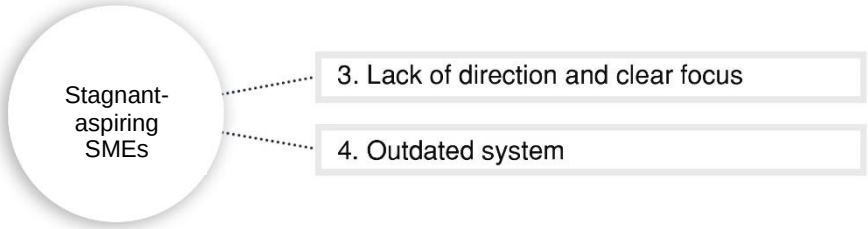


Figure 5.14 Stagnant-aspiring SMEs' knowledge transfer barriers

Based on the findings, the abundance of training provided with minimal monitoring tends to disadvantage SMEs, especially stagnant-aspiring ones (Figure 5.14). The barriers faced by experts left them with a lack of direction and unclear focus due to information overload. Too much information through training provided by different agencies led to confusion among SMEs. This is supported by Mitchell, Walsh and Yamin (2005) who claimed that a logical basis for confusion creation is information overload. SMEs were bombarded with these programmes, which were considered good, but it could be more information than they can handle. According to Sadiku, Shadare and Musa (2016), the human brain can be overwhelmed by the too much information. As a result, SMEs may begin to exercise poor judgment, lose track of things, and lose focus. For instance, when asked about this, EN IR said: *"After each program that I joined, I was left confused. What should I do next in order for my business to survive? And if my product has problem, what should I do first?"*

EN IR also added that most of the programmes that she joined assumed that the participants already had a strong background of business operation even though most appeared to have a low education level with zero to minimal or basic business operation experience. As the program organisers were using a lot of jargon throughout the program, this led to information overload as well as confusion among participants. Based on the findings, EN NS, EN IR and EN MY claimed that they faced a great barrier in acquiring knowledge. They further elaborated that most of their business operating knowledge was acquired through their experience or by 'trial and error', which required time in order to fully understand how to grow their business.

The data also indicated that information overload from the programmes also led to poor understanding about their (stagnant-aspiring SMEs') own business needs. This explained their stagnancy and failure to grow their business even though they aspired for expansion. EX M claimed that the majority of SMEs in Terengganu do not have a clear understanding on how to steer and grow their business.

According to Valdez-juárez et al. (2016), the system used in business operations consequently affects the productivity of a company. Nevertheless, this study found that the majority of SMEs in Terengganu appeared to still be using outdated systems, for instance, manual account keeping or an old cash register machine. The inability to keep up with the fast paced digital world definitely hindered their business growth. For instance, EN MY said, *"I face a great problem doing the accounts for my company. It happens when I fail to monitor my cash flow because I am using the old cash register machine, which produces low quality receipts so that the ink will eventually fade away".*

The correlation between owning an outdated system and inability to adapt the knowledge obtained was the mismatched version of the knowledge itself. For instance, the knowledge introduced for SMEs during training programmes is normally based on current technologies and systems, which contradict with what local SME BOs actually own. According to Kucza (2001), a verification of whether knowledge is still up-to-date is important in order to exclude expired knowledge. The validity of the knowledge has to be analysed and outdated knowledge/systems need to be updated or removed.

Figure 5.15 Stagnant-reluctant SMEs knowledge transfer barriers

Figure 5.15 illustrates knowledge transfer barriers among stagnant-reluctant SMEs. Over half of those interviewed reported that microenterprises in Terengganu relied heavily on their owners. The nature of knowledge among local SMEs was almost all tacit knowledge (Cohen & Kaimenakis, 2007) as it creates a competitive advantage

for the companies (Nonaka & Takeuchi, 1995). Nevertheless, Cerchione et al. (2015) argued that tacit knowledge limits the implementation of knowledge management practice. In the same vein, this study thus far provided evidence that knowledge transfer between BOs and employees was expected to influence the growth of their business. Due to the size of the business, which normally consisted of a minimum of four employees, the decision-making process was highly dependent on the BO. This scenario emerged from the findings where according to EX SH, majority of local SMEs fail to operate the business when something happened to the BO. For instance, the business will shut down if the owner is sick and only resume the operation when the owner is able to work. Further analysis revealed that this scenario had a direct impact on SMEs' failure to establish a standard of operation (SOP) in their business. The majority of local SMEs refused to formalise their knowledge guarding their knowledge about how their product was made.

However, this study showed that all growing SMEs (EN AS, EN MD, EN KH, EN AD and EN AZ) and a stagnant-aspiring SMEs (EN NP) had already established their SOP. EN NP reported a significant difference in her business after she had established her own SOP for her company. She observed that the process of managing her business has become easier especially when it comes to the orientation of new employees. She did not have to explain verbally over and over again, instead, she only needed to provide the SOP to the new employee at the beginning. By doing so, the employees were able to develop understanding of the brand. In addition, if a business has a SOP it would solve the problem of when the BO dies, so the product would not die with them as happens for most microenterprises. This affects employees who may lose their work and consumers who have already established brand loyalty. Thus, it is evident that by establishing an SOP, it solves the tacit knowledge transfer barrier among employees.

Surprisingly, one unanticipated finding was the emergence of *complacent attitudes* towards acquiring knowledge among stagnant-reluctant SMEs. The majority of experts interviewed in this study agreed that some local SMEs appeared to have this attitude. To support this, EX S suggested: *"SMEs need to learn and really understand proper business strategy and business management, not just having the mentality of having 'enough'".*

Further analysis showed that in accordance with the present findings, EN KH claimed that SME BOs may acknowledge their need of new knowledge, however, they refused to take further action by claiming they have “enough knowledge”. As a result, gaining knowledge becomes their least concern, as they were already satisfied with their state of business even though their business need that new knowledge acquisitions to offer a better product/service. One of the reasons claimed by EN KH was they refused to put on effort for knowledge acquisition as they did not want to be labelled as stupid. the data revealed that, local SME BOs have an assumption that asking questions is often associated with lack of knowledge or being stupid.

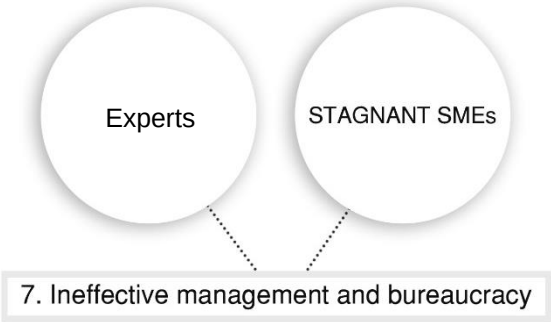


Figure 5.16 Agencies and stagnant SMEs knowledge transfer barriers

A small number of respondents suggested that they experienced problem with ineffective management of agencies (Figure 5.16). Procedures and regulations disproportionately affect SMEs compared to large firms. There are size-based policy biases against SMEs, and more so against smaller firms in the microeconomic environment (Schiffer & Weder, 2001). These biases cover all areas: legal and regulatory frameworks, governance issues, such as bureaucracy and corruption, access to finance and property rights. EN KH shared his experience with a corrupt officer: *“because the grant itself is not as easy as it sounds to get it. I have an experience with one agency, the person in charge asked me, ‘If I sign this, how many percent do you want to give me?’”.*

On the contrary, EN Z suggested that agencies tend to prioritise growing SMEs, helping them to be even more successful, whereas they should give the opportunity to all SMEs equally. In addition, he also claimed that most of the provided facilities and grants, for instance, rented machines for food packaging are given to growing

SMEs only. He further elaborated that the agencies claim that growing SMEs have higher ability to pay the rent compared to stagnant SMEs. However, he claimed that some grant recipients did not use the facilities properly rather, they used the space as their product warehouse. To validate the claims by EN Z, the researcher visited the provided shop houses by the agencies and was surprised to discover they had been abandoned. Due to this ineffective management among agencies, the opportunity to those SMEs who really need help and support is denied. According to EX TK and EX EN, a number of cases like this have been left unattended and will greatly tarnish the image of the agencies. Although this may not be typical among agencies in Terengganu, it has become the perception among SMEs and will hinder them from going to the agencies to seek help. However, if this barrier can be handled, it may improve the whole process in helping the growth of stagnant SMEs.

Nevertheless, evidence of corruption or ineffectiveness did not only apply to the experts' side. A number of interviewees also claimed that there was an abuse of opportunity found among grant recipients. They either fail to properly manage the grant that they received or they deliberately forged the application for their own benefit. EN IR claimed that: *"I saw corruption among the recipients where they don't even use the help and facilities that they received".* This finding suggested the existence of ineffective management and/or corruption among SMEs in Terengganu. Moreover, the claim by EN IR was consistent with that of EX EN. He shared his experience with several SMEs who applied for financial assistance and successfully received it. However, six months later, when he went to one shop for inspection, the BO failed to show the machine he had applied for but EX EN noticed that he had bought a new car. The following conclusions can be drawn from the present study, which suggested that ineffective management found among grant providers and recipients may resulted in some possible cases of fraudulent use of public money.

Above all, in order to avoid this occurrence, the TEDF made an initiative by creating a Secretariat for Entrepreneurship Development to combine all agencies in Terengganu. Their role is to monitor the grant recipients between agencies so that the same person will not receive different grants from different agencies. The next task was to optimise grants' utilisation in order to improve business growth among

local SMEs. Thus far, this effort had shown positive improvements between experts and SMEs.

5.3.3 IMPLICATIONS OF POOR KNOWLEDGE RETENTION

In order to understand knowledge management further, the implications of poor knowledge retention among SME BOs and employees was explored. Figure 5.17 illustrates three implications of poor knowledge retention among SMEs in Terengganu: misunderstanding of branding, limited marketing strategy, and the absence of a business plan.

Figure 5.17 Implication of poor knowledge retention

1. Misunderstanding of branding

As discussed in the literature review in Chapter 2 (p. 12), it is evident that branding can play a key role in business growth. It is apparent from the data that recently, consumers' expectation has shifted towards branding. EX SH affirmed: "*Nowadays consumers are found to be highly brand-conscious. They want value when they spend extra money on branded products"*.

Similarly, EN NP also pointed out that there were also increasing awareness and demands among consumers in Terengganu. However, contrary to EX SH and EN NP, EX NS argued that even though consumers' demand for branded products was increasing, some of them refused to pay extra. This data offered contradictory findings about the understanding of branding among consumers. Branding perception among them was considered to be about an expensive price tag, whereas it is also about product life cycle, environment, experience and emotion. Above all, regardless of high consumer demands, EX DS argued that the majority of local SME BOs did not have sufficient elements of branding, which resulted in

them failing to grow their business. This study identified three misunderstandings of branding among SMEs in Terengganu.

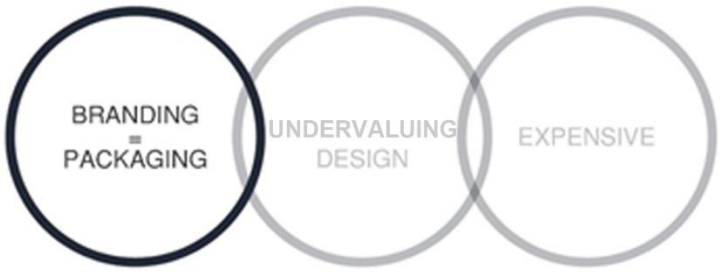


Figure 5.18 Misunderstanding of branding 1

When asked about branding awareness, 6 out of 10 stagnant SMEs interviewees were associated branding with packaging (Figure 5.18). To their understanding, branding = packaging. To support this, EX R stated: “Most SMEs believe that branding is **only** about packaging”.

He further explained that branding is subjective and comprised of many elements. Nevertheless, based on his experience, most SMEs that came for a consultation asked for a packaging design for their product when he recommended them to rebrand their product. It appeared that packaging is automatically associated with branding among local SMEs. In addition, the researcher asked SME BOs if they adopted branding in their business. The majority of them spontaneously answered, that they had packaging for their product. This situation reflected the poor understanding of branding among local SME BOs in Terengganu. In addition, EX SH mentioned that “microenterprises’ *businesses are heavily reliant on* ***geographical location****. Those who are near the city centre, have a strong awareness of it”*.

She further explained the rationale behind the relation between geographical location and understanding of branding. The most apparent indicator she pointed to was the higher number of attractive cafes in city centre. In addition, products sold there were also evident to have a higher quality branding which reflected the level of SMEs’ awareness there.

In spite of the poor awareness of branding among local SME BOs, results of this study supported the findings of previous literature which highlighted the importance of branding for business growth. All experts in this study agreed that branding is one

of the crucial elements in business and considered as an asset to the company. EX R affirmed that:

> *Branding functioned in **maintaining your reputation** in terms of the 'wow' factor of the design element. It helps you in obtaining new clients by having a good impression. And it also helps you stand out in the market among other brands.*

EX R added that the role of branding in maintaining business reputation was also a means of gaining new consumers. Hence, branding relies heavily on consumers. To support this, EX SH and EX NA claimed that branding is able to promote loyalty and trust among consumers which eventually ensures the sustainability of their reputation. For instance, major brands continue to remind consumers of their existence through TV commercial ads. One of the roles of TV commercials is to ensure that brand presence is maintained in the market.

Figure 5.19 Misunderstanding of branding 2

Regardless of the vitality of strong branding, SMEs in Terengganu are prone to undervalue design (Figure 5.19). This explains why only three SME BOs (EN AS, EN MD and EN KH) out of seven that have branding invested in R&D and had referred to experts to do so. However, the remaining four appeared to not practice branding properly. To explain this, EX AQ claimed that the realisation of branding among local SMEs was spreading very slowly even though it could contribute significantly to their business. To them, design/branding did not play a significant role in growing their business. Local SME BOs claimed that they were able to sell their product regardless of the absence of design elements. However, EX SH argued that:

> *Actually, there will be no value if it's just about design. But if we design it well, with a proper branding, it can be a complementary*

commercial tool for success for the brand plus a marketing strategy in commercialising your brand.

According to EX SH, undervaluing design was seen more among conventional SMEs compared to creative SMEs. She further claimed that conventional SMEs were found to be very reluctant to invest in design/branding unless they were obliged to produce proper branding for their business, for instance, if they entered a competition which required a certain level of branding. In addition, EX TK noted that SMEs in Terengganu refused to invest in intangible assets. The importance of design was not yet fully appreciated by local SME BOs as they demanded a tangible ROI on design/branding. A possible explanation for this was they failed to fully grasp the long-term benefits of branding. In contrast, it was notable that EN AQ had a very high level of understanding compared to other SMEs interviewed in this study. Strong evidence of her clear understanding on branding was found when her products recorded the highest growth in Terengganu and managed to win several awards. This showed the impact of branding understanding towards business growth.

A possible explanation for the low level of awareness of the value of design in branding among Terengganu SMEs was the lack of adequate documentation of the influence of design capability and the limited accessibility to those documents. When searching for published articles on branding in Malaysia via the Internet, the number of available documents and their accessibility were surprisingly scarce. In order to confirm this claim, article references were searched further in several Malaysian local universities. The number of published documents on branding in Malaysia was double the amount found via the internet, yet only those on the internet would be easily accessible to SME BOs, if they are internet users. Overall, one possible explanation for this finding was the misunderstanding that SME BOs had regarding the implications of design towards branding. They were unaware of its importance and the impact it may have if applied properly.

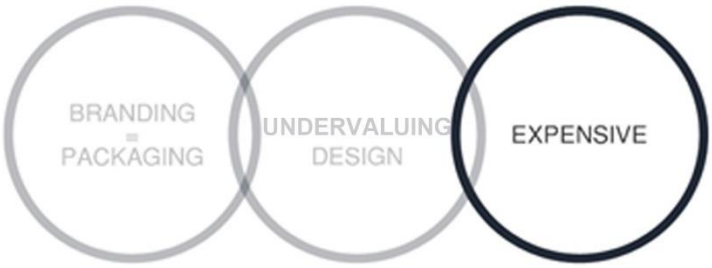


Figure 5.20 Misunderstanding of branding 3

Following the misunderstanding of branding and the undervaluing of design, some SMEs tend to blame their misjudgement of the cost of branding by claiming that the designers/branding consultants deliberately overcharged them (Figure 5.20). From the data, branding consultants/designers were found to be ambiguous about their charging fees. The researcher interviewed a branding consultant (BC) and was able to fathom the misconception that SMEs had towards them:

> ***R****: May I know how does it works for a consultation for SMEs?*
>
> ***BC****: In general, for a general consultation we do it for free. We will charge for product consultation at a very minimal fee.*
>
> ***R****: May I know how much roughly?*
>
> ***BC****: Depending on what subject you are asking. For example if that particular consultation requires us to do research the charge is subject to elements involved, for example, travel/printing.*
>
> ***R****: So, for example, if they require all that, how much will it be?*
>
> ***BC****: As I said it is very subjective.*
>
> ***R****: Okay, what about based on your experience?*
>
> ***BC****: Then I will charge for the transportation and some sort of management fee. Roughly, around RM300 minimum per session.*

This conversation is an example where branding consultants were reluctant to state the exact charge for their consultation. As discussed above, after the question was asked four times, only then did the branding consultant give a rough estimation of the cost of a consultation session. Due to this common occurrence, SME BOs tended to opt for freelance designers who offered a cheaper price. However,

according to EX AQ, SMEs in Terengganu preferred local printing shops for branding consultations as they were seen as offering a cheaper price. When asked about this EN Z supported this:

> ***R****: Do you think the price charged for branding is reasonable for SMEs?*
>
> ***EN Z****: No I don't think so. In my opinion, high street printing design service is* ***better*** *as they* ***provide a printing service together*** *with the design.*

The data revealed that SMEs' preferred price over quality of the branding. According to EX DS, printing shops used templates from the internet with limited choices and designs. That was the reason why they were able to offer the lowest charge for SMEs. It was undeniable that consulting with branding consultants and freelance designers required extra money, EX IK claimed this was because they did thorough research on the product prior to brand development. EX TK further explained the reason behind the perceived expensive charge because on average a designer would spend at least three years acquiring the design knowledge and set of designing skills. EX NA further validated this view:

> *Yes, branding consultants and freelance designers are more expensive. But consider the consultant time and the production of designs based on the SME's brief. They will also do thorough research on, for example, the customer's needs, the target buyers and USP.*

Ultimately, SME BOs have to face the practical realities that require them to produce branding in order to differentiate themselves from their competitors. To support this, EX AQ claimed that even though it was expensive to establish a brand, it was an undeniably crucial necessity for SMEs to grow their business. In addition, effectively using design enables an organisation to increase the perceived value of whatever they are offering and may improve the efficiency of systems within the organisation.

2. Limited marketing strategy

The second implication of poor knowledge retention among SMEs in Terengganu was limited marketing strategy. EX R claimed that branding needs to be paired with marketing for more effective business growth. Based on the data, eight out of 15 SME BOs claimed that they owned a marketing strategy. There were three marketing strategies identified among them: online, offline and sponsorship marketing strategy. EN TB used WhatsApp as her marketing strategy. At least once a month, she sent text messages to all her existing customer to promote her product. EN IR's marketing strategy was through Facebook where she posted her product regularly. She added that, pictures of her product that she posted played a significant role on her sales.

An offline marketing strategy was used by EN SY - a lorry was used for their product advertisement. He added that the lorry was used for transportation of their product across Malaysia. Meanwhile, EN AZ stated that his marketing strategy was through an 'open day' at his farm to see the whole life cycle of his product. He further explained that his company aimed to practice a marketing strategy which offered a consumer experience. One novel finding was the sponsorship of a local football team by EN AS. It was possible for her to do so as her brother was one of the local football players. Thus, she fully utilised the opportunity and used it as her marketing strategy.

On the other hand, there was an increasing concern about SMEs in Terengganu who failed to have a proper marketing strategy for their business. This was shown through the remaining seven SME BOs in this study who admitted that their failure was due to limited knowledge acquisition. EX NA claimed that although *"our food and beverages sector's products have a high quality, however, SMEs* ***lack in applying [a] marketing strategy"****.*

EX TK explained that SME BOs tend to follow traditional marketing styles, especially conventional SMEs. Their motivation to become BOs was solely based on their interest, strength or skills that they possess. For instance, a person who is a good cook decided to open a restaurant without a clear picture of the market demand. There were also similarities between the situation expressed by SMEs in Terengganu towards marketing in this study and those described by Renton, Daellenbach, Davenport and Richard (2015) who highlighted that most of the SMEs

disregard the importance of marketing promotion services. For instance, EN AL stated that as he inherited the business from his parents, the company had already established their name in the market. Hence, he claimed that he did not need a marketing strategy.

Based on the current scenario of marketing strategies among SMEs in Terengganu, this study was keen to understand the reasons for the limited marketing strategy adaptation. Four notions were found from the data analysis: low awareness level, insufficient staff, and complacency and inculpatory attitude. For instance, EX TK pointed out that the majority of SMEs failed to perform any marketing analysis on their product. They often sell their product even without a unique selling proposition (USP). EX TK, EX EN, EX M and EX NA insisted that a USP was the basic marketing concept SME BOs should have. And this was proven by the growing number of SMEs in this study all of which recognised their USP.

According to Shepherd (2005), shortage of personnel in charge limits SMEs' marketing activities. This was supported by EN NB who claimed that she was unable to adapt a marketing strategy due to insufficient staff in her company. She added that there were only four employees in her company who are mostly involved with production of products. This is in line with Omerzel and Antončič, (2008), who claimed that most SME BOs are responsible for both the ownership and managerial functions. EN NB affirmed that all documentation and office work were done by her. However, on the contrary, a number of other interviewees appeared to not have marketing strategies i.e. MM, EN NB, EN NP and EN MY. In addition, the following comment by EN SY: "*One of the reasons is because I don't have enough staff yet. I* ***don't have marketing staff****. That's why I can't do a marketing strategy*" indicates a belief that specialist staff are required.

However, EN MD argued that, regardless of the awareness level or number of staff, the core justification for their limited marketing adaptation was complacency and an inculpatory attitude found among SMEs in Terengganu. For instance, EX EN shared his experience with local SMEs: "*They don't want to learn marketing strategy themselves. At the end of the day, I'm the one who does all the marketing for them. They always gives excuses to avoid the problem*".

In addition, EX DY also shared her experience with local SMEs who blamed the weather for their company's loss. She did not question the reason, however, she argued that SMEs should take action to solve their problems. On the other hand, EX NL strongly denounced the complacent attitude among local SMEs. He further explained that SME BOs need to have a strong motivation in growing their business, But should aim for a smaller rate of growth. To support this, EX S affirmed that "SMEs in Terengganu need to get rid of [… the attitude that their business is big] 'enough'". They need to learn how to operate a business with the appropriate business knowledge.

To conclude, although shortage of employees is a valid reason for SMEs' weakness in marketing strategy, EX TK argued that the key to success was actually to study market demand and accommodate it. He proposed that, if having a proper place for the production of their products was one of the requirements to obtain financial grants, they could start by renting a small factory for the production of their product. EN AS said that she provided facilities for rent for other microenterprises to help their production especially those who have similar product to hers. However, it depends on other SME BOs making a decision to utilise the facilities. EX DY affirmed that SME BOs have to grow their business and develop a strong marketing strategy. She added that the basis of an effective marketing strategy was to know a product's USP and with that SME BOs can target their sales successfully.

3. Absence of business plan

The final implication of poor knowledge retention among SMEs in Terengganu was the absence of a business plan. EX EN claimed that due to the failure of knowledge transfer, SME BOs failed to see the importance of having a long-term goal. In order to clarify the level of awareness and availability of business plans among SMEs in Terengganu, EX SH claimed that "the majority of them **don't have** a business plan and they **refuse to have it.** Because they think they know their business and they just want to execute it based on their vague understanding about it".

Figure 5.21 Types of business plan

However, the interview data showed that all SME BOs affirmed that they had a business plan. However, further questioning showed that there were two types: written and imaginary business plans (Figure 5.21). A written business plan has a similar definition to the Oxford dictionary definition: "*a document that describes a business's aims for the future and the ways in which the business hopes to achieve those aims". S*ix out of 15 SME BOs were able to provide a written business plan, five were growing SMEs (EN AS, EN MD, EN KH, EN AD and EN AZ) and one stagnant-aspiring SME (EN NP). According to the data, there were three identified motives behind the presence of their written business plan: to plan the company's direction, to obtain a grant and for the purpose of entering a competition.

EN AS, EN KH and EN AZ used their business plans as a guideline for the direction of the company and said it was designed before they started their business. They also added that they frequently updated their business plan for a better outcome. For instance, EN AZ stated that he designed a comprehensive written business plan for the next three years. On the other hand, EN NP and EN AD claimed that their motives were to obtain a financial grant, and EN MD stated that his motive was to enter an innovative competition organised by agencies. EN NP, EN AD and EN MD admitted that they had designed the business plan initially for obtaining a grant or entering competition, however, they realised that by having the business plan their business was impacted greatly. They highlighted that a written business plan had helped them realise their goal and motivated them to achieve it. In addition, EX M affirmed that a **written** business plan was one of the elements that can assist business growth.

In contrast to earlier findings, the remaining nine stagnant SMEs failed to provide a written business plan. This is similar to the findings of Bogáth (2017) who claimed that SMEs rarely produce a written strategic plan. The findings were divided into two: half of them (EN SY, EN NZ, EN MY and EN TB) claimed that they have a

rough mental plan, identified as an imaginary business plan and the remaining SMEs (EN MM, EN Z, EN AL, EN IR and EN NS), when prompted further regarding their business, did not appear to have a plan. In many cases, SMEs have the necessary strategic thinking, however, they did not feel the need for this to be written down. When asked, EN SY replied, "I do have a business plan but not on paper properly documented. I have it all **in my head"**.

EN SY added that having an imaginary business plan also meant following 'the flow'. For instance, if there was a demand for his product from Melaka, he instantly directed his staff to send the products there. He further explained that a written business plan restricted his decision making for his company as opposed to an imaginary business plan. On the other hand, it was also identified that five out of 15 SME BOs in this study did not appear to have a plan regarding their business. For instance, this was observed in a meeting between an officer from a government agency and EN MM. When asked about her current business and what her future plan was, she failed to answer. This reflected her partial understanding on her company's objectives.

EX ML justified that if the business plan was not written, it would not only be hard to steer the company, but it would be harder to convince investors or banks to support them with financial assistance. To support this, EX NZ affirmed that SMEs need to see their plans on paper, no matter how well they think they know their products. In addition, a written business plan enables them to keep track of previous, current and future activities of their business. The data analysis indicates that a written business plan is an important factor for business growth. Nevertheless, EX SH admitted that preparing it was a tedious process. For instance, EN NS claimed that the abundance of components in preparing the documents had confused her and eventually she failed to complete it. EX TK and EX M suggested that microenterprises in Terengganu should start with a tool that can help them understand their business before they dive into the preparation of a written business plan. These findings have identified many elements in need of further development in designing a simpler tool for assisting SMEs in Terengganu to grow their business, which will be further discussed in Chapter 6.

5.4 CHAPTER SUMMARY

This chapter provides the answers for **RQ 1** and **RQ 2** obtained from the preliminary analysis of the data. Specifically, this chapter mainly provide answer for **SRQ 1:** What are the factors affecting SMEs' business growth in Terengganu, Malaysia. There are **three** main factors identified that affect SMEs' (especially microenterprises) business growth –i.e. financial resources, attitude and knowledge management. Table 5.4 presents the breakdown of all the findings found through preliminary data collection.

Table 5.4 Findings summary

Main factors	Elements	Findings (SMEs in Terengganu)
Influence of financial resources	Existing support	Four means of supports were found: bank loans, government grants, inheritance and competition.
	Regulation	Regulations set by each agency were inconsistent.
	Misappropriate use of grants	Some SME BOs were found either failed to pay back or to have conducted double financing.
	Manpower shortage	SME BOs failed to employ enough staff which led them to play several roles in managing their company.
	Poorly managed account	The majority of SMEs failed to provide proper accounts for their company which make it harder for them to monitor their business.
Significance of attitude	Attitudinal gap	Two groups of SME BOs were found: conventional and creative.
	Common attitudes	Six common attitudes were identified: complacency, reliance, expectation, inculpation, lack of motivation and lack of curiosity.
	Understanding attitudinal motivations	There were five motivations identified: due to working on a day-to-day basis, they tend to leap too soon, they are chain devotees, have poor self-confidence and are geographically limited.
Knowledge management	Existing knowledge	There were six focused areas of training provided by the government: access to financing, innovation and technology adaptation, human capital development, market access, infrastructure and legal environment
	Knowledge transfer barriers	Expert: training is duplicated and lacks continuity. Stagnant-aspiring SMEs: lack direction and clarity. Stagnant-reluctant SMEs: heavily reliant on owner and have a complacent attitude towards new knowledge. Experts and stagnant SMEs: ineffective management and bureaucracy.
	Implication of poor knowledge transfer	Three main implications were: misunderstanding of branding, limited marketing strategy and absence of business plan.

The first factor discussed in this chapter is the powerful influence of financial resources over SMEs in the pursuit of business growth. The majority of the study informants affirm that financial resources are the most important factor in order to meet the needs of businesses as they grow, and was identified as the key driving force behind business growth. The data shows there are four existing forms of support for financial resources assistance; bank loans, government grants, inheritance and competitions held by several governmental agencies. However, it was found that regulations set by each agency were inconsistent which leads to confusion among SMEs, especially during support application processes. From SME BOs side, the data shows that they were found either failed to pay back or conducted double financing. Manpower shortage also has a great impact on the limited financial resources among SMEs which led business owners to play several roles in managing their company. As a result, majority of SMEs failed to provide proper accounts for their company which make it harder for them to monitor their business.

The significance of attitude among SME BOs was identified to be the second factor affecting SMEs' business growth. The role and importance of attitude are more often underplayed, especially when business growth is equated with, and thus limited to, discussing profit margins of the company. However, this study has identified that attitude plays a significant role in encouraging SMEs' business growth. This study identifies two groups of SME BOs found: conventional and creative. Both groups display advantages and disadvantages that they can inform each other in ways that can stimulate business growth. It is apparent from the data analysis that there are six common attitudes among SMEs in Terengganu, Malaysia: *complacency, reliance, expectation, inculpation, lack of motivation and lack of curiosity*. These attitudes have a great impact on the growth process especially during initial stage of a business's existence. To explain the emergence of these attitudes, there were five attitudinal motivations identified: working on a day-to-day basis, tending to leap too soon, they are chain devotees, poor self-confidence and are geographically limited. Nevertheless, further analysis shows that these attitudes can be overcome through a proper knowledge management.

Knowledge management was identified as a relevant foundational factor for SMEs' business growth based on its universal and dynamic nature, which thereby link the previous two discussed factors. This factor also is where design (in the context of branding strategy) fits into this study fits into this study in answering **RQ2:** What role branding strategy place in promoting SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia? This study discovered that the level of brand awareness within SME F&B companies in Terengganu, Malaysia is very low. According to the experts interviewed in this study, the majority of SMEs (especially microenterprises) in Terengganu opted for printing shops as opposed to branding consultants or freelance designers to brand their products. This proved to be true for SME BOs that were interviewed, who understood branding to be only about packaging. They misunderstand the concept of branding when used as a strategy to promote business growth. The most important finding was although this study was set up to develop a branding strategy for SMEs in Terengganu, the findings derived from the data showed that the SME BOs were not ready to apply a branding strategy in their business. In addition, the data analysis showed that to make such a huge leap is hard because a business need to practical assistance to guide them in taking the action towards growth. Therefore, rather than using design to create a branding strategy, this study aims to develop a pre-branding strategy as a practical tool to stimulate business growth prior to the application of branding strategy which will be discussed further in the following chapter.

CHAPTER 6 RESEARCH OUTCOMES

6.0 INTRODUCTION

Thus far, the discussion in this thesis has focussed on the nature of barriers to business growth for SMEs (especially microenterprises) within the F&B sector in Terengganu. To answer RQ 1 and RQ 2, this chapter aims to provide a new theoretical understanding of factors affecting business growth through the development of a research findings framework. To achieve this aim, this chapter integrates three themes which are financial resources constraints, the significance of business owner attitudes, and knowledge management from the previous chapter. A series of limitations and propositions were developed through the framework, intended as an outcome from this research for other researchers and SME experts across government agencies. Drawing from this framework, a tool was designed to assist SME BOs in Terengganu, Malaysia towards growth. It is anticipated that the tool will help inform the future development of SMEs, and especially microenterprises' business growth. This chapter is divided into three main sections; research findings framework (Section 6.1), relevance of branding strategy for SMEs' business growth (Section 6.2) and application of research findings framework (Section 6.3).

6.1 RESEARCH FINDINGS FRAMEWORK

Many developing countries have endeavoured to help SMEs businesses improve their growth, however, in-depth understanding of factors affecting business growth has yet to be pursued successfully in Terengganu, Malaysia. Over the last 20 years, the rapid increase of microenterprises has resulted growth of businesses in numbers, not in size. Thus, there is a critical need for business growth reform recognised by the state government of Terengganu (Terengganu Economic Transformation Unit, 2017). Business growth among SMEs is crucial and not commonly explored among academics (Temi Abimbola, 2001). The existing forms of support in Terengganu have their associated problems which has been discussed thoroughly in the previous chapter (p. 109). A small number of experts and BOs interviewed (EX NL, EX SU, EX AQ EN IR and EN MY) suggested that most existing support was found to be difficult to follow for microenterprises in Terengganu

because the suggestions are oriented towards the needs and capabilities of larger firms and tend to analyse specific aspects of barriers that affect a wider sector. The data shows that government agencies' intention is to try and replicate large firms' success in SMEs businesses. In addition, previous literature (e.g. Chelliah, Sulaiman, & Yusoff, 2010; Sleuwaegen & Onkelinx, 2014) and the study data shows that greater attention was paid to internationalisation rather than small scale growth (i.e. microenterprises). One such concept is the Blue Ocean strategy developed by Kim and Mauborgne (2005) which offers users a framework for creating uncontested market space and changing the focus from the current competition to the creation of innovative value and demand. The strategy may be reliable among some BOs, however, experts (e.g. EX TK, EX EN) claimed that it was unfit for microenterprises in Terengganu as they commonly have a low level of awareness and motivation to grow their business. There is currently lack of a coherent strategy that suits the current mind-sets, capabilities and behaviours of microenterprises in Terengganu.

Taken together, the findings provide important insights into the factors affecting SMEs' business growth in Terengganu and lead to a series of propositions for encouraging business growth. In turn, this leads to a research findings framework to support SME experts and researchers with making appropriate decisions to encourage SMEs business growth. This framework is inspired by the concept of entrepreneurial ecosystems by Isenberg (2011) that has been discussed in Section 2.1.4 (p. 28). The research findings framework was developed as a result of data obtained during the data collection phase and developed via thematic data analysis. The framework contributes to existing knowledge as each component provides different perspective on SMEs' business growth in Terengganu. The framework aims to benefit academics and designers in evaluating the struggles of SMEs and act as a guide for the experts before offering new programmes for SMEs. It is anticipated that the framework will provide a general guideline for SME experts and other researchers to design a simple and practical tool for SMEs in Terengganu in developing their business which may help increase sales and improve productivity.

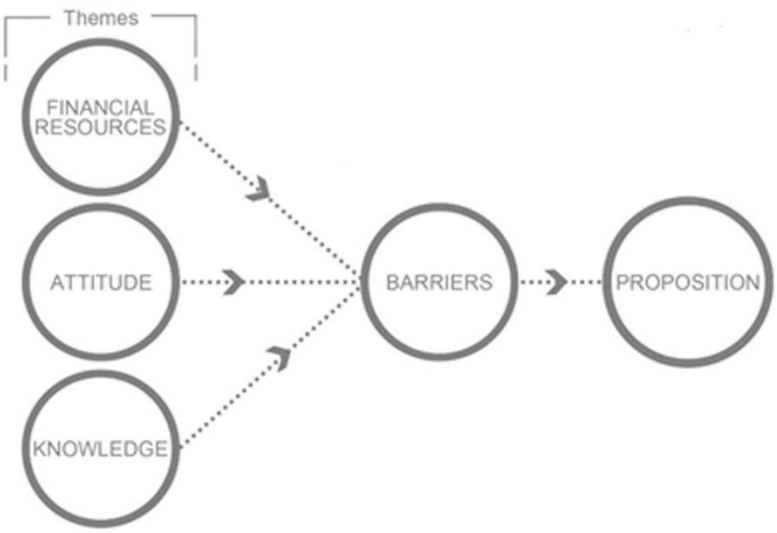


Figure 6.1 Research findings framework

Figure 6.1 provides an overview of the research findings framework. The three vertically-stacked circles on the left illustrate the themes emerging from the findings: financial resources, attitude and knowledge which are the core focus of this framework and anchor the discussion for barriers and propositions phase. Meanwhile, the two horizontal circles to the centre and right are labelled as barriers and propositions where barriers need to be identified before propositions were suggested in a linear manner. The flow of this framework matters and may be explained by the fact that the nature of understanding SMEs' barriers to growth impacts on the propositions. It is crucial to understand barriers in order to identify suitable propositions that is in tandem to SMEs' barriers to growth, and not to be viewed separately.

Barriers: Highlights multiple correlations of business growth barriers among SMEs in Terengganu by exploring the factors affecting business growth that were derived from the thematic analysis presented in Chapter 5. Further discussion follows in Section 6.1.1 below

Propositions: Highlights research propositions for experts and SME BOs: improving financial resources' constraints, overcoming attitudinal limitations and improving knowledge acquisition. These propositions are based in part on the recommendations of experts and existing successful strategies by the *growing SMEs* group in Terengganu. Further discussion of this will be in Section 6.1.2 (p. 171).

6.1.1 BUSINESS GROWTH BARRIERS AND CORRELATIONS

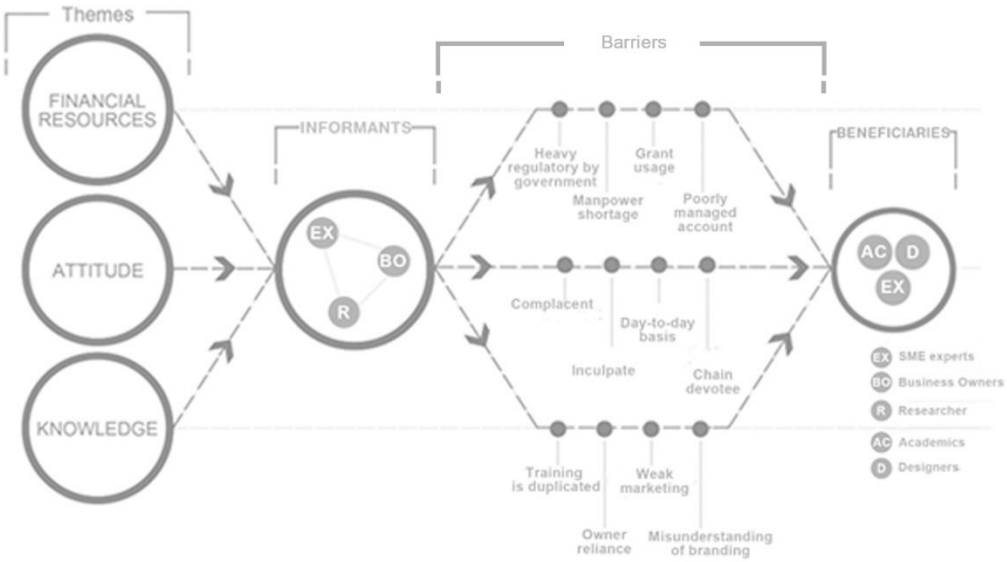


Figure 6.2 Business growth barriers

Figure 6.2 illustrates the key components and constructs of the first part of the research findings framework which include: themes, benefactors, highlighted data and its beneficiaries. Business growth barriers are based on the three aforementioned core themes of this study. All findings are grouped and classified according to the themes, for better analysis and identification of correlations. The data incorporates findings that explain factors affecting SMEs' business growth according to the themes. The research findings framework as a whole was developed in response to both primary and secondary research in this study, but the first part within the framework focuses on the primary research findings. The data analysis led to 12 primary factors that need prompt attention and solutions, discussed extensively in Chapter 5 (p. 109). These factors provide an important opportunity to advance the understanding of what hinders SMEs' business growth in Terengganu, Malaysia.

First, regarding financial resources, the findings were similar to those of several studies (Bakhit & Alamin, 2016; Bongomin et al. 2017; Salikin, Wahab, & Muhammad, 2014; Wang, 2016) which reported financial resources as the most crucial barrier for business growth in SMEs. This study revealed that heavy regulations, manpower shortages, grant usage and poor management of financial

resources were the primary factors that hinder SMEs' business growth, all of which relate to financial resources.

Further analysis revealed that attitude and knowledge management are correlated with financial resources and also hinder business growth. All three themes combined are integral in SMEs' business growth. The findings suggests that when each theme are address separately, SMEs displayed lower rate of business growth. This explains why measures such as financial assistance from the government or training programmes (discussed in Chapter 5 p. 109) have had limited success despite of their overall contribution to economic development and the government's effort to promote them. This is as a result of individual entities such as agencies or policy makers that have tried to encourage SMEs' business growth business growth with approaches that map to each theme separately. There are three correlations (Figure 6.3) found from the data which will be discussed in this section.

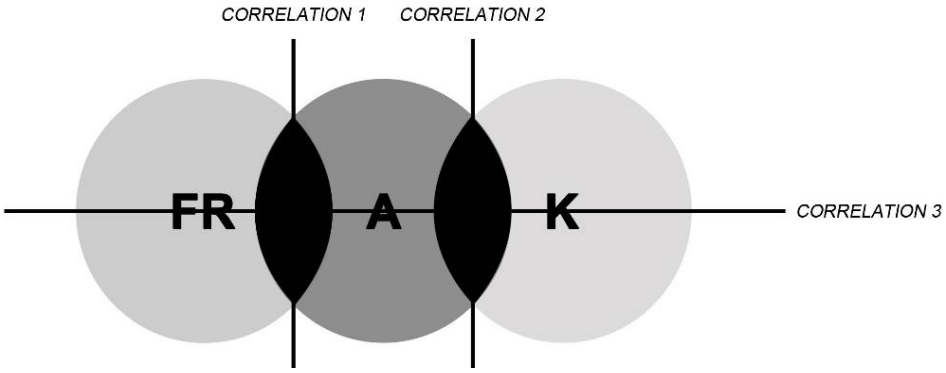


Figure 6.3 Correlations of financial resources (FR), attitude (A) and knowledge (K)

Correlation 1: The study finds that financial resource constraints are highly related to the attitude of SMEs. In section 4.1.2 (p. 97) SMEs were grouped into *growing* and *stagnant SMEs* based on their attitudes to growth. The findings show that no *growing SMEs* in this study referred to financial barriers as the main factor limiting their growth when they were interviewed, which strongly reflects their positive attitude. For instance, when questioned on how they managed to obtain financial resources, their answers mostly concentrated on the process of obtaining the assistance, with little regard for the heavy regulatory requirements in applying for grants. Overall, their positive attitudes towards the process can be seen differently in these measures compared to the *stagnant-aspiring and stagnant-reluctant SME* (section 4.1.2 p. 97) group. As the attitudinal gap among SMEs and experts are

significant in relation to financial resources, data from the informants of this study (all SME experts) support the claim that both themes to be indirectly affecting each other. A possible explanation for this might be that when SME experts keep providing financial assistance and expect SMEs to receive and grow their businesses which is reflected in a low efficacy rate among SMEs in Terengganu. The results of this study highlight that *complacent* and *inculpatory* attitudes (section 5.2.2 p. 130) are the two most common attitudinal categories among SME BOs in Terengganu. Along with the pressing issue of accessing financial resources, a prevalence of *complacent* attitudes was found especially among *stagnant-reluctant SMEs*. The majority of the experts reported that *complacency* is the most common attitude among SMEs. All *stagnant-reluctant SMEs* (EN SY, EN Z and EN AL) displayed *inculpatory* attitudes. They resorted to blaming everybody else but themselves as a result of their inability to develop their business. The possible reason is that SMEs in Terengganu operate in a repetitive day-to-day basis, as discussed in section 5.2.3 (p. 136). This routine may have affected their mind-set and attitude towards business growth as they do not have enough time to think about anything other than their daily obligations.

Correlation 2: Further analysis showed that, the attitudinal gap resulted in chain devotees (p. 139) who are prone to invest and follow the latest trends in business rather than conduct proper research on the business that they already own or the one they wish to start. The data shows that this attitude directly impacts SMEs' knowledge acquisition, and to overcome the attitudinal gap, SMEs need to manage their knowledge. For instance, the *growing SMEs* group were reported to join more training programmes compared to *stagnant SMEs*, which affected the way they perceived and acted upon knowledge.

Seven SME BOs (EN AS, EN MD, EN AZ, EN KH, EN AD, EN TB and EN NP) indicated that duplicated training was the most common barrier to learning how to improve poor business growth. Regardless of experts' intention to enhance SMEs' knowledge acquisition, there was an unnecessary overlap in content because there is insufficient coordination in SME training activities, and no single body responsible for it'. As a result, SMEs commonly fail to obtain the intended objectives and expected outcome from the training. Poor knowledge acquisition results in a misunderstanding of branding and weak marketing strategy, which are the key

components in operating a business, regardless of its size. When SMEs are unable to understand the concept of branding and marketing, their businesses have a lower chance of achieving growth.

Correlation 3: The observed correlation between financial resources, attitude and knowledge are shown in Figure 6.3. As *correlation 1* discussed the relationship between financial resources and attitude, *correlation 2* discussed the relationship between attitude and knowledge and *correlation 3* shows the relationship between all three. The findings of this study suggest that all three themes require equal attention as they are related to one another. However, SMEs are normally set up and managed by individuals who may not have the skill sets to manage the whole business effectively. BOs may have specific skills such as in production, marketing or product development but lack other important competencies, which are critical to the success of their ventures. Such deficiencies create opportunities for future propositions to close the gap. Thus, these results suggest that to promote business growth among SMEs in Terengganu, all three themes have to be addressed. In order to understand the appropriate financial resources that can be obtained, SMEs need to have a positive set of attitudes and to acquire knowledge successfully.

6.1.2 BUSINESS GROWTH PROPOSITIONS

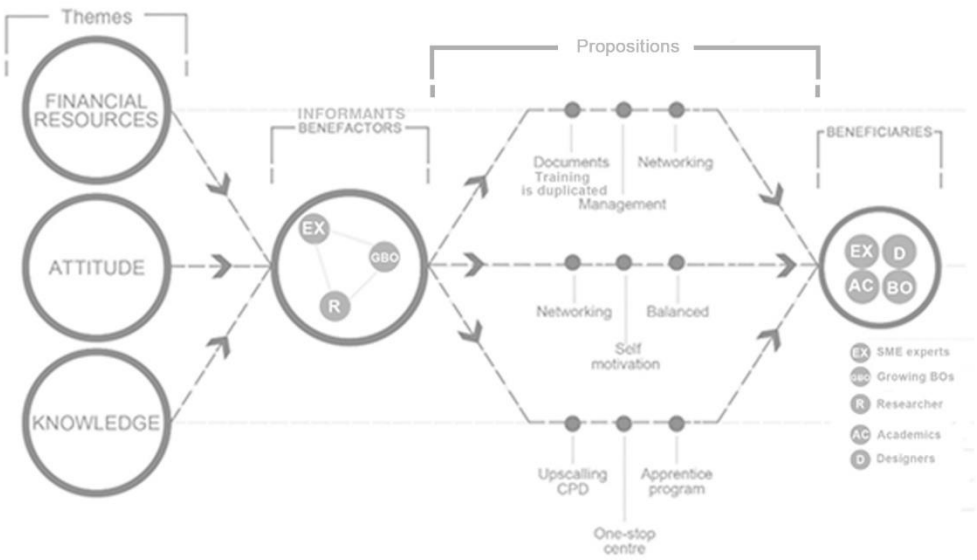


Figure 6.4 Business growth propositions

Figure 6.4 illustrates the key components and constructs of second part of the research findings framework: themes, benefactors, highlighted data and

beneficiaries of the data. Fifteen SME experts (section 4.1.1 p. 88) were interviewed in an attempt to develop suitable propositions to promote business growth of SMEs in Terengganu. This section introduces nine research propositions that address the barriers described in the previous section. The propositions are summarised below, grouped under the three themes.

Financial resources: According to EX TK, EX S and EN AZ, the majority of SMEs in Terengganu do not have proper documentation. It is crucial for SMEs to have proper documents in order for them to record their sales in terms of cash flow, profit and loss. The first proposition is *detailed documentation* which will help SMEs in applying for financial assistance either from banks or the government. The second proposition is *systematic management and documentation* of the company, as it will help them greatly in managing their business and planning their consequent steps to grow their business or investment. Finally, the third proposition is *networking between SMEs and government or bank officials* in order for them to receive continuous updates on any upcoming financial grants or assistance. Further discussion of these propositions follows in section 6.3.1.

Attitudinal gap: The attitudinal differences between *growing* and *stagnant SMEs* were compared and discussed extensively in section 5.2.1 (p. 127). Over half of *growing SMEs* that were interviewed reported that *networking with other successful SMEs* made the biggest impact on their attitudinal change. This finding was consistent among EN AS, EN KH, EN M and EN AD. The next propositions *are self-motivation* and *work-life balance*, two attitudes that allow SMEs to focus on themselves and to take into account their future plans. Both may have resulted from networking and emulation of successful SMEs. Further discussion follows in section 6.3.2.

Knowledge acquisition: The findings of this study suggest that almost half of the barriers among SMEs can be addressed by establishing a *centralised entity* to manage and monitor training/support for SMEs. The second proposition is *the government apprentice programme*, which gathers successful SMEs from Terengganu and uses them as a catalyst to help other SMEs. By using successful SMEs from the same state, it aims to ensure a higher success among SMEs as they will have a mind-set of “if they can, why can’t I?” Approximately half of those

interviewed reported that the knowledge barriers among SMEs in Terengganu was caused by a heavy reliance on the owner. Therefore, *continuing professional development (CPD)* is the final proposition to overcome knowledge barriers. According to the Energy Institute (2017), CPD is any activity that helps a person maintain and develop their professional skills and competence. Further discussion will be in Section 6.3.3.

In order to summarise all the propositions suggested for this stage, Table 6.1 presents a breakdown of the key barriers affecting SMEs in Terengganu, recommendations and responsible individuals. The table provides an overview of the nine propositions, based on three major barriers among SMEs in Terengganu. The table also provides a list of responsible individuals for specific actions, either the governments or BOs.

Table 6.1 Barriers affecting SMEs in Terengganu, propositions and responsibilities

Themes	Barriers	Propositions	Responsibility
Financial resources	Heavy regulatory governance	Providing detailed documentation	BOs
		Establishing positive networking between officials and SMEs	
	Misappropriate usage of grants	Operating proper management in terms of follow-up and monitoring	BOs & Government
	Manpower shortage		
	Poorly managed accounting	Providing detailed documentation	BOs
Attitudinal gap	Complacency	Networking with other SMEs and influence of successful ones	BOs & Government
	Reliance	Balanced livelihood between business and effort	BOs
	Expectation		
	Inculpatory attitudes		
	Lack of motivation	Self-motivation by realising own aim and goal	BOs
	Lack of curiosity		
Knowledge acquisition	Duplicated training scheme	Centralised entity (One Stop Centre)	Government
	Lack of continuity		
	Ineffective management/bureaucracy		
	Lack of direction and clear focus	Apprentice programme	BOs & Government
	Outdated system	Up scaling/CPD	BOs & Government
	Heavy reliance on owner		
	Complacent attitude towards knowledge		

6.1.2.1 IMPROVING FINANCIAL RESOURCES' CONSTRAINTS

Figure 6.5 Improving financial resources' constraints

Previous studies by Capability and Fischer (2013), Karlan and Valdivia (2011) and Joshua (2010) examined the impact of access to finance on the growth of SMEs. They concur with Beck and Demirguc-Kunt (2006), that financing obstacles were growth-constraining for small firms and prevented them from reaching their optimal size. Collectively, these studies acknowledge the crucial need for financial resources in business growth and suggest their critical role for SMEs in Terengganu. Insights based on the literature review and the empirical findings of this research have confirmed that the lack of adequate financial resources places significant constraints on the development of SMEs in Terengganu. Despite the fact that a number of SMEs are already utilising government grants and financial assistance, finance remains a critical issue to them. Results from the interviews also indicated that the majority of Terengganu SMEs are willing to adopt illegal financial borrowing or struggle with inadequate facilities, which lead to stagnancy of their business.

The analysis produced three propositions (Figure 6.5) relevant to improving financial resource constraints.

P1 Preparing detailed documentation

The first part of this section will examine the needs for detailed documentation by SMEs relating to obtaining financial resources assistance. When EX TK was asked the reason SMEs in Terengganu find it hard to obtain financial support, he explained it was:

> *Because they failed in providing proper documents for the application of financial assistance, for example, business organisation, proper and formal accounting records, as well as a*

business plan which the bank needs to see their future plans and the direction of the business.

Results indicate that SMEs in Terengganu often do not pay sufficient attention to the issues of business planning, such as those related to financial track records, credit records, and especially a proper documentation system. This extends the previous research of Vandenberg, Chantapacdepong, and Yoshino (2016) who also claimed that most SMEs lack financial literacy in preparing a good business plan and the documentation necessary for loan approval. To support this, EX SU reported that 80% of the documentation, especially of accounts, was very poor among SMEs in Terengganu. The interviews revealed that BOs do not want to hire qualified personnel to manage their accounts because they have a mind-set of managing their own money. EX SU further stated that the reasons they do not comply with preparing proper documentation are because they do not know how to do it or do not want to do it and they do not want to pay income tax.

When EX MU was asked whether SMEs in Terengganu have proper documentation or not, she concluded that "*it depends, some of them do and some don't. Those who don't, actually don't follow due to lack of knowledge. They can't see the impact or reason they need to document everything"*. In addition, EX TK stated that many who succeed in their business do so because they have made and recorded proper documentation. This is supported by all *growing SMEs* group which revealed how impactful proper documentation have to their businesses' growth.

P2 Operating proper management in terms of follow up and monitoring

The empirical findings suggested that government support measures were abundant, however their monitoring after providing the assistance was inadequate. Despite the financial resources, grants and facilities provided, the Terengganu state government's policies are not properly monitored. Government policies, legislation, regulations and laws are vital to the development of a SME sector anywhere. Government support can facilitate or hinder SMEs' development as well as create an environment that can encourage or discourage their adoption of financial management; hence Terengganu SMEs would benefit greatly from a robust policy that includes provision for ongoing support.

Since 2014 there has been an effort towards proper management by the Terengganu Entrepreneur Development Foundation (TEDF), where they established the Terengganu Council of Entrepreneur Development (TCED). TCED was established as an consultative platform to optimise the use of resources from all entrepreneurial agencies involved in enhancing the impact of entrepreneurship programmes and activities as well as the coordination and formation of SMEs in Terengganu. In addition, TCED is the primary platform for gathering information for the evaluation and monitoring of the achievement of entrepreneurship programmes in Terengganu. To support this, according to EX S there is "*a collaboration between 34 entrepreneur agencies in Terengganu and it is monitored under TCED because, before the council was established, all* programmes *organised were duplicative and repetitive"*. EX TK also added that TCED tries to locate available funds for local SMEs. If SMEs need assistance with facilities in producing food, TCED will guide them to the appropriate fund, and it will avoid double financing (section 5.1.3 p. 118). For example, for starting up their business, they can link SMEs with other agencies. There is also a special fund for growth and TEDF can assist them with that. TCED also may enable TEDF to reduce the 'misappropriation of grants' (p. 119).

P3 Establishing positive networking between officials and SME BOs

A study by Gunto and Alias (2014) indicated that there is a significant and positive effect of networking with officials in government agencies on the ability of SMEs to gain financial assistance. Similarly, this study also identified that the impact of good networking between SMEs, and officials in government agencies will help them greatly in attaining the financial resources. Maintaining networking does appear to have an important impact on BOs chances of getting financial assistance, and also helps businesses obtain information regarding available financial grants faster. To support this, EX S claimed that if SMEs maintain their positive relationship with the officials, their chance of obtaining relevant information is smoother compared to SMEs who do not have positive networking with the officials. The findings of this study are consistent with those of EN KS who suggested that:

> *We, as BOs, need to be proactive and* ***keep in touch with the agency****. We need to have the determination to learn as much as we can by regularly keeping in touch with them. Instead of waiting*

and blaming the agencies (inculpatory attitude) claiming that they didn't help, why don't we change our attitude first?

6.1.2.2 OVERCOMING ATTITUDINAL LIMITATIONS

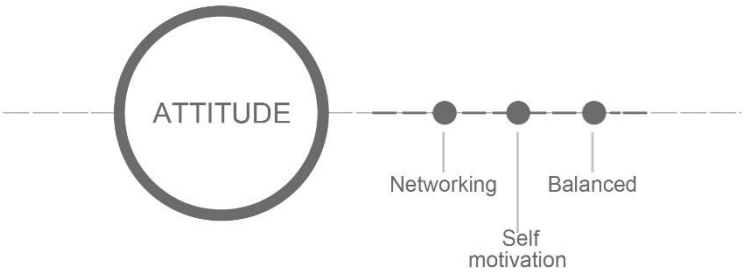


Figure 6.6 Overcoming attitudinal limitations

The analysis of interview data analysis suggests that an overall attitudinal change amongst interview participants is needed to improve business growth among SMEs in Terengganu. This claim does not only apply to the SMEs however, they must also work together with the experts to ensure significant improvements. In addition, concurrent with the change in SME BOs' attitude, the experts have to vigorously enforce systemic change by providing a platform for SMEs to establish their networking. There are similarities between this study and those described by Sommer (2010) who stated that attitudes have a major impact on SME business growth. This finding also corroborates the ideas of Arthur-Aidoo, Aigbavboa and Thwala (2016) who claimed that BOs' attitudes may have positive or negative impact towards the growth of their business. The approaches in altering the SMEs' attitude are shown in Figure 6.6 and labelled as P4, P5 and P6 for further discussion.

P4 Establishing positive networking among SMEs

EX TK claimed that majority of *stagnant SMEs* in Terengganu are isolated because they are too confined in their own comfort zone. EN AZ explained that "*SMEs stay within the* ***same circle of friends****. They don't expose themselves and mingle with those who are already successful in order to learn from them"*. To overcome this, BOs need to broaden and seize their networking opportunities with other successful SMEs. In addition, they would benefit from developing a strong relationship between other SMEs in their sector as well as those in other sectors. The study found SMEs

do benefit from networking, for example, by having several options of raw material suppliers or access to better branding consultants.

When SMEs broaden their network and use the most suitable means of production and suppliers, they can reduce their production costs and increase their profits. Prior to learning about networking, EN AD only knew about SMEs in the same business sector, and agreed that his networking radar was limited. He had operated his business using the existing business style established by his father. However, after he joined one of the programmes organised by TEDF, he stated: "*My mind became broader and I met a lot of new friends and successful BOs. I learned a lot about business knowledge from this program. This program is one of the keys to my success today"*. He also added that before that, he had attended all the training provided, without understanding and really learning anything. However, after he met and made a new circle of friends, he got the idea of the starting point and the necessary actions to take. Networking may decrease the complacent attitude among SMEs in Terengganu by challenging them and expanding their view.

P5 Encouraging and developing self-motivation

SME BOs' self-motivation and productivity appeared to increase through networking because they felt more involved with their business and more responsible, had positive perceptions of business growth and actively strove to develop their business. This also accords with earlier observations of EN AS, EN M, EN KS, EN AD and EN AZ. For instance: when asked why EN MD believed in their business despite several rejections, he replied: *"In any business, I believe there is no right or wrong. As long as SME BOs believe in their product, they just go on. There must be a way and success will await them for sure".* He also added that one of the reasons he believed in his product 'Roselle' was because it belongs to the hibiscus sabdariffa species, which is also very similar to the national flower of Malaysia. It was clear he had a vivid understanding of his business path. Another SME BO, EN AB shared this view on the need for self-belief

> *SMEs have to let experts know their problem as there is* ***nobody who understands*** *and knows the problem* ***except themselves****. Instead of waiting and blaming the agencies claiming that they*

> *didn't help, why don't you* ***change your attitude first and start being proactive.***

In essence, positive self-motivation can be achieved via establishing networking with successful SMEs and government agencies by serving as an example or sharing guidelines towards business growth. EN KS claimed that SME BOs need to have the self-determination to learn. They need to be proactive and keep in touch with the agencies as nobody can help them besides than themselves unless they seek help.

P6 Balanced livelihood

The findings revealed that the majority of SME BOs in Terengganu operate their business on day-to-day basis, seven days per week, while a small number did not have fixed operating times and days. A poor work-life balance may affect the owner and the employees. It also can lead to poor attitudes towards customers or even dangerous work practices. For instance, EX R said:

> *For example, there is a bus express company called NAILA Express Bus, who is very successful but because of several driver's attitude in causing an accident, the company was closed after two years. The bad attitudes of their workers will harm the name of the brand. If you have an employee with a bad attitude, you better fire them.*

Evidence of balanced livelihood leading to progressive business growth can be seen in EN AS and EN AZ. EN AS indicated that she is very particular with following working days for six days a week and does not operate her business on Fridays. Even though she only took a day off from her week, she claimed that it helped her greatly compared her situation to before she implemented this schedule. As a result her productivity improved and led to in greater success with grant applications. During the data collection stage, five of six agencies mentioned her as a successful SME in Terengganu. EN AZ reported learning from other successful SME BOs who practiced balanced livelihood. He mentioned that after attending several seminars and programmes, he changed his working day into five days per week. Two days off gave him ample time for himself which improve his work ethics. Thus, BOs'

schedule should be well balanced. In order to achieve that, scheduled working hours are preferable to working on an ad hoc basis. They need to give themselves at least a day off each week. Therefore, they can have a good rest and it can also boost their productivity and emotions.

6.1.2.3 IMPROVING KNOWLEDGE ACQUISITION

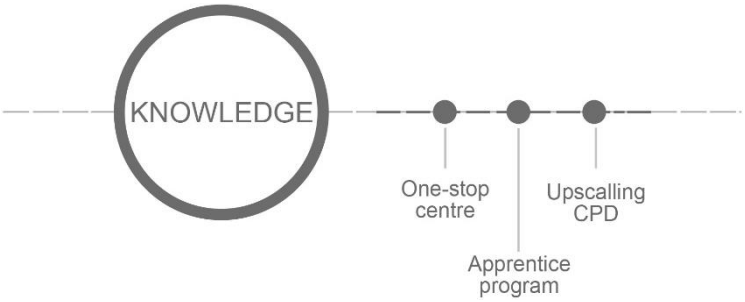


Figure 6.7 Improving knowledge acquisition

To sustain market presence and promote business growth, SMEs need to improve their efforts in knowledge acquisition. The data revealed significant impact on SMEs business growth of a company that prioritised knowledge acquisition than a company who is not. Further analysis discovered three proposition (Figure 6.7) discussed below.

P7 Establishing a centralised entity

Among the barriers to acquiring knowledge among SMEs in Terengganu are duplicated training and the lack of continuity of programmes. Due to these ineffective efforts by the government, the focus needs to be shifted to develop a centralised entity, which controls and manages all the agencies that will benefit SMEs: financial assistance, training and seminars. A centralised coordinating organisation, described here as a 'One-Stop Centre' (OSC) could keep pace with the programmes offered by the agencies. Hogrebe, Nüttgens, and Kruse (2008) proposed that such a centre should be responsible for monitoring and managing each program as well as informing SMEs about the programmes offered. In this study, EX TK stated that the:

> *Terengganu Entrepreneur Development Foundation (TEDF) managed to establish a* ***Terengganu Council of Entrepreneur Development (TCED)*** *which monitors 34 government agencies*

related to SMEs. We will locate available funds for local SMEs and if they need assistance with facilities, we will ***guide*** *them with the appropriate funds and* ***will not overlap*** *with other similar funds.*

He further explained that for start-up businesses, TCED will link SMEs with either government agencies (in this case, TEKUN or MARA) that can provide financing facilities for SMEs. If they need to buy equipment, there is a special fund from SME Corp (government agencies). Therefore, SMEs can gain insights regarding all of the financial aid under one roof. That is how TCED functions as it aims to improve the accessibility between SMEs and government agencies.

Table 6.2 Differences between TCED and OSC

Terengganu Council of Entrepreneur Development (TCED)	One-Stop Centre (OSC)
One of the departments, which is operated by TEDF.	Sole organisational body that focuses on managing all the agencies that support SMEs in Terengganu.
The officials in charge have other responsibilities in the foundation.	The officials solely focus on managing SMEs and directing them to responsible agencies.

In addition, further analysis reported several significant differences in management between the proposed OSC agency and TCED (see Table 6.2). From the table, it can be seen that by far the most significant difference between them is the work scope of their officials and their management system. Although the differences between these two organisations still exist, there appears to be an agreement between TCED and OSC that both of them aim to aid SMEs in developing their business. The OSC is in a sense an enhanced version of TCED, which could establish a hub to support SMEs across the region in their start-up and expansion plans. Thus, an OSC or similar organisation could improve and standardise the management of SMEs in Terengganu.

P8 Apprentice programme

Rapid diffusion of microenterprises in the F&B sector throughout Terengganu can be controlled by encouraging them to develop and grow their business. The most striking observation to emerge from the data comparison on how to encourage *stagnant SMEs* to develop their business was the use of *growing SMEs* as examples. Due to limited opportunity to access knowledge and also low education levels, SMEs in Terengganu mostly had to rely on their instinct and what had been

done previously if the business was inherited. Almost all (98%) SMEs in Terengganu are microenterprises (Department of Statistics Malaysia, 2016). This figure may reflect the difficulties faced by *stagnant SMEs* as they attempt to develop their businesses. When asked how to convince SMEs to change and simultaneously develop their business, EX R stated: “Give them the example of a real-life successful SMEs in Terengganu and make an apprentice programme in which those successful SMEs guide them in doing business”.

An apprentice programme is one of the routes to business growth with a positive impact on *stagnant SMEs*. It encompasses the combination of on-the-job training and related business management under the supervision of *growing SMEs* to learn the practical and theoretical aspects such as production, branding and distribution of the products. The apprentice programme provides a valuable route for *stagnant SMEs* to develop their business. According to EX S, TEDF has been running an apprentice programme since 2014 named ‘Pembimbing Rakan Usahawan’ (Entrepreneur Mentoring Programme) which is similar to the apprentice programme. TEDF selects *growing SMEs* who will guide *stagnant SMEs* in setting up or growing their business. In addition, they also have a programme called ‘Jihad Business’, which all participated *growing SMEs* are willing to teach and guide *stagnant SMEs* in doing business free of charge.

EN AB highlighted that by joining the apprentice programme, she met many successful BOs and gained useful advice and tips from them. She reported that all *growing SMEs* shared their knowledge and skills with *stagnant SMEs*. The present findings seem to be consistent with the report of EN AS when she shared her experience of being the mentor in the Entrepreneur Mentoring Programme:

> *I invite them to my production factory and share my tips and know-how on business. I also devote one day a week for three months for one-to-one consultation. I even offered them my production house to produce their product since they do not have a proper place to produce their product in order to get a halal certificate.*

Thus, this study proposes that more BOs need to participate in the existing programmes apprentice programme organised by TEDF as the objective of that programme is jointly determined by the *growing* and *stagnant SMEs*. *Growing SMEs*

primarily serve as facilitators or catalysts and *stagnant SMEs* can benefit directly from the programme. In the apprenticeship approach of the programme, goals are measured through business growth instead of through the amount of production. Emphasis is given to acquiring specific business knowledge and skills for business growth and sustainability.

P9 Continuing Professional Development (CPD)

The majority of SME BOs in Terengganu have been found to have a lack of business management and experience. There were similarities between the attitudes expressed by SME BOs in this study and those described by Kamunge, Njeru and Tirimba (2014) who affirmed that most SME BOs develop their business through a process of trial and error. This study highlights the need for CPD so that businesses do not rely only on the BO. By practising CPD, BOs can look forward to developing their business and consequently have positive business growth. To support this, EX NZ added that "*SMEs have to think out of the box. You cannot just sit and wait for your store to die. You have to preserve your recipe and offer something that big stores cannot do"*.

As part of SMEs' business growth, SME BOs need to keep up with the evolving market needs, policies, technologies and knowledge. Persistent change in consumer needs, market demand and production methods, as well as other potential competitors and pricing per unit, makes updating and maintaining the knowledge and skills of BOs and employees more important than ever. CPD in this study refers to documenting production procedures to maintain, improve and adapt the knowledge, skills, attitudes and practices of systematic productions, so that they can continue to safely and effectively develop and eventually sustain the business.

There is some evidence of the positive effects of CPD, for example, improvements in knowledge, skills and attitudes, as well as in business growth among SMEs in Terengganu. The most striking result to emerge from the data is that the majority of *growing SMEs* have implemented a successful marketing strategy. EX TK points out that:

> ***First*** *it depends on the* ***brand,*** *which is crucial to them to develop and enhance and also maintain in order to be an equity to their*

> *business.* ***Secondly,*** *the* ***cost*** *of doing the* ***marketing****, the relationship on how cost can affect their marketing strategy and the need to fully understand each and every cent spent for marketing purposes.* ***Next,*** *is* ***business communication*** *and whether they fully understand it? For example, how they conduct their campaign and how they* ***position*** *themselves in the market target.*

The relative effectiveness of CPD methods for the F&B sector depends on numerous factors, such as the details of the recorded recipe and production process, methods of measuring the ingredients as well as the effectiveness of delivering the methods, which will result in the ability of the employees to reproduce the products using the instructions or standard operating procedures (SOP). One example is from EN NP who now has an SOP for her pizza-making business that has significantly boosted her productivity. Furthermore, she added that by having an SOP, it also eases the process of training a new employee for her company. Thus, to conclude, effectiveness and business growth are significantly increased when CPD is linked to business progress and multiplies employee productivity.

6.2 RELEVANCE OF BRANDING STRATEGY FOR SMES' BUSINESS GROWTH

In order to answer **RQ 2** (What role can branding strategy play in promoting SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia?) the link between branding strategy and business growth was explored via in-depth interviews (described in Section 3.5.2 p. 78). Gaining competitive advantage is increasingly recognised to be crucial in achieving SME growth (Eggers et al., 2013). There is a consensus among researchers that developing a strong brand as an appropriate means to remain competitive in marketplace (Aaker, 1996; Abimbola, 2010; Keller & Lehmann, 2003). Furthermore, effective branding allows a business to achieve long-term competitive advantage (Muhonen, Hirvonen, & Laukkanen, 2017) which provides consumers a compelling reason to buy from that particular brand (Kevin Lane Keller, 1993). Within this study, EX R described branding as the 'heart' of a company that allows them to survive. EX TK suggested that:

> *The strongest brand will sustain the longest. No matter when they increase their product, if the brand is already strong, then they will sell the product and customers will follow and buy their product.*

The view of EX TK is in agreement with Ojasalo, Nätti and Olkkonen's (2008) findings which showed that strong brands are beneficial in terms of gaining new consumers and strengthens consumer relationships. It can therefore be assumed that strong branding enables a business to create and/or increase brand loyalty. When asked about consumer's purchasing behaviour in Terengganu, EX AF claimed that current consumers showed higher interest in branded products and are willing to pay extra for brands that they are familiar with. This view is supported by EX SH who asserted that a product's price depends on the value of the brand which is perceived by the consumers. However, the reality of most SMEs in Terengganu are they are still reticent to invest in brand development. EX AF suggested that SMEs in Terengganu prone to have *complacency* attitude (Section 5.2.2 p. 130) where they fail to have a long-term plan for their business. A majority of them have a mind-set of 'if I invest on brand development, I will not have enough money for this month'. This result may be explained by the fact that majority of SMEs in Terengganu remain stagnant in micro-sized operated companies as branding strategy only found among *growing SMEs* (i.e. EN AS, EN MD, EN KH, EN AD and EN AZ). In addition, EX TK affirmed that despite having a good quality product, most SMEs in Terengganu have a poor brand image.

Therefore, it can thus be suggested and supported by EX TK that what is crucial for SMEs is to start and/or improve brand development process by developing strategy to achieve strong branding. Similarly, Wong and Merrilees' (2007) study confirms that there is a significant connection between strategy and brand performance. The finding helps to reinforce findings presented in the literature that branding strategy can drive action that leads to business growth. A possible explanation for this finding may be that branding strategy enables a pragmatic approach to business growth. However, the data revealed that businesses within the *stagnant SMEs* group in Terengganu were not ready to apply branding strategy. EX TK alluded to the notion the majority of SMEs refuse to apply and invest in branding strategy for their businesses. A possible explanation for these findings may be their lack of adequate understanding of long-term benefits of a strong brand. EX TK also added that most

SMEs fail to understand the importance of brand equity. The study data supports the claim that SMEs in Terengganu were unequipped to apply branding strategy due to unclear business goals and time constraints. Thus, in response to **RQ 2** of this study, the decision was made to design a practical and simple business growth encouragement tool for SMEs in Terengganu that integrates to the findings of this study presented so far, the potential benefits of a branding strategy approach, and the substantial constraints on SMEs and their owners. The tool, which draws extensively from the research findings framework, is expected to be a powerful integrating medium to prepare SMEs to apply branding strategy towards business growth.

6.3 ADAPTATION OF RESEARCH FRAMEWORK

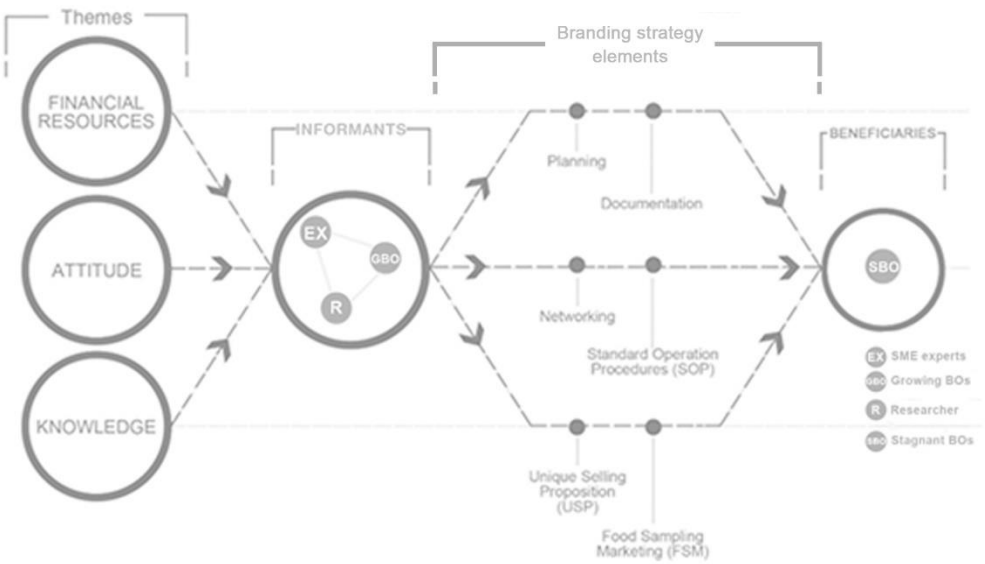


Figure 6.8 Adaptation of research findings framework

This section introduces the business growth encouragement tool that was developed to create and capture opportunities to grow SMEs' businesses. Figure 6.8 illustrates the adaptation flow from the research findings framework. Similar to the previous sections, the adaptation is also based on the three themes of the framework (financial resources, attitude and knowledge), which feed into the design of a tool for microenterprises in Terengganu. The tool is intended to provide practical support in assisting SMEs move towards growth and is expected to stimulate the application of a branding strategy by these businesses in the future. The adaptation of the research findings framework is referring to decision making about what is

most relevant to BOs and organising findings from the framework to prioritise what matters the most to the majority of the SMEs in this study.

Financial resources: The two most apparent findings are the importance of documentation and planning. The first step that SMEs need to take to develop is to properly document their business: financial accounts; raw materials, electric bills, packaging costs, employees' wages, marketing costs, distribution costs and maintenance costs. Some SMEs involved in the study had a five-year future plan (EN AZ, EN M, and EN AD) and a small number of them had a three-year future plan (EN AS and EN KS). However, most SMEs (EN SY, EN ZN, and EN AL) opted to disregard record keeping due to its tediousness. Overcoming barriers to producing documentation will allow BOs to recognise their long-term goal for their business. When a business expands, more employees will be involved, consequently affecting the decision-making process. EX SA supported the idea of future planning as crucial for SMEs to develop their business because if there are no written documents/plans involved, employees will be ignorant of their vision and this can easily result in everyone deciding things based on their own thoughts, which may clash. Further discussion will follow below in section 6.3.1.

Attitudinal gap: There are two significant stimulants in overcoming an attitudinal gap; networking and SOPs. As discussed in section 6.1.2.2 (p. 177), establishing positive networking between *growing* and *stagnant SMEs* is one of the crucial steps to avoid a *complacent* attitude (p. 130) or becoming a *chain devotee* (p. 139). *Networking* was recommended frequently by experts. Furthermore, SME BOs' claims that positive networking improved their attitude towards their business. Meanwhile, this study also confirms that having a SOP is associated with positive attitude and its impacts on employees' work ethic (section 6.1.2.3 p. 180).

Knowledge acquisition: On the issue of improving knowledge acquisition, this study found that USP and food sampling marketing (FSM) are two of the most significant stimulants to encourage business growth among microenterprises in Terengganu. The study reveals that BOs who understood and recognised their USP are all *growing SMEs* (EN AS, EN M, EN KS, EN AD and EN AZ). It appears to have a positive impact on the growth of SMEs businesses. Following that, FSM were found to also have a significant impact on business growth among SMEs in

Terengganu. To support this, one SME BO, EN AS claimed that after she used a FSM strategy for her product, it increased her sales. Further discussion will follow in section 6.3.2.

6.3.1 TOOL DESIGN: IGS STRATEGY

This section discusses the design process of a tool called IGS Strategy to encourage SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia. The tool was intended to help recognise a SMEs businesses' goal, keep their businesses on track and moving in the direction they want to go. As most of SMEs operated their business day-to-day basis, it is very easy to lose sight of their objectives and goals. Thus, the IGS Strategy tool was designed help to keep SME BOs focused. IGS Strategy can also serve to help other stakeholders to understand company's vision, including suppliers and employees.

This section will address **SRQ 3** of this research. Despite the many studies conducted on branding and business growth, these research streams have left two important questions unanswered. First, how can SME BOs successfully turn all those recommendations into action so that they can develop their business to the next level? EN IR expressed her experience of having a strong desire to grow her business, but failed to start due to the absence of practical tool to assist her. The data revealed that many SMEs have very good quality products in terms of the taste they offer their consumers, however, they often fail to deliver those attributes due to inability to strategies their businesses. Failed execution, adverse attitudes, inattentive management, or poor marketing strategy could consequently lead to the demise of the business. Second, how can microenterprises be motivated to engage with the potential of branding, intangible assets and long-term profits? EX TK affirmed that majority of SMEs in Terengganu have a limited understanding of brand equity which then explained their hesitance toward investing on brand development. Despite all the research that had been conducted on business growth among SMEs, in Terengganu, 98% of businesses are still micro-sized enterprises whom are not ready to apply branding strategy to their businesses.

Branding is a long-term state of mind that requires the management of the company's strategy and the coordination of its objectives and resources (Dumitriu, 2009). According to Newman, (2006),

> *Brand strategy is neither branding nor brand alone. It is neither marketing, nor strategic development but rather the development of a clear set of plans and actions, governed by a single stated direction. The plans and actions allow a business to improve its competitiveness and boost its position and reputation in the marketplace.*

Thus, there is a need to develop a business growth encouragement tool for SMEs in Terengganu prior to the application of branding strategy. In contrast to Keller, (2005) who discusses and claims that there has been somewhat of a preoccupation with brand extensions and some of the processes that lead to the development of brand equity, this study points to the need to design practical and simple tools for business growth for SMEs in Terengganu. They need to grow their business first and later focus on extending their brand.

Figure 6.9 IGS definition

Thus, acknowledging the crucial need in developing a strategy to encourage the business growth among SMEs in Terengganu, this study proposes a 'pre-branding strategy' that focuses on the first step for microenterprises within the F&B sector: the IGS Strategy (Figure 6.9). A pre-branding strategy means a strategy that is appropriate to be applied prior to the application of a full branding strategy. It aims to prepare SMEs before they are ready for the types of branding strategy approach that are discussed in the literature (section 2.2 p. 33) that shows significant impact on business growth. The pre-branding strategy also aims to allow easier transition from micro-sized enterprises into small/medium-sized enterprises.

As shown in Figure 6.10, the resultant tool, 'IGS Strategy' encapsulates a branding strategy that provides an initial step for SMEs to develop their business to achieve positive business growth. Most present strategies (e.g. Gashi, Hashi, & Pugh, 2014; Hasim, Ishak, & Shamsudin, 2018; Terjesen & Elam, 2009) focus on innovation and internationalisation of their brands. In contrast these IGS principles, which predominantly tap into increasing their productivity, also aim for the sustainability of

the company and provide elements from branding strategy based on the needs of F&B SMEs in Terengganu.

Amran et al. (2010) claim that brands that have already succeeded in the domestic markets should be encouraged to enter outside markets that are larger, by improving their branding strategy. However, many SMEs in Terengganu have thus far failed to succeed in the domestic market, hence the proposed IGS Strategy is specifically designed for their needs.

Figure 6.10 IGS Strategy

The IGS Strategy (Figure 6.10) could be implemented for currently running SMEs that aspire to grow the business or as a consultation mechanism when businesses are preparing to design a new brand. The tool is drawn from the framework and offers six factors to encourage SMEs' business growth. It has the potential to be used by anyone involved in branding initiatives, but it is primarily targeted as a guide for brand consultants/designers and BOs. It is anticipated that the brand evaluation framework will assist brand practitioners in assessing whether the newly created brand is successful; whether it is recognised, relevant and acceptable to the general public. By auditing the new brand using this framework, practitioners can better appreciate its strengths and weaknesses. This analysis can indicate areas of concern and those responsible for the brand can start to consider how this brand can better protect its market position and realise the appropriateness of the created strategies.

6.3.2 PILOT TEST ON COMPANY M

The IGS Strategy tool was applied in collaboration with Company M to validate the applicability of the tool. As with Nienhaus (2015), who used a pilot study in validating their framework, this study also aims to achieve similar validation. Conducting a pilot test is essential to gaining the verification on the proposed strategy, whether it is feasible and is able to help generate profit and encourage business growth among SMEs in Terengganu. Furthermore, a pilot test was also needed to determine whether there is scope to develop this framework further. As the IGS Strategy promotes a total business solution, sales or total production per month were the indicator for this pilot test. The change in sales or production before and after the adoption of the IGS Strategy was compared. The IGS Strategy was pilot-tested by EN MM, a stagnant-aspiring SME BO. EN MM, whose business is described in detail in section 4.2 (p. 101), owns Company M that making and selling donuts alongside several other products. Even though her main specialty is making donuts, for which she is well-known, she has a *chain-devotee attitude* (Section 5.2.2 p. 130) where she included other products for her company, for instance, pizza, chicken chops, and raw lamb meat. She even has a small tailoring corner in her shop where she sews clothes herself. Although she expressed concern about her business, she gave an enthusiastic impression and had the most positive reaction towards business growth. Hence, she was selected for pilot testing purposes.

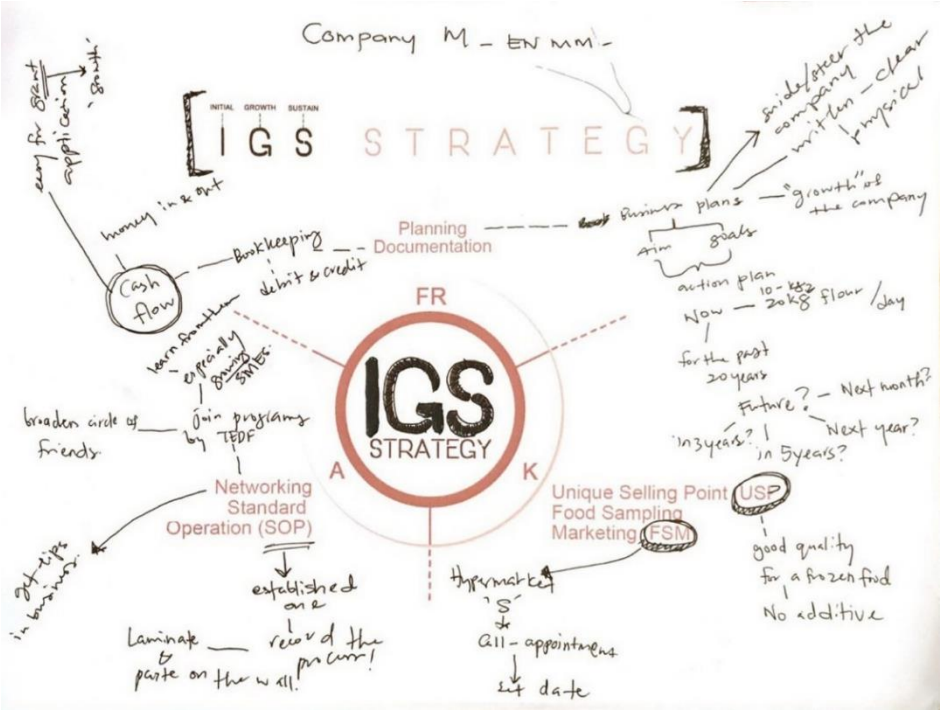


Figure 6.11 IGS Strategy adaptation for Company M

The IGS Strategy was introduced to EN MM who owns Company M by the researcher via multiple workshops and meetings. There were a total of three meetings to provide deeper understanding of the tool and occasional follow up to monitor her progress. Each component of the tool (financial resources, attitude and knowledge) was explained thoroughly in order to make sure EN MM understand and know how to use the tool. Following that, EN MM as expected to use the IGS Strategy independently. Observation by the researcher on EN MM showed high level understanding of the tool and eagerness to apply the tool for her company. This section will discuss each component and explains Company M's sales after eight months from the day IGS Strategy was introduced.

<u>Financial resources</u>

Planning

During the first workshop, the tool require EN MM to focus on each product thoroughly as it was required to analyse one product in details. This activity allows EN MM to recognise her strength and give her attention on growing their business using that product. By putting on hold the other products, the suggestion was for EN MM to focus on one product only to expect a controllable business growth. Next,

her current production quantity was identified and the next month's targets were discussed. The discussion encouraged EN MM to realise the need for small but constant growth. For instance, EN MM agreed to increase the use of flour the following month. Following that, the researcher helped calculated the costs of production and came to the conclusion that the profit margin was small because ingredients were purchased in in small amounts. During the workshop, EN MM realised how much can she saved if she bulk purchased the ingredients in order to increase profit margin.

Documentation

The researcher discussed the importance of bookkeeping with EN MM to make it easier to monitor and control the business and make it easier to plan future investments. In addition, the researcher found that a personal bank account was being used for company business. Therefore, EN MM decided to open a new separate account.

<u>Attitude</u>

Networking

The researcher encouraged EN MM to join as many events organised by TEDF as possible and make friends who are in different sectors to broaden her perspectives in business, as mentioned by EN KH and EN AZ who affirmed that networking had changed their mind set greatly and impacted their business making decisions as there were multiple occasions where insightful advice helped them in need. EN MM responded positively throughout the discussion and agreed to enrol in TEDF programmes and broaden her network.

Standard Operation Procedure (SOP)

It was observed that EN MM did not have a SOP for her production team during the shadowing research (Section 3.5.3 p. 84). Only EN MM and her sister, who is one of her employees, know the recipe of the product. This means that if both of them are sick or on leave, the business cannot operate. In addition, without an SOP, EN MM needed to train new workers and explain the procedure each time, which is a time-consuming activity because she has at least one new worker every month.

Therefore, the researcher assisted EN MM while she recorded and prepared an SOP of making her donut that she has been making for the past 20 years. Following that, EN MM applied and tested the SOP for a week without the need of her monitoring her employees. She also claimed that it saved a lot of time and improved her production. She also added that it had SOP solved the issue of new employee training as it saved half of her time manually explaining the steps. EN MM affirmed that having an SOP had helped improve the growth of her business.

Knowledge management

Unique selling proposition (USP)

After a thorough analysis of Company M's products, it showed that its USP is that it is a quality product even though it is a frozen food. This is due to the lack of preservatives used in the product. EN MM claimed that the key to a good quality product lies in the ingredients. Hence, EN MM was reassured in her choice of best quality ingredients in making her donuts. This claim can be verified through the high demand for her donuts even though she had no branding or marketing strategy.

Food sampling marketing (FSM)

EN AS (BO of a growing SME) affirmed that the FSM method had multiplied her sales and increased consumer demand. This method was also supported by half of the experts from this study. Therefore, the researcher presented the FSM method to EN MM for her donut business at Hypermarket S (a local hypermarket in Terengganu). The researcher recorded the observation for the FSM day.

Figure 6.12 Food sampling marketing

Figure 5.13 showed the normal donut making process. However, for the FSM day, the researcher proposed that EN MM did not make a hole in the middle of the donut, to avoid wastage (Figure 6.12) and to introduce the concept of making changes to the product to evaluate customer responses.

Table 6.3 FSM day of EN MM

Time	Activity	Observation	Researcher reflection
8:00 am	Counting stocks Load the car for sampling day	Lack manpower- 4 employees Tiring - all women employees	Time management and manpower is important to run a business. Role distribution/ management is crucial in order to work efficiently
9:00 am	Journey time to the local hypermarket Set up the booth in the middle of the hypermarket with the most visitor traffic		
10:00 am 11:00 am 12:00 pm 1:00 pm 2:00 pm 3:00 pm 4:00 pm 5:00 pm 6:00 pm 7:00 pm 8:00 pm 9:00 pm	Start frying the donut, serving for sampling Explaining about the product for possible customer Selling the product	Hypermarket visitors interested in the marketing strategy as they can try it before buying. Sales today have multiplied by 10 times Normal sales/day: RM 100 Today sales: RM 1 000 EN MM reaction: Excited, motivated, continuously thanking the researcher	Interesting and eye-opening exposure to the SMEs Simple strategy for the experts is not necessarily simple for SMEs SME BO's lack of exposure due to her time spent on the physical work - no time for leisure reading
10:00 pm	Went home	She looked tired but was so happy and motivated to do sampling for her product on a monthly basis	Only realised her strength when she did the marketing herself

Table 6.3 presents the breakdown of FSM days shadowing EN MM activities starting from 8 am until 10 pm. The initial struggle was to load all the stocks due to the absence of manpower. Nevertheless, during the sampling day, the responses from the public were very positive. Sampling is considered to be a fairly new marketing strategy among SMEs in Terengganu, Malaysia. The idea of being able to taste the products before buying intrigued them as well as helped gain their trust in the product. When all products brought in for sampling were sold out, EN MM realised her true potential and diminished the self-doubt she had had the day before. She constantly thanked the researcher for the recommendations and determined to conduct the marketing strategy on a monthly basis. The tiring day was proven to be rewarding as the sales multiplied by ten times compared to her normal days.

Figure 6.13 Company M after 8 months

The most striking result to emerge from the validation pilot was that after eight months of adopting IGS Strategy to Company M, EN MM reported that her sales had significantly increased. Especially with the regular FSM method from the strategy, it not only increased her sales, but also widened her market. As a result, she managed to open her first shop to sell the product (Figure 6.13). Previously, she sold her products from her house which limited her company's growth as it offered limited market exposure.

6.3.3 SUMMARY OF FINDINGS FROM VALIDATION PILOT

Taken together, the application of the IGS Strategy tool suggest a substantial impact on SMEs business growth, which was tested on EN MM for a period of 8 months. Company M reported significant increase of sales per month as compared to before the application of the IGS Strategy. These results suggest a positive role of IGS Strategy on Company M relevant to business growth. Consequently, Company M was able to grow the business by moving into their own shop, widening their market opportunity, which gave them the ability to gain more consumers. Even though EX NL recommended to help small-sized enterprises to grow their business and claimed lower success of business growth among microenterprises, IGS Strategy argued otherwise. Together, these results provide important insights into SMEs' capability to grow their business when given the right tool to assist them. If applied more widely, the IGS Strategy is expected to encourage more business growth among SMEs in Terengganu and also other states in Malaysia.

6.4 CHAPTER SUMMARY

This chapter introduced a research findings framework derived from the thematic analysis from Chapter 5 (p. 109). This framework extends knowledge of SMEs' business growth in Terengganu, Malaysia both factors that limit and encourage their growth. The study makes several noteworthy contributions to experts, academicians, designers and SME BOs especially at recognising and attaining opportunities to grow their business. Together, these findings provide important insights especially with respect to propositions derived from the data gathered from SME experts and the *growing SMEs* group interviewed in this study. These specific groups were chosen to offer relatable and applicable strategies for other SMEs in Terengganu. The research findings framework may serve other researchers seeking understanding of similar SMEs groups in other contexts within Malaysia or other similar developing countries.

This chapter contributes further by adapting the research findings framework and presenting the design of a business growth encouragement tool. The research results framework offers opportunities for other researchers to design tools suited to specific groups and contexts. This thesis offers one practical tool, the IGS

Strategy, designed particularly for SMEs (especially microenterprises) within the F&B sector in Terengganu, Malaysia. The IGS Strategy listed six factors that encourage SMEs' business growth (section 6.3.1 p. 188). The IGS Strategy was tested on Company M for 8 months to validate the design. The result shows significant business growth and opportunity to apply banding strategy appears to be wider, compared with before applying the IGS Strategy.

CHAPTER 7 CONCLUSIONS

This thesis identifies three critical elements of business growth among SMEs in Terengganu: obtaining stable financial assistance; overcoming attitudinal limitations and improving knowledge acquisition. The study described in this thesis provides a framework that responds to the realities of SME operation in Terengganu Malaysia. This chapter will conclude the thesis and is divided into six sections: summary of the study (Section 7.1), contributions to knowledge (Section 7.2), uniqueness of this study (Section 7.3), beneficiaries of the study (Section 7.4), limitations of the study (Section 7.5) and recommendations for future studies (Section 7.6).

This chapter begins by summarising the overview of the research by linking the RQs with the research findings through the *contributions to knowledge* section. It describes how the RQs were answered (p. 202), and continued to state the overall conclusions that arose from this research, by drawing the conclusions of the preceding chapters together. The research novelty is then discussed and noteworthy contributions to research are identified. Following this section, the attention of experts and SME BOs is drawn to possible practices and implications to help gain a competitive advantage and list the beneficiaries of the study. Following that the limitations of this study are discussed, with a critical evaluation of the research methods applied. This chapter then concludes with recommendations for future research in the area of business growth among SMEs.

7.1 SUMMARY OF THE STUDY

Microenterprises make up the biggest group of SMEs in Malaysia. They are currently facing an increasingly challenging business environment due to financial resources, attitude and knowledge management, among others. The inability of microenterprises to grow is alarming, where most remain stagnant or fail their business. Only 2% are able to successfully meet the challenges associated with growth and become established as a small or medium sized enterprises (SME Corp. Malaysia, 2019). Understanding the barriers to growth at play for businesses of this kind has been a long-unsolved problem, especially in Terengganu, Malaysia. Therefore, this study aimed at exploring the primary factors that hinder SMEs' business growth and level of brand awareness within the food and beverages (F&B) sector in Terengganu. A key aim of this study was to aid in enabling SMEs' business

growth by developing relevant strategies that can assist them to promote business growth. In addition, this study was specifically concerned with the potential impact of applying a branding strategy to overcome business growth barriers among stagnant-aspiring SMEs in Terengganu. The journey of this study commenced with the review of extensive research literature relating to SMEs, current issues and the existing solutions available. Following that, this study explored the importance of branding strategy in promoting business growth among SMEs in Malaysia and particularly those in the F&B sector. This study sought to obtain data to help to address these research gaps, and from the literature review it can be concluded that branding strategy plays a significant role in developing business growth among SMEs.

To test this relationship, the following hypothesis was proposed: the application of a branding strategy may assist and promote SMEs' business growth. Following that, a pilot study was conducted in Kuala Lumpur and Terengganu aimed at gaining a general overview of what had been done to help SMEs' business growth. The experts interviewed were the head designer from one of the best agencies associated with the government in Kuala Lumpur (EXP 1), the CEO of Terengganu Economic State Council (EX P 2) and an SME business owner (EXP 3). Overall, the result of the pilot study indicated four main contexts: the SME context, the business context, the design context and the marketing context that gave an indication of an underlying structure for interview questions devices for the main study. The findings from main study provide valuable information on how experts and SME BOs perceive the business growth and barriers, specifically focusing on Terengganu, Malaysia. A qualitative methodology and a holistic approach was utilised in this study, integrating in-depth interviews and shadowing conducted in Terengganu., The majority of informants selected were obtained with the help of Terengganu Entrepreneur Development Foundation (TEDF). The remaining informants was gathered through the snowball sampling method, based on the referral of informants recommended by TEDF. Invitations to participate were emailed to 25 potential experts, 15 of whom agreed to be interviewed. As for the SME BOs, most of them responded to phone calls better than email, hence 32 phone calls were made to invite them to participate and 15 SME BOs agreed to be interviewed.

Data management and analysis were performed using ATLAS.ti, which is a tool that allowed the researcher to work closely with the transcribed data and the original source data (the actual interview recording). This allowed the researcher to maintain the consistency of the transcribed data as it links the original interview recordings paragraph by paragraph. Thematic analysis was then used as the main methodological tool in the analysis of the transcribed data. One of the most significant findings in this stage is the identification of three types of SMEs in Terengganu: *growing SMEs*, *stagnant-aspiring* SMEs and *stagnant-reluctant* SMEs. Following that, this study conducted a shadowing method on one business owner, EN MM, for five working days.

Three broad themes emerged from the analysis. The themes are the *influence of financial resources, significance of attitudes* and *knowledge management*. Issues related to financial resources were particularly prominent in the interview data as it is a common view amongst interviewees that finance is the most crucial barrier that hinders their business growth. However, further analysis showed that BOs' attitudes directly affected and influenced the access to financial resources among SMEs in Terengganu. Regardless of how many grants are offered by the government with the intention of assisting them, if they still display the same conventional set of attitudes, no business growth is expected to occur. Interestingly, further analysis between the themes of financial resources and attitude revealed that reliable knowledge management, and in particular the existence of a branding strategy is a driver of business growth among SMEs in Terengganu. This study affirmed that, among all accessible competitive tools for SMEs, a branding strategy is the most effective that plays a key role to ensure survival, growth and competitiveness of the company. Nevertheless, SMEs in Terengganu are not yet ready to apply a branding strategy as the data revealed poor levels of brand awareness among them.

As a result, this study established a research findings framework that is developed for the use of academics and SME experts to have a better understanding on what it takes for SMEs (especially microenterprises) for SMEs in the F&B sector in Terengganu to grow. This framework also serves as a reference for designers in designing pre-branding strategy as a practical tool in promoting business growth. Taken together, the framework provides the basis for knowledge that allows other researchers and policy makers to provide assistance in relevance to business

growth. The framework was divided into; identifying barriers to business growth and suggesting propositions for experts and SME BOs. Following that, a new strategy tool was designed based on an adaptation of the research findings framework, based upon the recommendations of experts and *growing SMEs* as well as the researcher's observations. The tool, entitled IGS Strategy, was intended to give SME BOs in Terengganu a business solution in order to promote their business growth. This study tested and validated the IGS Strategy tool with Company M owned by EN MM. The result from the application of the IGS Strategy was a positive business growth for EN MM's business and a tremendous positive outcome after eight months, based on sales and the ability to upgrade their business from a home-based company to a shop-lot operated company. In spite of difficulties in getting in-depth knowledge on the research subject, this study presents valuable findings that can be used to develop targeted interventions aimed at business growth among SMEs in Terengganu, Malaysia. IGS Strategy serves as a practical tool that is expected to assist SME BOs towards business growth, designed with reference to the research findings framework. All the findings summarised in the framework may benefit researchers and experts, but was is far less suited the needs of SME BOs, hence, necessitating the design of the IGS Strategy tool to accommodate the needs of SME BOs in Terengganu, Malaysia.

7.2 ANSWERING THE RESEARCH QUESTIONS

Inability to be dynamic in operating a business will prevent its growth. As a result, it may become obsolete which will eventually lead to the death of the business. Identifying what hinders and promotes SMEs' business growth may greatly benefit the effort to encourage businesses to grow. However, the barriers of SMEs in Terengganu are multidimensional and require a holistic view and understanding. A solution that addresses one aspect will not necessarily work as exemplified by the excessive amount of grants available from the government (p. 116). Data analysis revealed that, despite government/banks increasing grants and financial assistance with the intention of solving financial resources problems, SME BOs' behaviour of continuing to take long-term government grants and failing to produce the promised results, does not only hinder business growth, but also has the potential to increase BOs' debt accumulations.

The **central focus** of this research study is *to understand SMEs' business growth and explore how to encourage them to grow.*

The **outcome** of this study is the research findings framework which reflects findings and propositions and provides structured answers to **RQ 1** and **RQ 2** of this study. Through the development of the framework, this study discovered that most SME BOs were not ready to apply branding strategy in their business and to make such a leap from micro to small is hard because a business need to practical assistance to guide them in taking the action towards growth. Therefore, rather than developing a branding strategy, this study proposes the creation of a 'pre-branding strategy' as a practical tool that improves SMEs' business growth.

The intention is that the adaptation of this framework will eventually encourage them to apply a detailed branding strategy in their business, but is first presented through a tool design to meet the needs of microenterprises in Terengganu. The tool is entitled IGS Strategy, and incorporates six main components: proper financial planning, formal financial documentation, networking, systematic SOP, definite USP and effective FSM. This study also found that higher the degrees of effort to acquire knowledge can compensate for attitudinal limitations of SME BOs, which in turn can address barriers to growth caused by lack of financial resources. Furthermore, the IGS Strategy provides better business management and promotes efficient production through the creation of standard operating procedures, enabling SME BOs to plan their production costs and expected sales. As a result, efficiency in production enables microenterprises to have a long-term business and increase their sustainability, promoting low production costs with maximum output.

RQ 1 *What are the factors affecting SMEs' (especially microenterprises) growth within the F&B sector in Terengganu, Malaysia?*

Literature on factors affecting SMEs' business growth was explored in the second chapter of this thesis (p. 14). Factors like entrepreneurial orientation, resources and growth motivation have a significant correlation with business performance. These factors evidently have a significant impact especially on the growth process of SMEs. Following this, data collection and analysis was conducted and **three SME BOs' traits** were identified among microenterprises in Terengganu, Malaysia: *growing SMEs*, *stagnant-aspiring* and *stagnant-reluctant* SMEs which were

discussed in detail in Section 4.1.2 (p. 97). In addition, thematic analysis revealed **three primary factors** that hinder SMEs' business growth in Terengganu, Malaysia: financial resources, attitude and knowledge. These factors are linked and cannot be addressed separately in order to provide effective strategies towards growth. The research findings framework presented in this thesis is centred on these identified factors (Section 6.3.1 p. 190).

RQ2 *What role can branding strategy play in promoting SMEs' (especially microenterprises) business growth within the F&B sector in Terengganu, Malaysia?*

Data analysis showed that brand activities and understanding among SMEs in Terengganu was found to be fairly low. It seems likely that they do not pay much attention to brand in their business, but focus more on daily operations. This study found that there is a lack of systematic and strategic use of branding among Terengganu SMEs. When asked about branding awareness, the majority of *stagnant SMEs* interviewees associated branding with packaging. To their understanding, branding equals packaging, ignoring its potential to encompass the whole operating system of the company. In addition, design consultation activities from design consultants are undervalued among SMEs in Terengganu. They appear to prefer to use local printing shops for branding purposes. The majority of them consider branding as a luxury and claimed that branding activities are expensive. These findings explained the absence of branding strategy among SMEs in Terengganu, Malaysia.

In contrast to low level of brand awareness among BOs, findings show that locally there has been a growing consumer interest in aesthetically pleasing products. In addition, the government also shows interest in developing SMEs' branding activities. This can be seen through numerous programmes related to branding offered for SMEs in Terengganu,. The study found that all *growing SMEs* had applied a branding strategy to their businesses. The study showed that when companies focus on their brand activities they tend to be more profitable and productive (e.g. EN AS, EN AZ, EN AD, EN KH and EN MD). These findings revealed that application of branding strategy on a company increases the possibility of promoting progressive growth among SMEs.

7.2 CONTRIBUTIONS TO KNOWLEDGE

The study presented in this thesis investigated how SMEs grow their business by understanding the factors affecting SMEs' business growth, and by exploring practical tool adoption in the context of food and beverages sector, especially among SME companies. This study offers three main contributions to body of knowledge.

First, it revises understanding of SMEs' business growth by identifying three key factors affecting SMEs (especially microenterprises) business growth. The factors discovered from thematic analysis are *financial resources*, *attitude* and *knowledge*. Further analysis revealed that all three factors are correlated with each other and cannot be seen separately to allow effective strategy development in overcoming business growth barriers.

Second, a collaborative approach (obtaining views from SMEs' business strategy from SME experts' and SME BOs' perspectives) was successfully applied in gathering the data. Thus, this study contributes further in providing holistic understanding of factors affecting SMEs' business growth without focusing on any particular group to avoid bias in sampling. It proved valuable to study different perspectives, revealing other aspects that both confirm and challenge existing literature.

Third, this study provides new understanding of how to practically encourage SMEs to grow their business by the adoption of a pre-branding strategy, embodied in the design of a practical tool (entitled IGS Strategy) to assist them towards growth. This research involved the deployment of this tool for validation purposes with a company in Terengganu for 8 months and produced significant increase of sale and business growth.

7.3 UNIQUENESS OF THE STUDY

The novelty of this research is that it is **the first to build** a research framework specifically about the growth of SMEs within the F&B sector in Terengganu. This study compares the relative importance of understanding SMEs' barriers to business growth and suggested nine propositions for future business growth decisions. The research findings framework led to the development of the IGS Strategy as a tool for SMEs to aid their business growth. It illustrates the potential of applying the IGS Strategy tool by SMEs to promote progressive business growth and establish competitive advantage.

The findings of this study make several contributions to the current literature. The main objective of the conceptual research framework is to explain how business growth among SMEs is structured via three stages: identifying business growth barriers, propositions for solutions and then the adaptation of this knowledge in response to the needs of SMEs. Fifteen SME experts and five growing SME BOs from Terengganu, were interviewed in an attempt to develop **applicable propositions** to promote business growth for SMEs in Terengganu. This claim of uniqueness of this study is made based upon the development of the research findings and subsequent validation through empirical research. Finally, the analysis of positive business growth undertaken here has extended our knowledge of the dire need to tackle the problem from **three different angles** rather than just one. Breaking through microenterprises' growth barriers requires simultaneous approaches on financial, individual attitude and knowledge factors in order to develop a holistic approach prior to the application of branding strategy as it is understood today.

For instance, in order to obtain financial resources, the IGS Strategy tool suggests proper planning and documentation to be the two crucial requirements for SMEs' business growth. The general costs in running a business, (e.g. raw material purchasing and employee wages) will continuously increase year on year, consequently, resulting in an increase in the cost of production. Assuming SMEs remain stagnant, their only option in coping with the increasing production cost is to increase the price of their products. As a result, this will have a direct impact on consumers. It may also affect brand loyalty and brand satisfaction as Kabadayi and

Aygün (2016) claimed that brand loyalty is a strong factor in consumers' tolerance to price. Conceivably, this study may help BOs to control product pricing through proper financial planning. Through this BOs they are able to identify their problem and determine the pricing systematically. Subsequently, in order to overcome attitudinal limitations, the IGS Strategy provides additional support for changing complacent and inculpatory attitudes (p. 134 & p. 138) by promoting networking with successful SMEs and preparing systematic standard operating procedures. IGS Strategy tool provides guidance to address not only monetary problems, but to nurture SME BOs to overcome attitudinal limitations through a better understanding of business growth among other SMEs. Finally, the IGS Strategy also extends our knowledge of improving knowledge acquisition by highlighting the importance of identifying product's *unique selling points* and applying *food sampling marketing* regularly. As the IGS Strategy is intended for use as a 'pre-branding strategy' for stagnant-aspiring SMEs, it shows that 'aspiring' is an important criteria and variable to promote business growth. Moreover, it emphasises the role of the expert in recognising the differences between stagnant-aspiring and stagnant-reluctant SMEs. Therefore, a positive outcome can be expected for such businesses from using the IGS Strategy tool and is by far the simplest step to promote progressive business growth.

7.4 BENEFICIARIES OF THE STUDY

Progressive business growth among SMEs in Terengganu would enable them to gain brand loyalty and brand satisfaction among their consumers. Furthermore, it may also simultaneously stimulate future purchasing decisions through the sustainability of their businesses. Consequently, the following beneficiaries of the study are proposed:

Primary beneficiaries – SME BOs in the F&B sector in Terengganu will benefit from this study as it highlights the impact of a number of factors, such as financial resources, attitude and knowledge, on business growth. Such findings are necessary for the development of SMEs, and are made accessible to BOs through the IGS Strategy tool. Propositions to enhance the level of competitiveness among SMEs in Terengganu might involve the application of IGS Strategy prior to branding strategy.

Secondary beneficiaries – The results of this study are not only relevant to the SME BOs, but also to local authorities and regional policymakers in Terengganu as well as the national government of Malaysia. This study highlights a number of policy implications with several important changes, which need to be made. A key policy priority should be to plan for the long-term restructuring of SME monitoring systems. The identification of influencing factors such as programme/training continuity will extend current understanding of their effectiveness, especially in terms of knowledge acquisition and providing appropriate expert advice. The government authorities should recognise the importance of providing SMEs with support to improve their ability to access formal business education to ensure a thorough understanding on running an SME. Unless experts and policymakers adopt systematic SME monitoring systems, comprehensive business growth among SMEs will not be attained.

Tertiary beneficiaries – It is expected that is that academics and designers can also benefit from the findings of this study and the framework that presents them. Academics can develop this study for their future study proposals or publications, as the findings of this study have a number of important implications for future research and business practice. Further recommendations will be discussed in the following section. In addition, designers may also play important role in encouraging SMEs' business growth. Currently, SMEs tend to use local printing shops for their branding and advertising needs, whereas designers may be able to provide a superior, more holistic service. In addition this research helps to show the potential for academics and designers to collaborate and organise outreach programmes to raise awareness of the importance of branding for business growth among SMEs in Terengganu.

7.5 LIMITATIONS OF THE STUDY

There are several limitations that are relevant to this research. These limitations are derived from particular sources: time constraints, context of the research and research focus.

1. Time constraints

The major limitation of this study is the time constraint. The three-year duration of the PhD that involved exploring previous studies, developing the research methodology approach, sampling, data collection in Malaysia, data analysis and developing the framework to which this body of work is attached has, to a large extent, dictated the research timetable. Although this doctoral work is not beholden to a wider project, in order to maximise the deeper investigations on SME barriers to business growth and providing propositions, a certain degree of time management was required. Such time constraints have resulted in limitations on the sample size of this study, allowing 30 interviewees. Furthermore, the lack of available time for validation of the post intervention business growth pattern after applying the proposed IGS Strategy tool only allowed for one pilot test on EN MM.

2. Results limitations

The next important limitation lies in the fact that this research focuses only on the business growth context of developing SMEs, limiting the results to only three factors: financial resources, attitude and knowledge. The results from this particular study might be significantly different compared to those of other sectors as the business, cultural and geographical context may have influenced the findings. Therefore, it is recommended that future studies need to be extended to other contexts, and would benefit from incorporating a wider geographical scope.

3. Specific target sample

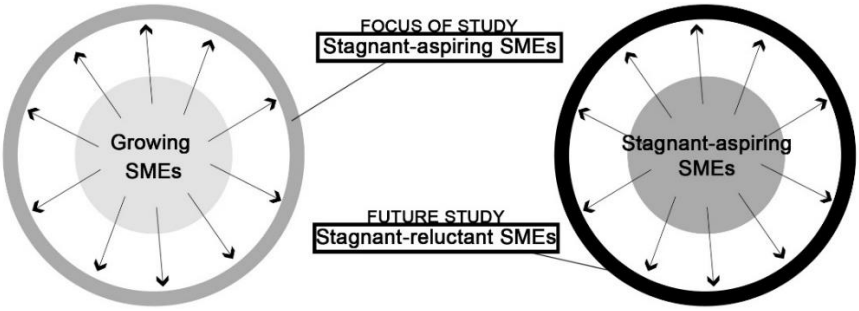


Figure 7.1 Catalyst of business growth

The third limitation is that it is not possible to provide a solution that is fit-for-all, hence this study assists in obtaining a better understanding of stagnant-aspiring SMEs. Stagnant-reluctant SMEs and start-up companies, may be the subject of future research. However, as *growing SMEs* were useful exemplars for stagnant-aspiring SMEs, stagnant-aspiring SMEs can also be exemplars for stagnant-reluctant SMEs (Figure 6.1).

7.6 RECOMMENDATIONS FOR FUTURE RESEARCH

This research has thrown up many issues in need of further investigation. For instance, how to develop the IGS Strategy tool into a tangible product to better assist SME BOs; whether SMEs in other states face similar barriers; the significance of the IGS Strategy application for SME BOs. A number of future studies using the same study design are possible, and the issue of SMEs' business growth could be usefully explored more broadly to establish a greater degree of accuracy and a better understanding of SMEs' business growth.

1. Development of a business growth toolkit

Development of a business growth toolkit based on the research findings framework and in turn the IGS Strategy tool would be possible to create tangible product for SME BO and supporting organisations to use. Its purpose would be to provide more detail for each stage of the IGS Strategy tool and provide a step-by-step guide for SME BOs. For instance, it could be adapted and use the concept of a board game to list the steps of business growth for SMEs. The purpose would be to help BOs such as, EN IR, who did not know what to do with her business even though she

was aware it was stagnant. A toolkit could provide instructions on as what to do first, how to do it, and what to do next.

2. Exploration of other states

Future research could concentrate on investigation and exploration of other states to address context where consumers and BOs may have different perceptions, cultures and characteristics. In order to see the similarities and differences and in the barriers to business growth among SMEs, a comparison study could be developed. The testing of the research findings framework in a different context is likely to yield further valuable insights that might benefit SMEs from repeating the same mistakes and wrong decision-making processes.

3. Examining the significance of the strategy

The IGS Strategy was seen in the validation pilot to help increase EN MM's business growth, which had been stagnant for almost 20 years. However, further work would be required to determine the efficacy of the IGS Strategy tool and explore its impact on other businesses and closely monitoring their growth. It would be valuable to test the strategic actions taken by a number of companies adopting the tool to determine SME BOs' ability to stimulate their company's growth over time. The IGS Strategy tool appears to encourage business growth and verification of the impact of the strategy on a bigger sample could provide several useful insights.

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APPENDIX A
INVITATION EMAIL TO PARTICIPANTS

Dear Mr/Mrs,

I am a PhD student at Lancaster Institute for Contemporary Arts (LICA) in Lancaster University. I am currently doing PhD in Design however helping SMEs increase their competitiveness level through branding strategy has been my main interest. Your agency/company has an outstanding reputation in that field of practice.

My area of concentration in SMEs matters will be their current barriers and developing branding strategy. I would appreciate the opportunity to meet with you briefly and discuss the practice of your specialty. I am especially interested in your views regarding your involvements with SMEs and/or your experience being an entrepreneur yourself. Any further insights you have would be greatly appreciated.

Herewith I attached 'Participant Information Sheet' for your kind perusal. Please let me know your available dates and times to set up a mutually convenient time for this informational meeting.

Sincerely,

Aiesyah Amirah

APPENDIX B

PARTICIPANT INFORMATION SHEET

My name is Engku Aiesyah Amirah Engku Md Azmi and I am a PhD student based in the Lancaster Institute for the Contemporary Arts at Lancaster University. My PhD supervisors is Dr. David Hands. I am conducting a study which will explore the barriers faces by SMEs in food and beverages sector particularly looking at how they overcome those barriers with existing support system available in order to develop branding strategy for SMEs business owner. As you are someone who are either SMEs experts or SMEs business owner yourself, I would like to invite you to participate. This sheet provides information about the study and what participation will involve. I hope it answers any questions that you may have, but if you do have any further queries please feel free to contact: a.engkumdazmi@lancaster.ac.uk

PROJECT TITLE: Developing branding strategies for small medium enterprises (SMEs) for the Food and Beverages sector in Terengganu, Malaysia.

I am a PhD student in the Lancaster Institute of Contemporary Art. Although I am currently doing PhD in design, but I am greatly interested in helping SME's businesses in Malaysia. Please read and consider the following information before deciding whether you would like to participate in my study.

What is this study about?

The study will be divided into two; the SMEs expert's interview and business owner's interview from Malaysia. Both will enquire opinion or experience of planning and running the business. I am intended to investigate what makes a good business and what did they do wrong. The result will help in designing branding strategies at the same time will assist business owners in future.

Why have I been approached?

You are selected as you are either a SMEs expert or you are a SMEs business owner in Terengganu, Malaysia.

What will I be asked to do if I take part in this study?

You will be asked for a permission to be interviewed and be part of the research by the researcher. The interviews may take up to 60-120minutes and will be held on a date, time, and place that suits you. After finishing the interview, the researcher will transcribe all the data based on the audio recording and analyse using a software named Atlas.ti. As a result, the researcher will propose a branding strategy to assist SMEs business owners in order to increase their performance and sales.

Before the interview starts, you will be asked to read and sign a Consent Form. If you agree, the interview will be audio recorded and will be transcribed. All interviews, will be anonymised prior to transcription. Only the researcher will know your identity. If you do not agree to be recorded I will take notes during the interview, and will anonymise those notes.

What do I do if I would like to take part in this study?

If you agree to take part in this study please contact me by emailing a.engkumdazmi@lancaster.ac.uk

Do I have to take part?

No you are not obliged to take part in this study if you do not feel comfortable doing so. It is your choice whether to take part in this study as you are under no obligation to participate. However, it is my biggest pleasure if you participate as it will help me greatly with my research and help business owner planning their business in future.

Are there any risks to taking part in this study?

There will be no risks anticipated if you participate in this study, as no physical activities or emotional questions will be asked. However, if you experience any distress during the interview, I will stop the interview and any recording. I will ask if you want to continue with the interview, and if you do not I will contact you a week later to see if you want to resume the interview, or whether you want the data collected in the part-interview to be included in the study.

Withdrawal from the study

You can refuse to answer any questions during the interview or stop it without offering any explanation. You can also withdraw from study, without offering an explanation, up to two weeks after the interview has been conducted. If you stop your interview and/or you withdraw from the study, no data collected prior to stopping the interview or withdrawing from the study will be used without your permission and I will securely destroy the data.

Will my data be confidential?

Yes, all participants of this study will remain anonymous and your identity will be changed (i.e. participant's name and agencies/company's name). The information you provide is confidential and will be anonymised when it is disseminated. Only the researcher will know the identity of the participant. For the purposes of privacy, the researcher will not be asking for names when interviewed but instead you will use pseudonyms to which a code number will be applied by the researcher. Alternatively, you could use code numbers yourselves.

During and after the study, all data will be my responsibility and will be stored securely on University premises. The digital recorder cannot be encrypted but I can confirm that any identifiable data (including recordings of participants' voices) will be deleted from the recorder as quickly as possible (when it has been transferred to my university network account, on a password protected PC) and in the meantime the recorder will be stored securely. Hard copies of the transcriptions or notes will be kept in a locked filing cabinet on University premises. All voice recordings will be transferred and stored on encrypted laptop or Lancaster University Box will be used. All data will only be accessible to the researcher. All data relating to the study will be securely destroyed 10 years after the study has been completed.

What will happen to the result of the study?

The results of the study will be published in my doctoral research thesis and journals, and will be presented at academic seminars and conferences. A summary of the results will be made available to all participants. It will help in developing branding strategies to assist business owners and researcher in future.

Who has reviewed the study?

The study has been approved by Lancaster University's Research Ethics Committee.

Where can I obtain further information about the study?

If you have any queries about the study, please feel free to contact me at a.engkumdazmi@lancaster.ac.uk or by phone on +60179035549, or my supervisors Dr David Hands d.j.hands@lancaster.ac.uk or by phone on (0) 1524 510816. You can contact my supervisor if you have any concerns or complaints about this study.

APPENDIX C

INTERVIEW QUESTIONS FOR SMES EXPERTS OR SMES BUSINESS OWNERS

SMEs experts: are identified to be a Small Medium Enterprises (SMEs) representatives from various governmental bodies of institutions who have direct involvement with SMEs in assisting them to increase their performance. They have dealt directly with the entrepreneur which makes them know thoroughly regarding SMEs barriers.

SMEs business owners: are identified to be the owner or equivalent key person of the SMEs companies. All of the companies are recommended by the SMEs experts and/or personal acquaintance by with the researcher which suits the purpose of the study.

This interview will be divided into six sections. The first section will be general information, section two will be from Small Medium Enterprises context, section three will be from macroeconomic context, section four will be from business context, section five will be from design context and the last section will be from marketing context.

**This particular conversation will be recorded to enable the researcher to transcribe the information that participant will provide and all of the participants' identity will be remain anoynamously as the researcher will only name all the participant e. g.: A, B or etc.

Section A: General information

1. Please describe your position in this institution/company.
2. Please list all of your responsibilities in this institution/company.

3a. **(For SMEs experts)** Please describe the engagement between you and entrepreneur and how long have you been in charge of that position?

3b. **(For SMEs business owner)** Please describe your experience being an entrepreneur (i.e. year of experience, business interest and products)?

Section B: Small Medium Enterprises Context

4a. (**For SMEs experts)** Can you explain about SMEs businesses in Malaysia? How big is the sector?

4b. **(For SMEs business owner)** Can you explain why you choose to be an entrepreneur?

5a. (**For SMEs experts)** Please list all the SMEs categories of sectors in Malaysia?

5b. **(For SMEs business owner)** Can you describe why you choose to be in this sector?

6. (**For SMEs experts)** What are the biggest sector focused in Terengganu, Malaysia?

7a. (**For SMEs experts)** What is your opinion on Food and Beverages sector in Terengganu, Malaysia?

7b. **(For SMEs business owner)** Please describe why you choose to be in this sector?

8a. (**For SMEs experts)** Please list all the barriers faced by entrepreneur based on your experience.

8b. **(For SMEs business owner)** Please list all the barriers faced by you as an entrepreneur.

9a. (**For SMEs experts)** In your opinion, how crucial it is to help SME in developing their business?

9b. **(For SMEs business owner)** based on your experience, do you need further assistant from government in order to help the growth of your business?

10a. (**For SMEs experts)** Please list all training/assistant/grant offered by your agency that you think the most suitable for entrepreneur.

10b. **(For SMEs business owner)** Have you ever received any training/assistant/grant before and are you intended to do so in future?

11a. (**For SMEs experts)** In your opinion how well the program support/help entrepreneur?

11b. **(For SMEs business owner)** If yes, what is your opinion on the training/assistant/grant? How well the training/assistant/grant help you and your business? If no, may I know why you did not apply for the assistance?

12a. (**For SMEs experts)** Based on your experience, do entrepreneur aware and alert of these available training/assistant/grant?

12b. **(For SMEs business owner)** Please share how did you know about the available support.

<u>Section C: Business Context</u>

13a. (**For SMEs experts)** Please describe the importance of business plan.

13b. **(For SMEs business owner)** Do you have a business plan? Do you know what is Business Model Canvas?

14a. (**For SMEs experts)** How do you think a business plan can help entrepreneur in running their business?

14b. **(For SMEs business owner)** If you do have a business plan, please describe why and how did you do your business plan. If no, please describe why you do not have a business plan?

15a. (**For SMEs experts)** How do you think a business plan can help entrepreneur in running their business? How to encourage them in having a business plan for their business?

15b. **(For SMEs business owner)** If you do have a business plan, please describe why and how did you do your business plan. If no, please describe why you do not have a business plan?

Section D: Design Context

16. What do you consider the most important thing in selling a product? Brand (i.e. logo, packaging, etc.) or price?

17. In your opinion, how branding play the role in maintaining/upgrading the business?

18. In your opinion, how do you see the value of design in business?

19. In your opinion, does having a strong brand would be an asset to the company?

20a. (**For SMEs experts)** Please list three local brand that you consider as a successful brand and the reasons why you choose them.

20b. **(For SMEs business owner)** Please list three local brand that you consider as a successful brand. Do you see them as a competitor or role model?

21. (**For SMEs experts)** In your opinion, what are the criteria of poor brand image?

22a. (**For SMEs experts)** How can an entrepreneur know whether they have a successful or poor brand image?

22b. **(For SMEs business owner)** Do you consider your company to have a successful or poor brand image? Do you have any brand image that you want to achieve?

Section E: Marketing Context

23a. (**For SMEs experts)** Can you describe successful marketing strategy? How crucial it is for a company to have a marketing strategy?

23b. **(For SMEs business owner)** Does your company have marketing strategy?

24a. (**For SMEs experts)** What are the key elements of marketing strategy companies should follow and avoid?

24b. **(For SMEs business owner)** If you do have a marketing strategy, please describe how did you know about those marketing strategy and how did you execute those strategy?

25a. (**For SMEs experts)** How can business owner know whether they need to change their marketing strategy or not?

25b. **(For SMEs business owner)** If you do not have any marketing strategy, please describe why and are you interested in having a marketing strategy for your company?

APPENDIX D

OBSERVATION TEMPLATE FOR PARTICIPANT OBSERVATION EVENT

Items of observation	Indicator			Researcher reflections
Event	Before (Information deliverance)	Poster	☐	
		Banner	☐	
		Billboard	☐	
		Newspaper	☐	
		Social media	☐	
		WhatsApp group	☐	
		Official website	☐	
		Influencer	☐	
	During (Style)	Presentation	☐	
		Lecture	☐	
		Experience sharing	☐	
		One to one	☐	
		Quite	☐	
		Loud	☐	
	After (Action)	Participant follow up	☐	
		Feedback form	☐	
		Second series	☐	
		Continuing event	☐	
		Personal meeting	☐	
Experts	Engagement	Personal	☐	
		Approachable	☐	
		Distant	☐	
		Unapproachable	☐	
		Consultation	☐	
		Further consultation	☐	
Participants	During	Focus	☐	
		Distracted	☐	
		Ask question	☐	
	After	Exit	☐	
		Stay	☐	
		Ask question	☐	
	Attitude	Positive	☐	
		Negative	☐	
		Give excuse	☐	
		Excited to learn	☐	