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BUSINESS COPING STRATEGY, ENTREPRENEURIAL ORIENTATION, IMPROVISATIONAL COMPETENCE, AND CRISIS READINESS OF THE MALAYSIAN MEDIUM-SIZED MANUFACTURING ENTERPRISES IN RECESSIONARY TIMES

IRENE YONG SEOK CHING

DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
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By
IRENE YONG SEOK CHING

Thesis Submitted to the Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, In Fulfillment of the Requirement for the Degree of Doctor of Philosophy
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ABSTRACT

The main issue of this thesis was the hampered performance of the manufacturing small-and-medium-sized enterprises (SMEs) in Malaysia during economic recessions. The bona fide respondents of the study were the medium-sized manufacturing enterprises (MMEs). Crisis readiness (CR) was proposed as the surrogate measure for firm performance. While CR was examined in relationships to business coping strategy (BCS) and entrepreneurial orientation (EO), this study also assessed the mediating effect of improvisational competence (IC) on the BCS-CR relationship. Altogether, a three-pronged-objective research framework was theoretically underpinned by resource-based view. Simple random sampling technique was used to select the targeted respondents. Of the 295 usable responses, a random near-split-half of 145 and 150 were used for exploratory and confirmatory factor analysis respectively. Statistically significant positive relationships were found in two direct relationships: BCS-CR and EO-CR, while IC was found to mediate the BCS-CR relationship. Significant positive relationships were also evident between all dimensions of EO and CR, except risk-taking. While CR was a new performance surrogate, its examination with BCS, EO, and IC contributed nascent theoretical insights. Other theoretical gaps included the development and validation of the BCS and bricolage scales, psychometric revisions of the CR and IC scales, and the incorporation of a vignette into the measurement to provide standardization as to the recessionary context understudied. Practically, the findings provided the manufacturing entrepreneurs some guidance on the appropriate response strategy and decision making which would better-position them in recessionary situations. Likewise, the understandings may also assist the policy makers to develop or to adjust policies to better-fabricate assistance channelled to MMEs. Towards the end, methodological limitations and potential avenues for future research were also identified.

Keywords: Crisis readiness (CR), Business coping strategy (BCS), Entrepreneurial orientation (EO), Improvisational competence (IC), Medium-sized manufacturing enterprises (MMEs)
ABSTRAK


Kata-kata kunci: Kesediaan krisis (CR), Strategi penyesuaian (BCS), Orientasi keusahawanan (EO), Kecekapan improvisi (IC), Perusahaan perkilangan saiz-sederhana (MMEs)
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LIST OF ABBREVIATIONS

AVE Average Variance Extracted
BCS Business Coping Strategy
Bri Bricolage Tactics
CB-SEM Covariance-based Structural Equation Modeling
CC Cost-cutting Tactics
CR Crisis Readiness
DV Dependent Variable
DOSM Department of Statistics Malaysia
EFA Exploratory Factor Analysis
EO Entrepreneurial Orientation
EPU Economic Planning Unit
FB Financial Bootstrapping Tactics
FMM Federation of Malaysian Manufacturing
GDP Gross Domestic Product
IC Improvisational Competence
IV Independent Variable
KMO Kaiser-Meyer-Olkin
Max. Maximum score value
MEIF Malaysia Economy In Figures
MIER Malaysia Institute of Economic Research
Min. Minimum Score Value
MM Measurement Model
MME Medium-sized Manufacturing Enterprises
MPC Malaysia Productivity Corporation
MSA Measure of Sampling Adequacy
NSDC National SME Development Council
PLS Partial Least Square
PLS-SEM Partial Least Square Structural Equation Modeling
RBV Resource-based View
RDT Resource-dependence Theory
RG Revenue-generation Tactics
SEM Structural Equation Modeling
SMES Small-and-Medium-Sized Enterprises
SPSS Statistical Package for Social Science
VAF Variance Accounted For
VIF Variance Inflation Factor
VRIN Valuable, Rare, Inimitable, and Non-substitutable
\(f^2\) f-squared (Denotes Effect Size of Predictive Power)
\(P_{ab}\) P-value Associated with the Indirect Path \(a*b\)
\(Q^2\) Q-squared (Denotes Predictive Relevance)
\(q^2\) q-squared (Denotes Effect Size of Predictive Relevance)
\(R^2\) R-squared (Denotes Coefficient of Determinant for Predictive Power)
\(r\) Correlation Coefficient
\(SE_{ab}\) Bootstrap Standard Error associated with the Indirect Path \(a*b\)
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In Malaysia, small-and-medium-sized enterprises (SMEs) and the manufacturing sector are two key economic elements that are intertwined deep-rooted. The strong connection between both lies in the fact that 95.4% of the manufacturing firms in Malaysia are made up of SMEs (Department of Statistics Malaysia [DOSM], 2012, Economic Census, 2011). The significance of SMEs in the manufacturing sector is in growing term. Since 2005, the SMEs’ manufacturing growth has surpassed the overall sector’s growth (National SME Development Council [NSDC], 2010); and their share to the overall value-added of the manufacturing sector has increased from 29.3% in 2005 to 30.4% in 2009 (NSDC, 2010), and later 33.9% in 2014 (DOSM, 2014).

Together or independently, both record a strong history of economic importance. On the one hand, the most recent Economic Census 2011 shows that SMEs account for approximately 97.3% of the total business establishments in Malaysia in 2010 (NSDC, 2012, SME Annual Report 2011/2012). Their economic contributions are vivid in their shares of 32.7% to the national gross domestic product (GDP), 19.4% to the total export, and 57.4% to the employment in 2012, covering important sectors in the nation (DOSM, 2012; Asian Development Bank, 2014). SMEs’ growing importance is evident in their GDP contribution which increases from 29.4% in 2005 to 33.1% in 2013 (NSDC, 2014), and then 35.9% in 2014 (DOSM,
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