The copyright © of this thesis belongs to its rightful author and/or other copyright owner. Copies can be accessed and downloaded for non-commercial or learning purposes without any charge and permission. The thesis cannot be reproduced or quoted as a whole without the permission from its rightful owner. No alteration or changes in format is allowed without permission from its rightful owner.
STRATEGIC PLANNING PRACTICES, ENTREPRENEURIAL ORIENTATION, ENVIRONMENTAL UNCERTAINTY AND INTERNATIONALIZATION OF SMALL AND MEDIUM ENTERPRISES

MOHD FAUDZI MUSA

UNIVERSITI UTARA MALAYSIA

DOCTOR OF BUSINESS ADMINISTRATION
UNIVERSITI UTARA MALAYSIA
November 2015
PERMISSION TO USE

In presenting this thesis in fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor(s) or in their absence, by the Dean of School of Business Management where I did my thesis. It is understood that any copying or publication or use of this thesis or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to UUM in any scholarly use which may be made of any material in my thesis.

Request for permission to copy or to make other use of materials in this thesis in whole or in part should be addressed to:

Dean of School of Business Management
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman
ABSTRACT

The understanding on factors contributing to internationalization of small and medium enterprises (SMEs) in Malaysia is still lacking, and that the SME contribution to the country’s export is still small compared to those neighbouring countries and most of the developed countries. Therefore, the objective of this study is to empirically test the relationships between strategic planning practices, entrepreneurial orientation, and environmental uncertainty on the internationalization of SME’s in Malaysia. This study emanated from the fact that there is limited study in this area and more research should be conducted especially in the context of Malaysia. Based on the theoretical consideration a model was proposed and hypotheses were developed. Survey questionnaires were used in the data collection and a total of 250 useable responses were received from the exporting SMEs in Malaysia. Partial Least Squares Structural Equation Model (PLS-SEM) was employed in the data analysis. The findings revealed that strategic planning practices and entrepreneurial orientation have significant and positive relationships with the internationalization of SMEs. The results further found the moderating role of environmental uncertainty in the relationships between strategic planning practices and internationalization as well as between entrepreneurial orientation and internationalization of SMEs. These findings also support the resource based view which emphasizes the importance of internal capability of a firm as an influenced driver in achieving export performance and competitive advantage. Thus this study sheds some light on an understanding and evaluation of the relationship between strategic planning practices, entrepreneurial orientation and environmental uncertainty on the internationalization of SMEs in Malaysia. Finally, the study concludes with some theoretical and practical implications as well as the limitations and directions for future research.

Keywords: Small and medium enterprises (SMEs), strategic planning practices, entrepreneurial orientation, environmental uncertainty, internationalization

**Kata Kunci:** Perusahaan kecil dan sederhana (PKS), amalan perancangan strategik, orientasi keusahawanan, ketidakpastian persekitaran, pengantarabangsaan
ACKNOWLEDGEMENTS

In the name of Allah SWT, the Most Gracious and the Most Merciful, I thank you for giving me the strength to complete this thesis. This thesis would not have been completed without the support and assistance of many people.

First and foremost, my sincere gratitude and appreciation goes to my supervisors, Dr Noor Azmi Hashim and Professor Dr. Mohamad Hanapi B. Mohamad for their constructive ideas, criticisms, guidance and patience throughout the duration of preparing this thesis. They have successfully guided me through some stressful times and were always willing to sharpen my understanding of this thesis and other academic writings. It was a great privilege to work under their supervision, where their professional expertise and many constructive and insightful comments had contributed tremendously in focusing my thoughts and ideas.

I am also greatly indebted to Professor Dr Rosli Mahmood and Assoc. Prof. Dr. Zulkafli Husin (UUM), for their valuable insights, comments, ideas, and suggestions in the course of improving and completing this thesis. I wish to thank Professor Dr. Rushami Zien B Yusoff (Dean of the School of Business Management, UUM), and to all lecturers for the DBA modules and subjects, and staff of UUM for their encouragement and kind assistance rendered to me throughout my studies.
I would also like to thank the chief executive officers, business owners and heads of department of the participating SMEs and SME Corp for their invaluable help during the data collection. Special thanks are also extended to all involved and who have given their cooperation in completing the survey.

Due appreciation is also extended to my mother, Hajjah Esah Bt Hj Said, my parents-in-laws, Haji Yaacob Bin Che Noh and Hajjah Halimah Bt Daud and my other family members (sisters, brothers and nephews) who have given me their prayers, encouragement, and unfailing support for me to go through this journey.

Finally and most importantly, I would like to extend my gratitude and affection to my beloved wife, Nazita Yaacob and children, Nur Amirah, Mohd Ammar and Nur Aqeela Delisha. Thank you for providing me with overwhelming patience, support, love, encouragement, and inspiration that has greatly facilitated the completion of this challenging work.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE PAGE</td>
<td>i</td>
</tr>
<tr>
<td>CERTIFICATION OF THESIS WORK</td>
<td>ii</td>
</tr>
<tr>
<td>PERMISSION TO USE</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>vi</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>vii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>ix</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xiv</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xvi</td>
</tr>
<tr>
<td><strong>CHAPTER ONE – INTRODUCTION</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 Background of Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Problem Statement</td>
<td>5</td>
</tr>
<tr>
<td>1.3 Research Questions</td>
<td>12</td>
</tr>
<tr>
<td>1.4 Objectives of Study</td>
<td>13</td>
</tr>
<tr>
<td>1.5 Significance of Study</td>
<td>14</td>
</tr>
<tr>
<td>1.6 Definitions Of Terms</td>
<td>16</td>
</tr>
<tr>
<td>1.7 Organization of Thesis</td>
<td>20</td>
</tr>
<tr>
<td><strong>CHAPTER TWO - LITERATURE REVIEW</strong></td>
<td></td>
</tr>
<tr>
<td>2.1 Introduction</td>
<td>22</td>
</tr>
<tr>
<td>2.2 International Entrepreneurship</td>
<td>22</td>
</tr>
<tr>
<td>2.3 Internationalization</td>
<td>27</td>
</tr>
</tbody>
</table>
2.4 Entrepreneurial Orientation

2.4.1 Risk Taking
2.4.2 Innovativeness
2.4.3 Pro-Activeness

2.5 Strategic Planning Practices

2.5.1 Scanning Intensity
2.5.2 Planning Flexibility
2.5.3 Locus Of Planning
2.5.4 Planning Horizon

2.6 Environmental Uncertainty

2.7 Underpinning Theories

2.7.1 Resource Based Theory
2.7.2 Contingency Theory

2.8 Theoretical Framework

2.9 Hypotheses Development

2.9.1 Strategic Planning Practices and SME Internationalization
2.9.2 Entrepreneurial Orientation and SME Internationalization
2.9.3 Environmental Uncertainty as Moderator to Strategic Planning Practices and SME Internationalization
2.9.4 Environmental Uncertainty as Moderator to Entrepreneurial Orientation and SME Internationalization

2.10 Chapter Summary
### CHAPTER THREE – METHODOLOGY

3.1 Introduction

3.2 Research Design

3.3 Population and Sampling

3.4 Data Collection Procedure

3.5 Measures and Instrumentation
   - 3.5.1 Measures of Internationalization
   - 3.5.2 Measures of Entrepreneurial Orientation
   - 3.5.3 Measures of Strategic Planning Practices
   - 3.5.4 Measures of Environmental Uncertainty

3.6 Validity and Reliability
   - 3.6.1 Validity
   - 3.6.2 Reliability

3.7 Pilot Test

3.8 Statistical Assumptions
   - 3.8.1 Linearity
   - 3.8.2 Normality Test
   - 3.8.3 Multicollinearity

3.9 Correlation Analysis

3.10 Data Analysis

3.11 Chapter Summary
CHAPTER FOUR – DATA ANALYSIS AND FINDINGS

4.1 Introduction 94
4.2 Collection Procedure and Survey Response 94
4.3 Data Screening and Preliminary Analysis 96
  4.3.1 Normality Test 96
  4.3.2 Multicollinearity Test 98
4.4 Descriptive Statistics 100
4.5 Descriptive Analysis of the Latent Constructs 107
4.6 Assessment of PLS-SEM Path Model Results 108
4.7 Assessment of Measurement Model 110
  4.7.1 Individual item reliability 112
  4.7.2 Instrument validity and reliability 112
4.8 Cross Loadings 114
4.9 Assessment of Structural Model 115
4.10 Testing of Sub Hypotheses H1a, H1b, H1c, H1d 119
4.11 Testing of Sub Hypotheses H2a, H2b and H2c 124
4.12 Chapter Summary 128

CHAPTER FIVE – DISCUSSION AND CONCLUSIONS

5.1 Introduction 129
5.2 Discussion of Findings 129
  5.2.1 Strategic Planning Practices and SMEs Internationalization 131
  5.2.2 Entrepreneurial Orientation and SMEs Internationalization 132
5.2.3 Environmental Uncertainty as a Moderator to Strategic Planning Practices and SME Internationalization 132

5.2.4 Environmental Uncertainty as a Moderator to Entrepreneurial Orientation and SMEs internationalization 133

5.2.5 Scanning Intensity, Planning Flexibility, Locus of Planning and Planning Horizon to the SME Internationalization 134

5.2.6 Risk Taking, Innovativeness and Pro-activeness to the SME Internationalization 136

5.3 Implications Of Study 138

5.3.1 Theoretical Implications 138

5.3.2 Practical Implications 141

5.3.3 Policy Implications 144

5.4 Limitations and Directions For Future Research 145

5.5 Conclusions 147

REFERENCES 148

APPENDICES 197
LIST OF TABLES

Table 1.1 Malaysian Export Percentage (%) To The World 2
Table 1.2 Definition of Size Operation of SME’s in Malaysia 15
Table 3.1 Distribution of Malaysian SMEs in Manufacturing Sector 66
Table 3.2 Items of Internationalization Measures 72
Table 3.3 Items of Entrepreneurial Orientation Measures 75
Table 3.4 Items of Scanning Intensity 77
Table 3.4 Items of Planning Flexibility 78
Table 3.4 Items of Locus of Planning 79
Table 3.4 Items of Planning Horizon 80
Table 3.5 Items of Environmental Uncertainty Measures 82
Table 3.6 Composite Reliabilities and Average Variance Extracted for latent Variables 85
Table 3.7 Square Root of AVE and Correlations of Latent Variables 86
Table 3.8 Composite Reliabilities and Average Variance Extracted for latent Variables 85
Table 4.1 Variance Inflation Factors (VIF) 97
Table 4.2 Years In Business 98
Table 4.3 Years In exporting Business 99
Table 4.4 Number of Employees in the Firms 100
Table 4.5 Company’s Total Sales Yearly 100
Table 4.6 Number of Export Countries 101
Table 4.7 Percent of Total Sales Attributable to Foreign Sales 102
Table 4.8 International Market Entry Strategies 102
Table 4.9 Age of Respondents 103
Table 4.10 Gender Distribution 103
| Table 4.11 | Education Level | 104 |
| Table 4.12 | Summary of Frequencies | 105 |
| Table 4.13 | Composite Reliability (CR) and Average Variance Extracted (AVE) | 111 |
| Table 4.14 | Cross Loadings | 112 |
| Table 4.15 | Results of Structural Model and Moderators | 115 |
| Table 4.16 | Result of Relationships between Individual Dimensions (IV) to INT (DV) | 120 |
| Table 4.17 | Results of Relationships between RT, INO, PRO and INT | 124 |
LIST OF FIGURES

Figure 1.1 Integrated Model of International Entrepreneurship 11
Figure 2.1 Integrated Model of International Entrepreneurship 47
Figure 2.2 Theoretical Framework 48
Figure 4.1 Histogram and Normal Probability Plot 95
Figure 4.2 Measurement Model 109
Figure 4.3 Full Structural Model 114
Figure 4.4 Coefficient Regression and loading of SI, PFX, LP, PH 117
Figure 4.5 T-Value of SI, PFX, LP, PH 119
Figure 4.6 Coefficient Regression and loading of RT, INO, PRO 122
Figure 4.7 T Value for RT, INO and PRO 124
CHAPTER ONE

INTRODUCTION

1.1 Background of Study

The importance of Small and Medium enterprises (SMEs) in economic developments has been established in almost every country in the world, and in particular Malaysia where the role of SMEs has long been recognised as a major contributor to the nation’s economy and plays as major contributor to employment and social growth. Over 50 per cent of total workforces in Malaysia were actually provided by SMEs, in which SMEs accounted for about 99.2 per cent of total business establishments (Singh & Mahmood, 2014). However, the overall contribution to the economy was only 33 percent of the Gross Domestic Products (GDP) and 19 per cent of exports (Bakar, Mahmood & Ismail, 2015; Singh 2013). This contribution of SMEs to the GDP is relatively low when compared with developed countries and other developing nations such as Japan (53%), Germany (53%), United Kingdom (51%), Korea (49%), Singapore (49%), Vietnam (45), Thailand (38%), Indonesia (58) and Philippines (36%). Under the SME Master Plan 2012 – 2020, SMEs have been targeted to contribute 41 percent of GDP (ERIA, 2014).

In terms of exports, SMEs contribution is still relatively low, and the exporters are mainly in the manufacturing sector (57.6%), services (40.6%) and agriculture
The contents of the thesis is for internal user only
REFERENCES


the use of structural equation modeling in strategic management research.


orientation: A framework for study and integration of innovation research.
Journal of Product Innovation Management, 23(6), 556-574.

market orientation and external environment on export performance of
manufacturing SMEs. Unpublished PHD thesis, Universiti Utara Malaysia,
Kedah, Malaysia.

strategies on export performance of small and medium enterprises in Malaysia.

on export performance of small and medium enterprises in Malaysia: An

Slater, S. F., & Narver, J. C. (2000). The positive effect of a market orientation on
business profitability: A balanced replication. Journal of Business Research,
48(1), 69-73.


