MODERATING EFFECT OF VOLATILE ENVIRONMENT ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION, MARKET ORIENTATION, CHANGE IMPLEMENTATION CAPACITY AND SMEs PERFORMANCE OF RETAIL FIRMS

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DOCTOR OF BUSINESS ADMINISTRATION
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BY

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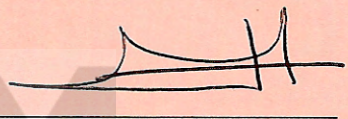

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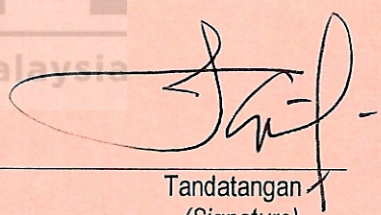

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ABSTRACT

Retail business plays a vital role in many economies by providing employment opportunity, generating the gross national income progressively, and contributing to the growth of SMEs. However, the determining factors of the performance of SMEs have not been extensively explored. Thus, the main objective of this study is to examine three determinants, namely, market orientation (MO), entrepreneurial orientation (EO) and change implementation capacity (CIC) and their effects towards the SMEs performance (FP) for the retail subsector. This study also incorporates the moderating effect of volatile environment (VE) in examining its influence between the determinants and FP. Data were collected from the owner-managers of SME-sized retail firms that were located within the central region of Peninsular Malaysia using the cross-sectional study design. This study adopted stratified sampling and 373 SMEs retail firms had been randomly selected. Survey method had been used in which 152 acceptable returned responses were analysed using the PLS-SEM regression statistical technique. Results indicated that MO and CIC had significant positive effects on FP. EO, on the other hand, did not have any positive effect on FP. The findings also revealed that VE had a moderating effect on MO-FP and CIC-FP, but not for EO-FP. Theoretical contribution that had been made by this study was by integrating the variables from the theory of Dynamic Capabilities View with construct from the Resource-based View theory, in which the results have extended the body of knowledge in SMEs literature. The findings of this study also provide important insights to the owner-managers, researchers and policy-makers to further understand the determinants of SMEs performance of retail firms and the effects of environment volatility surrounding the business. Finally, limitations of current study and avenues for future research are also discussed.

Keywords: market orientation, entrepreneurial orientation, change implementation capacity, SMEs performance, volatile environment

ABSTRAK

Perniagaan runcit memainkan peranan yang penting bagi kebanyakan negara dengan cara menyediakan peluang pekerjaan, menjana pendapatan kasar negara secara berperingkat dan menyumbang kepada pertumbuhan PKS. Walau bagaimanapun, faktor penentu kepada prestasi PKS yang pelbagai belum dikaji secara meluas. Oleh itu, objektif utama kajian ini ialah meneliti tiga faktor penentu, iaitu orientasi pasaran (MO), orientasi keusahawanan (EO) dan keupayaan pelaksanaan perubahan (CIC) dan kesannya terhadap prestasi firma-firma PKS (FP) bagi sub-sektor peruncitan. Kajian ini turut menyelidik kesan penyederhanaan persekitaran yang tidak menentu (VE) dalam meneliti pengaruhnya terhadap perhubungan di antara faktor penentu dan FP. Data dikumpul dari pemilik-pengurus firma peruncitan bersaiz PKS di wilayah tengah semenanjung Malaysia melalui reka bentuk kajian rentas. Penyelidikan ini mengunapakai persampelan berstrata dengan 373 buah firma peruncitan PKS telah dipilih secara rawak. Kaedah tinjauan terpakai di mana sebanyak 152 maklum balas boleh guna telah dikembalikan dan dianalisa menggunakan teknik statistik regresi PLS-SEM. Hasil analisis menunjukkan bahawa MO dan CIC memberi kesan positif yang signifikan terhadap FP. Sebaliknya EO tidak menunjukkan kesan positif terhadap FP. Hasil kajian juga mendapati VE mempunyai kesan penyederhanaan ke atas perhubungan MO-FP dan CIC-FP, tetapi tidak bagi EO-FP. Sumbangan secara teori daripada kajian ini adalah dari segi pengintegrasian pemboleh ubah dari teori Pandangan Keupayaan Dinamik dengan konstruk dari teori Pandangan Berasaskan Sumber dan hasilnya telah mengembangkan lagi pengetahuan dalam literatur berkaitan PKS. Hasil kajian juga memberi maklumat penting kepada pemilik-pengurus, penyelidik dan pembuat dasar untuk memahami lebih lanjut faktor-faktor penentu prestasi firma peruncitan PKS dan kesan persekitaran tak menentu di sekitar perniagaan. Akhir sekali, batas kajian semasa dan peluang kajian bagi masa hadapan juga dibincangkan.

Katakunci: orientasi pasaran, orientasi keusahawanan, keupayaan pelaksanaan perubahan, prestasi PKS, persekitaran tidak menentu

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TABLE OF CONTENTS

LIST OF ABBREVIATIONS

Abbreviation	Meaning
BNM	Bank Negara Malaysia (Central Bank of Malaysia)
CIC	Change implementation capacity
CRM	Customer relationship management
DOS	Department of Statistics, Malaysia
EO	Entrepreneurial orientation
EU	European Union
FDI	Foreign Direct Investment
FP	SMEs Performance
GDP	Gross Domestic Product
GRDI	Global Retail Development Index
GST	Goods and Service Tax
ILO	International Labour Organization
MITI	Ministry of International and Trade Industry
MO	Market orientation
NEP	New Economy Policy
NSDC	National SME Development Council, Malaysia
PUNB	Perbadanan Usahawan Nasional Berhad
SBDC	Small Business Development Centre
SME	Small and Medium Enterprise
SME Corp	Small and Medium Enterprise Corporation, Malaysia
SMEs	Small and Medium Enterprises
SMI	Small and Medium Industries

UPEN	Unit Perancangan Ekonomi Negeri
VE	Volatile environment

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

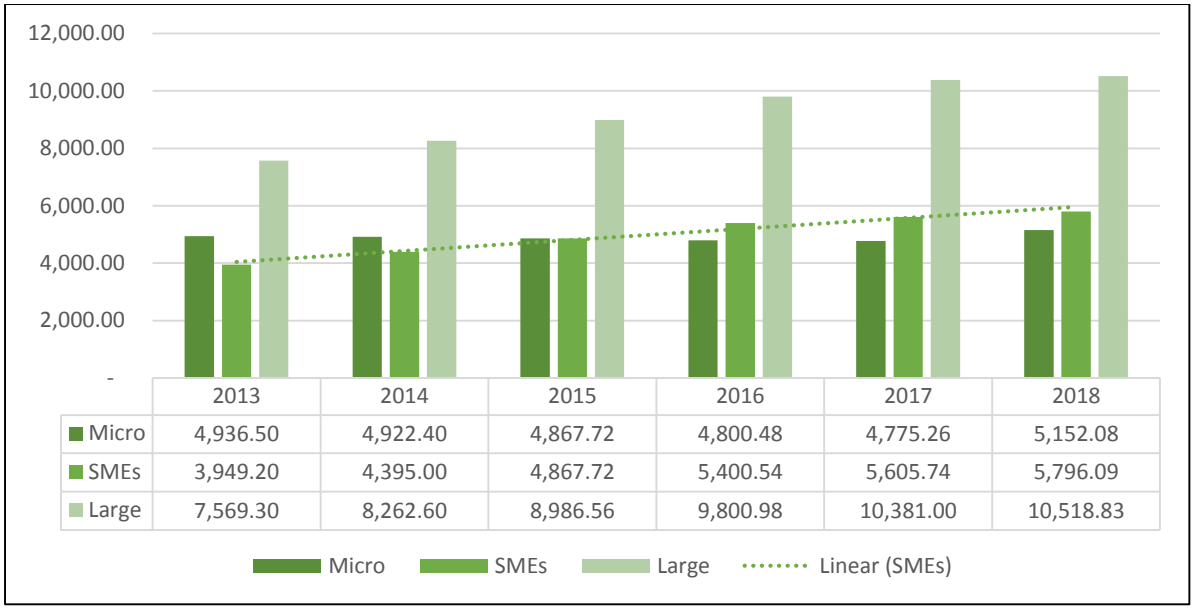
INTRODUCTION

1.1 Background of the Study

There are tremendous researches conducted on small and medium size enterprises (SMEs) throughout the world since SMEs comprise of about 99% of the entire business establishment (OECD, 2017; WTO, 2016). Furthermore, SMEs are also one of the important contributor to the economic growth, equitable distribution of income, poverty reduction, and generating employment for many countries (OECD, 2017; Huggins & William, 2013; Tambunan, 2011).

SMEs can be categorized into several sectors such as services, manufacturing and others (mining and quarry industries, agriculture and construction). Each sector is divided into various subsectors. For instance, the services sector consisted of three main subsectors in which retail enlists as one of them.

This study will concentrate on the retail subsector, which is a huge, dynamic, and highly potential business that has an enormous impact on many countries' economy, apart from being one of the main contributors to SMEs growth (Kajalo & Lindblum, 2015; Kazakov, 2016). In 2016, the global total retail sales stood at USD20 trillion (Research & Markets, 2017) for both in-store and internet revenue, as shown in Figure 1.1. The retail sales are forecasted to grow by 3.8% for 2017 (USD20.76 trillion), and 3.4% for 2018 (USD21.46 trillion), while it is expected to rebound to 5.5% or more for 2019 onwards. As the retail sector still dominating by large enterprises, the SMEs share (2013-2018) is ranging between 24% and 27% from total retail revenue.



	2013	2014	2015	2016	2017	2018
Micro	4,936.50	4,922.40	4,867.72	4,800.48	4,775.26	5,152.08
SMEs	3,949.20	4,395.00	4,867.72	5,400.54	5,605.74	5,796.09
Large	7,569.30	8,262.60	8,986.56	9,800.98	10,381.00	10,518.83

Figure 1.1
Total Worldwide Retail Sales 2013-2018
Source: Research & Market, 2017; A.T. Kearney, 2017; Eurocommerce, 2017
**The figure for 2017 and onwards are estimated and forecasted*

In addition, the retail becomes a major source of employment for many countries. Retail is a labour-intensive sector that accommodates huge job opportunities (Erkip & Ozuduru, 2015; Mui, Badrulzaman, & Ahmad, 2013). In the United States, the retail industry is the largest private sector that supports almost 29 million jobs or 1 out of 4 US jobs (National Retail Federation, 2014). For emerging countries like China, India and Indonesia, the retail sector provides more than 35% of the total national employment (AT Kearney, 2017; India Brand Equity Foundation, 2017).

Internet or e-commerce becomes increasingly important, representing 7.4% of the total retail sales or USD1.88 trillion in 2016 (forecasted 8.2% or USD 2.19 trillion for 2017; and 8.8% or USD2.49 trillion in 2018) and this segment is led by the United States and China (eMarketer.com, 2017). For in-store or brick-and-mortar retail establishment, the African continent and Asia Pacific countries are expected to become the new growth frontier for the next decade (Deloitte, 2015; PriceWaterhouseCoopers, 2016).

For Malaysia, this sector registered the sales value of RM96 billion (USD23 billion) in 2016 (Retail Group Malaysia, 2017) out of RM1,237 billion (USD 296.4 billion) (World Bank, 2016) of total nation's GDP; and has provided employment for 992,986 people (Department of Statistics, Malaysia, 2016). The retail sales have been growing considerably before 2013, but was projected a slow growth since then.

In comparison with certain countries, Figure 1.2 depicts the retail sales growth for selected countries in 2016 and it shows that the retail sector in Malaysia still lags behind the global retail growth benchmark. Although a few countries like the US, Brazil, Nigeria, China, Russia, and Indonesia have exceeded the global retail growth of 3.9%, few others are still struggling to reach the benchmark, including the UK, Singapore, the Philippines, Thailand and Malaysia.

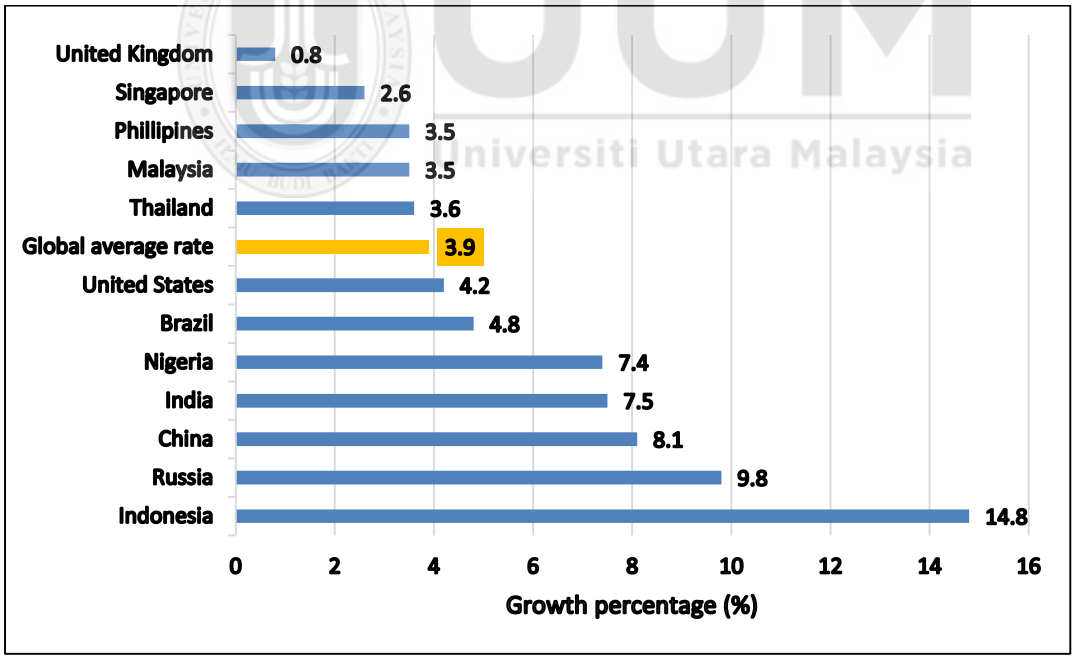


Figure 1.2
Retail Sales Growth Rate for 2016 (selected countries)
Source: Retail Statistic, 2017 (www.statista.com)

Seeing the importance of the retail business, the Malaysian government has announced this SMEs subsector to be placed under the priority agenda of the National Key Economics Areas

(NKEA) in September 2010 (SME Annual Report, 2015). It is also listed among 12 subsectors within the initiative of the Economic Transformation Programme (ETP). ETP is a high priority programme with the goal to boost the Malaysian economy towards becoming a developed nation by 2020. The other objective of ETP is to escalate Malaysia's status as one of the world's best shopping destinations (SME Annual Report, 2015).

Apart from that, the Malaysian government has been very supportive towards SMEs and the retail industry. A well-accepted worldwide indicator, the Global Retail Development Index 2016 (see Appendix 2), has ranked Malaysia at top 3 out of 30 most attractive developing countries for retailing and recognised the country as the most business-friendly nation. Having all these supports, Malaysia has got almost all of the key elements to become high-performance retailers. However, our retailers are still struggling to find ways and means to excel in their performance.

Having mentioned the practical issues as discussed above, it is in the interest of the researcher to examine certain variables that based on literatures, may improve SMEs performance and possibly of retail firms in Malaysia, as these might be valuable for the retail practitioners to improve their performance as well as for the other stakeholders of retail subsector's spectrum.

Therefore, the current study is aimed to examine the relationships of three independent constructs which are Entrepreneurial Orientation, Market Orientation and Change Implementation Capacity, with a moderating effect of environment volatility on the retail firms' performance.

1.2 Problem Statement

As indicated in the above section, the main issue facing by Malaysia SME retailers is their performance which is below global performance benchmark since 2013. According to

Research and Market (2017) magazine, the Malaysian retail subsector reported low growth of 2.0% for 2015 with the overall transaction of RM92.9 billion as compared to 2014 (3.4%: RM91.1 billion). However, continuous slow growth trend was estimated for 2016 (3.5%: RM96.1 billion) and could be extended until 2018. As per Figure 1.3, the growth rate for overall Malaysian retail is 2.0% for 2015, 3.5% for 2016, and 3.0% in 2017 (statista.com, 2017), meanwhile, for SMEs retail performance in Malaysia also showing the alarming down trend with rate of 3.90% (2015), 3.81% (2016) and 3.62% (2017) – the worst for the recent three consecutive years. Whilst the global retail growth rate stood at 3.9% for 2016 and analysts forecasted almost the same rate until 2018 (economist.com, 2018), the Malaysian retailing is still struggling and unable to reach global performance benchmark level. Figure 1.3 below clearly demonstrates the achievement of Malaysian retailers in comparison to global sales performance.

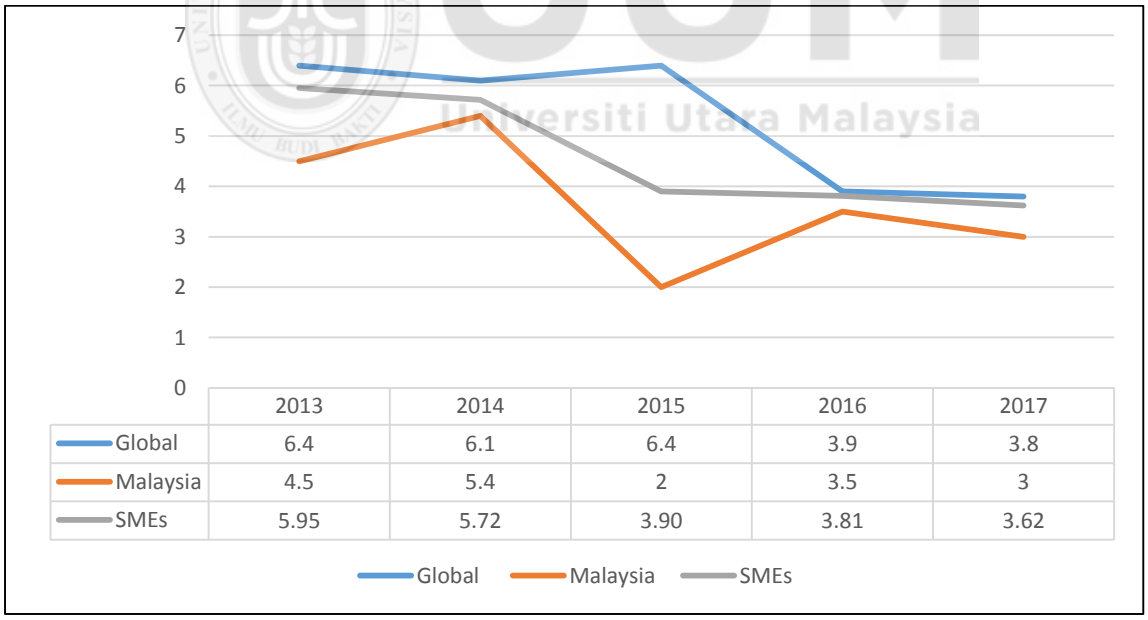
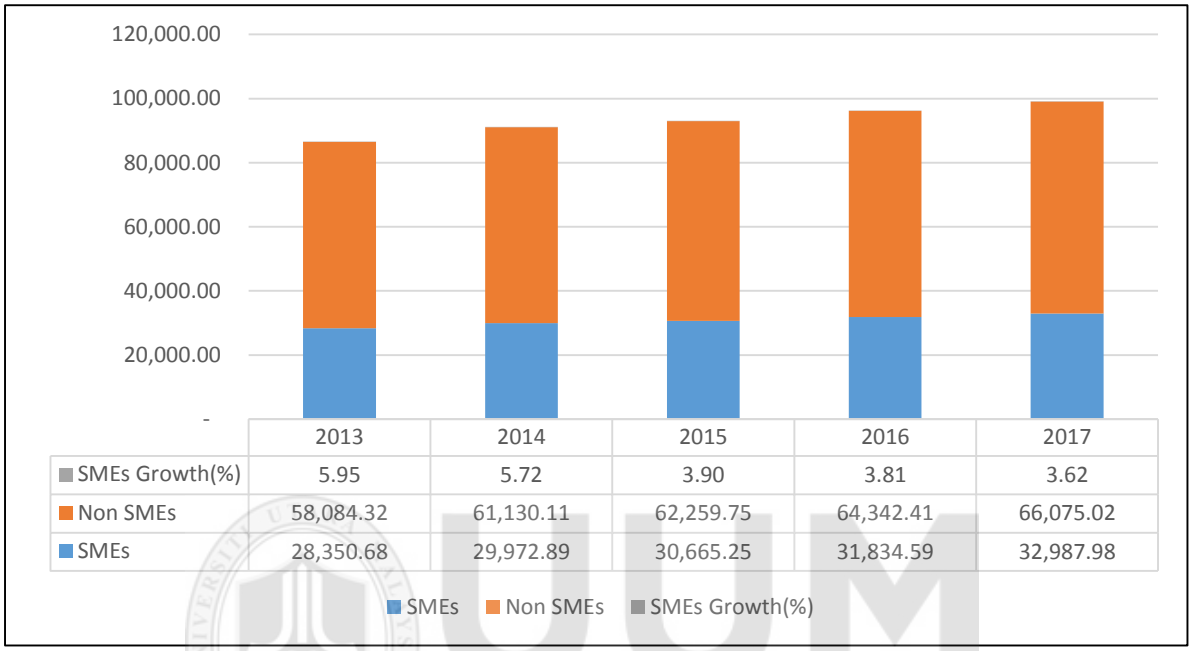


Figure 1.3
Global vs. Malaysia & Malaysian SMEs Retail Sales Growth Rate
Source: Retail Statistic, 2017 (www.statista.com); Retail Group Malaysia, 2017; DOS, Malaysia, 2018

Even though the sales for retail sector for both SMEs and non SMEs in Malaysia grow every year as depicted in Figure 1.4, its growth has not achieved the global retail benchmark rate since 2013. This is the main dilemma facing by the Malaysian retail sector, its slow growth.



	2013	2014	2015	2016	2017
SMEs Growth(%)	5.95	5.72	3.90	3.81	3.62
Non SMEs	58,084.32	61,130.11	62,259.75	64,342.41	66,075.02
SMEs	28,350.68	29,972.89	30,665.25	31,834.59	32,987.98

Figure 1.4
Malaysian SMEs Retail Sales 2013-2017
Source: Retail Group Malaysia, 2017; DOS, Malaysia, 2018

During the period of 2015 until 2018, the environment volatility in retail industry reached the peak which resulted in many major close-down of outlets, bankruptcy, restructuring, cost-cutting and down-sizing. This period is also called the "retailpocalyse" or "perfect storm" by the retail analysts (Cnbc.com, 2017; Geoghegan, 2017; Mohd Shariff, Abdul Kadir, & Shamsuddin, 2018). Several reports (such as Monash University Malaysia, 2017; Deloitte, 2016 and Euromonitor International, 2016) associate the reasons due to high volatility environment; such as resulted by the dampening of global demand, BREXIT, potential fracturing of EU, a domestic focus by Trump's administration, US withdrawal from Trans-Pacific Partnership, weakening of Ringgit, and the issue of GST. The retail industry growth

is still expected to expand a bit slow, with the worst scenario happened in the year 2015 until 2018.

This subsector also facing other problem that is the limited studies on identifying determinants of retail firms' performance. Despite of its huge contribution to the economy, somehow, retail subsector has received little attention by scholars (Hamister, 2012; Hassan, Sade & Rahman, 2013; Kajalo & Lindblom, 2015). Therefore, the research in this area is considered crucial, rare or new for some and need more exposure and comprehensive framework (Kajalo & Lindblom, 2015).

Whilst past studies typically highlight SMEs' performance as the centre-stage of research, especially for the two main sectors - namely manufacturing and services, the empirical studies of SMEs subsectors performance, such as for the retail subsector is still lacking (Kajalo & Lindblum, 2015; Grimmer, Miles, & Grimmer, 2015). There were previous researches in this retail area but mostly focus on shopping behaviour (Ghee & Ahmad, 2010), retail brand value (Jara & Cliquet, 2011), the development of shop-house retailers and hypermarkets (Mui, Badarulzaman, & Ahmad, 2013), brand attitude and customer patronage intention (Chin Lin, 2008; Kan, Cliquet, & Gallo, 2014), marketing variables (Kaswegi & Diallo, 2015), and shopping motivation (Mehta, Sharma, & Swami, 2014).

Lumpkin and Dess (1996) stressed that every industry has its own unique business operations, thus the relationship of determinants and performance might be different from one industry/sector/subsector to another – even within SME sectors. Hence, studying performance predictors that have been proven for other industries against the retail firms in its current environment volatility is something worth to explore further on. Therefore, this study will focus on three determinants, namely entrepreneurial orientation (EO), market

orientation (MO) and change implementation capacity (CIC) as an initiative to enrich the body of knowledge in retail performance determinants.

EO is one of the predictors that are vastly studied in determining a firm's performance by current and previous scholars. EO is a strategic posture that determines how and what entrepreneurial activity is undertaken, the firm's capability to acquire certain decision-making approach of entrepreneurial aspects, as well as methods and practices to ensure its sustainability and viability (Lumpkin & Dess, 1996; Covin & Lumpkin, 2011). Findings from many studies show that firms performed better when they have more entrepreneurial orientation (EO) dimensions (such as, Martin & Rialp, 2013; Gupta & Batra, 2015). However, there are also other studies that failed to prove any significant and positive relationship (for instance, Kultumus & Warner, 2015; Aminu & Mohd Shariff, 2015; Anderson, 2010).

Meanwhile, market orientation (MO) is another predictor which refers to organisational activities through customer orientation, competitor orientation, and internal coordination, which create superior customer values (Narver & Slater, 1990). Market orientation stresses on attracting and retaining customers by an organisation. Numerous studies have shown the positive linkage of market orientation towards organisational performance (for example, Hong, Song, & Yoo, 2013; Fang, Chang, Ou, & Chu, 2014; Kazakov, 2016) due to its vital role in developing useful marketing capabilities and sustaining competitive advantage (Kamboj & Rahman, 2017). On the contrary, Kajalo and Lindblom (2016) study concluded the MO is not effective to improve the firms' performance. The mixed empirical results by researchers raise further concern – whether EO and MO are consistently an entrepreneurial-type strategy or it is more complex in determining the superior performance.

In addition, Li and Liu (2014) suggested the importance of any firm to invest and develop various type of dynamic capabilities such as Change Implementation Capacity (CIC) in addressing the rapid environment changes. Their findings indicate that the dynamic capabilities including CIC are the important stable source of competitive advantage with cross effect to organisational performance. In contrast, Nedzinkas, Pundziene, Buoziute-Rafanviciene, and Pilkiene (2013) found that there is insignificant evidence on dynamic capabilities affecting financial-related performance, but somehow, it shows positivity on non-financial performance. Therefore, it is necessary to test any of the capabilities with a different blend of variables, which may possibly substantiate the firm's performance. Hence this study will utilise CIC as its third predictors of retail firms' performance.

Furthermore, performance might also be strengthen or weaken by internal or external environment surrounding the business (Wiklund & Sherperd, 2005; Grimmer *et al,* 2105). Pratono and Mahmood (2016) suggested that the business environment may impact positively or negatively on SMEs' performance depending on its environmental intensity or volatility. Few scholars have classified external volatility into three, namely low, intermediate and high (Kultumus & Warner, 2015; Grimmer, Miles, & Grimmer, 2015). The determination of the correct classification is paramount to the research. Martin and Rialp (2013) suggested that the SMEs' performance is higher when the variables in study fit its external environment volatility. Due to the importance of the external force, the researcher include volatile environment as moderator for this research.

Current and past scholars such as Wiklund & Sherperd (2005), Blackburn, Hart, & Wainwright (2013), Cucculelli & Bettinelli (2015), Pratono & Mahmood (2016) have agreed that there is no universal consensus on what specific constructs contribute to the superior SMEs' performance, including retail sector which is a part of SME establishment. Moreover,

contemporary researches have demonstrated the significance of a two-way relationship (contingency approach) between various determinant variables and firm performance (Gruber-Muecke & Hofer, 2015; Blackburn, Hart, & Wright, 2013).

Nonetheless, deeper understanding and findings might be acquired by integrating and orchestrating constructs, testing various moderators and mediators that are relevant to the organisation (Gupta & Batra, 2015). Wiklund and Sherperd (2005) suggested that these constructs include organisational characteristics and environmental influences, in which are also called a configurational approach. This is supported by a few prominent scholars (for example, Covin & Lumpkin, 2011; Lechner & Gudmundsson, 2014) who highlighted the need to compose various contingencies, intervening and moderating effects to understand more on firm performance.

Based on that, this research attempts to utilise multiple gaps proposed by recent researchers. These are by blending various variables (as proposed by Roberts, 2015; Lechner & Gudmundsson, 2014) such as the dynamic capabilities dimension with market orientation, which was introduced by Li and Liu (2014) for future research, combined with the entrepreneurial orientation, under the condition of varying environmental dynamisms proposed by Schilke (2014), for other sectors than manufacturing (Jiang *et al.,* 2015) and in different economic contexts (Grimmer *et al.,* 2015).

Therefore, the researcher addresses the literature gaps by examining the market orientation (MO), entrepreneurial orientation (EO), and change implementation capacity (CIC) effects on small and medium-sized retail firms' performance in Malaysia. Kajalo and Lindblom (2015) argued that subsectors of SME (include retail) were seldom being investigated as compared to other sectors such as the manufacturing industry. For this study, the owner-manager and top managers of retail firms will be selected for this study because like other

SME operators, they are well-versed in their stores' operations, making their own business' decisions, and adapting with the environment changes surrounding the business.

Scholars (Teece *et al.,* 1997; Arend & Bromley, 2009) stressed that the strategic orientation constructs of RBV, such as MO and EO, requires combination with other dynamic capabilities construct, for instance CIC in order to fit with high volatile environment. When a dynamic capabilities (CIC) and volatile environment (VE) contructs involved, the suitable underpinning theory is Dynamic Capabilities View theory.

Therefore, this research aims to examine these variables (MO, EO, CIC) that based on literatures may improve firms' performance and the influence of moderator, the environment volatility towards the relationship.

From the knowledge of the researcher, there might be very limited (if any) or probably none of the previous studies that validated and investigated a combination of these three variables that contributes to SMEs' performance and moderated by volatile environment, through a larger scale study, and using quantitative analysis for Malaysian retail firms' owner-manager as their population. It is considered among the first study being conducted in such context and the need of this research is self-evident.

1.3 Research Questions

Research questions are structured by aligning the aim of this research. Research questions facilitate the development of hypothesis in the subsequent section, with reference to the research objectives. The following will be the main questions of this research that need to be answered:

- Does entrepreneurial orientation (EO) has a significant positive relationship on SMEs performance of retail firms?
- Does market orientation (MO) has a significant positive relationship on SMEs performance of retail firms?
- Does change implementation capacity (CIC) has a significant positive relationship on SMEs performance of retail firms?
- Does volatile environment (VE) moderates the relationship between EO and the SMEs performance of retail firms?
- Does volatile environment (VE) moderates the relationship between MO and the SMEs performance of retail firms?
- Does volatile environment (VE) moderates the relationship between CIC and the SMEs performance of retail firms?

1.4 Research Objectives

The main objective of this study is to examine the effect of entrepreneurial orientation, market orientation and change implementation capacity in their relationship with SMEs performance of retail subsector. The study will also determine the interaction of volatile external environment as the moderator of the relationships. The strength and the analysis of the relationships will be investigated and the statement of research problem will be converted into main objectives as follows:

- To examine the significant positive relationship between EO and SMEs performance of retail firms
- To examine the significant positive relationship between MO and SMEs performance of retail firms

- To examine the significant positive relationship between CIC and SMEs performance of retail firms
- To investigate the moderating effects of VE on the relationship between EO and SMEs performance of retail firms
- To investigate the moderating effects of VE on the relationships between MO and SMEs performance of retail firms
- To investigate the moderating effects of VE on the relationship between CIC and SMEs performance of retail firms

1.5 Scope of the Study

The main scope of this study is the SMEs retail firms' performance as well as the effects of certain intangible internal organisational strategic postures that retail firms possess in order to perform better.

Somehow, the performance of SMEs in retail business might be influenced by various variables such as organisational characteristics, strategic orientations dimensions, entrepreneurial attributes, and other external forces surrounding the business establishment. However, due to time and resource factors, this research will scope into three determinant variables, with volatile environment serving as the moderator, namely:

(i) entrepreneurial orientation – the widely accepted determinant of SMEs' performance;

(ii) market orientation – as retailing is the most customer centric business; and

(iii) change implementation capacity – which is linked closely to the rapid and uncertain environment (high volatile environment) occurred from 2015 to 2018.

This study also scopes on the theoretical framework derived from established studies but from different contexts; rather than exploring from the scratch. Meanwhile, the owner-managers or the senior managers has been identified as the cardinal stakeholder of the retail firms. As such their feedbacks will be taken into consideration, and not the other stakeholders' views.

The study is conducted within the central region of peninsular Malaysia – out of six regions (Thingsasian.com; Ministry of Tourism, 2015), which consists of Kuala Lumpur, Putrajaya, Selangor and Negeri Sembilan only (Nagapan, Rahman, Azmi, Hameed, & Zin, 2012; Memon, Abdul Rahman, & Abdul Aziz, 2013; Piaralal, Piaralal, & Bhatti, 2014). This is due to high number of the retail firms concentrated in the area.

This study analyses primary data, gathered from the respondents from the SMEs list of registered retail firms (Distributive Trade category) of Malaysian SME Corporation. Since the SMEs list was dated in 2015, all the retail firms have definitely experienced the period of high volatility that occurred between 2016 until 2018. Furthermore, the researcher has filtered through the returned survey forms to ensure that all the firms were operating since 2016.

For this study, organisation is the unit of analysis in which the SME retail firms, to be specific. SME owner-manager or top managers represented the firms in response to the research questionnaires. This study focuses on the retail SMEs that have already been established for at least 3 years. Since the list of SME Corp was dated in 2015, the enlisted retail firms met the criteria. However, the researcher also include the company age filter in the questionnaire form to ensure the condition. Previous research that focused on SMEs as their unit of analysis include Pratono and Mahmood (2016), Kultumus and Warner (2015), Nedzinskas *et al.* (2013), Arshad *et al.* (2014), Shamsuddin (2014) and, Muhonen, Hirvonen and Laukkanen (2017).

1.6 Significance of the Study

The researcher expects that the findings will benefit potential entrepreneurs, existing retail firm owners, research students, and academicians in many ways. However, the significance of the study is based on the ability of this research to provide deeper insight on the relationships between EO, MO and CIC and SMEs performance of retail firms in Malaysia. Furthermore, this study sheds more light on the moderating variable of volatile environment in order to determine the intervening effect on the relationships. The significance can been comprehended from both theoretical and practical contributions.

1.6.1 Theoretical Contribution

Theoretically, this research is considered among a few pioneer studies to examining the important constructs of SMEs performance, specific to the retail subsector. The combination of few strategic orientation constructs with one of dynamic capabilities construct – and from the viewpoint of retail owner-managers is rare (if any) and the findings added new body of knowledge in the entrepreneurial aspect.

In detail, this study contributes by conducting empirical testing on two of the most important strategic orientations (EO & MO) to performance and one of management capability (CIC) that is predicted as crucial during the rapid and uncertain environment. Previous studies have examined the effect of one or few different orientations (for example, Pratono & Mahmood, 2016; Martin & Rialp, 2013; Kazakov, 2016) towards performance, or various dynamic capabilities (such as Nedzikas, Pundziene, Buoziute-Rafanavicience, & Pilkiene, 2016; Li & Liu, 2014) on performance but neglected the combination of these constructs in a single model as predictors of performance. Therefore, it is considered a pioneer research utilising

this single theoretical model from the perspective of retail subsector firms, either globally or in context of Malaysia.

Further, this study will contribute to the current literature by testing the moderating effect of the external high volatile environment that is integrated within the multi-constructs framework which other studies fail to consider. It is important to note that when the study is conducted properly, it will definitely contribute to the body of knowledge especially in academic, entrepreneurial and individual research. The method adopted in this study is tested within the Malaysian retailers' context.

1.6.2 Practical Contribution

In practical sense, the study is conducted during current external business environment (in 2017/2018) which is identified by analysts and industrial players as within a highly volatile environment (CNBC, 2017; Geoghegan, 2017; Peterson, 2017; Ng, 2017). Consequently, the researcher expects the findings will expose which variables are more important to be stressed on, sharpened or balanced by the firm owner-managers or practitioners during this type of environment.

In other words, it is expected to assist the retail firms' owner-manager to decide whether they should be more enterprising (EO dimensions), more towards customer needs, market or competitor conditions (MO dimensions); or their management should acquire extended skills in implementing change (CIC dimensions) to remain competitive and surviving the challenging environment.

In addition to provide valuable knowledge for the current retail owner-managers, the findings will also provide guidance for start-up entrepreneurs on managing and operating a retail firm

business in a successful manner. New insights and rich information are expected from this study.

1.7 Definition of Terms

The following are the definitions for important terms that are frequently mentioned in this study:

SMEs Performance: measurement of organisational achievement that quantify the success or failure of SMEs from the aspect of financial achievements and non-financial achievements.

Entrepreneurial Orientation: a strategic posture that determines the entrepreneurial aspect which involves firms' proactiveness, innovativeness and risk-taking activities.

Market Orientation: the organisational corporate culture that creates superior value for customers and subsequently contribute to higher performance for firms through customer orientation, competitor orientation and inter-functional coordination activities.

Change Implementation Capacity: management skill in redeploying and reconfiguring resources; implementing urgent decision and corporate change in order to react to uncertain environments and rapid change situations

Volatile Environment: an external organisational ecology that is beyond the control of an entrepreneur, which is likely to change rapidly and unexpectedly especially for the worse for the identified period of 2015 to 2018.

Retail Subsector: all undertakings of merchandises or services selling direct to end customers for non-business use and personal consumption

1.8 Organisation of the Dissertation

This thesis is organised into five main chapters. The first chapter is the introduction of the study, which consists of background of the study, problem statement, research questions, research objectives, scope, significance of the study and operational definitions.

Chapter 2 discusses the literature review, which addresses the definition, importance, and overview of SMEs and the retail sector in Malaysia. The constructs, which are entrepreneurial orientation, market orientation, change implementation capacity, business volatile environment, and firm performance, are explained with the support of relevant literatures. In addition, the Dynamic Capabilities View is the main underlying theory, with the supplementary assistance and reference of the Contingency theory as well as resource-based View theory are also elaborated. This is to gain better understanding on the overall framework in order to examine the relationship of variables.

Chapter 3 detail out the research design and methodology. It consists of questionnaire design, validity and reliability of instruments, measurement of variables, unit of analysis, population and sampling method, data collection method, tools and technique of analysis. This chapter also introduces the research framework and hypotheses development.

The analysis, results and discussion of findings are briefed in Chapter 4. This is followed by Chapter 5, which concludes the study by addressing the limitation of this study, contributions and recommendations for upcoming research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The SME background and retail business overview have been briefly discussed in the Chapter 1, as well as their importance from the perspective of advanced and developing countries. The performance of Malaysian retail firms has also been discusses. In this chapter, attempts have been made to critically review a spectrum of literatures from journals, books, proceedings, reports and unpublished theses. These documents provide useful and critical knowledge on small to medium size firms (SME) and retail sector scenario in Malaysia. The review of such literatures can facilitate the research by looking into the development of the SMEs area and retailing sector. It also provides extensive knowledge on relationships between variables, different approaches of studying framework and relevancy of other research towards existing work of this study.

Therefore, the aim of Chapter 2 is to comprehensively review the literatures that were extracted form past researches with the intention to provide the necessary background of SMEs and retail subsector. We also discuss the variables that might positively contribute to the firm performance in the high volatile environment.

Basically, Chapter 2 is composed into multiple sections. First, it is essential to define SMEs and retail subsector, and also to explain their contribution in the modern economy. Second, from this review the most pertinent performance criteria can be identified, as perceived by entrepreneurs.

2.2 Definition of SMEs and Retail

The term "SME" can be defined in different ways. Different countries and organisations introduce their own specific criteria for determining SMEs – it could be centred on assets owned by a firm, annual revenue, or number of manpower. For example, Egypt defined SMEs as enterprises with employees between 6 to 50 people, while in Vietnam, SMEs are enterprises having 10 to 300 headcounts. In contrast, the World Bank considers SMEs as firms with less than 300 employees, and not more than USD15 million worth of yearly sales and assets respectively. Meanwhile, the Inter-American Development Bank, regards SMEs which having up to 100 headcounts and annual revenues of less than USD3 million.

However, in the European Union (EU) region SMEs are characterised by a combination of headcounts, annual turnover and total of balance sheet. SME firm is defined by total headcounts with at least 10 but should not exceeding 250 persons, annual revenue equals to 10 million but not more than 50 million Euro and/or total yearly balance sheet between 10 million to 43 million Euro (European Commission, 2015). EU definition is more comprehensive with larger ranging of turnaround and balance sheet values compared to others. The well-defined definition and scope of SMEs by EU are essential and useful for financial agencies and government bodies to regulate the financial facility and entrepreneur support programs as SMEs comprise 99% of all enterprises in the EU.

For Malaysia, the National SME Development Council (NSDC) has outlined the common definition of SMEs on 9 June 2005. Thereon, on 13 September 2005 all ministries and agencies that related to SMEs development and financial institutions have been provided the circular by Bank Negara Malaysia for the adoption of the definition. Somehow, NSDC has refined the definition on 14th October 2013 (SME Corp. Malaysia, 2014) with consideration of major developments in the economy such as the changes in business

trends, structural changes and impact of price inflation. The clear definition by NSDC Malaysia has been appraised and became a guideline by many countries in which provides a good example of multi-sector break-down of SME (Sefiani & Bown, 2013). The revised definition is based on multi-sector and turnover of a business as follows:

Table 2.1
Classification of SME in Malaysia

Sector	Small-size	Medium-size
Services (include Retail) & Other sectors	Annual revenue from **RM300,000** but not exceed **RM3 million** OR full time workers from 5 to 29	Annual revenue from **RM3 million** but not above **RM20 million** OR full time workers from 30 to 74
Manufacturing	Annual revenue from **RM300,000** but not exceed **RM15 million** OR full time workers from 5 to 74	Annual revenue from **RM15 million** but not exceed **RM50 million** OR full time from 75 to 200

Source: SME Corp. Malaysia, 2016

The new definition as Table 2.1 become effectives on 1st January 2014. Any business is recognised as a SME if it possesses criteria of either sales turnover or number of full-time employees as per above table (SME Corp. Malaysia, 2016). The classification of SMEs was also being redefined into 3 broad categories of SMEs which make up of manufacturing, services and other sectors (agriculture, construction, quarry and mining).

Meanwhile, retail business subsector is a part of SMEs under the Services Sector and the distribution of service sector is depicted in Appendix 4. It is one of highly important part of SMEs entrepreneurial effort and has shown remarkable growth for the past decades. In general, retail business involves any activities of selling goods or services direct to end customers for personal consumption and non-business utilisation (Kotler, Keller, Swee, Siew, & Chin, 2009).

In Malaysia, retail and wholesale businesses are among the biggest contributors toward the GDP of the country. These subsectors are divided into three main components, namely:

a. Retail and wholesale trade; accommodations and restaurants
b. Finance, real estate, business services and insurance
c. Transport, storage and communication

Meanwhile, the specific term of retail covers vast scope of businesses. Yet, it can be segregated into two main segments – groceries and non-groceries. The grocery retail segment consists of supermarkets, hypermarkets, small grocery retailers (including independent small grocers, grocery chains and convenience stores), discounters, tobacco and liquor specialists, foods and beverages retailers and other grocery (Economic Transformation Programme, 2010).

Apparently, in the non-grocery retail segment, it may include mixed retailers operating departmental stores, specialist retailers, mass merchandisers, warehouse clubs or variety stores, and other non-grocery retailers. Specialist retailers are those focusing on one specific area such as clothing and footwear, health and beauty products and services (pharmacies, beauty centre, chemists, other healthcare specialist retailers and drugstores), audio-visual products, home and garden products, furniture and furnishings stores, home improvement, do-it-yourself (DIY) stores, electronic and electric appliances, bookstores and stationers, leisure and personal goods, sports goods, toys and games, pet-related, personal goods specialist retailers (Economic Transformation Programme, 2010).

2.3 Importance of SMEs and Retail Industry

From the overall SMEs perspective, there were 645,136 SMEs established in Malaysia in 2011 (DOS, 2011) and the number is growing. Malaysia has placed SMEs as the catalyst

of economic development towards achieving the high-income nation status. SMEs contributed 57% of workforce, 19% of export, and significantly to GDP (33%) in 2014 (SME Annual Report, 2015). To avoid the middle-income trap and become a truly developed nation, Malaysia further encourages SMEs to grow. Malaysia needs to elevate the average income levels of SMEs by revealing their growth potential and enhancing overall efficiency and performance (National Budget, 2012). Therefore, more support and effort in terms of activities, financial, and research are required in order to boost the SMEs' performance (Abdul Rahman, 2013; Ahmad, 2014).

Furthermore, from the SMEs literatures, it is widely supported that the SMEs play a crucial role in the social and economic development for the most of developing countries. Tambunan (2011) argues that this is appreciated for a number of reasons:

(1) SMEs are widely distributed across the nations for both urban and rural areas and thus, important for urban and rural economies;
(2) They employed a significant number of labour force and thus, provide a lot of jobs for the local economies; and
(3) They provide an opportunity for entrepreneurial and business skill enhancement.

According to SME Annual Report 2015, one of the major strategies by the government in attaining sustainable economic growth is through developing a cluster of diverse and competitive SMEs. In this sense, SMEs are pivotal in the country's economic growth process, expanding and strengthening the country's overall production capabilities.

In addition, the European Commission (2015) too believed that the success of the advanced economics have mostly been contributed by the extensive participation of the SMEs in their economy. They point out to the fact that the participation of SMEs

accounting for more than 98 percent of overall business establishments and supporting more than 65% of employment and contributing over 50% of the GDP.

The future economic impact of SMEs in Malaysia have bright potential and expected to substantially contribute to the country's development, establishing a solid foundation for new industries creation as well as strengthening the existing ones (SME Corp, 2014). In 2014, there were almost 6.2 million employees worked in SMEs enterprises with a double digit growth of 21.6 per cent compared to 2013. This is offsetting the contraction of employment by large firms which is 11.6 per cent only. However, the number of employment has dropped into 6.15 million in 2015 due to moderation of SME performance based on weaker consumer sentiment and effect of lower disposable income of households as the result of GST implementation (SME Annual Report 2015). Despite, SMEs sector still contribute to significant employment as depicted in the below table.

Table 2.2
Labour Force and Employment in Malaysia (2013-2015)

	2013	**2014**	**2015**
Population (million)	30.2	30.6	31.0
Labour force (‘000)	13,980.5	14,263.3	14,518.0
Employed (‘000)	13,545.4	13,852.6	14,067.7
Unemployed/Rate (%)	435,100 (3.1)	411,100 (2.9)	450,300 (3.1)
SME employment (‘000)	5,100.0	6,200.0	6,150.0

Source: Department of Statistics, Malaysia (2016)

Given the evident of economic significance and employment opportunity provider, there is no surprise that public policy makers fully support the SMEs (Seffiani & Bown, 2013) and highly consider any research that may predict the high performance of SMEs for the future benefit of entrepreneurs (Siow, Bahtiar, & Anwar, 2011). The urgent agenda of SMEs in worldwide context prompted individual governments to literally revise the

existing public policies which regulate the activities of SMEs in their countries. The re-evaluation exercise has led to better appreciation of the contributions made by SMEs over large enterprises (LEs) in restoring country's economic system through high flexibility, responsiveness and urgency (Lee, 2012).

In other words, SMEs sector is viewed as a vital contributor to a nation's income, through the process of creativity, organizational innovativeness, promoting technological advancement, institutional changes, inculcate business competitiveness and other aspects of social development (Fatoki, 2014).

Consequently, the obvious significant role of SMEs towards a nation's economy tremendously attracts researchers worldwide and it is well documented in many literature. In Europe, the European Union (EU) acknowledged that SMEs contribution as the critical support of economic foundation and job offerings even during any financial crisis. SMEs contribute 66 per cent of employment and accumulate 99.8 per cent of entire established enterprises across the EU (European Commission, 2015). The World Bank has emphasized the importance of supporting the SMEs and as such, they regularly update the global and national development of entrepreneurship in member countries (The World Bank, 2014).

Furthermore, The World Bank in its 2014 report stated that there are remarkable measures taken by all 183 member countries from all continents to improve the state-being of their SMEs. These include the revamping of business laws which are much friendly towards domestic firms' activities, improving business infrastructure and environmental; as well as reducing complexity in forming a business. The World Bank has depicted more improving trend in which low-income countries have elevated their business regulations

at double pace compared to high-income countries in the effort of encouraging their SMEs growth (The World Bank, 2014).

Furthermore, looking into current strategic direction of developed countries like US and UK, it is clear that their priority are towards improving performance of their SMEs (Altair, 2014; Abebe, 2014). This trend also becomes the highest priority for most developing countries and third world economies as a part of national economic growth agenda (Solomon, Aminul Islam, & Bakar, 2015).

Hence, due to its increasing importance, the SMEs' determinants of performance have become the interest of researchers, policy makers, trade and industry associations and international organisations. Numerous researches in this aspect have benefitted to the wellbeing of the SMEs although typically for the developed and industrial countries.

From the perspective of Malaysia, based on the SMEs Performance 2017 Report, Department of Statistics Malaysia (2018) stated that there is a steady growth of SMEs in the country. This is evidenced by its forming up to 99% of total business establishments in the country (Lee, 2018). On the other hand, in the year 2017, the economic value added of SMEs accounts for 37.1 percent of the country's GDP as compared to 36.6 percent in 2016. In terms of value, SMEs GDP contributes RM435.1 billion out of the aggregate value of RM1,174.3 billion of the country's economy. On another aspect, as for 2017, the average annual rate of growth of the SMEs in the country at 7.2 percent is considerably high as compared to 5.9 percent growth for the overall Malaysia's GDP (DOSM, 2018). In other words, on this evidence, the Malaysian SMEs' are currently doing very well, outperforming the rate of overall economic growth.

Furthermore, thirteen ministries and agencies have been assigned and collaborated towards the SME development and achieving optimum performance. Back in 2014, the

government had also executed 139 SMEs development programmes worth around RM5.1 billion which benefit SMEs across all economic sectors. This leads to the SMEs' GDP growth for the year recording a double-figure rate of 13.6 per cent, while the share of SMEs to GDP also rises significantly to close to 36% (2013: 33.5%) (SME Annual Report, 2015.

From the retail point of view, this subsector is an important part of SMEs within the services sector. As the subsector of the Service sector, this industry has contributed progressively to gross national income (GNI) for many countries. A lot of job opportunities have been provided by this sector. Almost forty percent of job placement in the U.S., China and India is absorbed by the retail industry and this shows how important the subsector is towards a nation's economy. The contribution and employment for 2016 for few selected major countries is transcribed in the Table 2.3.

Table 2.3
Overview of Worldwide Retail Contribution – Selected Countries

Country	GNI (USD billion)	Job	Source(s)
United States	6,445	28,984,100	US Census Bureau (2017)
China	3,046	58,833,000	AT Kearny (2017)
Indonesia	324	28,500,000	AT Kearny (2017)
Malaysia	23	992,986	Retail Group Malaysia (2017)
India	672	40,300,000	India Brand Equity Foundation(2017)
Nigeria	125	22,620,000	AT Kearny (2017)
Turkey	324	3,217,500	Deloitte (2017)

Sources: as per column four of the table

In Malaysia this subsector has 18,872 establishments (out of 61,685 from the distributive trade industry) listed in SME Corp. of Malaysia (2015). It has accommodated almost 1 million jobs for Malaysians and contribute significant revenue of USD23 billion to the Gross National Income (GNI) in 2016.

Even there is extensive use of information technology (IT) as a business tool and normally will reduce the dependency on manpower, but for several countries with major unorganised or traditional retail establishments such as China, India, and Indonesia (Mehta, Sarma, & Swami, 2014), the dependency on physical workforce is still high and unavoidable.

In 2016, global retail was growing at the average rate of 3.9%. Certain countries have exceeded the benchmark rate, meanwhile other countries still struggling to achieve the rate. Despite of the slow growth, there are no countries having the negative growth rate (AT Kearney, 2017). The Figure 2.1 below stipulates the growth rate of retail subsector for selected countries.

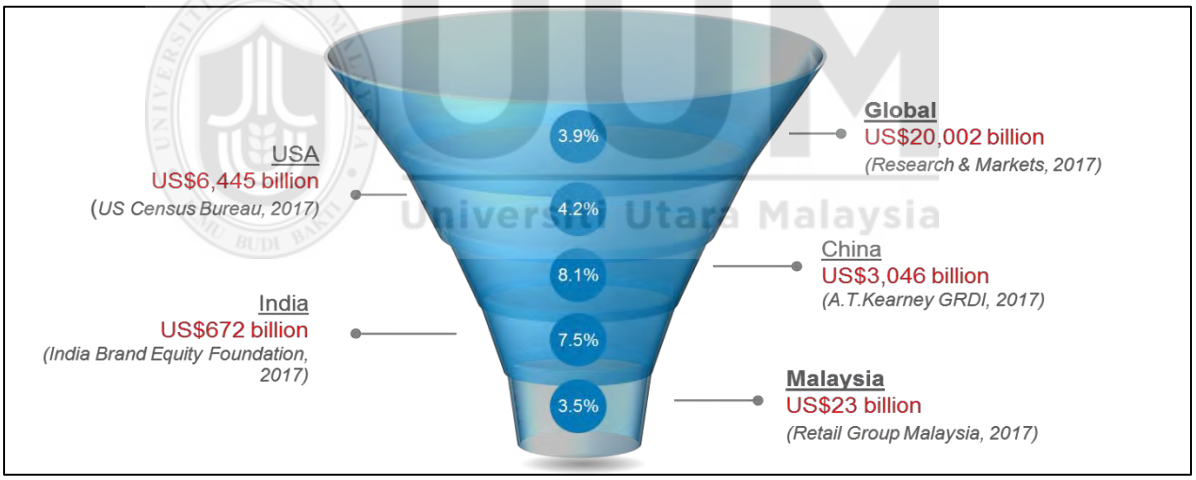


Figure 2.1
Global and Selected Countries Retail Growth Rate for 2016
Source: As stated in the figure

In Malaysia, forecasted retail sales for 2020 is expected to grow to RM156 billion or USD 35 billion (in 2016-RM96 billion) which will accommodating additional job opportunities of almost 500,000 positions (etp.pemandu.gov.my).

Additionally, the prospect for retail in Malaysia is also very encouraging when it has been selected the "Most Business-Friendly" within emerging countries for 2016 and ranked

third out of 30 selected developing countries by the Global Retail Development Index (GRDI) - the index which measuring the attractiveness of investing in retail business (AT Kearney, 2017). Most of the well-known and high profile investors refer and acknowledge the GRDI for their investment decision-making. Amid of current economic volatility, GRDI has identified potential developing markets that offer retailers prime opportunities for growth, in which listed in Appendix 2.

Back in 2015, retailing in Malaysia witnessed a major drawback when retail value sales growth decreased to 2.0 per cent compared to previous year (2014). However, the sales were then projected to increase slightly to 3.5 per cent in 2016 due to various factors (PriceWaterhouseCoopers, 2015). Nevertheless, according to Euromonitor International (2016) the depreciating of ringgit value compared to other major currencies and imposing of a universal goods and sales tax (GST), the sales growth or retail value could still be stunted in 2015 and years to come.

Meanwhile, in 2015, the internet retailing channel was reported as having the most encouraging growth rate among the main retail channels. This could be attributed to its increasing popularity amongst certain segments of consumers, particularly the younger, more sophisticated and IT savvy consumers. Equipped with sizable disposable incomes, most of them are flexibly spending their cash as they are not burdened with too many commitments. Seeing this fast growth of the internet retailing sector, it has attracted some of the store-based retailers to jump on the bandwagon by venturing into the internet retailing sector. The retailers usually use one of these two approach; cooperating with the leading B2C platforms such as Zalora, Rakuten or Lazada, or simply setting up their own online shopping portals (PriceWaterhouseCoopers, 2015).

Back to homeland, grocery retailers were growing at faster pace compared to non-grocery in relations to sales value for 2015. However, the impact of the GST implementation has seen consumers notably affected, especially for families with many children and lower income group. As a result of the shrinking disposable income, consumers got no choice but to prioritise their spending on the necessity products which mostly groceries compared to non-grocery items. Despite of this, the non-grocery retail sector in the country still sustain even with lower revenue, supported by the consumers who prioritise their status and image by buying branded products (Monash University Malaysia, 2017).

In contrast with local players, international retailers were shifting their business strategies by way of aggressively widening their chain outlets, creatively promoting and marketing their products in order to preserve the loyalty of existing customers and to attract new customers. This caused young consumers still considering international brands, even they are more expensive but offering better quality. In spite of the international players shifting strategy, local retailers remained extra careful in terms of outlets expansion especially in the urban locations, as they were restricted to too many challenges and constraints such as higher rental rates, insufficient capital, manpower shortage and intensifying rate of crime in certain locations (Nielsen, 2016).

The outlook remains positive for retailing over the forecast period (2017-2018). A lot strategies and actions being taken by the government in addressing the economic condition of this country. As a result, the inflation is forecasted more controlled. Thus, allowing the retailers to manage the costs and emphasis more on expanding their businesses. And, this in effect will be advantageous to the growth of retailing sector. Furthermore, the consumers who at the early stage of GST introduction were discouraged and responded by cutting their spending, are now slowly coming to terms with the 6% GST, hence, giving better outlook for the retailing market (Monash University Malaysia, 2017).

From the entrepreneurship development perspective, the retail programme that is monitored and consulted by Perbadanan Usahawan Nasional Berhad (PUNB) in accelerating Bumiputera participants has became among the most successful retail programmes in Malaysia. For the past 15 years, PUNB has paved the way for many Bumiputera entrepreneurs under its Program Pembangunan Usahawan Runcit (PROSPER) or Retail Entrepreneur Development Programme scheme that has successfully produced 7,300 Bumiputera entrepreneurs in this sector. Approximately 5,256 Bumiputera retailers have benefited from the RM1.3 billion financing since 2002, including the RM238.4 billion of revolving funding for second round to 561 companies with the main purpose for their business expansion. Many companies under this programme benefitted very well with some recording the increase of annual revenue as high as 38 per cent (SME Annual Report 2014/15).

2.4 Retail in Context of SMEs

The entrepreneurship issue has begun to develop in Malaysia commencing in 1971 once the New Economic Policy (NEP) was introduced. The objectives of this policy were to reduce and eradicate poverty, as well as to elevate the process of reorganization of Malaysian communities so that the ethnic's economic imbalances can be rectified. One important strategy for achieving the objectives of NEP was strengthening the SMEs with special intention in realizing the capability of Bumiputera businesses and viability of Bumiputera industrial and trade society. It was the agenda of the government to enhance the performance of economics especially in terms of Bumiputera equities ownership, fair distributions of income among all races and the development of Bumiputera commercial and industrial community or MPPB/BCIC (Mohamed & Syarisa Yanti, 2008). The government believed that the agenda can be achieved through one of the major strategies,

which encouraging the Bumiputera to participate in SMEs, which was also expected to alleviate the nation's economy growth (the Ninth Malaysia Plan, 2006).

Since then, the government has extended the initiative to other races besides emphasising on targeting 30% of Bumiputera equity in economy stake through National Development Policy (1991-2000), later on with the National Vision Policy (2001-2010) and currently the National Transformation Policy (2011-2020). One of the initiatives taken by the government for Malaysian Planning 11(RM11: 2011-2015) was introducing the SME Revitalisation Fund with the allocation of RM100 million in order to assist SMEs during economy turmoil and stock price hike commencing January 2012 (National Budget, 2012). In 2011, the number of SMEs in Malaysia was 645,136 establishments by states, as depicted in the Appendix 3. From the appendix, it clearly shows that most of the SME establishments could be found in Selangor (19.5%), followed by Kuala Lumpur (13.1%), and then Johor (10.7%), Perak (9.3%) and Sarawak (6.8%).

In Malaysia, the retail business is a part of SMEs under the services sector. It contributes to RM99.3 billion out of RM259.8 billion from this sector. Figure 2.2 depicts the contribution by sectors in 2017.

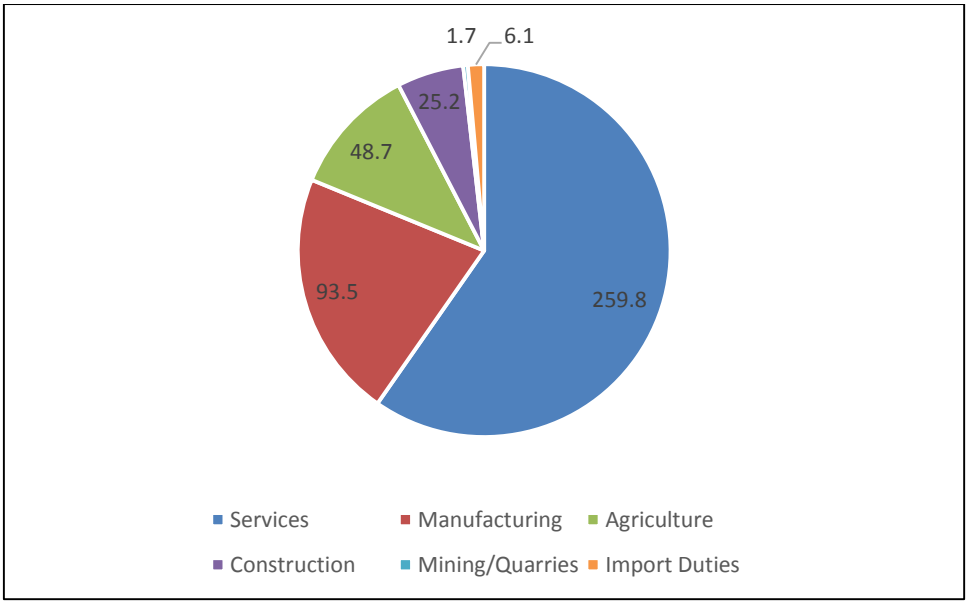


Figure 2.2
Contribution (in RM billion) of Malaysian SMEs by Sector, 2017
Source: Department of Statistics Malaysia (2018)

As per SME Annual Report, 2015 retail subsector establishment (as per Table 2.4) is one of the highly important parts of the SMEs' entrepreneurial effort and has shown remarkable growth for the past decade (SME Annual Report, 2015). The Malaysian government has given tremendous support through various ministries and agencies to facilitate the development of the retail sector, in which retail sector is recognised as among the biggest contributors towards the GDP of Malaysia (National SME Development Council, 2015).

Table 2.4
Registered Businesses under Service Sector

Sub Sector	Micro	Small	Medium	Total
Wholesale and retail trade, repair of motor vehicles and motorcycles	228,113	55,048	6,637	289,798
Food and beverage services	117,020	24,459	1,242	142,721
Transportation and storage	34,790	3,901	1,334	40,025
Personal services & other activities	34,427	2,218	76	36,721
Professional, scientific & technical services	10,777	7,384	893	19,054

Table 2.4 *(continued)*

Sub Sector	Micro	Small	Medium	Total
Administrative and support services	7,543	2,661	405	10,609
Human health and social work	6,257	2,617	166	9,040
Real estate activities	6,107	1,833	240	8,180
Education	5,672	1,923	343	7,938
Arts, entertainment & recreation	5,174	874	169	6,217
Financial services	3,973	1,129	254	5,356
Accommodation	1,448	985	384	2,817
Information & communication	722	873	285	1,880
Water supply, sewerage, waste management	381	112	29	522
Electricity, gas, steam & air conditioning supply	16	44	47	107
Total	462,420	106,061	12,504	580,985

Source: SME Corp. Malaysia, 2015

However, Malaysian retail facing the problem of low growth which was not achieving global retail benchmark as discussed in Problem Statement section. The retail sector is a fragmented industry in which the rural area is still dominated by traditional stores.

Meanwhile, in the urban area, the trend showed that the markets have a tendency to switch to more organized and premium brands. For household and groceries subsector, hypermarket establishments are being the popular choice due to their convenience, easy accessibility and "all under one roof" merchandizing. Dairy Farm, a Hong Kong-based subsidiary dominated this subsector with 3 chain formats in 2013: Giant (which had 78 hypermarkets and 72 supermarkets), Cold Storage (17 outlets) and premium market, Mercato (2 outlets). Tesco, the UK-based retailer has 46 hypermarkets; and AEON Jusco (Japan) had increased its share with 58 outlets after taking over Carrefour (France) in 2012 (PriceWaterhouseCoopers, 2015). Lulu hypermarket, a Dubai-based chain has made its appearance in Malaysia with first outlet at Kuala Lumpur in June, 2016.

Apart of growing industry, the modern retail is still considered in an infancy stage in Malaysia. The modern retail format, which offers multiple concepts such as self-service, wide assortment of groceries and household, discount price, and free parking, was first introduced in 1959 in Europe, but had just been popularised in this country's market in the early 1990s (Hassan, Sade, & Rahman, 2013); thus, Malaysia is three decades behind Europe's retail development.

For the local companies' scenario, Mydin has strengthened its appearance by 14 hypermarkets, 38 departmental stores and 2 premium outlets (Mohd, 2011). Parkson, a subsidiary of local conglomerate Lion Group dominated the departmental stores segment with 39 outlets mostly located in the mall on major cities (PriceWaterhouseCoopers, 2015). Other small local players among others are Econsave, Jaya Grocers, Billion, TF Mart and Hero Mart.

However, there is still a room for growth for SME retailers as these industries keep growing due to its nature that provides daily necessary items for consumers. Current development in major cities shows that the market is going to be dominated by large retailers. The SME and traditional retailers are still dominating the suburban and rural areas which are located nearer to housing areas and villages.

Data form Department of Statistics prevailed that retail trade sub-sector recorded revenue of RM92.9 billion by the end of 2015 and contributed to 992,986 job placement. Moreover, Government of Malaysia has encouraged the development of retail industry especially to those involving Bumiputera and women entrepreneurs in various strategic retails sectors, for instance, automotive and spare-parts dealers, hardware and engineering services, telecommunications and professional services (SME Annual Report, 2015).

2.4.1 Retail Environment Volatility

Global retail subsector has seen up and down trend in the past three years (2015 till 2017) but it was not unvarying from a country to another. 2016 and 2017 were considered the worst pitfall of global retail sector but economic activity is projected to pick up pace by end of 2018, especially in emerging market and developing economies. Except China, the large economies such as the United States, India, Brazil and Mexico expected the margin worsened whereby financial conditions are generally tight for business operations (World Economic Outlook, 2017; Malaysian Reserve, 2017).

Meanwhile, retailers in Hong Kong and Taiwan were performing well despite the challenging environment for that period due to their revision of economics policy stimulus. The health and beauty segments of retail flourish as shown by Guardian and Mannings brands. Home furnishing, food and beverage products also shown better performance in Taiwan and Hong Kong (Inside Retail Asia, 2015).

However, In ASEAN, retailers reported lower sales growth and steep costs increase which led to weak margin in 2015 and expected remain for the next few years. Dairy Farms Holdings, the Hong Kong-based retailer faced difficult economic situations and has to invest for long-term financial health. Their investment in Singapore that operating 7-Eleven and Cold Storage chains recorded drastic drop of profitability which they claimed due to stiff competition of newly open supermarkets, weak of currency (against USD) and restriction of government on alcohol sales. In Indonesia, despite of good sales momentum, higher labour and price investment to attract customers stifled the margins (Inside Retail Asia, 2015).

For Malaysia scenario, the introduction of GST in 2015 has softened retailers' sales and dampened consumer spending confidence. Industry players have considered the retail

subsectors in Malaysia facing the vibrant, uncertain and highly volatile environment since then and years ahead (Mahalingam, 2017). As a consequent, few retailers have exercised job cuts especially the supermarket chains (e.g., Giant, Parkson, Tesco, AEON) and small retailers have closed down their underperforming outlets to remain survival (Davies & Butler, 2018).

Accordingly, Retail Group of Malaysia (2017) reported all retail subsectors suffered decline of sales for about 3.5 percent except for the personal care, pharmacy and other specialty retail store segments, which reported an average of six percent growth in 2017. Supermarket and hypermarket segment reported the worst decline which seen the drop of 5.2 percent compared to 2016. In 2017, retail players continue facing with shrinking customer base, falling sales and stiff price wars; in which hypermarkets and supermarkets were the most hardly hit and worst segment in retail industry. Big players like Mydin, Giant and AEON Big adjourned their expansion planning and even shutdown selected non-performing outlets. Many small sundry shops close their operations by offering bulk prices due to changing of consumer spending habits and inadaptability to changing economic pressures during this retail crisis (The Malaysian Reserve, 2017).

Consequently, The Malaysian Reserve (2017) reported that the retail subsector predicted to face another difficult year in 2018. Supermarket and hypermarket segments are expected to face declining of sales ranging from two to three percent with the "per basket" purchase drops from an average of RM53 to RM49 per customer. Non groceries retailers (such as electrical, apparel and stationeries) plunged by 15 to 20 percent of the revenue compared to 2017. This challenging environment is triggers from the rising product prices and higher cost of living which forcing consumer to limit their spending (Shen, 2017).

In addition, retailers that resided in shopping malls such as department stores and specialty retail brands also facing very challenging operating environment. The overall consumer business has been affected by higher retail rental rates, e-commerce competition, changing consumer behaviour and intense competition from foreign brands (Asia Brands, 2018).

Further to this, several measures have been employed to ease the sales declining and reducing operations loss by certain retailers such as adoption of e-commerce and special offers. Unfortunately, this initiative requires additional fund and investment in which cash flow adequacy is their main constraint during these period (2016-2018). Despite of that, most Malaysian retailers still in early progress and development of this e-commerce merchandising. Other measures are disposing unprofitable business division (such as implemented by Mydin and Giant in 2017 and 2018), downsizing, negotiating temporary lease rate, streamline the profitable business divisions only, focusing on product range re-alignment and practise competitive pricing, and implementing more sales activities (Asia Brands, 2018; Monash University Malaysia, 2017; Retail Group Malaysia, 2017).

On more recent development of retail subsector, the Malaysian Retail Association (MRA) has reported a growth rate of 2.3 percent for the combination of first and second quarter of 2018, as compared with same period of 2017. This is 65 percent below than the retail market sales expectation. Even though the Goods and Sales Tax (GST) has been reduced from 6 percent to 0 percent on June, sales performance varies among retailers. Some retailers enjoyed increase of 10 percent to 30 percent of sales, while others suffered negative growth or no improvement at all. MRA members argued that those enjoyed improvement merely depending on the offers given by the retailers (Marketing Zeitgeist, 2018). During the tax holiday (June until end August, 2018) prior to reintroduction of Service and Sales Tax (SST) on September, 2018, retailers expect their revenue increase,

however this did not happened. Malaysian consumers did not increased their spending since they have no additional income for shopping (The Malaysian Reserve, 2018).

From the above scenarios, it clearly demonstrates that the retail firms in Malaysia operating their business in the unfriendly and high volatile environment since 2015 until 2018.

2.5 Performance in Context of SMEs Retail Firms

Performance, success and failure are terminologies which remain debatable in which common definitions yet to be unanimously agreed by scholars, government agencies or practitioners. Performance and success are sometimes being used interchangeably, closely-linked and with mixed attributes of both (Sefiani, 2013; Ostgaard & Birley, 1995). This depends on the situation or the objectives of respective parties. For the term of success, Altair (2014) dictated that it is not just about profitability and growth. Some businesses may try to promote for community participation, providing employment to the locals and emphasizing on excellent service quality rather just focusing on high profits. Satisfying customers indicating that the firm values more on this aspect of sustainability.

A number of research findings correlate the success as the survival of any firm from SMEs or its subsectors. For example, few scholars (e.g. Van Praag, 2003; Reijonen & Komppula, 2007) define the business success as the ability of a firm to continue its operations, in contrast, the exit from the business as a failure. Meanwhile Harada (2003) promoted quite similar definition as he relates business success to the condition of a firm that makes profit and decides to proceed in market, and failure regards to losses in which a firm decides to cease the operations.

On the other hand, there are numbers of definition of business failure when it applies to a business. Fatoki (2014) dictated that a "failure" occurred when a firm is unable to earn a rate of return on investment to cover its opportunity cost. Other several terms used to explain the firm failure are discontinuance or unrewarding business, liquidity, insolvency, formal bankruptcy proceedings, 'not making a go for it' which is quite subjective based on personal goals, retirement due to old age or bad health, and fails to meet stakeholders interest (Yrle *et al.*, 2000; Watson, 2003; Dafna, 2008). However, the "legal failure" is the easiest mean to define a business failure (Fatoki, 2014).

From the other perspective, firm performance has been defined by various means and often ambiguous depending on the objective of a research but somehow surrounding to either achieving financial (objective) or non-financial (subjective) goals or both. The objective or financial category is derived from measurable elements or satisfaction with financial success aspects, for instance by incremental of sales, company's growth, asset owned, liquidity, return of investment and profitability (Chandler & Hanks, 1994; Ahmad *et al.*, 2010; Fatimah-Salwa *et al.,* 2013; Khedhaouria, Gurau, & Torres; 2015). Others define it in terms of intangible elements (subjective) achievement such as perceived employee satisfaction, customer satisfaction, owner's satisfaction, efficiency, personality development, personal achievement, awareness of entrepreneurs, workplace industrial relations, relationship with suppliers, business image, career progress, customer retention, flexible lifestyle, pride of business and balance between work and family life (Masuo *et al*., 2001; Blackburn, Hart & Wainwright, 2013). Ostgaard and Birley (1995) simply defines performance as success and failure of a firm. Few scholars (e.g., Virtanen, Parvinen, & Rollins, 2015; Wallace, 2010; Seffiani, 2012) argue that performance should come in the form of two categories, financial (tangible) and non-financial (intangible) achievements.

Meanwhile, other stream of scholars (such as Jasra *et al.,* 2011; Fatimah-Salwa *et al.,* 2013) defined business success as the growth of a firm. In this matter, Levie and Lichtenstein (2010) has identified 104 types of growth that were yet being robustly studied. However, same as net profit, sales growth has been given much attention by scholars as a simple measure of business success (Yussuf & Saifu, 2005). Thus, these definitions of performance and business success are somewhat overlapped or divided between thin lines or indifference stayed in grey area. The following section discussing the measurement of performance.

2.6 Measurement of SMEs Performance of Retail Firms

As discussed in the previous section, performance has been defined from mixed and broad perspective by various scholars according to their objective of the research. Ultimately, it is hard to achieve a consensus about its definition, dimensionality and measurement for businesses and from SMEs retail firms' context (Khedhaouria, Gurău, & Torrès, 2015). Penrose (1959) embedded performance with growth in which synchronise with Levie and Lichtenstein's (2010) list of 104 growth models. Khedhaouria *et al.* (2015) adopted Wiklund (1999) performance indicator as the measurement of organizational achievement from financial aspects, which is financial profit, market value and sales volume. Lee (2012), Gruber-Muecke and Hofer (2015) also identified performance as the combination of measurement of organizational achievement from financial aspects and growth, which is profit or loss and firm's growth. Nurazree and Mohd Faiz (2013) and Shamsuddin (2014) measured firm performance by mixing subjective and objective measures that includes sales growth, profitability, market share, employee morale, customer loyalty, growth of machine, labour productivity and customer satisfaction.

Few other scholars determined the firm's performance based on the several perspectives, mostly due to their research objectives, among others are:

- Financial performances such as net profit, return on asset (ROA), return on investment (ROI), gross margin, return on equity, return on sales, and total factor productivity (Cucculelli & Bettinelli, 2015; Wallace, 2010; Lee, 2012)
- Market effectiveness – such as rate of new product development, market share, sales volume and sales growth (Virtanen *et al.*, 2015; Ndubisi & Ifthikar, 2012)
- Based on strategic management performance of a firm, customer satisfaction and/or commitment, strategic performance, environmental performance and quality performance (Dobler, Lajili, & Zéghal, 2014; Nasution *et al.,* 2011)
- Based on human capital growth, achievement and knowledge– such as employment change over, staff satisfaction, team collaboration, knowledge management, job efficiency, turnover rate, absenteeism rate, adaptability and personnel deployment (Blackburn, Hart, & Wainwright, 2013; Ramezan *et al.,* 2013; Tseng & Lee, 2014)
- Based on marketing mix achievements – such as acquiring new customers, new products launch, new suppliers and new marketing initiatives (Nedzinkas *et al.,* 2013)

Furthermore, performance measurement is considered as a complicated subject. It is a broad conceptualisation which indicates the overall effectiveness of achieving multiple objectives. To the management, it is probably the single most powerful tool at their disposal to increase the chance of success for their business strategy implementation. Yet, there is no single universal definition of performance definition. Each academic discipline most likely has its own unique definition (Kurtulmuş &Warner, 2015).

Likewise, Lumpkin and Dess (1996) claimed that agreement of universal term of performance is difficult to assent because of application in different contexts of research. However, for this study, the researcher measures the firm performance from the perception

of market share, sales growth, profitability, customer satisfaction, manpower growth and customer growth, since they are the main reflective of performance in mainstream studies (Tantasuntisakul, 2015; Wiklund & Sherperd, 2005; Gupta & Batra, 2015; Gruber-Mueckle & Hofer, 2015) either for small-sized or medium-sized firms. These subjective components of the firm performance have been used by recent researchers such as Aminu (2015), Hafeez (2014) and, Suliyanto and Rahab (2012) mostly due to the issues of record keeping and revealing data constraint by SME firms (Engelen, Gupta, Strenger & Brettel, 2015).

2.7 Factors Influencing SMEs Performance of Retail Firms

Despite of the performance measurement, it is meaningful to understand the factors that influencing firm performance, either it is for SMEs or its subsectors. In general, it has been argued that the performance of SMEs as overall or for retail firms is a function of both internal and external factors (Penrose, 1959; Markman & Baron, 2003; Wiklund & Sherperd, 2005; Seffiani, 2013). These internal and external factors are also vary and cover wide elements and selection of factors for a study is depending on the objective of researchers (Ligthelm, 2010).

2.7.1 Internal Factors

Also known as endogenous factors, these firm-based or internal environments have significant influence on the firm performance, survival and growth (Guzman & Santos, 2001). The internal environments are controllable factors by the manager-owner or entrepreneur. They involve management behaviour, work-culture, action, strategic planning and decision process which related to the function and effective use of internal resources (Nieman, 2006; Kangasharju, 2000).

According to Lightelm and Cant (2000), over 65 percent of the SMEs failures are due to the inefficient of firm-based resources. Meanwhile, by effectively managing internal factors, especially on "people issues" will increase performance (Naffziger, 1996; Dulewicz & Higgs, 2000). "People issues" are inclusive of human capital management, managerial competence (traditional role of managers), entrepreneurial competence (skills to execute entrepreneurial role) and functional competence (technical capabilities) of entrepreneur (Ayala Calvo & Manzano García, 2010; Lee, 2012; Seffiani, 2013). Pinho and de Sa (2014) highlighted that entrepreneur attributes of owner-manager (e.g., personal qualities and background, intuition for innovativeness and unique business, need for self-achievement and previous business experience) are also the other major internal factors.

Other essential internal factors are the characteristics of SME firms, include among others; firm age and size (Coad, Holm, Krafft, & Quatraro, 2018; Ophir, 2016), organisational rigidity (Loderer, Stulz, & Waelchli, 2017), location of the firm (Sridhar & Wan, 2010), financial availability (Wiklund & Sherperd, 2005) and firm strategies (Pearce & Robinson, 2009; Seffiani, 2013).

Relatively, there were extensive researches on entrepreneur's behaviour, skills enhancement, and organisational characteristics that being explored in order to determine the internal factors of firms' performance. To cover all the factors is quite impossible for this study due to time and cost constraint. Therefore, based from various findings of researches, the firm's "competence" elements (MO, EO and CIC) of soft-skill resources and entrepreneurial cultural have been selected. Even though many scholars supported that the three variables contribute to the firm performance, but there were still unanimous agreement and still open for further investigation especially for 'under-investigated' retail sector.

2.7.2 External Factors

External factors have been found to become eminent influential of SMEs performance. Entrepreneurial scholars suggested that organisation ecology is constrained by factors internal and external to the firms they operate in, and their performance may be associated by different dynamism of external environment (i.e., external factors) (Hannan & Freeman, 1977; Wiklund & Sherperd, 2005).

Meanwhile, several scholars viewed external factors from the perspective of external contacts, relationships and resources. These can divided into two main categories, namely macro-environmental factors and micro-environmental factors. According to Business Dictionary (2016), external factors are the factors or elements surrounding a firm which impose direct contact or impact on the operations area. It will directly affect the performance of a firm performance and decision making process. The factors include customers, suppliers, supply chain, competitors and mass public. In general, failure to manage these factors may trigger to the failure of a business.

Analysis on scientific literature through various methods such as systematic-logical, comparative and structural analysis, statistical data and holistic approach to research problem has identified six groups of macro environmental factors (Barkauskas, Barkauskiene & Jasinskas, 2015). These are political, economic, socio-cultural, technological, legal and environmental factors. The magnitude of any external factor may vibrate the development of business sector, and impact the firm performance (Wiklund & Sherperd (2005).

Meanwhile, the micro-environmental factors emphasise on the role of customer as key factor (customer relationship), relationship with suppliers and analysis on the role of

competitors. When a firm invests in any form of relationship effort, it develops a favourable perception in the customers' mind and encourages customer engagement toward the brand or firm that goes beyond transactions (Verhoef *et al.,* 2010; Ritter & Walter, 2012; Deb, 2014).

As such, it is vital to conceive 'valid and reliable' factors that affect firm performance; prior to investigate the relationships between predicting variables, external environment and firm performance. This will ensure that a plausible model of performance in retail firms is established. Even though past researches utilise these variables in a various contexts, this study will predominantly employs their application in the perspective of retail subsector in Malaysia.

Moreover, the review and conceptualisation of three predictors of performance, namely EO, MO and CIC (internal factors of human capability and competences), as well as the environment volatility (external factors) were being extensively discussed. The former refers to the firm resources that internally possessed or can be instilled by owner or entrepreneur; meanwhile the latter related to construct that beyond the entrepreneur's control. The segregation between the internal characteristics/factors and the external factors such as environment is a practical approach in examining the firm's performance (Covin & Slevin, 1989). This internal-external perspective is always being attuned in the research of small and medium (SMEs) businesses. The perspective will be discussed in length in the next sections.

2.8 Entrepreneurial Orientation (EO)

Entrepreneurial orientation (EO) has received considerable intention either conceptually or empirically by scholars in organisational research. According to Gupta & Batra (2015),

it has been the most widely-accepted determinant of firm-level performance. The concept of EO denotes the strategic process that is used by organizations in order to implement entrepreneurial actions and identify new opportunities (Dess and Lumpkin, 1996). EO encompasses a repeated and continuous behaviour, strategy-making process, decision-making styles, methods and practices with the purpose of achieving the identification and generation of new business or improving current organizational setup. This process in the long term is expected to give the adopters sustainable competitive advantage and enhance firm performance (Wiklund & Shepherd, 2005; Gupta & Batra, 2015).

Miller's (1983) on the other hand, characterizes an entrepreneurial firms as a firms that tend to undertakes risker business ventures, are heavily involved in product-market innovations, and are usually the leaders in coming up with proactive innovations in the marketplace. Miller (1983), thus, underlines three important dimensions that could promote EO – proactiveness, risk-taking and innovativeness – in which the co-variation of the three items should exist before researchers can claim as EO. Further, EO has been expanded by Lumpkin and Dess (1996) with two additional dimensions, namely autonomy and competitive aggressiveness. However, they argue that the five dimensions can be individually or collectively define the domain of EO. This has been proven by the study of Musa, Ghani and Ahmad (2014) in which they revealed that only innovativeness and proactiveness positively effect the business performance in their study of 104 northern Malaysia cooperative firms. On other hand, the dimensions of risk-taking, competitive aggressiveness and autonomy do not reveal significant relationship with the cooperative performance.

Despite the conflicting views about the dimensionality of EO in determining the performance effect, Covin and Lumpkin (2011) opined that it is based on the each research

perspective, the empirical data used and the way of they conceptualising EO. Nevertheless, the application of the Miller's (1983) three original dimensions (risk-taking, innovativeness and proactiveness) in research are extensively performed by past studies (such as conducted by Covin & Wales, 2012; Amin *et al.,* 2016; Gupta & Batra, 2016; Morgan *et al.,*2014; Gruber-Muecke & Hofer, 2015; Tutar *et al.,* 2015). Martin and Rialp (2013) argued that the three dimensions are very much correlated even though each dimension concentrates on different aspect of strategic orientation.

2.8.1 Risk-taking

Miller (1983) explained risk-taking in the view of willingness of firms to pledge its assets to develop ideas or processes with the conscious awareness of uncertain outcomes and may lead to high tendency to fail. Lumpkin, Moss, Gras, Kato and Amezcua (2013) further elaborated risk-taking as the ability of the firms to take bold action venturing into unknown, willing to borrow heavily, and/or allocating substantial resources in anticipation to gain higher returns from perceived market opportunities.

Furthermore, Lumpkin *et al.* (2013) argued that when the uncertain environment may increase the risk-taking activity, the excessive risks may jeopardize the viability of a venture. Bold action is necessary to curb lasting change, however uncalculated or poorly vetted risks could result in discontinuity of solutions and potential loss. For certain conditions, risk taken may benefit certain group of stakeholders but detrimental to others. Entrepreneurs who are taking risk and bold action however will learn a lot compared to conservative one - with the advantage of getting greater performance, or reversely getting distress or being hurt.

Additionally, as the business deliberates the financial requirement and ability in order to operate smoothly, risk-taking concept stressing the entrepreneurs not to be afraid of making huge loans if they have assessed the potential project . This is suitable with the saying of "high risk, high return" provided that careful plan and actions being taken to achieve the firm's intended objective (Miller, 1983).

Moreover, Marshal and Ojiako (2015) indicated that any business related to creation of new services or products, new technology and discovery of opportunities or new frontier, the occurrence of future possibility risk should be anticipated by the entrepreneurs. Therefore, the entrepreneurial effort will be accordance to entrepreneur's risk appetite whether to choose de-risked or risk-anticipated venture.

2.8.2 Innovativeness

Innovativeness can be defined as demonstration of experimentation, creative actions and exploration as exposed in new business strategies, new products/services, new process technologies and new methods of operation (Miller, 1983).

Meanwhile, Lumpkin and Dess (1996) clarified that elements of innovativeness consists of firm's support to the experimentation and activities that could produce new ideas and creativity, as well as their leading commitment in the R&D activities and the development of creative technological processes; which in turn would produce new products, services or technological processes. Further, Hussein, Omara, Noordin and Amir Ishak (2016) highlighted the innovativeness as an organizational inspiration towards encouragement and provide support among their employees to acquire new insights and knowledge.

Moreover, there are two main streams that defined the innovativeness. One school of thought presenting innovativeness as unidimensional (Nystrom, Ramamurthy, & Wilson

1999) meanwhile the second categorized it as multidimensional (Subramaniam & Nilakantra, 2002). From the multidimensional perspective, the construct consists of various dimensions which include behavioural, market, process, product and strategic innovativeness. Unidimensional combines the organization behaviour, product and technology innovativeness utilization to ensure the materialization of innovative products. For both views, the level of importance for innovativeness might be different between business and public organizations (Pucetiate, 2014). Implementing innovativeness might also involve risk-taking in which the result may produce innovative idea but at the same time against the organization rules and social norms. A research conducted by Noordin *et al.* (2016) suggested that innovativeness has significant positive effect towards organizational growth. This is supported by Kyrgidou and Spyropoulou (2013) in their study of 218 Greek manufacturers which identify technical, managerial and entrepreneurial capabilities (antecedents) encouraging innovativeness, that resulted in improving business performance.

Other study by Kessler, Pachucki, Stummer, Mair and Binder (2015) on 255 Austrian hotel business has evident the overall positive effect on organizational innovativeness with greater performance. Three dimensions are used to measure innovativeness (ability, willingness and possibility to innovate) meanwhile, five dimensions for performance (market, employee-related success, financial, innovation success, and process and product innovations.

2.8.3 Proactiveness

Proactiveness is defined as the ability to think forward, willingness to improve on EO and create new products/services. It involves the independent posture in which the firms committed to innovate, take risk and proactive during the development and

implementation of strategies (Covin and Lumpkin, 2011). This includes the exploitation of future opportunity that lead to pioneering the markets and early adoption of new technologies compared to rivals (Miller, 1983).

In addition, many scholars urge that the importance of firms for being proactive to sustain their competitive advantage and view changing environment as their opportunity horizon. It creates occasion for firms to plan and leverage their resources effectively and reduce their vulnerability on uncertainty (Kirzner, 1997; Beverland, Farrelly, & Woodharch, 2007). Firms which emphasize proactiveness culture will promote their management and staff for being change-oriented, future-focused and self-starting behaviour. Therefore, it will anticipate motivation enhancement among team or individual and improve leadership capability of a personnel (Parker & Wu, 2014).

Furthermore, the potential benefits of personal proactivenes are not always realized. Whilst there have been many reports about the positive outcomes of proactiveness and performance (e.g. Ejdys 2015; Carson, Baker, & Lanier, 2014; Tornou & Frese, 2013), few others prove otherwise (e.g. Glaser, Stam, & Takeuchi, 2014; Grant, Nurmohamed, Ashford, & Dekas, 2011). As the initiative extends beyond formal job descriptions, proactive entrepreneur may sometimes take inappropriate actions that finally unable to create value. Glaser *et al.* (2014) stressed that there must be some sort of control mechanisms by the entrepreneur or top management in which the degree of control might different from one project to another.

In relation with EO, many scholars argue that not all dimensions (risk-taking, innovativeness and proactiveness) should exist simultaneously before a firm can be considered having EO. Lisbao, Skarmeas and Saridakis (2016) for instance in their study revealed that innovativeness is not necessarily a must have requirement for enhancing a

firm's new product development, even though it does have sufficient influence in it. High new product development could also be possible for a firm with low risk-taking characteristic, with the condition that the firm must act in a forward-looking and proactive manner. In other words, a proactive and forward-looking firm but with risk-averse characteristic could still enhance their product development. The study by Ejdys (2015) in his findings, also indicated that the element of less significant risk-taking does not make the firms less EO.

2.8.4 EO and Performance

The EO concept has become prominent in the management and entrepreneurial research in which its' variable or set of variables become synonym with any business establishment and decision-making process (Covin & Wales, 2011; Lumpkin & Dess, 1996). Eventually, from this EO, rises the continuum concept of an organisation ranging between conservative and high entrepreneurial (Covin & Slevin, 1998).

Additionally, there were so many evidences to show that EO is an important determinant of firm's performance for over 30 years since it was popularised in literature. For example, a study by Kajalo and Lindblom (2015) who focused on the direct effect of EO and market orientation (MO) towards performance (financial and non-financial) of small retailers in Finland. From the analysis of 202 samples from small retailers of non-food segment, they evident that EO has positive effect for both direct and indirect relationship with performance. In addition, they also studied the mediating effect of marketing capabilities between EO and performance. Other study by Kantur (2016) on 324 top managers from 118 companies in Turkey also supported that positive effect of EO on firm performance, with the mediating role of strategic entrepreneurship. Locally, studies by Ahmad and

Ghani (2013) and Amin *et al*. (2016) also supported the roles of three EO dimensions toward the business performance.

Consequently, it is important to highlight the direct link of EO and performance but the role of indirect variable (mediator or moderator) is increasingly studied by researchers (such as Martin & Rialp, 2013; Ahmad & Ghani, 2013; Shehu Aliyu, Bello Rogo & Mahmood, 2015; Kultumus & Warner, 2015; Amin, Ramayah, Aldakhil, & Kaswuri, 2016).

From a different perspective, Morgan, Anokhin, Kretinin & Frishammar (2014) in their study of 206 mid-sized Swedish manufacturing firms found that the EO has positive effect on performance, but when the firms implemented MO simultaneously, the effect strength has reduced compared to direct link of EO-performance.

2.8.5 EO as Unidimensional Construct

Many prominent scholars professed that EO is a unidimensional construct (Covin & Slevin, 1989; Wiklund & Sherperd, 2005; Knight, 2000; Covin & Wales, 2012). In contrast, other scholars argued that EO is a multidimensional construct and should be treated as independent behavioural dimensions which involved risk taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy (Lumpkin & Dess, 1996).

However, the supporters of unidimensional argued that the dimensions are very much related even though each dimension concentrates on different aspects of strategic orientation. This, in effect, allows the dimensions to be recognised as a single construct as per previous studies (e.g. Martin & Rialp, 2013; Amin *et al.,* 2016). As such, they have suggested a unidimensional construct for EO which supports the suggestions from

Wiklund and Sherperd (2005) and Covin and Slevin (1989) that is to study the relationship as a universal influence. Therefore, the researcher adopts "a **basic**, **unidimensional** strategic orientation" of the three original dimensions of EO construct that act together as construed by Covin and Slevin (1989) (p.79) for this study. Importantly is how to explaining the complexity in the EO–performance relationship. The prevailing approach currently is the universal effect approach, assuming that EO is universally beneficial (Wiklund & Sherperd, 2005).

Based on the above justification and the scope of research, few other researchers have adopted the unidimensional or single construct approach such as evident through study of Hong, Song and Yoo (2013), Morgan *et al.,* (2014), Aliyu, Rogo and Mahmood (2015), Kultumus and Warner (2015), Gupta and Batra (2015), and Partono and Mahmood (2016).

2.9 Market Orientation

Market orientation (MO) can be observed from two different views, namely cultural and behavioural perspectives. The behavioural perspective of MO focuses more on a firm's continuous activities and behaviours. They would include intelligence activities on customers and competitors, the sharing of this intelligence information throughout the firm, and its responsiveness to the intelligence (Kohli and Jaworski, 1990).

Conversely, the cultural perspective of MO is described as "the organizational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and thus superior performance for the business" (Narver and Slater, 1990). Narver and Slater who are considered as the original theorist of MO, have initially proposed five dimensions namely, customer orientation, competitor orientation,

and internal coordination to form a value chain for the buyer, long-term orientation and profit orientation.

While they are still in Narver and Slater's definition, subsequently they have dropped the latter two from their measure of MO. Argument rises that the two items did not yield scores that formed a ''unidimensional factor'' (Rossiter, 2012). Rossiter argued that a composition of five diverse managerial beliefs resulting meaningless ''latent variable", vague and "non-sense making" items since total scores could be reached in many different ways.

In addition, Kazakov (2015) elaborated MO in such that customer orientation serves as the marketing activities; competitor orientation as the policies to increase the firm's ability to stay competitive and inter-functional coordination as positioning the marketing concept within the internal departments.

On the other hand, other scholars (Kohli and Jaworski, 1990; Kohli, Jaworski & Kumar, 1993) who are also considered as original MO theorist forwarded different perspective of MO. They defined MO as the generation, internal dissemination, and internal use of ''market intelligence.'' However, Rossiter (2012) criticised their view of MO as a presumably sequential set of activities, not as a set of management beliefs- whose role should be more coherent with outcome (dependent) rather than predictor. They did not clearly separate "market intelligence" as information on customer or on competitor.

Meanwhile, Najafi-Tavani, Sharifi and Najafi-Tavani (2016) argued that the firm's strategies on MO largely concern the discovering and meeting customers' latent and current needs, market and competition conditions. By applying market intelligence, firms could discover what the market needs, thus react by introducing new innovative products

and services. In this context, MO functions primarily as a mechanism to generate and then distribute proper market intelligence information to the whole firm so as to provide the firms a knowledge advantage.

Consequently, Narver and Slater (1995) argued that both models by Kohli and Jaworski (1990) as well as Narver and Slater (1990) are market-driven with the intention of creating a superior value for firms. Both models emphasize the developing needs of customers and responsiveness through innovating services or products based on market feedback and information (Matikainen, Terho, Parvinen, & Juppo, 2016). MO also emphasises the opportunities and threat derived from customer needs, and the speed and effectiveness to response the market analyses. Thus MO is considered inherently a learning orientation (Fang *et al.,* 2014).

Both cultural (Narver & Slater) and behavioural (Kohli & Jaworski) shared the objective of satisfying customer in order to achieve high organisational performance (Rogo, Mohd Shariff, & Hafeez, 2017). However, Troung (2014) and Gruber-Mueckle and Hofer (2015) opined that more studies on MO-performance are adopting the view and the three dimension of Narver and Slater. These include the studies by Chin, Lo and Ramayah (2013), Fang *et al.* (2014), Kazemian, Abdul Rahman, Mohd Sanusi and Adewale (2016), Kamboj and Rahman (2017), Mahmoud *et al.* (2017), Newman, Prajogo and Atherton (2016), and Green, Toms and Clark (2015).

2.9.1 Customer Orientation

Narver and Slater (1990) emphasised the importance of firms' ability to understand sufficiently their target customers and deliver continuous superior value to them. This requires the firms to understand the whole customers' value chain, currently and in future

over the time according to market dynamic. There are vast studies on the benefits from long-term customer relationship upon the firm performance. Businesses are investing resources and time to meet or satisfy customer's expectation and perceptions toward their brand, product or services, and in turn develops the customers loyalty with the relationship and accelerate perceive value. When a firm invests in any type of relationship, it generates a favourable perception in the customers' cognisance and develops customer engagement toward the brand or firm that goes beyond transactions (Verhoef *et al*., 2010; Ritter & Walter, 2012; Deb, 2014).

From a study in grocery business industry, Deb (2014) suggested that long-term relationship of retailer-customer is unlimited to the retailer's intention to preserve the customer loyalty only, but also on customer's intention to commit to a particular retailer. Empirical evidence from 612 survey performed in India shows that there are three main factors that retain the customers, namely fair price, quality of merchandise and quality of services - that constitutes to better customer relationship perception.

This supported the earlier study of Grewal, Levy and Kumar (2009) who argued that satisfying retail customers is not only focused on low prices and product innovativeness. The retailers should also understand and manage 'customer experience' as a business strategy. Focusing on customer experience would mean that every point of contact that the customer has with the business, product or services must be attended to competently and professional. The strategy should be resulted in a win-win value exchange between retailers and customers. In addition, various means (e.g., price, location, supply chain, merchandise and promotion) play significant role in delivering superior customer's experience that triggers to more frequent shopping visits, higher customer satisfaction, higher basket value, and ultimately better profitability. Supplementary to that, Verhoef *et al.* (2010) explained the customer experience, engagement, retention and customer

lifetime value are manifested under a broad area known as customer relationship management (CRM). This is not limited to existing customers but also for potential customers as well.

Although several studies supported the importance of customer relationship towards business success, a study by Reimann *et al.* (2010) chooses to differ. From the survey conducted on 318 managers in SMEs, the study showed that firm performance is not directly correlated with CRM. The study, which sources its data from in-depth interviews and industrial survey, instead found that CRM and performance relationship was fully mediated by both cost leadership and differentiation. Furthermore, the researchers suggested that, when there is higher industrial commoditization, the impact of CRM on differentiation is more pronounced.

Meanwhile, Reijonen and Laukkanen (2010) through their findings in Finland, revealed that customer-focus is weighted differently between SMEs based on their size, sector and customer markets. The results from survey of 106 respondents from manufacturing, real estate and other services (such as hair dressing, laundry, dry cleaning, etc.) showed that if a firm is pursuing a profitable customer, the customer relations activities tend to be more frequently performed. In terms of size, the findings show that small-sized firms operated in consumer markets and personal services seemed to put less efforts on marketing and customer relationship. Small-sized firms are inclined to give less attention to marketing and customer relations efforts.

2.9.2 Competitor Orientation

Competition amongst businesses creates many benefits to customers such as quality services, fulfil customer demand and improve customer satisfaction (Bennett, Pierce,

Snyder & Toffel, 2013). However, intensified, concentrated competition and unknown competitive rival have significant impact on entrepreneurial process and performance, either positively or negatively (Ford & Harkensen, 2013). Therefore, Narver and Slater (1990) in their MO theory stress the necessity to actively monitor the competitors (indirect or direct) to understand their short-term strategies, strength, weakness and long-term capabilities in order to remain competitive.

According to Porter (1985), the guru of strategic management, there are three generic competitive strategic that a firm should apply in order to stay competitive in business, namely cost leadership, product or service differentiation – against competitors; and stay focus to specialized area in business or narrowing to a segment of customer. This enables the firm to create or sustain competitive advantage and as a result produce superior performance against other competitors. Wu and Olk (2014) in their study on 1348 firms from servicing and manufacturing firms in China, suggested that with the strong customer ties it will positively influence the competitors' identification and their activities. This provides greater local knowledge to a firm in competitive markets that induce its business success.

Meanwhile, Grewal, Ailawadi, Gauri, Hall, Kopalle and Robertson (2011) in their study on retailing, revealed that the success of a retailer against other contenders depends on using of new technological enabler in marketing and dynamic pricing strategy, employing new promotion methods, enhance market targeting, securing offline and online promotions and improving effectiveness.

However, not all firms have capability or expertise to execute all activities as they are compelled to capital or manpower constraints, as such they may lag behind their competitors and this will affect the business competitiveness or its profitability.

2.9.3 Inter-Functional Coordination

Based on Narver and Slater (1990) findings, it is crucial to coordinate all activities and resources that can create superior value to customers. Along the coordination activities, the firms will require all the functional departments to contribute to the creation of value to customers. It is not a one department (e.g. marketing department) affair, it requires all departments to work together, communicate with each other and share meaningful information. This is called as the inter-functional coordination that demands effective integration and adaption of the firms' entire human and resources.

Inter-functional coordination (IFC) has become the interest of multi-disciplinary area including social science, human resource management, operations management, supply chain and others. Many researchers conceptualized the definition of IFC and the simple and minimal one is by Pinto (1993) which explain it as "working together for the common goal". Min (2001) views the IFC as the "coordinated efforts across functions to accomplish common goals, such as creating a customer value and responsiveness to market changes, under close relationships among the functions".

Furthermore, coordinating internal departments requires a strong facilitative leader or effective communicator. Else, the activity will become effortless and exposed to risk of common objective not achieved. Narver and Slater (1995) suggested that IFC requires the leader to act as a coach and create "demand pull" to encourage personnel to learn further and understand cooperation effort between functional departments.

In addition, Dietrich, Kujala and Artto (2013) suggested that there are three different coordination styles namely decentralized, centralized, and balanced coordination. Each type will produce result differently from the aspect of interaction between the teams,

efficiency of project, work fluency, information sharing, work flow fluency between teams, and learning outcomes. Thus, it is the manager's responsibility to plan, structure and organize the inter-functional coordination to achieve common goals portrayed by MO model.

2.9.4 MO and Performance

Many studies have proven that MO provides significant positive effect towards performance either directly and indirectly (such as conducted by Mahmoud, Blankson, Owusi-Frompong, Nwankwo, & Trang, 2016; Kazakov, 2016; Kazemian, Abdul Rahman, Mohd Sanusi, & Adewale, 2016; Beneke, Blampied, Dewar, & Soriano, 2016; Amin, Ramayah, Aldakhil, & Kaswuri, 2016; Kamboj & Rahman, 2017). Exception of different moderator or performance dimensions, the direct effect of MO towards performance is also positively aligned with other scholars such as Narver and Slater (1990) and Matikainen *et al.* (2016). Narver and Slater (1990) tested direct effect of MO towards profitability. Meanwhile, Matikainen *et al.* (2016) investigated MO, product and relationship orientation with the intervention of product advantage and market-based assets towards performance (customer acceptance and new product launch) and found positive linkages.

On the other development, Guo and Wang (2015) studied the multi-dimensional elements of MO (customer orientation, competitor orientation, and interfunctional coordination) in which the interfunctional coordination was treated as mediator towards the firm performance (customer retention and satisfaction). The study that analysed data from 279 American manufacturing firms evidenced that both independent variables positively influence the customer relationship outcomes. However, the interfunctional coordination lessen the positive effect between customer orientation, customer retention and

satisfaction. Meanwhile, the mediating effect of interfunctional coordination has slightly stronger impact between relationship of customer orientation and customer satisfaction; compared to its direct effect does. This applied similarly to the indirect relationship towards customer retention. These results illustrate the importance of market orientation in adding customer value in the long term which leads to customer satisfaction and retention.

Similarly, Kazemian, Abdul Rahman, Mohd Sanusi and Adewale (2016) proposed that the three dimensions of MO might not contribute simultaneously to the performance as from their study evidenced only customer orientation influenced the microfinance provider's performance meanwhile the competitor orientation and interfunctional coordination shown insignificant effect.

Additionally, Kazakov (2016) proposed that MO should be integrated with other orientation, for instance government orientation and industry orientation towards sales performance (customer quantity growth, sales growth and sales increase) for his study on 133 service industries in Russia. The findings supported that 5 dimensions of the proposed MO delivered positive impact on overall firm performance. Meanwhile, Gruber-Muecke and Hofer (2015) combined MO and EO in determining the influence of 170 Austrian exporters in which evident significant positive effect.

Besides significant role of MO towards performance, few studies failed to find significant direct relationship. From the study of Kajalo and Lindblom (2016) on 202 Finnish small retailers, they concluded the MO per se is not effective to improve the firm's performance. Instead, with the mediating role of a dynamic capability construct, namely the marketing capabilities, then the influence towards performance becomes significant. Moreover, the study of Morgan *et al.* (2009) on 748 service and goods businesses in the US evident that

MO not influence subjective perceived performance, but link significantly to objective dimension (ROA). This is also supported by the research by Najafi-Tavani, Sharifi, and Najafi-Tavani (2016), which their findings on combined MO with other marketing capacity did not prove any significant relationship towards performance of new product. Therefore, the mixed findings of previous studies provide avenue for researchers to explore and investigate the role of MO in determining the retail firms' performance.

2.9.5 MO as Unidimensional Construct

Many scholars regard the market-oriented corporate culture is crucial in promoting greater corporate performance (Hong *et al.*, 2013). In lieu of this view, thus, this paper would investigate the MO from the approach of cultural point of view. Furthermore, as explained by Kazakov (2015), Narver and Slater's model is more concrete and receives less criticism by scholars. Following Narver and Slater (1990), the researcher adopts the three important dimensions of MO: inter-functional coordination, competitor orientation and customer orientation in which they operationalised themselves as unidimensional construct.

From this perspective, several scholars have utilised unidimensional of MO for their study. Fang, Chang, Ou and Chou (2014) for example, have studied 159 service company in Taiwan and found that MO facilitated market capabilities development and in turn exert different level of influence on three organisational performances; namely, financial, innovation and market performances.

Other study by Hong, Song and Yoo (2013) suggested that MO in the form of unidimensional and has shown significant positive relationship with performance of new product development in their qualitative study on 471 Korean SMEs. Other studies that engaged the unidimensional approach in their studies include Chin *et al.* (2013), Morgan

et al. (2014), Kajalo and Lindblom (2015), Mahmoud, Blankson, Owusu-Frimpong, Nwankwo and Trang (2016) and Matikainen *et al.* (2016).

2.10 Change Implementation Capacity

Is change beneficial and the best alternative for organizations? While established and large firms relatively believed the benefits gained from situational change, there is less exposure on the activities and the change strategy for SME firms. Batra (2016) revealed that change strategy and ability of firms during turbulence environment (which is called change implementation capacity) will determine the survival and growth of a firm; but radical change towards strategic posture might become fatal. Additionally, Ahmad Zaidi and Othman (2014) has noted that if a firm simply possessing certain capabilities but unable to redeploy the correct types, it might not achieve better performance especially under high volatile environment.

Change implementation capacity (CIC) is one of the diverse composition of Dynamic Capabilities dimensions that has been discussed by mainstream scholars. Other dynamic capabilities dimensions that are recently discussed are alliance management capability, new product capability (Schilke, 2014), change implementation, strategic sense making capacity and timely decision making capacity (Li & Liu, 2014), integrative capability and operational capability (Jiang *et al.,* 2015).

Moreover, Killen and Hunt (2013) have listed 77 different capabilities in their meta-analysis review. This study suggested that some of the capabilities have higher impact on performance than the others, and hence, companies must choose which capabilities that are relevant in fulfilling their stakeholder's will.

Eventually, CIC and dynamic capabilities are considered new and most research in the field tend to be conducted in the western and developed economic setting (Li & Liu, 2014). Not many studies conducted in transitional and emerging countries such as Malaysia and what effect it contributes towards firm's performance is very little known.

Furthermore, there are diverse differences between developed and emerging markets; and there is a lack of completeness of theoretical that is considered as a significant literature gap. Hence, this research in Malaysia is necessary and its findings are expected to provide additional knowledge in entrepreneurial literature.

2.10.1 Reconfigure Resources

Historically, CIC is a part of dynamic capabilities has constituted from the extension work of the resource-based view (RBV) as discussed by Wernerfelt (1984) and Barney (1991). From their definitions, the CIC can be classified as a capacity due to its nature as organizational aptitude that manages several organisational resources (people, culture, structure, etc.) and incorporates them with a change process (training, coordination, communication, etc.). The intention of these activities is to renew the firms' characteristics. It is termed "dynamic" due to its consequences from organisational activity that may spark the renewed combination of resources and skill redeployment (Soparnot, 2011). It is qualified as the dynamic characteristic since it creates, redeploys and reconfigures the organization's assets, allowing the utilization of assets to endure with the evolution of shifting environment (Eisenhardt and Martin, 2000; Teece *et al.,* 1997). Since the whole idea of dynamic capabilities are to identify the source and routines of organizational reconfigurations, however it does not elaborate the mechanisms for renewal of resources. As such, it is the role of CIC to implement the change from the resources renewals initiative (Soparnot, 2011). Helfat, Finkelstein, Mitchell, Peteraf, Singh and

Teece (2007) further explained CIC as the capability to coordinate and execute corporate change and strategic decision, which involves various organizational and managerial processes in order to complete assigned tasks and specific objectives.

Meanwhile, Heckman, Steger and Dowling (2016) argued that this change is not occur once but appearing in multiple occasions in order to adapt the rapid changing environment. In their research for manufacturing and processing industry in Germany, they demonstrated that the technological intensity and the capability of firms to adapt that makes them having advantage to succeed in change implementation compared to other firm that remains conservative. However, it will not guarantee that technological adaptation alone could produce better performance. It also depends on how quick the firm respond to the competitive intensity such as sensing and grabbing opportunities resulted from continuously shifting environment, as well as the correct decision in price wars, operations efficiency and cost cutting implementation.

2.10.2 Change Implementation Strategy

Lately, studies in change implementation strategy attracting many scholars but it is difficult to find literature that is empirically performed, and if any, most of them are only focused program level and not firm level change. Many previous studies are in form of case studies or based on the author's experience (Packard, 2013). Furthermore, the scope of changes faced by firms in their environments is diverse such as anticipative, reactive, technological, strategic, incremental and quantum (Heckman *et al.*, 2016). Therefore, identifying routine of implementing change is also difficult and it will become manageable if the firm has similar experience and positive outcome of previous changes. Imran, Abdul Rehman, Aslam and Bilal (2016) further argued that the accomplishment of the change

implementation requires specific knowledge in its all 4 phases, which is change initiation, pre-implementation, execution and post-execution.

Meanwhile, Ramezan, Sanjaghi and Baly (2013) suggested that the change implementation strategy effort should be executed by qualified top management or capable owner-managers themselves as the key change agent due to speed of decision making required, possibility complexity of issues arise and leading collaboration effort between departments and personnel. The future of the firms and success of the change are depends on the leader who is able to diagnose and develop successful change capacity of the firm. In a substantial change initiative taken by IBM that involved 1,500 executives from 15 countries has resulted in 60% failure rate against the pre-determined objectives.

Moreover, Nedzikas *et al.* (2015) pointed out that few previous studies showed the average failure rate of 70%, which shows that despite being costly, the initiative is also very risky. Similarly, Anderson and Ackerman Anderson (2010) highlighted that organizations worldwide may have spent a lot of money such as in IT installations and training, yet the change result were not always fully achieved and resulted in employee burnt-out and resistance, loss of motivation and morale, and instability within organization.

On the other hand, Ramezan *et al.* (2013) outlined that the success formula of change implementation requires the balance mixtures of trustworthy leadership, capable champions, trusting follower, mid-management involvement, innovative norm, effective communication, accountable culture and systematic thinking. Most of the time, the capacity is difficult to develop but it can be quickly eroded due to rapid changes in competitive markets and industries environment (Shams, 2016).

Meanwhile, Rungi (2014) found that firm should emphasise more on teamwork - in which it will become threat for the success of change and project implementation if not managed wisely. Negative implication will arise due to the "teamwork threats" in which slow-down or sabotage may occur along the change implementation activities.

Furthermore, Heckman *et al* (2016) debated that the firm's CIC studies has raise two main concerns – first, why certain organization are more capable in managing changes compared to others, and second, is the organization that manage change better will produce better results or performance? Despite being costly, risky, delicate activity and requiring quick action and decision, the investment on change implementation capacity is still crucial in order for firm to stay competitive. The success implementation normally will see the dramatic shift and short period of transition, then followed by a new stability period. Therefore, the investigation on how change implementation effort can contribute to better performance is crucial in volatile business environment.

2.10.3 CIC and performance

A study by Nedzikas *et al.* (2015) on change project by 134 large firms in Germany revealed a positive impact on performance showing more change-capable firms are more success in project performance. Imran *et al.* (2016) in their result on the empirical study of 256 respondents in service industry in Pakistan proved that CIC improves employee motivation, future vision and future readiness of implementation and satisfaction. However, change process may have constraints due to cynicism but it can be overcome through effective organisational learning, knowledge management strategies and developing readiness for change by organisation.

Another study by Tseng and Lee (2014) on 235 Taiwan firms indicated the capacity together with the other construct (knowledge management capability) have high positive correlation of both variables towards organizational performance. The degree of capabilities is found to be consistently synchronised to the degree of performance.

Meanwhile, Li & Liu (2014) argued that notwithstanding of the environment conditions, dynamic capabilities which include CIC, play important role to gain competitive advantage especially in developing countries. The study showed that the capabilities facilitate firms to be more sensibility to threat, opportunities, seize possible chances and implement change that positively improve the performance. The findings are based on the quantitative research on 217 Chinese firms in which emphasised that the CIC acts a powerful mechanism to enhance performance through environmental adaptability for any firms. This is supported by Judge, Naoumova and Douglas (2009) who revealed that CIC was proven to induce better performance for firms in transition economy (Russia) and the relationship is become stronger during the high level of uncertainty in business environment. They also suggested that the capacity should be executed notwithstanding the size of firms, and it is important for all small, medium and large organizations.

2.11 Volatile Environment as Moderator

According to Sekaran (2004), moderator variable might modify the pattern of an affiliation between a predictor and dependent variable. The moderator of the independent-dependent relationship might trigger two effects, namely, it may strengthen the relationship or it may weaken the form of relationship (Rana, Osman, Abdul Manaf, Ab Halim, & Solaiman, 2016). Literature also called it as contingent variable since the relationship of an independent variable is contingent to the moderator in determining the dependent outcome. Ramayah (2005) added that the moderator is introduced when there is

inconsistency of findings (either positive or negative) between researches or between one findings and common theory. For example, supposedly a theory stated that an independent variable contributes positively to a dependent but somehow some researches either found positive, negative or no relation at all in their studies. Then we can predict that there must be some moderator (contingent) that we have not investigated that could cause the inconsistency.

In this study, external volatile business environment is chosen as the moderator. Business environment refers to those external forces that may create impacts on the overall business well-being. The consequences of environment towards firm performance either directly or indirectly are depended on the volatility of the environment (Partono & Mahmood, 2016) surrounding the business. Environment volatility indicates the degree of instability in an organisational environment, difficulty in anticipating changes in the industry and a steady movement of ins-and-outs of the industry (Azadegan, Patel, Zangoueinezhad, & Linderman, 2013; Ruiz-Ortega, Parra-Requena, Rodrigo-Alarcon, & Garcia-Villaverde, 2013). On the other hand, Mintzberg (1983) differentiated the following environmental dimensions: simplicity versus complexity, stability against dynamism, diversified against integrated markets and friendliness against hostility.

Furthermore, other scholars interpret volatility as the uncertainty of actions that might be taken by competitors, unpredictability of preferences by customer; and the ambiguity of rate of innovation or change in an industry (Miller & Friesen, 1983; Li & Liu, 2014). Partono and Mahmood (2016) referred the environment volatility to an external environmental ecology that posits the behaviour of customers and their preferences towards a product or service. Yu and Ramanathan (2013) described the volatility with the intensity of competition and challenges of technology advances that make environments become extremely complex and vibrant.

In a conceptual paper by Miller (1983) it was explained that the fundamentals characteristics of volatile environment consist of both unpredictability (customer preference) and uncertainty (amount and rate of change). Additionally, the instability of market demand, changes in industry structure, and potentials of shocks in the environments are among important components of environmental volatility. Consequently, environments with low volatility are attributed to lesser frequency in changes and the changes in the market are usually easier to be anticipated by the market participants. In contrast, there is a stark difference in comparison to highly volatile environments, where quick and constant changes are always happening. In the middle of these contrasting spectrums is the moderate volatile environments where changes are regular, but those happen along a linear and predictable paths (Martin & Rialps, 2013). In general, environmental volatility has been interchangeably used by researchers as turbulence, heterogeneous, hostility and dynamism (Ruiz-Ortega *et al.,* 2013; Calantole, Garcia & Droge, 2003).

On the context of consumer perspective, environmental volatility may alter the consumer purchasing behaviour, product preferences and price sensitivity. Highly volatile or greater turbulence may posit to customers product preferences change drastically and more price sensitive (Partono & Mahmood, 2016). In addition, Calantole *et al.* (2003) suggested that any drastic inter-period discontinuities or sharp declined of demands and growth are considered environmental turbulence or highly volatile conditions already. Furthermore, Chakravathy (1997) highlighted that during highly volatile environment, there will be increasing need of information by firms in order to make decision, innovation and cycles of development become speedier, as well as become harder to predict product, services and customer requirements.

Meanwhile, low volatility, benign or stable environment reflects more predictability of customer preference and firms can leverage their resources to achieve optimum performance (Pratono & Mahmood, 2016 ;).

For this study, the researcher will adopt high volatile dimension (Martin & Rialps, 2013; Grimmer *et al.,* 2015; Kultumus & Warner, 2015) of environmental volatility as moderating variable, which is summarized as below:

Table 2.5
Various Level of Business Environment Volatility

Type of Environment	Characteristics
Benign/Stable (Low Volatile)	Infrequent and predictable changes and customer preferences, low competition and predictable product demand
Moderate (Intermediate Volatile)	Regular changes and moderate competition, somewhat predictable of customer preferences that happens along a linear and predictable paths
Hostile/Turbulence (High Volatile)	Unpredictable and continuous changes in product/service, customer preference, high competition and unpredictable product demand are common

Source: Martin & Rialps (2013); Partono & Mahmood (2016)

Presently, there are two contrasting views with regard to the environmental volatility impact on the relationship between dynamic capabilities or strategic orientations towards firm performance. The first view suggests that environmental volatility has strong moderating effect between predicting variables and performance which need firms to fit and change with the external environment to sustain their performance (Azadegan *et al.,* 2013; Al-Nuami *et al.,* 2014; Arshad & Arshad, 2018).

While the second view projects that environment volatility has low or no moderating impact, rather the performance is determined by firm characteristics, human and financial resources (Kultumus & Warner, 2015; Grimmer, Miles, & Grimmer, 2015).

2.11.1 Influence of VE on EO-Performance Relationship

Lumpkin and Dess (1996) in their conceptualisation of EO and firm performance linkage admitted its complexity. As a result, the scholars suggested that the performance effects of EO are context specific. This was supported by Wiklund and Sherperd (2005) in which suggested that the strength of EO-performance relationship highly determined by the external environment characteristics and internal organisational characteristics. For that reason, the EO – performance affiliation may not simply a direct main-effects only but more complex relationship (Wiklund & Sherperd, 2005).

Moreover, Covin and Slevin (1989) suggested that EO was strongly linked with performance of small firms operated in highly volatile environments compared to those in low or stable environments. Additionally, empirical researches supported the argument that the EO-performance impact diverse according to different types of external environments (Namen & Slevin, 1993; Zahra & Covin, 1995).

In addition, Rauch, Wiklund, Lumpkin and Frese (2009) in their meta-analysis highlighted that effect of EO-performance relationship was mostly depending on the hostility of different set of environments. In a study by Kultumus and Warner (2015) from 2009 to 2012, that was during the economic recession provided the ideal situation of highly volatile environment in which unpredictable and uncertain environment conditions limit the willingness of banks to give credit, thus affect the magnitude of EO towards performance. They added that it has practical-managerial implication to determine the impact, especially to SMEs due to their limited resources and for their survival.

Previous researches evident different effect of volatile environment on relationship of EO towards performance. Kultumus and Warner (2015) found that EO and financial performance relationship is not effective after the inclusion of environment as the

moderator. In an earlier study, Covin and Slevin (1989) recorded that EO resulted in better performance during hostile rather than in stable environment. Nonetheless, findings from Partono and Mahmood (2016) implicated otherwise, in which they indicated that firms with larger EO suffer poor performance during high volatile environment.

In other study, Martin and Rialp (2013) suggested that the impact of EO on SMEs' profitability is higher when there is a fit between EO and its external environment volatility. Al-Nuami, Idris, Moh'd Al-Ferokh, and Mohd' Abu Juma (2014), however, considered environment as more of a predictor of performance rather than a moderator. Therefore, the study raises the question on the nature of the relationship.

2.11.2 Influence of VE on MO-Performance Relationship

Prior studies have employed mediating or moderating variables to further understand the relationship between MO and performance. A study by Fang *et al. (*2014) has utilised learning orientation as a mediator, meanwhile, Hong *et al.* (2013) investigated the moderating effect of process and product characteristics between the relationship of MO and product performance. However, scholars notified that it is not appropriate to generalise the complex effects between MO and FP due to different intervening or moderating variables may result in different outcome. This situation signifies the necessity for study of other moderating or mediating variable in order to further understand the MO-performance influences (Dada & Watson, 2012; Hong *et al.,* 2013).

According to Mahmoud *et al.* (2016), MO is essential for sustainable performance in a changing and volatile environment. In their study, the banking sector in Ghana was very robust during financial crisis and they suggested that the MO highly applied which

emphasizes producing market-based products and customer superiority. This led to competitive advantage and positively related to firm's performance.

This is verifying Mahmoud (2011) earlier study that stated high volatile environment strengthens the effect of MO on SMEs' performance. He measured volatile environment by competitive intensity, technology and market turbulence. Wang *et al.* (2012) suggested that volatile environments were good moderators between total quality management, MO and hotel performance. This is parallel with findings of Tang and Hull (2012) that marketing strategies by Chinese companies were strengthened by environmental perception.

Conversely, Slater and Narver (1995) found little support for the moderation effect of the high volatile (competitive) environment in modifying the relationship between MO and firm performance. Their findings indicated very low effect of VE in the strengthening of the MO- performance relationship.

2.11.3 Influence of VE on CIC-Performance Relationship

From the findings of Li and Liu (2014), they suggested that dynamic capabilities (timely decision strategic, sense-making capacity and CIC) are an essential source of competitive advantage in whatever the state of environment. The capabilities facilitate firms to enhance environmental adaptability, sensitive to chances, opportunities, threats and frequently implementing changes.

On the contrary, certain capacities are more strongly associated with performance during moderate volatility, rather than stable or high volatility, such as alliance management capacity and new product capacity (Schilke, 2014).

Meanwhile, Calantone, Garcia and Droge (2003) suggested that in order to implement effective change implementation strategy, a firm must be less centralised and more organic in structure. In their study of 3,094 US firms, they found that greater strength of relationship between top management CIC with new product performance shown during high volatile environment. This is line with study of Covin and Slevin (1989) which supported the organic organisation allows rapid organisational response and change implementation during unpredictable and high volatile environment, thus improves firm performance.

Nedzinskas *et al.* (2013) and Baretto (2010) proposed that employing change implementation is particularly critical and effective in the context of high volatile environment (especially during economic crisis). However, Teece (2007) study suggested that change implementation (reconfigure resources) has relative positive effect on non-financial organisation performance but negatively on financial SME performance during high volatile ecology.

2.12 Underpinning Theory

This research employs the Dynamic Capabilities theory (DCV) as the main underpinning theory. However, to understand further the research framework, the researcher also refer to Resource-based view (RBV) and the Contingency theory as supportive theories.

2.12.1 Dynamic Capabilities View Theory

Dynamic Capabilities View (DCV) is a contemporary theory that catch growing attention from strategic management literature for the past decade (Vogel & Guttel, 2012). DCV is considered as a "firm-based performance-focuses theory" (Arend & Bromley, 2009) and acquires mainstream attention since an article was published by Teece, Pisano and Shuen

(1997). This theory addressed the capacity of firms to create, integrate and reconfigure internal and external resources, competencies and capabilities to adapt to rapid changes environment. Hence, the capability of firms' management in redeploying their resources may differentiate the performance of one firm compared to others (Eisenhardt & Martin, 2000; Morgan *et al.,* 2009). Additionally, strategic management literatures extensively discussed the necessity of firms to develop the dynamic capabilities by leveraging their resources to ensure higher performance achievement (Hakala, 2011). In definition, capabilities are the organisational processes that profoundly combine and transfer available resources into value offering, which trigger competitive advantage and greater performance (Amit & Schoemaker, 1993).

However, there are numbers of dynamic theories highlighted in literatures such as higher order capacity, absorptive capacity, construct capacity and integrative capacity. As per dynamic capabilities, these dynamic theories evolve based on the progress of situation, and their main purposes are to explore and acquire ways to excel in business (Li & Liu, 2014). Still in growing stage, scholars forwarded the DCV theory since RBV unable to answer why certain firms still gain competitive advantage in uncertain environment and rapid changes situations (Nedzikas *et al.*, 2015). Scholars challenge the RBV propositions due to its ignorance on the influence of market dynamism in volatile environment (Eisenhardt & Martin, 2000). Zollo and Winter (2002) added that the routines (operating routines and competencies to modify them) and organizational learning which constitute the 'capability' as the important components of Dynamic Capabilities.

The theory considered as an extension of RBV as it includes of many firm-specific dimensions or various processes that researchers may choose to focus depending on the viability of their research. The main focal of this theory is the capacity of top management

or owner-manager to “redeploy” and “reconfigure” their resource base, as acquired according to RBV (Singh & Rao, 2017).

As the part of dynamic capabilities, CIC implicates the top management skills to sense opportunities and threats, transfer and modify (Li & Liu, 2014) all the resources, skills and competencies to adapt the changing environment. Redeploy and reconfigure resources are the skills and capability that endure the rapid and uncertainty situations in which not all firms possessed them. Certain scholars argue that this capability are worthless during stable environment but more significant during high turbulence or volatile environment as shown in their studies (Wu, 2010; Miles, 2012).

Furthermore, CIC is also an intangible valuable source possesses by a firm. But due to situation of highly volatile environment which requires firm frequently to act swiftly and making several ad hoc decisions due to unpredictable and rapid changes, competitive intensity, unpredictable demand and changing of customer preferences, it is more realistic to discuss the variable in the Dynamic Capability View (Azadegan *et al.,* 2013; Kantur, 2016).

In general, Dynamic Capabilities involves five characteristics, namely 1) organizational processes or routines; 2) the level of environmental change; 3) the role of managers; 4) resource configuration; and 5) learning mechanisms (Teece *et al.,* 1997).

The past studies that adopt DCV as their underpinning theory included the works by Eisenhardt and Martin (2000), Zollo & Winter (2002), Baretto (2010), Nedzinskas *et al.* (2013), Schilke (2014), Hafeez (2014), Li and Liu (2014), Jiang *et al.* (2015) and Fuzukawa (2015).

In order to understand further the framework, this research will also refer to Resource-based View and Contingency theories.

2.12.2 Resource-based View Theory

The Resource-based View (RBV) theory examines the differences of firm performance depending on the resources that organisations' possessed (Peteraf & Barney, 2003). RBV proposes that the firms should determine on how to obtain, combine, deploy and configure its resources and supply chain prior to make effective decision, thus to achieve inimitable advantage and greater performance (Barney, 2001; Ruiz-Ortega *et al.,* 2013). In other words, it indicates the importance of firms to assemble and exploit an appropriate combination of resources to develop a strategic posture and lead to high performance (Penrose, 1959). The main idea is that firms compete against each other and make decision based on their resources and capabilities (Wernerfelt, 1984; Barney, 2001).

Furthermore, the resources and capabilities are crucial to generate the organisational sustainable competitive advantage and further to organisational performance (Barney, 1991). Thus, a resource is considered anything that will contribute to the strength of a firm, both intangible and tangible that permanently or semi-permanently owned by the firm (Wernerfelt, 1984; Caves, 1980). The resources may include, assets, employee skills, knowledge and abilities, brand name, technology, equipment and machinery, contracts, capital, efficient organizational processes and procedures (Wernerfelt, 1984; Barney 1991). Similarly, Hong *et al*. (2013) added that the resources may also include all capabilities, organization cultural characteristics, attributes of the firm, knowledge, information, reputation, physical facilities and business network that are controlled by the firm. However, high level of coordination by the top management is essential when

combining the resources and supply chain elements, which may manifest cross-functional collaboration and may incur inter-organization conflict.

Meanwhile, according to Peteraf and Barney (2003) and Ahmad (2014), this theory is based on two fundamental prescriptions:

1. The resources held by a different firm may differ from other firms (i.e. resource heterogeneity)
2. The resources may last longer in one firm due to fitness or suitability of the firm, but may not perfectly fit in other firm (i.e. resource immobility)

In addition, Peteraf and Barney (2003) highlighted that RBV focuses on the business or enterprise level as a whole, for the analysis purpose. It does not focuses on the dyad level that is between superior and employee or between group levels.

Most of the RBV researches focusing on intangible assets perspective such as strategic orientation (Covin & Slevin, 1989; Narver & Slater, 1990; Lumpkin & Dess, 1996; Kajalo & Lindblum, 2015; Pratono & Mahmood, 2016), dynamic capabilities (Teece, Pisano, & Shuen, 1997; Nedzinskas *et al.*, 2013; Schilke, 2014; Li & Liu, 2014), information (Sampler, 1998) and knowledge (Spender, 1996; Liebeskind & Zack, 1996). Consequently, MO, EO and CIC are intangible and valuable assets in which the possession of the resources could trigger competitive advantage for a firm compared to others (Fang *et al.,* 2014; Li & Liu, 2014; Aminu, 2015).

In addition, resource-based view (RBV) considers both MO and EO constructs as valuable and complex resources available to firms. MO and EO capitalise the firm's resources in two important aspects, namely marketing and innovation, which become the basic elements of any business establishment. Therefore, the existence of MO and EO

potentially affects firm performance. However, a few researchers argued that solely dependent on either one (MO or EO) may not generate a greater performance (Aminu & Mohd Shariff, 2015; Kajalo & Lindblom, 2015). Both MO and EO also require other internal or external factors such as resources and capabilities to fully reveal their potential for value-creation (Matikainen, Terho, Parvinen, & Juppo, 2016). Hong *et al.* (2013) added that there should be a balance between both constructs depending on the current situation and environment to gain better performance. The performance will also differ from one firm to another based on the level of MO and EO possessed by the firms.

Viewing RBV perspective on the framework, EO views 'people' or 'human' as a vital organisation resources that significantly produce capabilities and source of value-creation to firms. By implementing the EO efforts, firms expected to continuously develop, and heighten its involvement in deploying all available resources, cooperating new projects and influence firm performance (Baker and Sinkula, 2009). Even EO role is well acknowledged in resource development enhancement, previous studies found that it is not sufficient to deliver distinctive capabilities, desired value and performance individually. Combination of other strategic actions to is required. (Barney, 1991; Murray *et al.,* 2011).

MO uses the human capabilities and skills in gathering customer and competitor information in the marketplace and distributing it through business functions in order to attain superior value for customers and therefore enhance firm performance (Narver & Slater, 1990). MO is considered a firm's competitive advantage that can sparkle the capability of a firm to outperform. This resource allows the firm to perform efficient marketing strategies by understanding and responding the customer needs (Day, 1994). Thus, this unique and valuable resources is crucial in determining competitive advantage and superior performance (Narver & Slater, 1998; Hong *et al.,* 2013).

From the standpoint of RBV, several studies on EO and MO have underlined it as the referred theory, such as conducted by Morgan, Vorhies and Mason(2009), Hong et al. (2013), Fang *et al.* (2014), Aminu and Mohd Shariff (2015), Kajalo and Lindblom (2015), Kultumus and Warner (2015), and Rogo, Mohd Shariff and Hafeez (2017).

2.12.3 Contingency Theory

There are many management variables that concerned the researchers when analysing a situation. Contingency Theory (CT) describes the direct linkage of the variables which influence the decision or outcome of the situations or relationship. The CT also reflects that the contingencies of a situation always influence the outcome of best practices. CT also known as "it all depends" theory, due to typical answer by a contingency theorist when being asked - what is the outcome or decision, the common feedback is that "it all depends". However, it may not as simple as that since identifying the contingencies or conditions which things are likely to occur can be a very complex process (Schoech, 2006).

Generally, a contingency will only occur for a relationship of two phenomena. A conclusion can be drawn about another phenomenon if other phenomenon exists. CT becomes a useful approach to predict and model performance of the firms since the entrepreneurial activity varies substantially.

Furthermore, CT of business performance is based on the argument that there are no universal factors that apply equally to all firms in all conditions, yet still depend on specific organisational environment and contextual factors (Wadongo & Abdel-Kader, 2014). Some factors may influence the achievement of a specific firm, however, in certain situations it may vary for other firms.

Applying the model for this frame work, EO, MO and CIC act individually as firm's capacity that provide direct contingent to the firm performance. Therefore, in this study direct relationship of EO and performance, MO and performance, and CIC and performance are examined. Past studies that adopted CT as their underlying theory included the researches by Martin and Rialp (2013), Partono and Mahmood (2016), and Gupta and Batra (2015).

2.13 Summary of the Chapter

This chapter highlights the retail and SMEs overview, and explains the definitions and conceptualisations of latent constructs of the study based on previous studies. This study comprehensively reviews and discusses the three predictors, namely Entrepreneurial Orientation, Market Orientation and Change Implementation Capacity; their dimensionalities and past effects towards the SMEs performance. The influence of Volatile Environment as a moderator in the past studies is also elaborated. The Dynamic Capabilities View Theory (DCV) is chosen as the underpinning theory for this research. However, for better understanding of the theory, this study also refers to Resource-based View (RBV) and Contingency theories. The reason for the adoption of DCV is due to the existence of volatile environment element which has been ignored from the perspective of RBV.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

Literature review on entrepreneurial issues in Chapter 2 establishes a holistic perspective on the theories of market orientation, entrepreneurial orientation, change implementation capacity and SMEs performance. The concern on why retail firms in Malaysia could not reach global benchmark of performance is discussed in the research problem section. This triggers the necessities to form the research questions. From there, the construction of conceptual framework and hypotheses are developed in order to examine further relationship of all variables.

This chapter is also focused on the method of the research with the intention to draw out the research strategies for answering on how the identified problem could be examined, understood and explained. Hence, Chapter 3 elaborates the methodology applied to test the theoretical framework.

Subsequently, this chapter is segregated into three main components. First component covers the development of research framework and hypotheses while the second one explains research design which includes research phases, process, measurement techniques, questionnaire designs, data collection and sampling methods. Finally, the third section discusses the reliability and validity of instrument, data analysis techniques and administrative procedures.

3.2 Research Framework

In Chapter 2 the researcher has comprehensively discussed and explored the literatures which are related to the influential determinants of firm performance. From the literatures on selected variables, the researcher has developed a conceptual framework as illustrated by Figure 3-1. The framework will be explored as a base to develop hypotheses within the perspective of retail firms in Malaysia. In the proposed framework, the independent variables are EO, MO and CIC. Meanwhile, SMEs firm performance and external volatile environment are the dependent variable and moderator respectively.

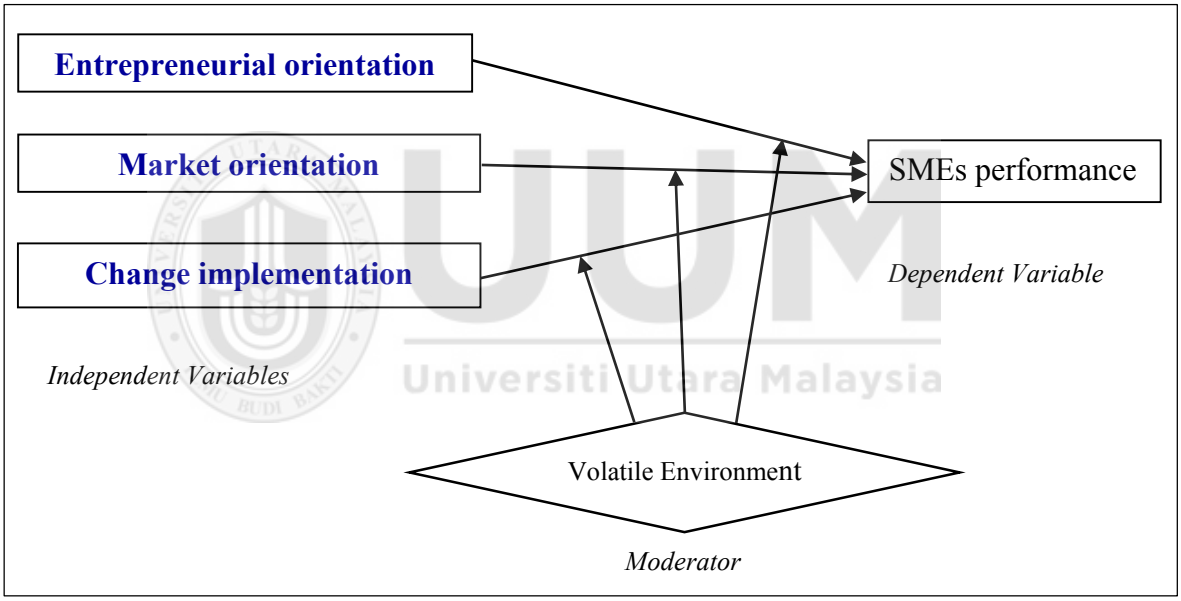


Figure 3.1
Conceptual Framework of the Study

Referring to literature in Chapter 2, the proposed framework is built with three direct relationships, that are between EO and FP, MO and FP, and CIC and FP. External environment (volatile environment) developed other three indirect relationships as moderating effects between the three links of EO, MO, CIC and FP. These relationships are aligned with the six hypotheses proposed in the next section (3.3).

The conceptual framework is aligned with Dynamic Capabilities View with reference to RBV and Contingency theories which focus on the resources (organization cultural characteristics, capabilities and skills) that are utilized to determine the firm performance.

3.3 Hypotheses Development

Based on the literature, this study will advance three hypotheses that emphasize the direct effect between three independent variables and firm performance. In addition, there are three more hypotheses which observe the influence of moderating effect of high volatile environment between the independent variables and firm performance.

There are extensive studies proving the positive direct effect of entrepreneurial orientation as determinant, or indirect influence towards firm performance (Gupta & Batra, 2015; Al-Nuami *et al.*, 2014). However, this is not uncontested. For instance, a few research findings indicates that the influence of EO is not effective towards firm performance (for example, Kultumus and Warner, 2015; Grimmer *et al.,* 2015; Aminu & Mohd Shariff, 2015).

In addition, a few other studies revealed that EO has significant positive effect on SMEs performance with the influence of various kind of environment volatility (Amin, Ramayah, Aldakhil, & Kaswuri, 2016; Gupta & Batra, 2015; Martin & Rialp, 2013; Partono & Mahmood, 2016; Adegbuyi, Oladele, Iyiola, Adeqbuyi, Ogunnaike, Ididunni, & Fadeyi, 2018).

Therefore we hypothesise as below:

H1: There is a significant positive relationship between entrepreneurial orientation (EO) and SMEs performance (FP) of retail firms in Malaysia

Meanwhile, enormous studies on MO have identified it as an indicator for performance by many researches. Many previous studies indicated significant positive effect between MO and business success, innovation, financial, product performance and SMEs performance (e.g. Fang *et al.,* 2014; Hong *et al*, 2013; Najafi-Tavani *et al*, 2016; Amin *et al,* 2016; Hussain, Rahman, & Shah, 2016). But most of the studies focusing on manufacturing sector, with less determination on retail sector. As highlighted before, this study attempts to explore into the scope of the retail subsector.

As a reference, Kajalo and Lindblom (2015) have studied the direct relationship of MO and EO towards performance (financial and non-financial) through 202 sample of Finnish non-food small retailers. They also investigated the relationship of MO and EO via marketing capabilities as mediator. The findings revealed that MO provides no positive effect on performance (profitability) directly. However, they found marketing capabilities positively mediate the MO-performance relationship and as such the researchers stressed the importance of mediator in this study.

Accordingly, Pena, Jamilena and Garcia (2015) have conducted a meta-analytical study on 54 researches related to MO relationship towards service industry performance from 1997 until 2011 for small and micro-sized service firms in Spain. They found that 49 researches show direct positive effect, 3 researches have indirect effect, 1 shows insignificant direct effect and 1 insignificant indirect effect on performance. From the statement above, we propose to test the following hypothesis:

H2: There is a significant positive relationship between market orientation (MO) and SMEs Performance (FP) of retail firms in Malaysia

In other perspective, Heckman *et al* (2015) argued that firms should carefully invest in and develop change implementation capacity due to its obvious positive impact on project performance. Moreover, the study on 140 manufacturing firms in Germany concluded that change capacity has positively influenced the performance. The study was conducted during the high level of competitive intensity situation but the majority of respondents have extensive level of past experience in change initiatives. On the other hand, it also found that firms encountering higher technological turbulence have established weaker performance achievement.

Meanwhile, Decker, Durant and Mayfield (2012) revealed that many organizations have failed to implement change successfully. It is not uncommon as the past researches indicated change implementation failure rate as high as 93% for certain organisations. The rate still persists even with some alignment within organisation such as modifying organisation culture, enhancing decision making or alter change management techniques.

Meanwhile, the result from the study of Rungi (2014) indicated that a set of capabilities or individual capability influenced financial performance (profit and turnover) positively but not for non-financial project performance (cost, schedule & scope) for his study on 189 firms (multiple industries) in Estonia. Therefore, from the discussion above we hypothesise:

H3: There is a significant positive relationship between change implementation capacity (CIC) and SMEs Performance (FP) of retail firms in Malaysia

On other development, Covin and Lumpkin (2011) emphasised the importance to examine the volatility of environment to understand deeper the EO-performance relationship. This is caused by the various types of intensity that could affect demand changes, technological

advancement used and how competitive the environment is in that period. The volatility level could determine the stage of difficulties that firms face in predicting future demand as well as opening the new opportunity for EO of the firm (Ruiz-Ortega *et al.*, 2013). Previous research indicated that firms may opt to become more entrepreneurial or remain conservative during intense environment. Moreover, EO has been studied in a various eco-system and found to become beneficial variable to comprehend the capability of firms in preserving their performance (Gupta & Batra, 2015).

Meanwhile, depending on the intensity, Partono and Mahmood (2016) suggested that firms with entrepreneurial orientation remain better performance during stable or low volatility. On the other hand, firms with high EO will result in poor performance during high volatile environment. Azadegan *et al.* (2013) adopted environmental volatility studied by Dess and Beard (1984) which measures instability by regressing 5-year sales. A high variation on sales indicates by the increasing of volatility and uncertainty in demand. As a consequent, it will make it more difficult to plan for production. In their study, it has been found that high volatility indirectly influenced the firm performance.

On the other hand, Gupta and Batra (2015) have reviewed 25 studies conducted from 1983 until 2013 with regards to the direct and indirect influence of EO on performance, with moderating effect of various types of environmental. The meta-analysis study revealed that three dimensions of EO produced high positive correlation on performance during highly volatile or uncertain environment.

From those considerations, we suggest the following hypothesis:

H4: The relationship between EO and FP is moderated by volatile environment (VE)

Meanwhile, a few scholars suggested that it was necessary to examine the MO in certain internal and external factors, in helping to close the gap that occurs in strategic orientation literature (Ruiz-Ortega *et al.,* 2013; Kultumus & Warner, 2015) whether as independent or jointly variables' influence with regards to the firm performance.

Moreover, Rogo, Mohd Shariff and Hafeez (2017) in their reviews found that most studies supported the significant positive role of MO towards performance and they suggested that the role of moderator should not be side-lined. Covin and Slevin (1989) indicated that the effect of relationship between MO and performance of small firms is higher during the high volatile environment compared to benign environment. Hence, this study hypothesises the following:

H5: The relationship between MO and FP is moderated by VE

Schilke (2014) suggested that dynamic capabilities dimension can contribute to competitive advantage, thus, to the better firm performance. However, it is contingent to the external environment volatility. He implied that the strongest effect of the relationship between the dynamic capabilities and FP happened under the moderate environmental volatility but comparatively low when the VE condition is benign (low) or high volatile. Somehow, the efficacy of CIC which was recognised as one of the important dynamic capabilities, towards FP under varying VE received several results. For example, Roberts (2015) found that certain dynamic capability has greatest positive effect during low or stable environmental volatility. Meanwhile, Li and Liu (2014) found that the higher the VE, the stronger the relationship of CIC and FIP. Hence, this study postulates that:

H6: The relationship between CIC and FP is moderated by VE

In summary, the overall purposes of these hypotheses are to determine the link between independent constructs, the effect of moderator factor and the firm performance. Thus, these hypotheses are triggered to test its significance in answering the research questions and determine the relationship of variables dictated in research objectives.

3.4 Research Design

According to Babbie (2010), research design plays an important role for any research that provides the framework for researcher to plan and perform the overall research. Grunow (1995) added that research design acts as a focal point or guideline for research that involve in high degree of complexity especially the empirical studies of phenomenon. During research design stage, the researcher determines the approach for the study, choice of data, strategy, time horizon, techniques and procedure (Saunders *et al.,* 2009). A well-developed research design contributes to cost and time savings especially during data collection and analysis phases.

This study collected and analysed quantitative data for the testing of hypotheses and statistical inference, in which date is transformed to become useable information. Overall, this study conducted in three phases, they are development (questionnaire development, pre-test and pilot study), implementation (sampling, distribution and collection of questionnaire) and analysis/validation phase (data screening and pre analysis, data analysis, measurement and structural models/hypotheses testing). The figure below depicts the research process of quantitative method based on the model proposed by Sekaran (2003).

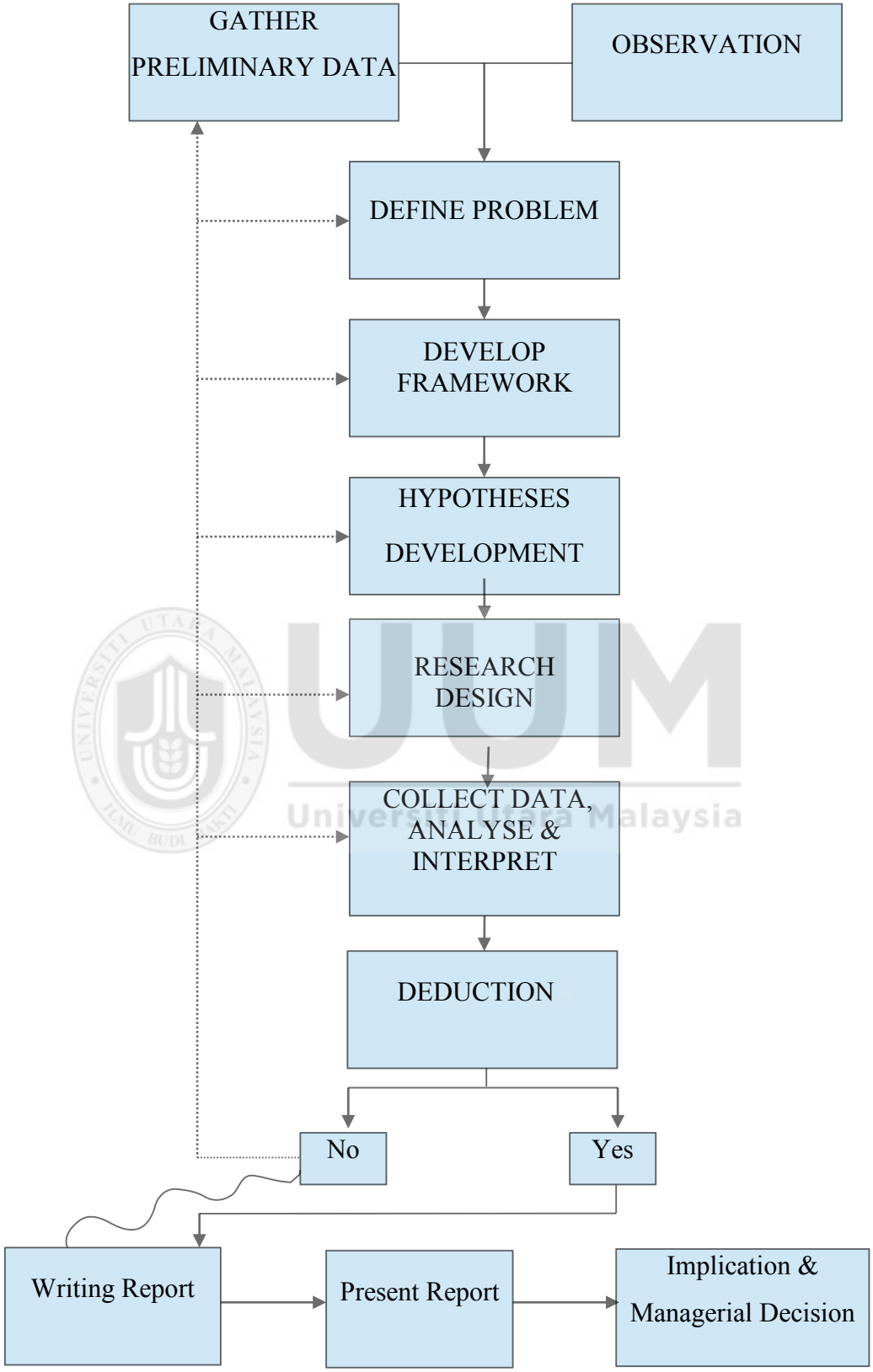


Figure 3.2
The Research Process
Source: Adapted from Sekaran (2003)

Based on Sekaran's model, the deductive reasoning process was adopted for this quantitative research. The theory was formulated based on observation and literature review which provided the basis for hypothesizing. The questionnaire developed during the development phase was distributed to gather the data was then used to test causal relationship between constructs, namely, MO, EO, CIC, FP and VE in relation to hypotheses statement. Data collected was analysed, then interpreted and subsequently recommendations being proposed. From the recommendations, we determined whether the research problems had been answered and resolved, and verified the generalability and reliability of the referred theory.

3.5 Questionnaire Design

Questionnaires are a set of items that will be used as a tool to get input for measuring the research variables and demographic of respondents. Questionnaires are considered as the mostly used and accepted means for data collection in conducting quantitative research which require relatively large number of respondents, for example 100 to 1,000 people for a social science research (Rowley, 2014). For this research, the questionnaire is developed by segregating it into 7 sections:

a. Cover letter which dictates the title, aim of the research and general information in which UUM logo is attached onto it to gain sense of confidence by respondents
b. Five separate sections for each variable which include the exogenous variables of MO, EO and CIC; endogenous variable of FP; and moderator variable of VE
c. Demographic section of respondents

The details of questions for each variable are as per Table 3.1 below.

Table 3.1
Number of Questions for Research Variables

Variable	Number of item	Source
Dependent Variable		
SMEs performance	6	Suliyanto and Rahab (2012)
Independent Variables		
Market orientation	15	Kajalo & Lindblom (2015)
Entrepreneurial orientation	9	Covin & Slevin (1989)
Change implementation capacity	7	Li & Liu (2014)
Moderator		
Volatile Environment	7	Prajogo (2016)

There were 10 items for demographic section which comprise gender, age of respondents, position (owner-manager or top manager), owner-manager's education level, business location, period of working at the firm, type of retails (grocery or non-grocery), number of workers, level of firm's revenue and years of operations.

The questionnaires developed is meant for self-administration and has been designed in such a way that it offered structured and closed questions. The questionnaires are answered by respondents without any direct interaction with researcher either remotely or personally.

In order to get the better response and understanding from the targeted respondents, a pre-test questionnaire has been conducted before a full scale study is executed. Pre-test questionnaire is a try-out in order to determine how it works, detecting and solving unforeseen issues in questionnaire administration such as sequence of questions, phrasing, length and timing to answer all the questions. It may provide the avenue to add or eliminate questions in the set (Sundram *et al.*, 2013). Pre-test for this study is more on the content

validity and distributed to retail practitioners (2), industry expert (1) and academician in entrepreneurship (1).

3.6 Operationalisation and Measurement

An operational definition is the concept of operations or activities to measure all the constructs (Sundram *et al.,* 2013). Every construct of this study is briefly explained and then being itemized in the form of table and quoted source. A brief explanation or definition of a construct is categorized under construct conceptualization.

3.6.1 Operationalisation of Entrepreneurial Orientation

This construct is the entrepreneur/managerial behaviour that is expected to bring effect to firm performance. It covers 3 main dimensions, namely Risk-Taking, Innovativeness and Proactiveness (Miller, 1983). However, Lumpkin and Dess (1996) conceptualised EO with additional two dimensions namely, Autonomy and Competitive Aggressiveness. Many prominent scholars included Covin and Slevin (2009) nevertheless argued that three dimensions were adequate to measure EO.

For measurement instrument, the original article of Miller and Friesen (1983) has introduced five items for measuring EO. Since the EO has been extensively studied by mainstream scholar, further additional items have been included. For example, Covin and Slevin (1989) have added additional four items to make nine items in total with the rationalisation that the new items would better reflect the EO's construct.

For this study, the researcher has adapted the Covin and Slevin (1989) instrument which was rooted from the work of Miller and Friesen (1983); with the respect that they used nine items for proactive, innovation and risk-taking as a unidimensional instrument. The

instrument by Covin and Slevin (1989) is also well accorded for the measurement of EO by many scholars (for instance, Wiklund & Sherperd, 2004; Aliyu, Rogo, & Mahmood, 2015; Kurtulmus & Warner, 2015). The measurement instrument is shown in Table 3.2.

The original instruments by Covin and Slevin (1989) utilised semantic differential scale to measure the construct. However, due to standardisation and uniformity for this study, the Likert's 7 scale has been adapted. Likewise, the Likert's 7 scale for measuring this construct has also been adapted by recent researchers such as Hong *et al.* (2013), Andersen *et al.* (2014), Gupta and Batra (2015), and Partono and Mahmood (2016). For the items, the first three are related to innovativeness, item 4 to 6 involves proactiveness and the rest regarded to the risk-taking initiative. Anderson *et al.* (2014) suggested that the selection of Covin and Slevin (1989) measurement is due partly to its popularity and consistent with their conceptualisation. Furthermore, Runyan, Ge, Dong and Swinney (2011) found that the scale is robust in international settings.

Table 3.2
Measurement Instrument of Entrepreneurial Orientation

To what extent do you agree with the following statements in your organization?
1. Our firm make makes strong emphasis on technological leadership and innovation
2. In our firm, changes in product and service line have been quite dramatic
3. Our firm has many new products or services
4. Our firm typically initiates actions which competitors then respond
5. Our firm is often the first business to introduce new product/services
6. Our firm often adopts a very competitive "undo-the-competitors" posture
7. Our firm has a strong proclivity for high risk projects
8. Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firms' objective
9. During decision making involving uncertainty, our firms typically adopts a bold aggressive posture in order to exploit potential opportunities

Source: Adapted from Covin & Slevin, 1989

3.6.2 Operationalisation of Market Orientation

In the view of MO as an organizational culture, when a firm increases its abilities, it may result in significant effect on market performance and business profitability (Narver & Slater, 1990). MO comprises of 3 behavioural components, which are Competitor Orientation, Customer Orientation and Interfunctional Coordination and two decision criteria, namely profit objective and long term focus (Narver & Slater, 1990). However, Narver and Slater (1990) considered that all the MO components as one dimensional and later on have dropped the two decision criteria from their measurement of MO instrument (Rossiter, 2012). Additionally, MO is only a start for a firm to maximise its ability to learn the markets. The presence of volatile and turbulence markets is expected to enhance the ability to learn fast for attaining high customer value (Narver & Slater, 1995).

The questionnaire items as per Table 3.3 are adapted from Kajalo and Lindblom (2015) in which they have extracted some items from the original Narver and Slater (1990) and Narver *et al.* (2014) instruments. They have incorporated the feedback from ten managers of retail association prior to finalising the instrument. Their survey has been performed on 283 outlet-owners/managers in Finland.

Table 3.3
Measurement Instrument of Market Orientation

1. Our business objectives are driven by customer satisfaction
2. We closely monitor and assess our level of commitment in serving customers' needs
3. Our competitive advantage is based on understanding customers' needs
4. Business strategies are driven by the goal of increasing customer value
5. We frequently measure customer satisfaction
6. We pay close attention to after-sales service
7. In our organization, our salespeople share information about competitor information
8. We respond rapidly to competitive actions
9. Top management regularly discusses competitors' strength and weaknesses
10. Customers are targeted when we have an opportunity for competitive advantage
11. Our top managers from each business function regularly visit customers
12. Information about customers is freely communicated throughout our organization
13. Business functions within are integrated to serve the target market needs

Table 3.3 *(Continue)*

14. We share resources with other business units
15. Our managers understand how employees can contribute to value of customers

Source: Adapted from Kajalo & Lindblom (2015)

3.6.3 Operationalisation of Change Implementation Capacity

This construct reflects the behavioural aspects of a firm to react fast on the rapid changes and difficult environment (Teece *et al*, 1997). There are two views on this capacity; whether it becomes a driving force of competitive advantage and thus towards performance; or it plays important roles as a moderator (Eisenhardt & Martin, 2000). Li and Liu (2014) in their study on 217 firms in China revealed that CIC is a driver rather than moderator in relationship towards competitive advantage and firm's performance during volatile environment. Batra (2016) has argued whether change is really the best alternative in emerging countries. His analysis on data collected from 103 Indian businesses revealed that firms persisting with their exiting change strategies are more likely to succeed.

This study will adapt the instrument designed by Li and Liu (2014) which consists of 7 items covering the reconfiguration of assets, coordination of functions and change implementation elements.

Table 3.4
Measurement Instrument of Change Implementation Capacity

1. We can reconfigure resources in time to address environmental change
2. We can quickly deal with conflicts in the strategic decision-making process
3. Our strategic changes can be efficiently carried out
4. Good cooperation exist among different functions
5. We help each other in strategic change implementation
6. We have a proper awarding and controlling system
7. We can efficiently improve strategic change implementation

Source: Adopted from Li & Liu (2014)

3.6.4 Operationalisation of Volatile Environment

This construct reveals external role of environment's volatility that might affect the performance of retail firms. Environmental volatility is composed of two major items namely instability of the external environment and the rate of change (Dess & Beard, 1984). High volatile environment is characterised by stiff competition among industry players in terms of price, promotion and product/services, fluctuations in product demand, changes in customer preferences and unpredictable growth rate /demand growth (Gupta & Batra, 2015, Partono & Mahmood, 2016). For questionnaire on this variable, the instrument was adapted from Prajogo (2016) which was originated and evolved from Jaworski and Kohli (1993). Other researchers that adapted the instrument include Li and Liu (2014) and, Gupta and Batra (2015). Prajogo (2016) utilised 5-point Likert's scale but due to uniformity in this study, the researcher adapted 7-point Likert's measurement scale.

Table 3.5
Measurement Instrument of Volatile Environment

1. Competition in our industry is cut-throat
2. There are many "promotion wars" in our industry
3. Anything that one competitor can offer, others can match readily
4. Price competition is a hallmark of our industry
5. To predict the change of customer needs is difficult
6. The acts of competitors are difficult to predict
7. Product or service in our industry updates quickly

Source: Adapted from Prajogo (2016)

3.6.5 Operationalisation of SMEs Performance

The SMEs performance can be operationalized as the level of success of a firm and its abilities to achieve its market-oriented goals as well as financial goals (Chelliah *et al.,* 2010; Wang, Chen, & Chen, 2012). The approach of subjective measures scale for measuring performance is used for this study. There are six items that made up the scale

in which the items were originally developed by Calatone, Cavusgil and Zhao (2002). It was also utilised by Keskin (2006), Lin, Lee, Chang and Ting (2008), Suliyanto and Rahab (2012), Shehu (2014) and Aminu (2015) as depicted in the Table 3.6 below.

Table 3.6
Measurement Instrument of SMEs Performance

1. In the past three years, our product reached a wider market
2. In the past three years, our company sales has increased
3. In the past three years, our firm's profits have increased
4. In the past three years, the number of complaints from customers decreased
5. In the past three years, the number of employees has increased
6. In the past three years, the number of our customers has increased

Source: Adapted from Suliyanto and Rahab (2012)

From the findings of the empirical test by Suliyanto and Rahab (2012), the reliability of this construct stands at 0.9.

As per other researches such as conducted by Calantone *et al.* (2002), Keskin (2006), Shehu (2014), Hafeez (2014) and, Aminu and Mohd Shariff (2015), the perspective of past three years performance is measured by the respondents. This is to allow the respondents to see their performance trend based on time-series perspective.

For all items, the 7-point Likert scale (similar with Suliyanto & Rahab, 2012 and Gruber-Mueckle & Hofer, 2015 studies) will be utilised in which 1 denotes "Strongly disagree" and 7 signifies "Strongly agree". Question 1 is intended to measure perceived market share, 2 for sales growth, 3 measuring profitability, 4 on customer satisfaction, 5 regarding employee growth and finally 6, focusing on customer growth.

3.6.6 Measurement Scales

Hypotheses should be measureable in order to be testable. This is conducted through construct detailing, in which the constructs of MO, EO, CIC and FP are operationalised into specific and action-oriented provisions called dimension and indicators. This provides the basis for outlining or itemizing the questionnaires that can measure the constructs quantitatively.

The 7-point Likert scale has been utilised to measure the dimensions of MO, EO, CIC, VE and FP. The itemized scale (one to seven) and Likert scale are acceptable interval-scale instruments to measure all the studied constructs. The 7-point Likert scale is a valid and appropriate measurement since many past studies have utilised it to measure the EO, MO, and SMEs performance (Matsuno, Meutzer, & Ozsomer, 2002; Morgan *et al.,* 2009; Lin, Peng, & Kao, 2008; Merlo & Auh, 2009; Amin *et al.*, 2016). Through these instruments, statistical analysis can be made on the data collected to trigger the output such as mean, standard deviation and tail value (t-value) and standard error (Coakes, Steed, & Price, 2008). Likert scale was originally developed by Renesis Likert in 1932 and highly accepted as a measuring instrument due to its simplicity in administering and inbeing respondent-friendly.

Furthermore, 7-point Likert scale is chosen compared to 5-point scale since the 7-point increased scale sensitivity and regression analysis effect (Cummins & Gullone, 2000), even if it is still debatable. However, Cooper and Schindler (2006) supported this notion by stating that the higher scale will constitute a higher reliability of measurement. The scale description is 1 (Strongly Disagree), 2 (Disagree), 3 (Somewhat Disagree), 4 (Undecided), 5 (Somewhat Agree), 6 (Agree) and 7 (Strongly Agree).

3.6.7 Control Variables

For the purpose of this study, control variables of firm size and firm age have been determined in order to preserve the robustness of the results. Previous studies have argued that firm size and firm age may demonstrate different behaviour, organisational and environmental characteristics, and eventually may affect performance (Morgan *et al,* 2009; Gupta & Batra, 2015; Aminu, 2015; Najafi-Tavani *et al,* 2016; Ophir, 2016; Coad, Holm, Krafft, & Quatraro, 2018). Their argument (Wiklund & Shepherd, 2005; Gupta & Batra, 2015) is that both control variables might influence the behaviour of a firm and decision making approach in terms of exploitation of opportunities, resources, capacities and innovations. In other words, different size of firms may demonstrate different behaviour. For this study, firm size is measured by the annual revenue. Meanwhile, the firm age can be filtered by the years of the firms running their operations. Hence, the argument is that the capability of the firm to learn and respond appropriately to the environment and changes may be different between older and newer firms.

3.7 Data Collection Method and Strategy

Data for any study usually derives from two sources, namely primary and secondary. Primary data originates from the target main sources and is gathered especially to answer research questions. Questionnaire is developed and becomes the most powerful and practical instrument to gain the primary data for quantitative research type. The researcher mails self-administered questionnaires to each targeted respondent. This is after considering the resources and time limitation to get all the responses. Since the location of SME retail firms are scattered over the wide and vast identified population parameter, definitely it is too expensive and time-consuming if interview or personal approach is undertaken to reach the targeted respondents. Furthermore, owner-managers are mostly

busy with their daily operations which makes the telephone survey impractical. As such, the mailed questionnaires allows them to complete the survey during their convenient time. In other words, mailed questionnaires offer various advantages such as providing geographical flexibility, low cost and at respondent's convenience to answer (Sundram *et al,* 2013).

However, there are practical disadvantages encountered by researcher when adopting the mail survey. It provides no mean to identify whether the respondents are giving the honest answers or just giving "social desirable" feedbacks in order to protect the superficial impression (Beck, Watel, & Andreyev, 2002) as well as the questionnaire probably be answered by lower ranks officers or even not being returned at all. Furthermore, the respondent may not understand the question and this result in answering wrongly (Sundram *et al*, 2013). The other constraint is that the low rate of response by the respondents or the feedback was received later than the expected deadline. As a consequent, the low response may affect the estimated confidence interval of the samples and triggers non-response bias (Jobber & Saunders, 1989). In order to minimise the issues, the following steps have been carried out and closely monitored:

i. Offering to share the summarised findings with respondents after data analysis
ii. Making a courtesy call a week after the questionnaire has been mailed
iii. Providing a cover letter with the logo of Universiti Utara Malaysia to instil trust; and statement that all data will be used for educational purpose and be treated confidentially.
iv. Presenting a brief introduction section which informs the respondents that their feedback may contribute to the body of knowledge and beneficial for industry players for achieving better performance in retail industry.

v. Initiating a follow-up call to encourage willingness of response and to clarify any doubts on question posed (Goyder, 1985).

vi. Attaching the pre-printed address on stamped-envelope to encourage faster and safer return of questionnaires by the respondents.

It is quite important to get high response rate because low rate may possibly lead to findings bias and difficulty to generalise the results (Babbie, 2010; Wiersma, 1993). In order to get better response by the respondents, various measures have been taken by the researcher.

First, a stipulated time of one and half month (8th February to 30th March, 2018) has been given for the respondents to return the questionnaire using the provided envelope complete with stamp and researcher's address. A week after the sending process, the first attempt of follow up was made by calling all the respondents. Daily telephone call during week-days provides an opportunity to clear any ambiguities and thus increase the response rate. There was certain occasion that the researcher has personally collected the forms from proximate areas such as Seremban and Nilai (Negeri Sembilan), Putrajaya and certain parts of Selangor (e.g. Bandar Baru Salak Tinggi, Sepang, Dengkil and Semenyih). Ten days prior to deadline, a reminder has been sent to respondent notifying that they were to return the questionnaires.

Second, the researcher has collaborated with a semi-government agency that was responsible for entrepreneur's development and financing. The said agency, Perbadanan Usahawan Nasional Berhad (PUNB) has a list of SMEs that received financial assistance as well as investment from them and the discussion with them was conducted much earlier. However, since the main list of reference for population was from SME Corp, the researcher has to make comparison between the two lists. The cooperation of PUNB was

acquired by them in issuing a letter that acknowledged this study and follow up was also made by their officers (as gate-keeper) to the identified respondents group.

A number of 99 questionnaires has been returned during the first one and half month duration. Thus, the third effort was carried out by sending the second reminder to rest the of the respondents during one weeks after the deadline. A duration of another one month was given for them to return the questionnaires. This was followed by other telephone calls. For this study, there was two follow-up reminders sent since previous study suggested that too many repeated follow up will decrease the response rate (Wiersma, 1993). Unfortunately, a number of 219 respondents did not return the questionnaires despite all the calls and reminders.

In total, the data collection process took three months' period (8th February – 8th May, 2018) with the final response of 99 forms received in time and 55 forms more after the one and half month expired. Hence, this study yielded 41.29 percent response rate. Non response bias test was conducted and explained in the section 3.12.2.

3.8 Research Population

It is extremely difficult or almost impossible to conduct census for all SME retailers in central region of Malaysia due its high population density and reachable parameter. Furthermore, the researcher also faces time and fund constraints. Hence, sampling is the best possible method in which a limited number of SME retailers, known as sample, being selected to answer the prepared questionnaire in order to predict the characteristics of entire population.

According to Sundram *et al.* (2013) sampling involves the process of choosing a subset of population that will represent the entire population under investigation. There is

temptation to choose as large sample as possible particularly in the questionnaire surveys. However, sample size depends on how accurate a researcher willing to accept a degree of uncertainty in the conclusion that will be drawn from the survey and the confidence level of the answers that he/she expects from the result.

Moreover, Zikmund *et al.* (2010) dictated that a sampling should represent the whole population without reflecting bias towards any attributes. Sundram *et al.* (2013) emphasized that in determining the size of sample, there are three main factors to be considered:

- The analysis that will be statistically performed for the research
- The variability that is expected between the samples and the results (bigger sample is required when greater variation is expected)
- The usual conduct for the respective research area in terms of the sample size.

For this study, the target respondents are the owner-manager of the retail firms or at least the top management (CEO/MD, senior manager and business partner) who are familiar with the business operations and performance. The retail subsector is chosen for this study due to several reasons:

i. Retail subsector is placed under the priority area of the NKEA, as such, studies in this area are much sought of
ii. Even though it contributes high impact on the nation's GDP, there is lack of studies in this area, especially on the determinants of retail firm's performance
iii. There are a huge number of retail practitioners in Malaysia, with 13,685 SMEs registered with SME Corp. Any new insight and findings will be of benefit to their survival especially with the knowledge in moderating role of the volatile environment.

Central region of Malaysia (Federal Territories of Putrajaya, Kuala Lumpur; Selangor and Negeri Sembilan states) has been selected as the research population. Central region is also considered as the main business hub in Malaysia in which high concentration of retails businesses are located. Data will be collected in the most dense retails business in districts of Selangor which include Shah Alam, Petaling Jaya, Gombak, Subang Jaya, Hulu Langat, Klang, Sepang, Kajang, Serdang, Ampang, Kuala Selangor and Bangi. In Negeri Sembilan, the population will include Senawang, Sungai Gadut, Seremban, Nilai, Tampin, Bahau, Kuala Pilah, Rembau and Port Dickson (UPEN Negeri Sembilan, 2014).

Based on the official website of SME Corporation of Malaysia retail subsector is listed under service sector (as per Table 2.5), specifically within Distributive Trade industry group which include wholesale and retail segment. The registered wholesalers and retailers for central region is **13,685** (Selangor – 6,689, Kuala Lumpur – 6,451, Putrajaya – 26, Negeri Sembilan - 519). The SME Corp. of Malaysia provides complete company name, address and contact number for 19,004 registered retail firms with them across Malaysia (by states), as per Appendix 4.

3.9 Sampling Method

In this research, the probability sampling technique has been chosen whereby each element has a non-zero probability of being selected from the population. A disproportionate stratified random sampling has been utilised for the reason that two populations (Putrajaya and Negeri Sembilan) are too small compared with others (Kuala Lumpur and Selangor). All the retailers in the central region states which include Selangor, Negeri Sembilan, Kuala Lumpur and Putrajaya are listed in an Excel file and given unique numbers before sampling is carried out.

In sampling design, identifying the correct sample size is one of the crucial aspects. Precision (sampling error) will be affected due to inappropriate sample size. Variability and confidence (risk) levels of the study will also be affected, thus, the validity of the findings can be questionable. For this study, the researcher adopted the sampling formula by Dillman (2007) as below in determining the sample size.

$$n = \frac{(Np)(p)(1-p)}{(Np-1)\,(B/C)^2 + (p)\,(1-p)}$$

Whereby:

n = Expected sample size
N*p* = Population size
p = *the* population proportion expected to select among the two responses categories, which is 0.5
B = Sample error at 0.05 (5%)
C = Confidence level at 0.05 which is 1.96
From the above, the researcher applies the formula in order to calculate the sample size for the population of 13,685 retail firms (SME Corp, 2015) as follows:

$$n = \frac{(13{,}685)\,(0.5)\,(1-0.5)}{(13{,}685-1)\,(0.05/1.96)^2 + (0.5)\,(1-0.5)}$$

$$n = \frac{3{,}421.25}{13{,}684\,(0.000651) + 0.25}$$

$$n = \frac{3{,}421.25}{9.158}$$

$$n = 373$$

Therefore, based on the total population, N of 13,685 establishments and the expected degree of confidence of 5 per cent, the number of respondent, *n* required is 373.

As a cross reference with other method, the researcher has referred to the Sample Size Determination Table by Krejcie and Morgan (1970) for the population of 10,000 to 15,000

and found that sample required is between 370 and 375. Thus, this confirming the calculation using the Dillman's (2007) formula.

Table 3.7
Sampling –Disporpotionate & Stratified Random

States	Population Size	Proportionate sampling (2.72% of elements)	Disproportionate and stratified sampling	
Selangor	6,689	182	(42%)	157
Kuala Lumpur	6,451	176	(38%)	141
Putrajaya	26	1	(5%)	19
Negeri Sembilan	519	14	(15%)	56
Total	13,685	373		373

Since we have identified the population size and actual sample size of retail firms, all the population's element is given five-digit numbers starting with 00001 until 13685. The firm 571th is given the number 00571, firm 1,012th numbered 01012 and so on. The researcher has read off a first random number from each stratum until all the four sampling strata achieved the amount which is equal to 373 as per Table 3.7.

As shown in Table 3.7, it was noticed that the actual sample from certain states, namely Putrajaya and Negeri Sembilan was small compared to other states. For example, Negeri Sembilan will only have 14 samples if the proportionate sampling method is used. The proportionate sampling of 2.72% (373/13,865 x 26) will make one sample only for Putrajaya.

Hence, to avoid unrepresented sample during data collection, which may be resulting from non-returned feedback, this study adopted disproportionate sampling to ensure sufficient number of respondents were represented by each state (Sekaran & Bougie, 2010). Disproportionate stratified sampling are preferred when some stratum or strata are too small or too large (Sundram *et al.,* 2013). The researcher has increased the number of the respondent from low sample states and decreased the respondents from large sample

strata. For example, 5 percent out of 373 has been allocated for Putrajaya (373 x 5%) instead of straight 2.72% if calculated based on proportionate method.

In addition, determining right sample size for regression is quite tricky for any research. A widely used minimum sample size estimation method in PLS-SEM is the "10-times rule" method (Hair et al., 2011), which builds on the assumption that the sample size should be greater than 10 times of the arrow pointing to the dependent variables. In other words, there should at least 10 observations for each independent variable as depicted in conceptual framework, which intended to explain the dependent variable. For this study, there are three "arrows" pointing out to the SMEs performance, so that the right sample size must equal or greater than 30 respondents. The study sufficed the requirement as shown by the response rate explained in the section 3.9.1.

3.9.1 Response Rate

A sum of 373 self-administered questionnaires have been mailed to the selected distributive/retail firms from Selangor, Kuala Lumpur, Putrajaya and Negeri Sembilan. From those, 154 sets were returned over the three months period, which is from 8th February to 7th May, 2018. From the 154 questionnaires, there were 152 firms which have completed the questionnaires and fulfilled the requirements; and could be considered as useable for data analysis. The other two were illegible due to more than 50 percent of questionnaire content was not answered. Therefore, the response rate accounted for 41.29 percent whilst valid response rate was 40.7 percent. These can be summarised as per below Table 3.8.

Table 3.8
Response Rate

Response	**Frequency/Rate**
Number of distributed questionnaires	373
Returned	154
Useable questionnaires	152
Ineligible questionnaires	2
Not returned	219
Response rate	41.29%
Valid response	40.75%

Important to note that the low response rate was not extraordinary since previous studies focusing on SMEs or its sectors/subsectors have seen difficulties in obtaining data and cooperation from the firm's owner-manager especially by using direct mailing method (Ackah & Vuvor, 2011). For example, studies by Wiklund (1999) acquired 20% response rate, Kazakov (2016) got 27% or 133 of 500 service companies in Russia, Abebe (2014) got 15.7% or 55 of 350 SMEs manufacturing sector in Texas, Botani, Monica and Vignali (2009), 23.20%. While, Vassie, Tomas and Oliver (2000) got 11.4% for UK sample, Reid *et al*. (1999) and Seffiani & Bown (2013) received 30% for their studies. For local cases, low response also occurred such as studies by Ahmad Zaidi and Othman (2015), 17.6% or 123 of 700 manufacturing SMEs and Lee (2012), 26.4% or 258 of 976 Malaysian SMEs.

Indeed, according to a few scholars the acceptable response rate of a survey lies in the range between 15 and 20 percent (Menon, Bharadwaj, & Howell, 1996; Rozhan, Rohayu, & Rasidah, 2001) and in the present study, it went further and accounted for nearly 41.29 per cent.

3.10 Reliability and Validity of Instrument

The reliability and validity of an instrument is considered fundamental for a research prior to data collection stage. The study is considered reliable once the instrument used is valid. Meanwhile, reliability can be determined when the repetitive studies produce similar findings and result.

3.10.1 Validity Analysis

There are various types of validity analysis in social science domain but the most generally used are the construct and content validity. 'Validity' itself would refer to the ability of measurement to quantify what it is intended to measure (Cooper & Schiendler, 2014).

Face or content validity of the instrument will basically depend on the judgement estimation of experts in ensuring whether all aspects of construct are covered in the measurement (Sundram *et al,* 2013). The following procedures have been executed in developing the measurement of constructs and dimensions:

a. A thorough literature review has been conducted in the respective areas to gain the comprehensive understanding of each construct
b. At the early stage, the questionnaire was developed (adopted or adapted) in English language. Subsequently it was translated using the back and forth method (English to Bahasa Melayu and then Bahasa Melayu to English) by two multilingual experts. This back to forth process is to ensure the meaning of the translation is similar or content equivalence is maintained (Regmi, Jennie, & Paul, 2010). Both English and Bahasa Melayu versions were compiled into one booklet and sent to respondents.
c. The questionnaire has been refined based on academicians' recommendations as well the industrial experts and prospective respondent (retailer). These were conducted in

order to gain insight of relevancy, content evaluation (ease and understandable) and dismiss any ambiguity that may lead to non-response.

d. All the feedback was incorporated in the questionnaire and being used for pilot study. The analysis and result from pilot study have been considered for the final instruments for mass distribution.

3.10.2 Reliability Analysis

In order to ensure the overall consistency of items that reflects a scale, the reliability analysis is carried out. This statistical method will provide information regarding the consistency between each item that composes the scale. The reliability analysis analyse internal consistency of the scale in order to measure the same underlying attribute of items so that they 'hang together' (Pallant, 2011). In other words, the analysis will determine whether each item in questionnaire is consistent with the others so that it can be remained in the scale. Otherwise, the inconsistent item needs to be removed.

This study used Cronbach's coefficient alpha as the key indicator of internal consistency of the instrument. With the value ranging between 0 and 1, the higher value indicates higher reliability. According to George and Mallery (2003), to define the quality of internal consistency, there are six level of Cronbach's alpha that commonly applies, as per Table 3.9.

Table 3.8
Internal Consistency of Instrument

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Moderate
$0.7 > \alpha \geq 0.6$	Acceptable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Source: George and Mallery (2003)

Hence, this study will adopt the acceptable reliability coefficient of 0.70 and above; but any value ranging $0.7 > \alpha > 0.6$ will still be considered subjects to its justification for certain group of items with questionable internal consistency. Such allowance is supported by the fact that lower Cronbach's values are sometimes used in other entrepreneurship research reported in the literature (Narver & Slater, 1990). This is supported by Hair *et al.,* (2010) who argued that values between 0.6 and 0.7 are still recommended as moderate and adequate for the use of study.

3.10.3 Pilot Study

A pilot study is intended to be carried out for the small sample of the population. Depending on the objective of the research and total population, generally 10 to 30 feedbacks are adequate and recommended for a pilot study in social science, management and psychology studies (Isaac & Michael, 1995; Hill, 1998; Johanson & Brooks, 2009). The stated feedback offers many practical advantage such as easy calculation, simplicity and ability to test hypotheses (Hill, 1998). However, van Belle (2002) suggested that at least 12 participants are recommended for constructing a confidence interval (CI).

Pilot test is conducted from the same target population and the data will be used to verify the validity and reliability of the instrument. The pilot test is the platform to ensure the instructions, scale items and questions are clear (Pallant, 2011). This will also ensure the intelligibility of the questions and avoid any lapse. Therefore, the set of questionnaire can be improved and modified based on the weakening aspects of the result findings or the data received (Bryman & Bell, 2011).

After considering the benefit and importance of pilot study, the researcher has delivered the questionnaire set to 50 SME retail firms in central region of Malaysia. 50 sets were delivered by post. The respondents were given four weeks to reply and return the form and the distribution was conducted in early January, 2018. However, only 18 respondents from the stipulated population have completed and returned the questionnaires. Out of 18 questionnaire forms, only 15 were useable as the other three were not completed adequately, with more than 50% of the questionnaires left blank.

Accordingly, the reliability test has been conducted to determine the Cronbach's Alpha for all constructs using SPSS. Table 3.10 below shows the reliability result for this pilot study.

Table 3.10
Reliability Test Result

Instruments	**Constructs**	**No. of Items**	**Cronbach's Alpha**
FP	SMEs Firm Performance	6	0.890
EO	Entrepreneurial Orientation	9	0.888
MO	Market Orientation	15	0.891
CIC	Change Implementation Capacity	6	0.871
VE	Volatile Environment	7	0.622

The result shows that the Alpha values are between 0.622 and 0.89. This indicates that all variables are within moderate and good limits. Therefore, by the consideration of

minimum Cronbach's Alpha of 0.6, all the items in the instruments have been utilised for full scale sample's data collection.

3.11 Techniques of Data Analysis

Descriptive analysis is a method in which the raw data is transformed into information that will explain the set of factors in a situation (Sekaran, 2003). Quantitative method has been applied for this research in which data collected through mail questionnaires were edited, coded and categorised before being entered into software for analysis. The researcher utilises Statistical Package for the Social Sciences (SPSS) version 23.0 and Smart PLS (PLS-SEM) version 3.2.6 for that purpose. SPSS is used for "data screening and cleaning" until data is useable for analyse; as well as for checking the normality of data, multicollinearity and measurement error tests. The checking of data is necessary due to the sensitivity of input data in SEM in ensuring the effectiveness of the multivariate regression analysis later (Hair Jr., Gabriel, & Patel, 2014). After that, path modelling using Partial Least Square-Structural Equation Model (PLS-SEM) is executed for the remaining analysis process.

Apart from that, SPSS software was chosen because it is well known in social science as a powerful tool in statistical analysis activity. This software is very useful to validate and analyse data in order for it to become a useful statistical data. After the collection of raw data from the respondents, all usable questionnaires have been coded and entered into the SPSS. After that the following methods have been executed to analyse the data. Firstly, the data has undergone screening to find data entry irregularity (missing value and outliers); and frequency test was then executed for each variable to recognise and correct any missing values through the respective mean values. Then, the descriptive statistics

were utilised to define and compare the demographics; and provide general views of all latent variables (Saunders *et al*., 2009).

Meanwhile, Smart PLS provides two types of structural equation models that provide tools for investigating the complex relationship between multiple variables. Co-variance SEM (CB-SEM) through AMOS is well suited for the confirmatory of theory when the number of respondents is fairly big (e.g. 200 or more). Somehow, variance-based SEM (PLS-SEM) is appropriately suitable for exploratory of variables, especially when new independent, moderator or mediator variables are being introduced to a commonly accepted framework. It works very well with both low and high number of respondents (Hair *et al.,* 2014).

According to Hair Jr. *et al.* (2014), PLS-SEM has increasingly gained interest of current scholars due to its user-friendly, applicability and versatility in analysing and interpreting results of a research. Djikstra and Henseler (2015) viewed partial least square-structural equation modelling (PLS-SEM) as the preferred tool for survey-based research since three decades ago. Researchers applied PLS SEM abilities, for example, to modelling the latent variables and adjusting measurement error. The other advantage of PLS-SEM application is the ability to regress multiple variables (independent, moderator, mediator and dependent variables) simultaneously compared to SPSS which is limited to regression relationships one by one. In general, PLS-SEM can be applied smoothly for the following situations (Hair, Ringle & Sarstedts, 2011):

- When the goal of research is recognising key driver constructs or predicting key determinants constructs or
- If the structural model involves formative constructs
- When the structural model is complex (involving many indicators or constructs)

- When the size of sample is reasonably low
- If there is non-normality of data

3.11.1 Non Response Bias Test

In this study, 10 demographic variables were used to measure the early and late respondents as they were available and significant to the survey assessment (McFarlane, Olmsted, Murphy, & Hill, 2006). Late respondents were categorised based on the returned questionnaire after second follow up was done by reminder notice. Late respondents should be assessed since they could lead to poor data quality and seen as less reliable (Chandhok, 2008). They can also be categorized as unwilling respondents which is related to non-respondents (Draugalis & Plaza, 2009).

Table 3.11 depicts the results of the non-response bias test. From the table, the p-values revealed no statistical significance ($p > 0.05$) between the late and early respondents, hence, the late and early analysis was accomplished on all the 152 respondents.

Table 3.11
Chi-Square Test for Early and Late Responses

Variables	χ^2	**p-value**
Position in the Company	5.890	.055
Age of the Respondents	.494	.482
Location of the Company	3.564	.059
Gender of the Respondents	3.303	.069
Gender of the Respondents	3.303	.069
Working Period of the Respondents	.384	.536
Education Level of the Respondents	.268	.604
Category of the Company	3.990	.056
Company Age	.914	.339
Number of Staff in the Company	.249	.618

Note: The critical values were not significant ($p > .005$)

Besides the chi-square test, an independent sample t-test can also be used to outline whether significant differences occur in the mean scores for the selected variables among the early and late respondents. From Table 3.12, it revealed that the early and late respondents did not differ in terms of their responses to the study variables (p >.005). Therefore, all the useable questionnaires from 152 respondents can be used in the analysis.

Table 3.12
Differences in Major Variables by Early and Late Responses (Independent t-test)

Variable	Early Respondents N = 99 M (SD)	Late Respondents N = 53 M (SD)	t-value	p-value
Entrepreneurial Orientation (EO)	4.1511 (1.24237)	3.9872 (1.18157)	.784	.434
Market Orientation (MO)	5.4080 (1.18302)	5.3077 (1.18312)	.881	.421
Change Implementation Capacity (CIC)	4.0417 (1.23373)	3.9795 (1.21766)	1.677	.096
Firm Performance (FP)	5.2667 (1.37722)	5.19192 (1.32521)	1.616	.074
Volatile Environment (VE)	5.2586 (1.27722)	5.1214 (1.21971)	1.532	.068

Note: The critical values were not significant if p > .005

3.11.2 Factor Analysis

A statistical procedure called factor analysis is executed to examine responses of different constructs on a specific dependent variable with the effect of moderating variable. During this process, the pattern of covariance or correlations will be observed. From the results, any high correlations between independent variables, be it negative or positive, indicates the possible influence of similar factors. However, if there is no correlation, it may be influenced by different factors.

Moreover, this study attempts to summarise the relationship of all variables without further intention in confirming a theory of a particular structure. Hence, exploratory factor analysis (EFA) is considered more suitable than confirmatory factor analysis (CFA).

All the steps of an EFA has been conducted by using Smart PLS v3.2.6 after considering several assumptions such as sample size, normality, linearity, outliers among cases and variables and multicollinearity.

3.11.3 Moderating Effect Analysis

The conceptual framework for this research project is depicted by two approaches: a contingency effect of two-way interaction between independent variables in which the relationship between MO, EO, and CIC constructs and performance of Malaysian SMEs retail firms are examined; and another with effect of the moderator of external environment (high volatile environment). Moderator variable or moderator may potentially affect the strength of relationship between independent and dependent variables.

The estimation and detection of direct relationship in causal models, which is independent variable A causes dependent variable B is best performed using Smart PLS: PLS-SEM, a second-generation analysis techniques (Lowry & Gaskin, 2014). Furthermore, to examine the more complex relationships which involving mediating or moderating effects, the function of path modelling is required (Fassot, Henseler, & Coelho, 2016), which is also available in PLS-SEM.

Fassot *et al.* (2016) dictated that the hypothesised model contains a moderator (that is volatile environment in this study) requires multiple regressions, which work well with the SmartPLS software.

3.12 Summary of the Chapter

This chapter has considered various sections regarding the research methodology that has been adopted by this study. The researcher employs the quantitative method to accomplish the aim of this study. The challenging part of the entire process was to get adequate number and on-time responses from the respondents since the previous studies revealed that SME feedback turnover is low and slow.

Given the context of complex entrepreneurial study and the large body of SMEs performance literature, it is considered appropriate to start the study with a sub-component of SME industry, which is retail subsector that is less studied by mainstream and focus into a few predictors first. For a jump start, this study is limited to the population of central region of Malaysia – the most dense business locality in Malaysia which provide avenue for future mass research and more exploration in this area. This study utilises SPSS v23 and SmartPLS v3.2.6 as the main tools for analysing data. SPSS is used from initial data input, screening, demographic profiling until normality, multicollinearity and descriptive analyses, then PLS-SEM is used for causal relationship and testing of the hypotheses.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1 Introduction

This chapter presenting the analysis of the data collected from retail firms based in the central region of Malaysia, namely Selangor, Kuala Lumpur, Putrajaya and Negeri Sembilan; and discuss the findings that was derived using SPSS and Smart PLS path modelling. The chapter begins with the description of data screening and preliminary analysis outputs. Later, this chapter also discusses the demographic analysis and descriptive statistics for all latent constructs, measurement model (outer model) tests and structural model assessments (hypotheses testing). The statistics are presented in tabular, histogram, plot and pie chart for better perspective.

4.2 Data Screening and Preliminary Analysis

Data screening is an important preliminary step prior to analysing two or more variables simultaneously in a multivariate analysis (Hair, Black, Babin, & Anderson, 2014). Every so often called as "data screaming", this activity is performed to confirm that data is clean and containing no errors during the coding process and ready for further statistical analyses. Data screening process ensuring the data is reliable, useable and valid for testing causal theory (Gaskin, 2016).

For this study, all 152 datasets have been coded and entered into SPSS v23. The data screening process involves checking for errors (categorical variables and continuous variables), missing values analysis, outliers' assessment, normality test and

multicollinearity test. Non-response bias test (or t-test) is also being carried out to identify any biasness of dataset that received before and after the deadline given. There were 154 respondents who returned the questionnaire for the response period given, which was between 8th of March, 2018 and 8th May, 2018.

Checking for errors should be conducted to identify any value that falls outside of the possible range of a variable (Pallant, 2011). For instance, if there are 5 categories of working experience (WKE), scores that lies outside the range 1 to 5 should be corrected before the total score of this scale is calculated. All variables in this study have been checked using the descriptive statistic and frequencies tools of SPSS and errors have also been corrected.

4.2.1 Missing Value

Missing value in a dataset occurs when one or more valid values are not available for analysis. It is almost a fact of life that happen to any researcher while doing the multivariate analysis. The challenge of a researcher is to determine the patterns and interactions underlying the missing value that will affect the generalizability of the results (Hair *et al,* 2014). There are many reasons contribute to missing value such as error in data entry or data collection, or omission by respondents that contribute to missing values. Hair *et al.* (2010) indicated a dataset with above 50 percent of missing values for any specific respondent should be removed from the valid and useable questionnaire.

In this study, screening of missing values had been executed using the SPSS v23 for 152 useable datasets in which resulted in only 13 points were missed out of 6,384 total data points (152 x 43). This accounted for 0.20 percent of missing value as per below table.

Table 4.1
Total and Percentage of Missing Values

Latent variables	**Missing values**
Market orientation	6
Change implementation capacity	3
Volatile environment	3
SMEs performance	1
Total missing value	13 out of 6384 data points
Percentage of missing value	0.20%

From the analysis of frequencies, Table 4.1 tabulated that there were 13 cases with missing values with the range of 0.7 percent to 1.3 percent for the items MO5 (2 items) and 1 item each for MO8, MO9, MO12, MO15, CIC3, CIC4, CIC6, DE1, DE4, DE6 and FP5. Even though there was no specific agreement on the acceptable percentage of missing values for the valid statistical inference, generally any value below than five percent was considered non-significant (Schafer, 1999; Tabachnick & Fidel, 2007). As for this study, the percentage of missing values (0.2%) stands below the benchmark.

In dealing with missing values, Little's MCAR (Missing Completely at Random) tests has been executed for all constructs to identify whether the missing values were systematic or merely random, as suggested by Little and Rubin (2014). The result of the test is shown in the following table.

Table 4.2
Missing Values Test Result

Case	Code	Little's MCAR result
8,19	MO5	0.993
19	MO8	
13	MO9	
9	MO12	
14	MO15	
15	CIC3	0.533
18	CIC4	
8	CIC6	
11	VE1	0.746
11	VE4	
17	VE6	
49	FP6	0.744

From the result of Little's MCAR, it has been found that the significance level of the related constructs were above 0.50 (sig>0.5) which indicated the values were missing at random. As such, to replace the missing values, the suggested method was by using the Expectation-Maximization (EM). The method is more reliable and accurate (Graham, 2009) and all the 13 missing values have been substituted by EM imputed data which predicted the best and closest value.

4.2.2 Outliers

An outlier occurs when an item (or items) or data point is substantially different or has an extreme value compared to other items in a group/variable under analysis. In other words, its value deviates from the normal range of data, either being too high or too low value within a construct (Hair *et al.,* 2014; Sundram *et al.,* 2013). The existence of outliers in a regression-based analysis may mislead the researcher and result in the unreliable result (Verardi & Croux, 2009). For many cases, outliers are considered as ‘‘data problems’’ and

therefore should be corrected. In the worst scenario, it may lead into false acceptance or rejection of hypotheses (Aguinis, Gottfredson, & Joo, 2013).

For identifying the outliers in a dataset, multivariate data extraction analysis using the Mahalanobis Distance might be applied (Tabachnick & Fidell, 2007; Pallant, 2016). In the current study, 43 items were inserted into the IBM SPSS to identify the outliers. The outliers were determined by using formula 1-CDF.CHISQ (Mahalanobis Distance Value, Predictor Number) that based on the probability value of Mahalanobis distance (Pallant, 2016).

In this study, the established probability value of Mahalanobis distance was less than 0.001, meaning that the data with the probability value of Mahalanobis distance of more than 0.001 could be considered as outliers and should therefore be deleted from the data set. After conducting the test, this study showed that there were none outliers (0.00) at all. Hence, 152 data set could be used for further analysis.

4.2.3 Normality Test

Normality test is performed to determine that data are normally distributed, that is to ensure the distribution of scores on the dependent variable is 'normal' (Pallant, 2011). Normality is considered the most basic precondition in multivariate analysis and certain statistical methods (e.g. ANOVA, discriminant analysis, Pearson correlation, linear regression, t-test and f-test) require that the dependent variable is approximately normal distributed for each category of the independent variable prior to analysis (Pallant, 2011; Hair *et al.,* 2014). This resulting in symmetrical normal curve, classic bell-shaped curve, which has greatest frequency of scores in the middle with smaller frequencies towards the extreme (Gravetter & Wallnau, 2004). Even though Reinartz, Haenlein, and Henseler (2009) argued that PLS-SEM can be used to analyse non-normal data and make no

assumption of the data distribution normality but Hair, Sarstedt, Ringle and Mena (2012) advised it is worthwhile to undertake normality test on the data set.

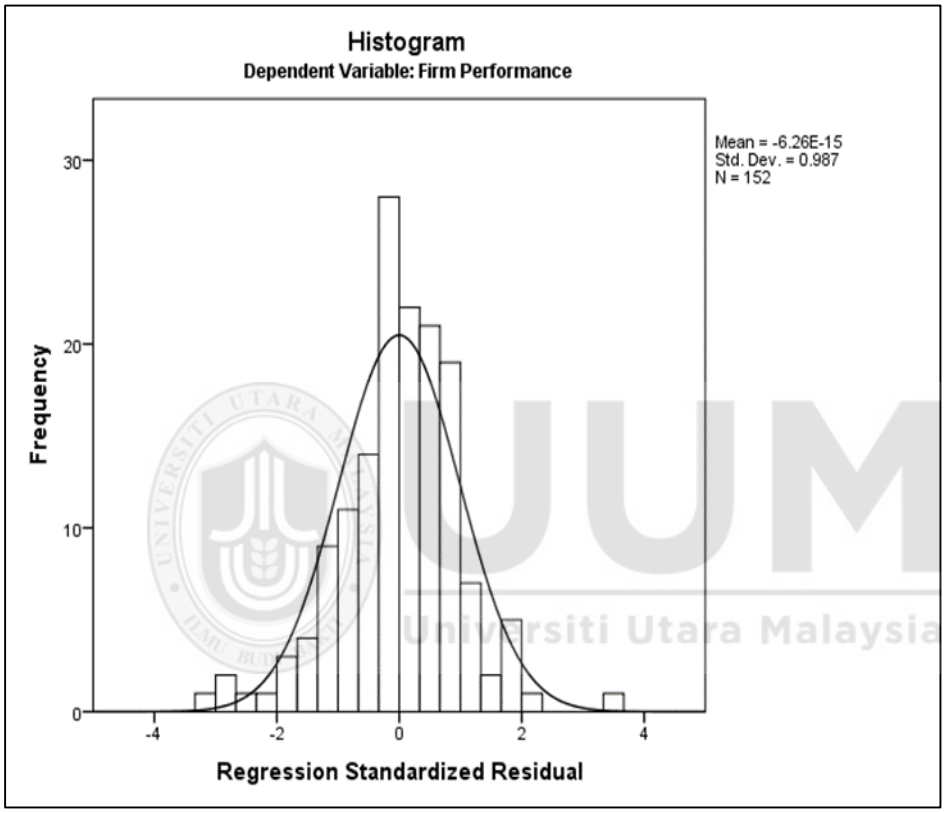
To assess normality, Kurtosis (peakedness or flatness of distribution) and Skewness (balance of distribution) values for all variables are determined. According to Chernick (2011) the importance to evaluate the normality of data distribution is due to the highly skewed data will increase the bootstrap standard errors and it also has a tendency to lower the statistical significant of path coefficient. Kline (2011) stated that absolute value of the skewness greater than three and kurtosis value greater than 10 will become problematic. Due to this reason, Hair *et al.* (2014) contended that the absolute value of skewness and kurtosis greater than one would indicate a non-normal data distribution. As illustrates in Table 4.3, the absolute values of skewness and kurtosis of all item are less than one, and thus revealing normality was established for this study.

Table 4.3
Skewness and Kurtosis Values

Variable	**Mean**	**Std.Dev**	**Skewness**	**Kurtosis**
Volatile Environment	4.766	1.428	-0.534	-0.381
Market Orientation	5.031	1.322	-0.745	-0.074
Entrepreneurial Orientation	4.095	1.221	-0.236	-0.990
Change Implementation	3.917	1.270	-0.019	-1.080
SMEs Performance	4.839	1.510	-0.534	-0.517

Field (2009) suggested that the use of the graphical method such as histogram and normal probability plots is the easy way to illustrate the violation of normality. The following Figure 4.1 demonstrates that the data of this study has a normal pattern since most of the bars on the histogram were close situated to centre of the curve and the resulting shape of

the curve also indicates some level of symmetry. Meanwhile, the result from normal probability plot (Normal P-P Plot) demonstrates that no obvious deviation of data plotted from the straight line (zero line). Therefore, the graphical results from histogram and probability plot demonstrates normal data pattern and thus, the normality assumptions were not violated in this study.



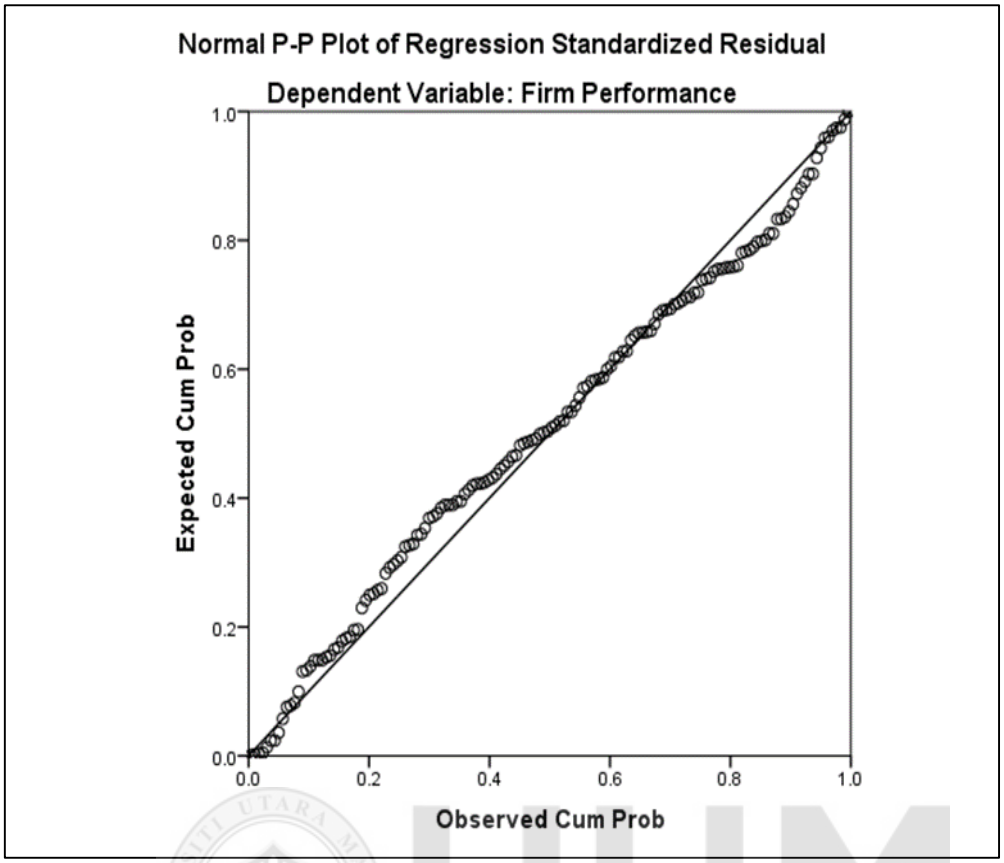


Figure 4.1
Histogram and Normal Probability Plots

4.2.4 Multicollinearity Test

Multicollinearity is the extent that a variable can be defined by other variables. The existence of multicollinearity among the exogenous latent constructs will affect the estimation of the regression coefficient and give rise to the problems of explaining the effect of each exogenous latent variable in the regression coefficients and their statistical significance tests (Chatterjee & Yilmaz, 1992; Hair *et al.,* 2010).

In general, there are two methods to identify multicollinearity, i.e. (i) Correlation matrix and (ii) Variance inflation factor (VIF) (Peng & Lai, 2012; Zulkifley & Rozie, 2014). However, Zulkifley and Rozie (2014) highlighted that multicollinearity identification method using the correlation matrix method cannot expose the degree or multicollinearity rate in the data set.

In the present study, the VIF technique is applied. According to Hair, Ringle, and Sarstedt (2011) the multicollinearity problem can be identified if the VIF values exceed five (VIF> 5) and the tolerance value are less than 0.20 (Tolerance <0.20). As shown in Table 4.4, the current study did not show the presence of multicollinearity between the latent variables because all VIF values are less than five (VIF <5) and the tolerance value also exceed 0.20 (Tolerance> 0.20).

Table 4.4
Tolerance and Variance Inflation Factors (VIF)

Constructs	Tolerance	VIF
Entrepreneurial Orientation	0.977	1.023
Market Orientation	0.743	1.346
Change Implementation Capacity	0.767	1.303
Volatile Environment	0.959	1.043

4.3 Common Method Variance Test

Common method variance (CMV) is the variance of survey measurement method which may cause a possible problem or bias in a behavioral research (Podsakoff, Mackenzie, Lee, & Podsakoff, 2003). The survey research method is still vital and the biases from this type of research method may become one of the sources of measurement errors (Podsakoff, Mackenzie & Podsakoff, 2012). Furthermore, measurement errors threaten the validity of the conclusion regarding the relationship between measures. According to Podsakoff *et al.* (2012) survey research is required to scrutinize the extent to which causal relationships perceived in experimental studies hold over variations in persons, settings, treatment manipulations, and outcome variables.

Based on the Podsakoff *et al.* (2003) guidelines, this study adopts several measures to minimize the effect of CMV. Podsakoff *et al.* (2003) have proposed that the reduction of

CMV can be controlled by the design of the study's technique and statistical control. Firstly, the respondents were notified that there was no right or wrong answer. Secondly, the respondents were given a declaration that the answers were never to disclose to irrelevant parties. Thirdly, the items have been cautiously validated by the experts and through the pilot study.

In terms of the statistical control, the common method variance can be tested using Harman's single factor test (Matilla & Enz, 2002; Podsakoff *et al.,* 2003). Common method bias is stated to be present if all factors load into a single factor (Podsakoff *et al.,* 2003). For this study, a principal component analysis with varimax rotation described that all self-reported items display 5 factor structures with a cut-off eigenvalue equal to 1. The 33.591 % variance explained by a single factor showed that the common method variance was not a major concern in this study because the value is less than 50% cut-off point (Podsakoff *et al.,* 2012).

4.4 Demographic Profile of the Respondents

The demographic factors examined in the present study comprises of 10 elements as described in the following subtopics. The total number of respondents involved are 152.

4.4.1 Position in the Company

To ensure those answering the questionnaires were eligible, the respondents were requested to indicate their position in the space provided in the survey instrument. The descriptive analysis as shown in Figure 4.2 below indicated that 61 respondents (40.10%) representing business owner or CEO, 50 respondents (32.90%) representing director or partner, 28 respondents (18.40%) representing manager and 13 respondents (8.60%) hold other positions in the company. The frequency of the respondents answering the

questionnaires designated within the rank of business owner or CEO contributed to the largest proportion of position in the company. Consequently, it was clear that a major composition of those answering the questionnaires possessed the requisite knowledge and capacity to provide sound information regarding the purpose of the study.

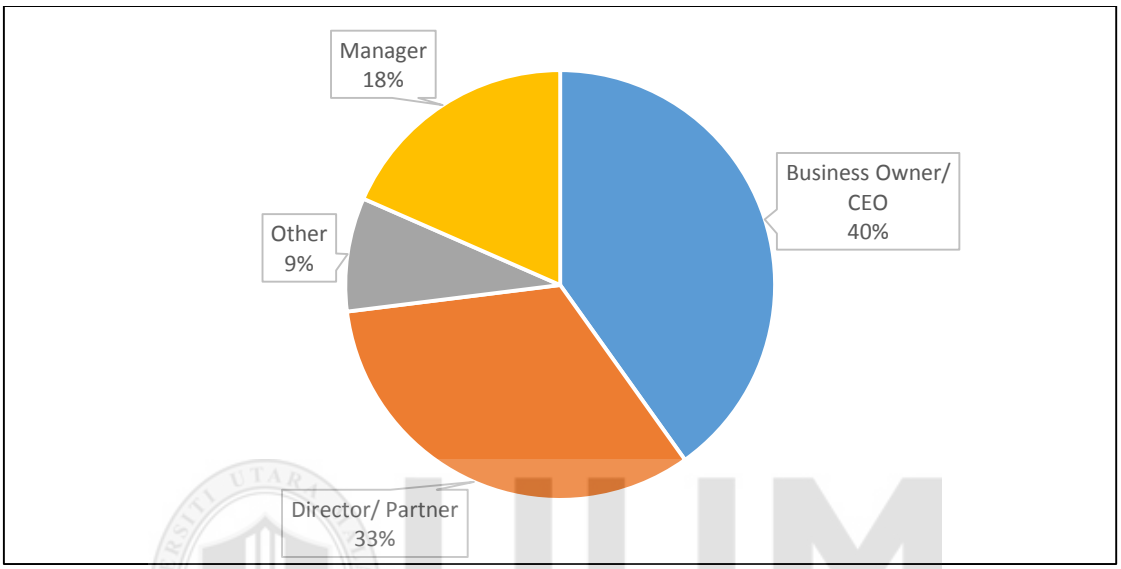


Figure 4.2
Respondents' Position in the Company

4.4.2 Age of the Respondents

In terms of age, there are 55 respondents (36.20%) age between 51 to 55 years which accounts for the largest proportion of the respondents for this research. On the other hand, 33 respondents (21.70%) aged between 41 to 45 years, 29 respondents (19.00%) age between 46 to 50 years, 14 respondents (9.20%) age between 36 to 40 years, 13 respondents (8.60%) aged between 26 to 30 years, 5 respondents (3.30%) aged above 55 years and 3 respondents (2.00%) aged between 31 to 35 years. Table 4.5 presents the distribution of age of the respondents in the present study.

Table 4.5
Age of the Respondents

Categories	Frequency	Percentage (%)
26 – 30	13	8.60
31 – 35	3	2.00
36 – 40	14	9.20
41 – 45	33	21.70
46 – 50	29	19.00
51 – 55	55	36.20
> 55	5	3.30
Total	152	100.00

4.4.3 Location of Companies

The analysis of the respondents' profile depicted in the Figure 4.3 demonstrates that the composition of where the respondents' companies are located at. Most of the respondents' company are located in Selangor with 74 respondents (48.70%) followed by 41 respondents' company located in Negeri Sembilan (27.00%), 19 respondents' company located in Kuala Lumpur (12.50%) and 18 respondents' company located in Putrajaya (11.80%).

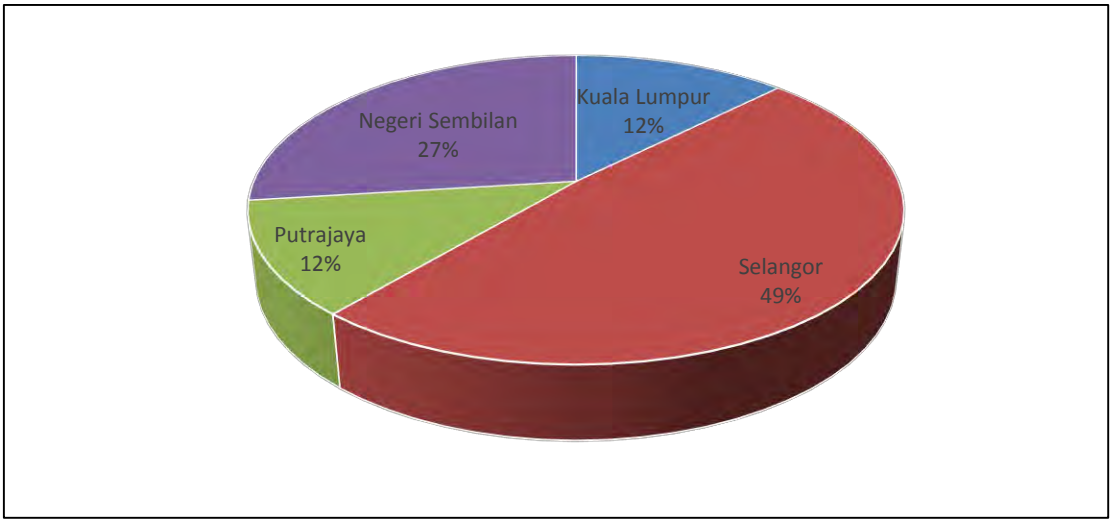


Figure 4.3
Business Location of the Respondent's Company

4.4.4 Gender of the Respondents

As shown in Figure 4.4, most of the respondents are males, which represents 141 of the total respondents (92.80%). On the other hand, there are only 11 female respondents (7.20%) that participate in this research.

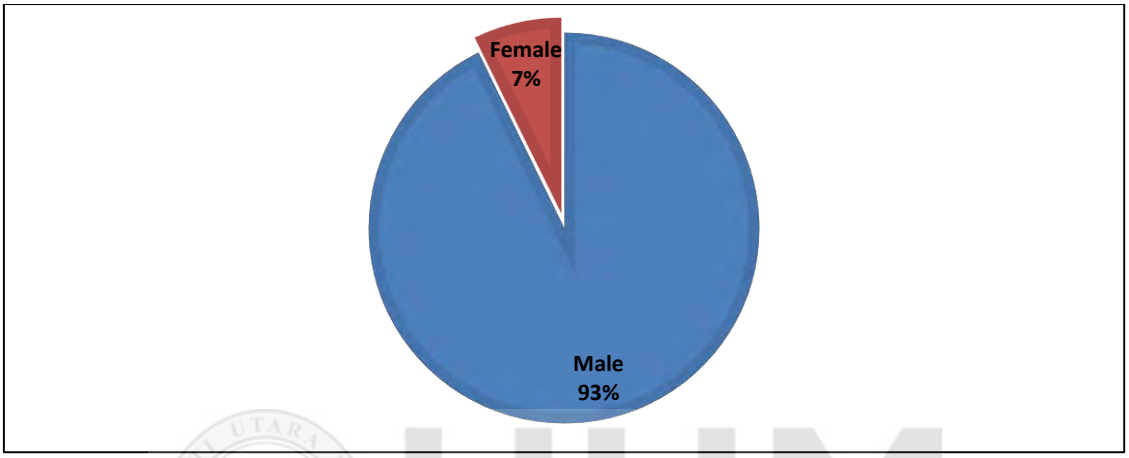


Figure 4.4
Gender of the Respondents

4.4.5 Working Period of the Respondents

Based on the following Table 4.6, it shows that the respondents' working period are highest for the 3 to 5 years' category (26.40%). Then, 23.00% of the respondents have working period for 6 to 9 years, while 19.10% more have worked for more than 12 years. Respondents working for a period of less than 3 years accounts for 16.40%. Lastly, there are 15.10% of the respondents that have working experience of 10 to 12 years.

Table 4.6
Working Period of the Respondents

Categories	Frequency	Percentage (%)
< 3	25	16.40
3 – 5	40	26.40
6 – 9	35	23.00
10 – 12	23	15.10
> 12	29	19.10
Total	152	100.00

4.4.6 Education Level of the Respondents

Table 4.7 below depicts that majority of the respondent possess bachelor degree 38.20% (58 respondents), 33 respondents possess secondary school (17.80%), 27 respondents possess diploma (17.80%), 18 respondents hold master degree (11.80%) and 10.50% possess college certification (16 respondents).

Table 4.7
Education Level of the Respondents

Education Level	Frequency	Percentage (%)
Secondary School	33	21.70
College Certification	16	10.50
Diploma	27	17.80
Bachelor	58	38.20
Master /PhD	18	11.80
Total	152	100.00

4.4.7 Category of the Company

Table 4.8 presents the category of the company's nature of business. The highest number of frequency for the company category in this study is supermarket (35.50%), followed by apparel (10.50%), while pharmacy and stores selling food product accounts for 7.90%

respectively. Automotive and petrol kiosk companies each contributed to 7.20% of the total companies, followed by audio video (3.90%), while beauty, gardening and bookstore contributed to 3.30% respectively. Furthermore, furniture companies contributed 2.00% to the listing, while DIY and personal goods each contributed to 1.30%. The least represented type of company in this study were tobacco/ liquor, toys and 'other' about 0.70% of the total.

Table 4.8
Category of the Company

Categories	Frequency	Percentage (%)
Supermarket	54	35.50
Apparel	16	10.50
Pharmacy	12	7.90
Beauty	5	3.30
Automotive	11	7.20
AV	6	3.90
Gardening	5	3.30
Petrol Kiosk	11	7.20
Tobacco/ Liquor	1	0.70
Food Product	12	7.90
Furniture	3	2.00
DIY	2	1.30
Personal Goods	2	1.30
Bookstore	5	3.30
Toys	1	0.70
Other	1	0.70
Total	152	100.00

4.4.8 Company Age

Figure 4.5 presents span of life of the companies. Majority of the respondents work in this study are working in the company aged between 3 to 5 years old (37%). This is followed by company that have existed for more than 12 years (22%). Further, the number of respondents working at companies aged between 10 to 12 years are 33 respondents,

contributed to 22% of the whole population. There were 29 respondents (19%) working at companies aged between 6 to 9 years.

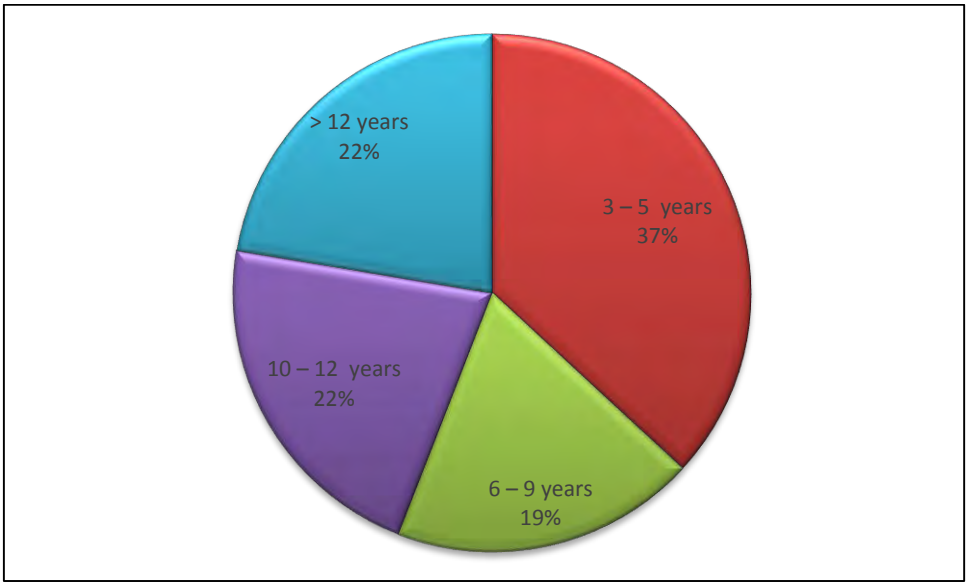


Figure 4.5
Company Age

4.4.9 Number of Staff in the Company

In terms of the number of staff, there were 98 respondents (64.50%) working at companies with 5 to 29 staff, while 31 respondents (20.40%) working at ones with 30 to 75 staff and the remaining 23 respondents working at companies with 1 to 4 staff. Table 4.9 described the number of staff in the companies involved in this study.

Table 4.9
Number of Staff in the Company

Number of Staff	Frequency	Percentage (%)
1 – 4	23	15.10
5 – 29	98	64.50
30 – 75	31	20.40
Total	152	100.00

4.4.10 Company Sales

The last part of the analysis regarding the respondents' demographic describes the yearly company sales as depicted in Figure 4.6. Majority of the respondents (105 respondents) stated that their company's sales were between RM300,000 and not exceeding RM3,000,000 (69.10%) annually. The remaining 47 respondents (30.90%) on the other hand, stated that their company's sales were between RM3,000,000 to less than RM20,000,000.

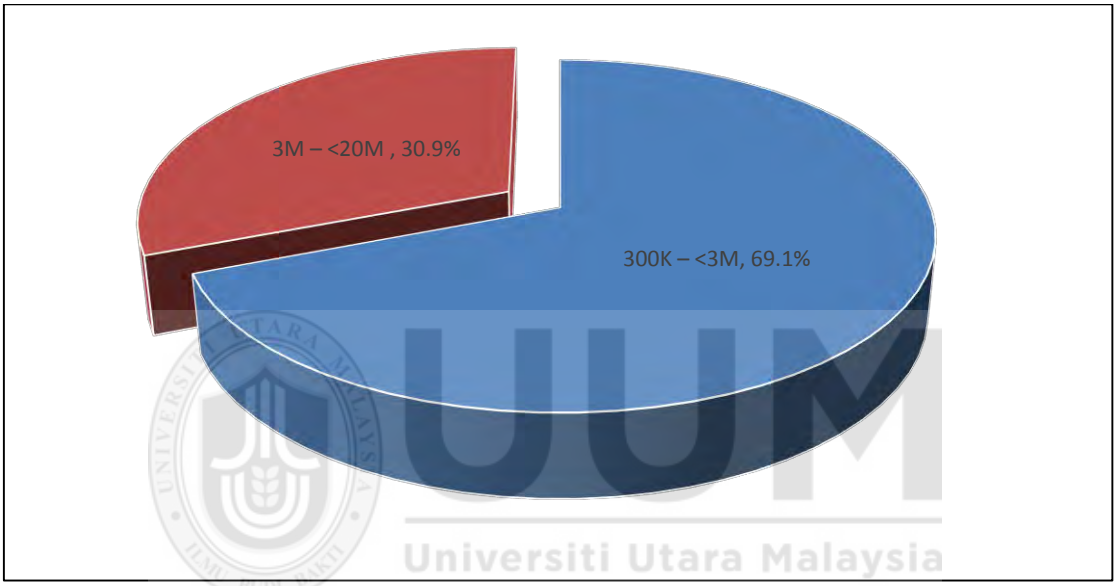


Figure 4.6
Company Sales

In the following section, the descriptive analysis of the latent constructs used in this study will be described.

4.5 Descriptive Statistics of the Latent Constructs

The descriptive statistics for this study were computed in order to obtain the data summary and to provide general view of all variables. These variables were measured using 7-point Likert scale in which the first two scales (range of 0 to 2) considered low and the last two scales (range 5 to 7) represented high tendency. The scales between both are moderate

(with 3.5 as mean point) (Alolah, 2013). For the present study, data summary was consist of variables, number of items, mean and standard deviation as described in the Table 4.10.

Table 4.10
Descriptive Statistics for Constructs

Variables	Number of items	Mean	Standard deviation
Entrepreneurial Orientation (EO)	9	4.0950	1.22108
Market Orientation (MO)	15	5.0316	1.32209
Change Implementation Capacity (CIC)	6	3.9178	1.27045
Volatile Environment (VE)	7	4.7669	1.42826
SMEs Performance (FP)	6	4.8399	1.51068

Table 4.10 demonstrated that the mean scores for all the constructs ranged between 3.9178 and 5.0316; and they were all above mid-point of the scale. Specifically, for the Entrepreneurial Orientation (EO) construct, the standard deviation and mean values were 1.22108 and 4.0950 respectively. This suggested that the participants tended to have a 'moderate to high' level of Entrepreneurial Orientation (EO). Next, the mean for the Change Implementation Capacity (CIC) was 3.9178 and with a standard deviation of 1.27045 suggested that the participants tended to have a 'moderate to high level' of Change Implementation Capacity (CIC). On the other hand, the mean value and standard deviation for Market Orientation (MO) (5.0316, 1.32209) demonstrated high tendency of participants in this orientation.

Meanwhile, the result (4.7669, 1.42826) also shown that the respondents perceived environment as "moderate to high volatility" or close to high Volatile Environment (VE). For SMEs Firm Performance (FP) variable, participants tended to percept 'moderate to high' performance on the construct (4.8399, 1.51068).

Having described the descriptive analysis of the data of the study the chapter will move on discussing the results of the assessment of PLS-SEM path model in the following subsection.

4.6 Assessment of PLS-SEM Path Model Results

The assessment of the PLS-SEM path modeling comprises of two stages, namely assessing the measurement model (outer model assessment) and secondly, the structural model (inner model assessment) (Hair, Hult, Ringle, & Sarstedt, 2017; Henseler, Ringle, & Sinkovics, 2009). The following Table 4.11 depicts the steps to assess the PLS-SEM path model.

Table 4.11
The Evaluations using PLS-SEM Tools

Stages	Descriptions
Stage 1: Reflective Measurement Models	• Individual item reliability • Internal consistency (Cronbach's alpha, composite reliability) • Convergent validity (indicator reliability, AVE) • Discriminant validity (Fornel-Larcker criteria, cross-loading, HTMT)
Stage 2: Evaluation of the Structural Model	• Assessing the significance of path coefficients • Coefficients of determination (R2) • Predictive relevance (Q2) • Size and significance of path coefficients • F2 effect sizes • Q2 effect sizes • Testing the moderating effects

Source: Hair *et al.* (2017)

Prior to evaluating the path modeling in the PLS SEM, the researcher needs to determine whether measurement model is reflective or formative (Hair *et al.*, 2017). In the present

study, the assessing of the measurement model is conducted by using the reflective measurement model approach.

The measurement model is validated using the confirmatory factor analysis (CFA) and certain level of acceptance values (cut-off values) should be achieved in order to obtain reliable and valid model (Imam & Hengky, 2015). After that, to test the hypothesis, the evaluation of structural model is executed.

4.7 Assessment of Measurement Model

The measurement model assessment is also called as outer model assessment. This assessment consists of examining individual item reliability, determining internal consistency reliability, and ascertaining convergent and discriminant validity of the constructs (Hair *et al.,* 2017; Imam & Hengky, 2015). Figure 4.7 demonstrates the measurement model for the present study.

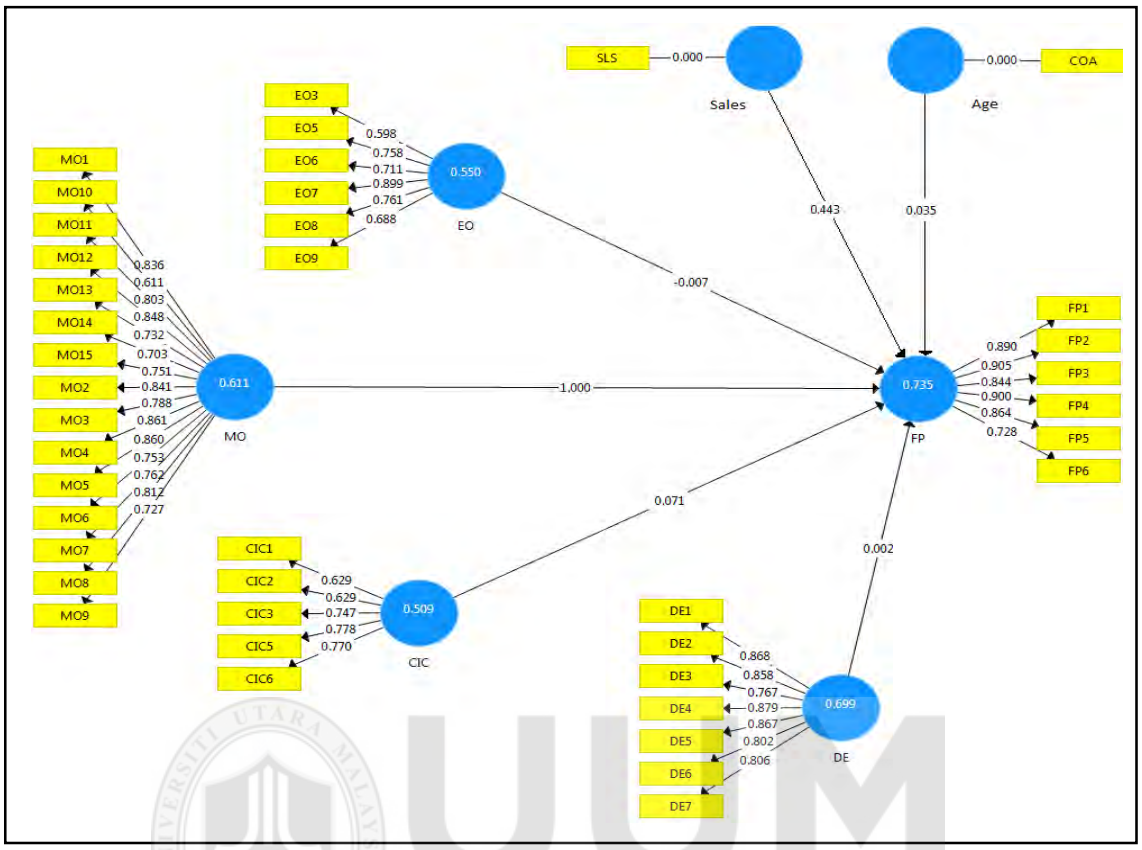


Figure 4.7
Measurement Model With Control Variables(COA & SLS)

4.7.1 Examining Individual Item Reliability

For this study, one of the steps taken in assessing the measurement model is by examining the individual item reliability (outer loading) of each construct (Duarte & Raposo, 2010; Hair *et al.,* 2017; Imam & Hengky, 2015). The value of outer loading above 0.708 for an item is very crucial because it will lead to an average variance extracted (AVE) of more than 0.50 (0.708^2 is slightly equal to 0.500 AVE). However, in the case of an outer loading's value falling within the range of 0.40 to 0.70, Hair *et al.* (2017) argue that it is acceptable so long as the item's loading still contributes to AVE value of more than 0.50.

Following the rule of thumb proposed by Hair *et al.* (2017) above, out of the 43 items originally in the instrument, 4 items have to be deleted because their loadings contribute

to the AVE value being less than 0.50. The deleted items are CIC4 (0.468) for Change Implementation Capacity (CIC), EO1 (0.592), EO2 (0.503) and EO4 (0.383) for Entrepreneurial Orientation (EO). The deleted items were well below the 20% cut-off point for permissible items deletion, which is acceptable in the structural equation modelling analysis (Hair, Babin, & Krey, 2017; Hair *et al.,* 2010; Zainudin, 2015). Hence, as a result of analysis, only 39 items are remaining to achieve model fit with the items' outer loadings ranged between 0.598 (EO3) to 0.905 (FP2) (see Table 4.12).

4.7.2 Ascertaining Internal Consistency Reliability

Internal consistency reliability is a measure of how well all items are measured the same construct and deliver consistent result (Bijttebier *et al.,* 2000; Sun *et al.,* 2007). There are two commonly used types of internal consistency reliability measures, which are Cronbach's alpha and composite reliability (Hair *et al.,* 2017; Peterson & Kim, 2012). According to Hair *et al.* (2017), the Cronbach's alpha designates that all items are equally reliable, whereby all of the items yield same outer loadings on the construct. However, Imam and Hengky (2015) clarified that relying on Cronbach's alpha values lead to miscalculation of the reliability value. Meanwhile, PLS-SEM prioritizes the items based on their individual reliability. Therefore, Imam and Hengky (2015) suggest that composite reliability should be used in order to measure the internal consistency reliability instead of Cronbach's alpha. The composite reliability values of more than 0.70 is acceptable for exploratory research (Hair *et al.,* 2017; Imam & Hengky, 2015). In the measurement model for this study, the composite reliability values range between 0.837 and 0.959 (refer Table 4.12), all of which is well above the mentioned cut-off point of 0.70. Conclusively, internal consistency of the model is confirmed for this study.

4.7.3 Determining Convergent Validity

Convergent validity can be evaluated by examining the outer loadings of the indicator (item loadings) (Duarte & Raposo, 2010; Hair *et al.,* 2017) and the average variance extracted (AVE) (Fornell & Larcker, 1981; Hair *et al.,* 2017). The outer loading shows how much of the phenomenon tried to be captured by indicators have in common with the latent construct. The higher the outer loading, the higher the indicator has something in common with the construct (Hair *et al.,* 2017), and in effect, the more valid the latent construct is. In this measurement model, the outer loadings are between 0.598 and 0.905. Loadings with the values of less than 0.700 are not strong, though. However, indicators that have outer loadings between 0.40 and 0.70 could still be retained if the model's composite reliability and AVE values meet the requirement of threshold values (Hair *et al.,* 2017). This is agreed by Hair *et al.* (2010) and Nunnally (1978) where the items with the outer loadings of more than 0.50 can be retained as per above conditions (Hair, 2010; Hair, 2016; Ramayah, Cheah, Chuah, Ting, & Memon, 2018). In this case, all of the constructs have met the requirement of indicators reliability (outer loadings). In addition, all of the constructs have also met the requirement of AVE which is above 0.50 (Barclay, Higgins, & Thompson, 1995; Chin, 1998; Hair *et al.,* 2017; Urbach & Ahleman, 2010) (see Table 4.12). We therefore can conclude that convergent validity has been established for this study.

Table 4.12
Individual Item Reliability, Internal Consistent Reliability and Convergent Validity

Construct	Items	Outer Loadings	Cronbach's Alpha	Composite Reliability	AVE	Convergent Validity (AVE > 0.50)
VE	VE1	0.868	0.930	0.942	0.699	Yes
	VE2	0.858				
	VE3	0.767				
	VE4	0.879				
	VE5	0.867				
	VE6	0.802				
	VE7	0.806				
CIC	CIC1	0.629	0.778	0.837	0.509	Yes
	CIC2	0.629				
	CIC3	0.747				
	CIC5	0.778				
	CIC6	0.770				
EO	EO3	0.598	0.834	0.878	0.550	Yes
	EO5	0.758				
	EO6	0.711				
	EO7	0.899				
	EO8	0.761				
	EO9	0.688				
	EO8	0.761				
	EO9	0.688				
MO	MO1	0.836	0.954	0.959	0.611	Yes
	MO2	0.841				
	MO3	0.788				
	MO4	0.861				
	MO5	0.860				
	MO6	0.753				
	MO7	0.762				
	MO8	0.812				
	MO9	0.727				
	MO10	0.611				
	MO11	0.803				
	MO12	0.848				
	MO13	0.732				

Table 4.12 *(continued)*

Construct	Items	Outer Loadings	Cronbach's Alpha	Composite Reliability	AVE	Convergent Validity (AVE > 0.50)
	MO14	0.703				
	MO15	0.751				
FP	FP1	0.890	0.927	0.943	0.735	Yes
	FP2	0.905				
	FP3	0.844				
	FP4	0.900				
	FP5	0.864				
	FP6	0.728				

4.7.4 Ascertaining Discriminant Validity

Discriminant validity identifies that the construct is distinctly and conceptually different from the other constructs in the model (Duarte & Raposo, 2010; Hair *et al.,* 2017). Therefore, discriminant validity analysis designates that a construct is exclusive, stands on its own and does not characterize the other constructs. There are three ways that can be used to ascertain the discriminant validity of the constructs; namely, 'cross versus indicator' loading comparison, inspection of the Heterotrait-Monotrait (HTMT) ratio of correlation and Fornell-Larcker criterion.

In the first analysis of the discriminant validity of this study, the cross loadings are compared to the indicator loadings (Chin, 1998). According to Chin (1998) the indicator loadings should be higher than their cross-loadings in order to have a model with a sound discriminant validity. Table 4.13 demonstrates the comparison of the indicator loadings to the other reflective indicators. The result of the analysis shows that all indicator loadings are greater than their cross-loadings. Thus, the analysis shows that discriminant validity is established for the model.

Table 4.13
Cross Loading

	VE	CIC	EO	MO	FP
VE1	**0.868**	0.127	-0.049	0.143	0.135
VE2	**0.858**	0.110	0.012	0.152	0.121
VE3	**0.767**	-0.013	0.007	0.049	0.053
VE4	**0.879**	0.156	-0.024	0.244	0.252
VE5	**0.867**	0.048	-0.041	0.223	0.212
VE6	**0.802**	0.019	-0.045	0.190	0.197
VE7	**0.806**	0.058	-0.020	0.165	0.159
CIC1	0.043	**0.629**	0.092	0.229	0.165
CIC2	0.089	**0.629**	-0.021	0.197	0.139
CIC3	0.168	**0.747**	-0.003	0.480	0.422
CIC5	0.005	**0.778**	-0.062	0.374	0.337
CIC6	0.028	**0.770**	-0.031	0.437	0.385
EO3	0.060	-0.030	**0.598**	0.060	0.084
EO5	-0.071	0.046	**0.758**	0.117	0.086
EO6	-0.158	0.015	**0.711**	0.051	0.045
EO7	-0.006	-0.028	**0.899**	0.139	0.129
EO8	-0.029	-0.037	**0.761**	0.116	0.106
EO9	-0.011	-0.046	**0.688**	0.032	0.052
MO1	0.181	0.405	0.085	**0.890**	0.836
MO10	0.040	0.546	0.081	**0.611**	0.498
MO11	0.141	0.505	0.113	**0.803**	0.709
MO12	0.205	0.518	0.090	**0.848**	0.752
MO13	0.259	0.386	0.085	**0.732**	0.623
MO14	0.280	0.329	0.095	**0.703**	0.603
MO15	0.204	0.421	0.064	**0.751**	0.664
MO2	0.231	0.354	0.104	**0.905**	0.841
MO3	0.128	0.363	0.118	**0.844**	0.788
MO4	0.270	0.437	0.110	**0.900**	0.861
MO5	0.213	0.429	0.101	**0.864**	0.860
MO6	0.085	0.358	0.121	**0.753**	0.728
MO7	0.106	0.400	0.077	**0.762**	0.720
MO8	0.171	0.396	0.061	**0.812**	0.761
MO9	0.061	0.448	0.235	**0.727**	0.633
FP1	0.181	0.405	0.085	0.836	**0.890**
FP2	0.231	0.354	0.104	0.841	**0.905**
FP3	0.128	0.363	0.118	0.788	**0.844**
FP4	0.270	0.437	0.110	0.861	**0.900**
FP5	0.213	0.429	0.101	0.860	**0.864**
FP6	0.085	0.358	0.121	0.728	**0.753**

Secondly, discriminant validity can also be examined by examining the Fornell-Larcker criterion as proposed by Fornell and Larcker (1981). The analysis is done by comparing the squared correlation of the paired constructs with the AVEs of each construct (Fornell & Larcker, 1981). The square root of the AVEs should be greater than the correlations among the constructs (Hair *et al.,* 2017). As depicted in Table 4.14, the values of AVEs range between 0.714 and 0.857, all of which are higher than the value of the correlations among the constructs, suggesting the discriminant validity is established based on Fornell-Larcker criterion (Ringle *et al.*, 2015).

Table 4.14
Latent Variable Correlations and Square Roots of AVE (Fornell & Larker, 1981)

	CIC	**VE**	**EO**	**FP**	**MO**
CIC	**0.714**				
VE	0.096	**0.836**			
EO	-0.021	-0.033	**0.742**		
FP	0.457	0.219	0.124	**0.857**	
MO	0.528	0.223	0.130	0.762	**0.782**

Thirdly, the discriminant validity can be done by inspecting the Heterotrait-Monotrait (HTMT) ratio of correlation (Henseler, 2015). Kline (2011) and Gold, Malhotra, and Segars (2001) stated the HTMT value must not be more than 1.0 to establish a discriminant validity.

Table 4.15
Heterotrait-Monotrait (HTMT) Criterion

	CIC	**VE**	**EO**	**FP**	**MO**
CIC					
VE	0.134035				
EO	0.140685	0.094854			
FP	0.468346	0.204559	0.131587		
MO	0.560420	0.211990	0.146381	0.909409	

Note. CIC = Change Implementation Capacity; VE = Volatile Environment; EO = Entrepreneurial Orientation; FP = SMEs Performance; MO = Market Orientation.

Table 4.15 depicts the result of HTMT analysis with all the values of the Heterotrait-Monotrait criterion is not exceeding 1.0. The result also showed that correlation among the constructs are not more than 1.0 and therefore distinct each other. Therefore, the discriminant validity has been established. Conclusively, the three tests namely, cross loading comparison, Fornell-Larcker and HTMT analyses show that the measurement model meets the requirement for the discriminant validity of construct.

4.8 Assessment of Structural Model /Hypotheses Testing

For the inner model assessment, the present study applies standard bootstrapping procedure by PLS with a large subsamples (5000) regressed, one tailed test type and 0.05 significant level to assess significance of the path coefficients (Hair *et al.,* 2017). Figure 4.8 depicts the estimates for the full structural model including the moderating effect (i.e. Volatile Environment -VE).

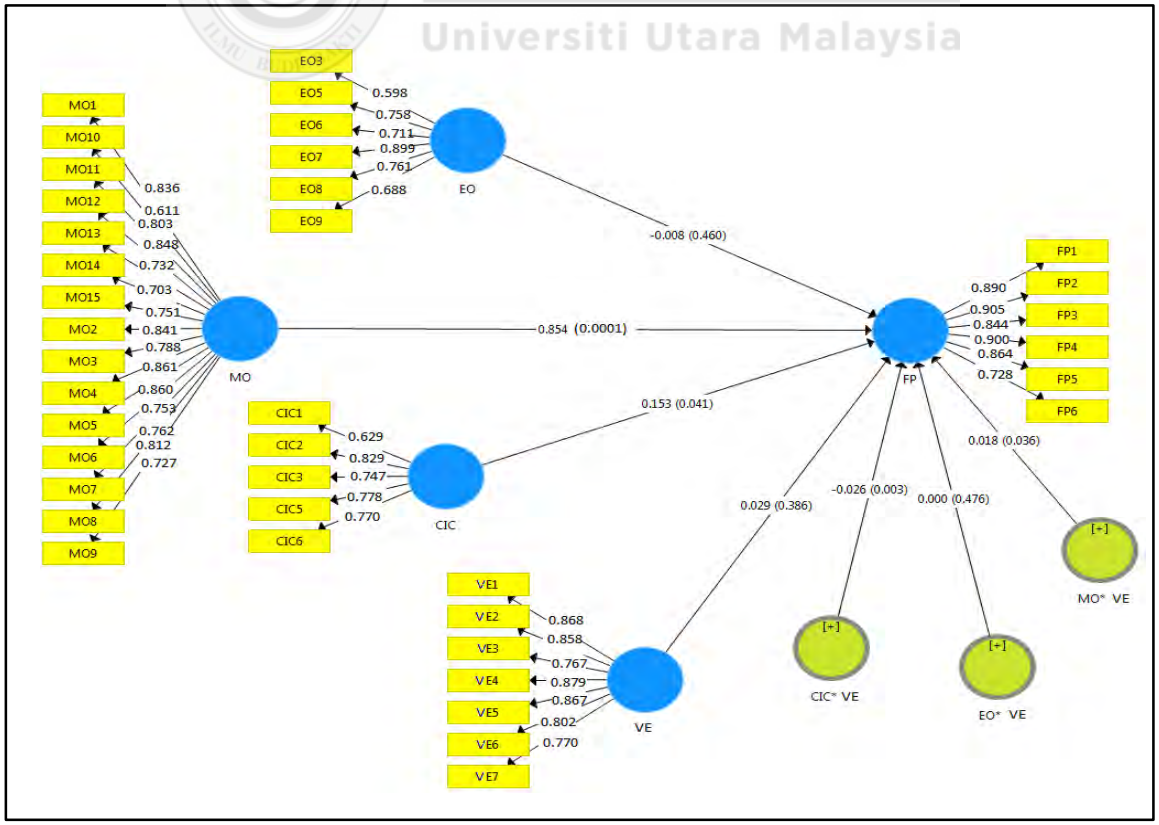


Figure 4.8
Structural Model with Moderating Effect (Full Model)

Before moving further in discussing the result of the assessment of structural model/hypotheses testing, first, existence of collinearity must be inspected.

4.8.1 Collinearity

As a precondition for structural model assessment, the collinearity must be examined. Even though the criteria of discriminant validity (vertical collinearity) are fulfilled, predictor-criterion collinearity should be also sufficed to ensure no two constructs or more are causally related (Kock & Lynn, 2012; Ramayah *et al.,* 2018). Using this method, the researcher needs to identify the inner variance inflation factor (VIF) values in determining possible collinearity issue. In order to ascertain there is no collinearity problem, the inner VIF values for all constructs should be less than the suggested threshold of 5 (Hair *et al.* (2017) or 3.3 (Diamantopoulus & Siguaw, 2006). In the present study, the VIF values are all less than 3.3 as shown in Table 4.16. Therefore, the next assessment of hypotheses testing or structural model (path coefficient) can be executed.

Table 4.16
Collinearity of Structural Model

Construct	FP
CIC	1.404
VE	1.058
EO	1.033
MO	1.493

Note. CIC = Change Implementation Capacity; VE = Volatile Environment; EO = Entrepreneurial Orientation; FP = SMEs Performance; MO = Market Orientation.

4.8.2 Structural Model Assessment (Direct Effect)

The structural model assessment (direct effect) analysis has been conducted in order to answer the research questions and to test the hypothesis 1 (H1), hypothesis 2(H2) and hypothesis 3 (H3) as follow:

1. There is a significant positive relationship between Entrepreneurial Orientation (EO) and SMEs Performance (FP) of retail firms in Malaysia
2. There is a significant positive relationship between Market orientation (MO) and SME performance (FP) of retail firms in Malaysia
3. There is a significant positive relationship between Change Implementation Capacity (CIC) and SME performance (FP) of retail firms in Malaysia

Table 4.16 demonstrates the results of the structural model path coefficient (direct effect) analysis to answer research question number one (RQ1).

This study applies the suggestion by Hair *et al.* (2017), who suggest the level of acceptance of p-value less than 0.05 ($p < 0.05$ – due to Confident Interval 95%) and t-value more than 1.645 ($t > 1.645$ for one tail) signify that a direct relationship exists between variables in the study.

Table 4.17
Structural Model Assessment (Direct Relationship)

Hypo-thesis	Relationship (Direct effect)	Original Sample (ß)	Standard deviation	T values	P values	Findings
H1	Entrepreneurial Orientation (EO) → SMEs Performance (FP)	-0.08	0.079	0.101	0.460	Not Supported
H2	Market Orientation (MO) → SMEs Performance (FP)	0.854	0.075	11.426	0.000	**Supported
H3	Change Implementation Capacity (CIC) → SMEs Performance (FP)	0.153	0.088	1.742	0.041	**Supported

Note: **Significant at 0.05 (one tailed)

From the above table, the result shows that Entrepreneurial Orientation (EO) does not has a positive significant relationship on SMEs Performance (FP) (ß =-0.08, t=0.101, p > 0.05). Due to p-value above the benchmark value of 0.05 for one-tailed regression, the relationship between EO and FP is not justified as significant. Thus, the result does not supported hypotheses 1 (H1) and thus rejected H1.

On the other hand, hypothesis 2 (H2) which predicts a significant positive association between Market Orientation (MO) and SMEs Performance (FP) is supported (ß =0.854, t=11.426, p < 0.05). Furthermore, hypothesis 3 (H3) predicting a significant positive relationship between Change Implementation Capacity (CIC) and SME Performance (FP) is also supported (ß =0.153, t=1.742, p < 0.05).

Conclusively, the result of the structural model path coefficient (direct effect) analysis found that MO and CIC do really have significant influence on the SMEs performance while such cannot be said of the relationship between EO and SMEs performance.

4.8.3 Assessment of Variance in the Dependent Variable (R^2)

In PLS-SEM analysis, the model's predictive accuracy is measured by the R squared (R^2) value (Hair *et al.,* 2017). The R^2 is also known as the coefficient of determination (Hair *et al.,* 2017; Henseler, 2009). The coefficient of determination demonstrates the amount of variance in the endogenous construct that is explained by all of the exogenous constructs linked to it (Ramayah *et al,* 2018; Hair *et al.,* 2017). In simple words, R^2 views the combination effect of exogenous constructs on endogenous construct. The effect ranges between 0 and 1, whereby the value closer to 1 indicates higher predictive accuracy (Ramayah *et al.*, 2018). However, Urbach and Ahlemann (2010) insisted that R square should be substantial enough for the model to achieve a minimum level of explanatory power.

Falk and Miller (1992) suggest that R^2 score of 0.10 is considered as a minimum value in assessing the strength of a model's predictive power. In the meantime, Chin (1998) considers that the R^2 is 0.67 (as significant), 0.33 (moderate) and 0.25 (small). On the other hand, Hair *et al.* (2017) suggest that the R^2 is 0.75 (as substantial), 0.50 (moderate) and 0.25 (weak). Table 4.18 shows the R squared values of the endogenous constructs in this study from the analysis by SEM-PLS.

Table 4.18
Variance Explained in the Endogenous Variable

Latent variables (endogenous)	R Square
SMEs Performance	0.929

As presented in Table 4.17, the research model explains 92.9 % (substantial/significant) of the total variance in the SMEs Performance, which is dependent variable. This suggests that three exogenous constructs: Entrepreneurial Orientation (EO), Market Orientation (MO) and Change Implementation Capacity (CIC) can mutually explain 92.9% of the variance of the endogenous construct, which is the SMEs Performance. Therefore, all of the exogenous latent variables showed an acceptable level of R^2 value, which was considered substantial level of predictive accuracy (Hair *et al.,* 2017).

4.8.4 Assessment of Effect Size (f^2)

Chin (1998) and Wong (2016) state that the role of effect size f^2 is used to assess on how strong a specific exogenous construct contributes to an endogenous construct by means of a change in R^2 if it is deleted from the model. In other words, f^2 examines how strong an exogenous construct reflecting an endogenous construct in term of R^2. The rule of thumb for assessing the effect size is 0.35 (as substantial effect), 0.15 (medium) and 0.02 (small). (Cohen, 1988).

Table 4.19 presents the result of the effect size of the exogenous latent variables on the endogenous variable.

Table 4.19
Effect Size of Exogenous Variables

Latent constructs		f^2	Size effect
Exogenous constructs	**Endogenous constructs**		
Entrepreneurial Orientation (EO)	SMEs Performance (FP)	0.001	Very Small
Market Orientation (MO)	SMEs Performance (FP)	0.940	Large
Change Implementation Capacity (CIC)	SMEs Performance (FP)	0.051	Small
Volatile Environment (VE)	SMEs Performance (FP)	0.000	

As presented in Table 4.18, the Entrepreneurial Orientation (EO) has very little effect (0.001) on the SMEs Performance (FP). The Market Orientation (MO) though has the largest effect on SMEs Performance (FP) with the size effect of 0.940. Meanwhile, the Change Implementation Capacity (CIC) has provided small effect size toward SMEs Performance (FP) with 0.051. However, Volatile Environment (DE) does not has any effect at all towards SMEs Performance (FP).

4.8.5 Assessment of Predictive Relevance (Q^2)

Next, the present research examines the Stone-Geisser's (Q^2) value to test the predictive relevance of the path model (Geisser, 1975; Stone, 1974). According to Duarte and Raposo (2010), Stone-Geisser's test of predictive relevance is used as an additional evaluation of goodness-of-fit in PLS-SEM. The Q^2 is a cross-validated redundancy measure and is obtained by using the blindfolding procedure. It applicable to endogenous construct with

reflective measurement model only (Hair *et al.,* 2017; Sattler, Völckner, Riediger, & Ringle, 2010).

Therefore, since the endogenous latent variable in the present study is reflective, Q^2 was calculated using PLS blindfolding procedure (Chin, 2010; Ringle, Sarstedt, & Straub, 2012). A research model with Q^2 greater than zero, it indicates the exogenous constructs have predictive relevance for the endogenous construct (Ramayah *et al.,* 2018; Henseler *et al.,* 2009).

Table 4.20
Construct Cross-Validated Redundancy

Construct	SSO	SSE	Q^2 (=1-SSE/SSO)
SMEs Performance (FP)	912.000	337.803	0.630

As presented in Table 4.19, the cross-validation redundancy measure (Q^2) for the four endogenous latent variables [Entrepreneurial Orientation (EO), Market Orientation (MO), Change Implementation Capacity (CIC) and Volatile Environment (VE)] were above zero (0.630). Therefore, it can be concluded that the model had predictive relevance.

4.9 Testing of Moderation Effect

The present research conducts the testing of moderating effect of Volatile Environment (VE) in order to response to the research question no. 4 to 6 (RQ4-6) via hypothesis 4 (H4), hypothesis 5 (H5) and hypothesis 6 (H6). The moderating effect is analysed using three procedures proposed by Hair *et al.* (2017). Three procedures comprise of (i) the evaluation of the model without a moderating effect, (ii) the evaluation of the model with the moderating effect and (iii) the evaluation of the change in R^2.

The above mentioned three procedures were applied to identify the interacting effect of Volatile Environment (VE). In the present study, the evaluation of moderating interaction effect is applied through a product indicator approach (Hair *et al*., 2017; Henseler & Chin, 2010) in order to determine and assess the strength of the moderating effect of Volatile Environment (VE) on the relationships between Entrepreneurial Orientation (EO), Market Orientation (MO), Change Implementation Capacity (CIC) and the SMEs Performance (FP).

The application of the interaction term of product indicator is suitable if the moderating variable is continuous (Rigdon, Schumacker, & Wothke, 1998). Hence, in order to assess the interaction effect using the product indicator, it requires taking the product terms between the indicators of the latent variable and the indicators of the latent moderator variable. Moderating effects exists if the interaction terms are significant (Hair *et al.,* 2017; Imam & Hengky, 2015). Figure 4.8 and Table 4.21 illustrate result of the interaction effects of Volatile Environment (VE) on the hypothesised relationships between exogenous constructs and the endogenous construct.

Table 4.21
Structural Model Assessment (Moderating Effect)

Hypo-thesis	Relationship (Moderating effect)	Original Sample (ß)	Standard deviation	T values	P values	Findings
H4	Volatile Environment (VE) * Entrepreneurial Orientation (EO) → SMEs Performance (FP)	0.000	0.008	0.059	0.476	Not Supported
H5	Volatile Environment (VE) * Market Orientation (MO) → SMEs Performance (FP)	0.018	0.01	1.803	0.036	**Supported
H6	Volatile Environment (VE) * Change Implementation Capacity (CIC) → SMEs Performance (FP)	-0.026	0.01	2.762	0.003	**Supported

Note: **Significant at p<0.05 (one tailed)

Table 4.21 shows that the hypothesis testing of the moderating effects of Volatile Environment (VE) on the relationship between SMEs Performance (FP) and its exogenous constructs is supported by two of the hypotheses, namely hypothesis 5 (H5) and hypothesis 6 (H6). On the other hand, no support is found with regard to the moderating effect of Volatile Environment (VE) on the relationship between Entrepreneurial Orientation (EO) and SMEs Performance (FP) (hypothesis no. 4 (H4)). To be specific, further discussion is clarified below.

Hypothesis 4 (H4) predicts that the relationship between Entrepreneurial Orientation (EO) and SMEs Performance (FP) is moderated by Volatile Environment (VE). The result of

this hypothesis, as shown in the preceding Table 4.21 and Figure 4.8 , is not supported (ß =0.000, t=0.059, p > 0.05). This concludes that, the Volatile Environment (VE) has no moderating effect on the relationship between Entrepreneurial Orientation (EO) and SMEs Performance (FP).

Hypothesis 5 (H5) posits that the relationship between Market Orientation (MO) and SMEs Performance (FP) is moderated by Volatile Environment (VE). The result of this hypothesis, as shown in Table 4.21 and Figure 4.8 does support the hypothesis (ß =0.018, t=1.803, p < 0.05) and thus, indicates that the relationship between Market Orientation (MO) and SMEs Performance (FP). Figure 4.9 demonstrates that Volatile Environment (VE) has a significant and positive relationship between the Market Orientation (MO) and SMEs Performance (FP).

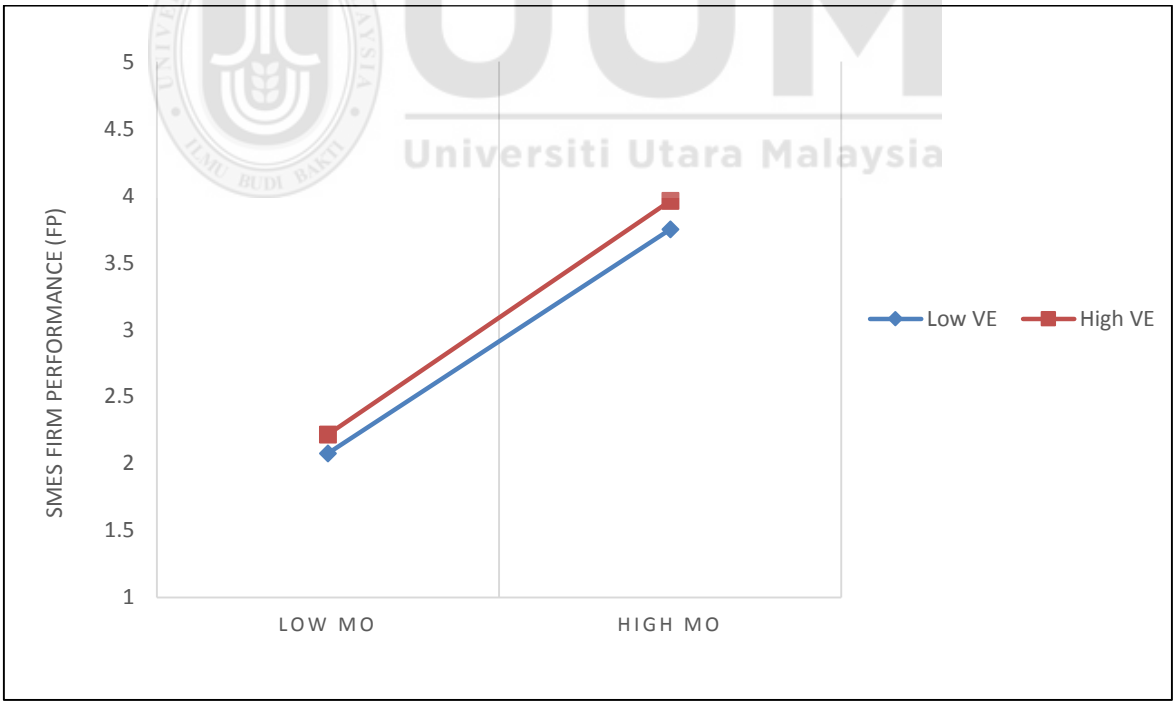


Figure 4.9
The Interaction Effect of Volatile Environment (VE) on the Relationship between Market Orientation (MO) and SMEs Performance (FP)

In order to interpret the interaction plots, the gradient of the slopes is determined (Ramayah *et al.,* 2018). As can be seen in Figure 4.9, the line labelled for high Volatile Environment (VE) has a steeper gradient compared to the low Volatile Environment (VE). This phenomenon indicates that the positive relationship of MO and FP is indeed stronger when Volatile Environment (VE) is high. The companies that display low MO differ a bit lower in performance either in low or high VE. This indicates the capacity of MO still beneficial during both environments.

Hypothesis 6 (H6) posits that the relationship between Change Implementation Capacity (CIC) and SMEs Performance (FP) is moderated by Volatile Environment (VE). The result of this hypothesis, as shown in Table 4.20 and Figure 4.8 is supported (ß =-0.026, t=2.762, $p < 0.05$) and this indicates that the relationship between Change Implementation Capacity (CIC) and SMEs Performance (FP) moderated by high Volatile Environment (VE). Figure 4.10 demonstrate that Volatile Environment (VE) has a significant and positive effect on the relationship between the Change Implementation Capacity (CIC) and SMEs Performance (FP).

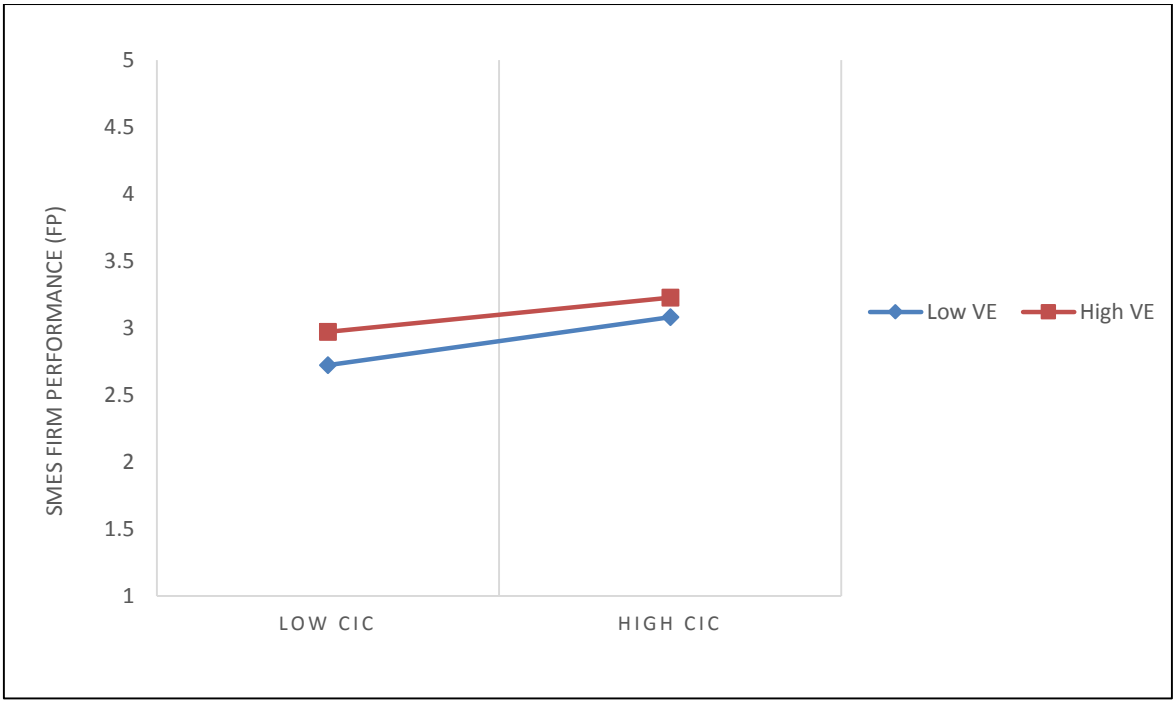


Figure 4.10
The Moderating Effect of Volatile Environment (VE) on the Relationship between Change Implementation Capacity (CIC) and SMEs Performance (FP)

As indicated in the Table 4.21, Volatile Environment (VE) significantly moderated the relationship between Change Implementation Capacity (CIC) and SMEs Performance (FP). Figure 4.10 shows that the relationship between Change Implementation Capacity (CIC) and SMEs Performance (FP) is strongest among the companies in high Volatile Environment (VE) influence. However, during the low VE, the firms possess skill of CIC still achieve better performance, only a slightly lower compared with performance during high VE.

4.9.1 Determining the Strength of Moderating Effects

The strength of moderating effect of VE on the relationship between exogenous latent constructs and endogenous construct is measured by using the effect sizes formula coined by Cohen (1988). The formula is as below:

$$\text{Effect Size } (f^2) = \frac{R^2 \text{ Included} - R^2 \text{ Excluded}}{1\text{-}R^2 \text{ Included}}$$

According to Cohen (1988), the strength of the effect size (f^2) value can be categorized as high effect (0.35), moderate effect (0.15) and weak effect (0.02). Nevertheless, Chin, Marcolin, and Newsted (2003) clarifies that the lower size effect (f^2) does not necessary indicate that the moderating effect is not significant.

The result of the analysis of the strength of the moderating effects in the research model is presented in Table 4.22.

Table 4.22
Strength of the Moderating Effects

Endogenous Variables	R Square (R^2)		F Squared (f^2)	Effect Size
	Included	Excluded		
SMEs Performance (FP)	0.929	0.927	0.029	Weak

From Table 4.22 the strength of the moderating effect of the high Volatile Environment is 0.029. According to Chin *et al.* (2003) and Cohen (1998), the strength of the moderating effect in the current study suggesting that the moderating effect was weak.

4.10 Summary of Research Findings

Based on the result of the analysis discussed in the previous sections, four out of six hypotheses are accepted as being significant. Besides, two hypotheses are rejected because the results are not significant. Table 4.23 summarises the results of all hypotheses tested including both the direct and with moderating effects.

Table 4.23
Summary of the Hypotheses Testing

Hypothesis	Statement	Findings
H1	There is a significant positive relationship between Entrepreneurial Orientation (EO) and SMEs Performance (FP)	Not Supported
H2	There is a significant positive relationship between Market orientation (MO) and SMEs performance (FP)	Supported
H3	There is a significant positive relationship between Change Implementation Capacity (CIC) and SMEs performance (FP)	Supported
H4	The relationship between Entrepreneurial Orientation (EO) and SMEs Performance (FP) is moderated by Volatile Environment (VE)	Not Supported
H5	The relationship between Market Orientation (MO) and SMEs Performance (FP) is moderated by Volatile Environment (VE)	Supported
H6	The relationship between Change Implementation Capacity (CIC) and SMEs Performance (FP) is moderated by Volatile Environment (VE)	Supported

With the result of hypotheses testing as above, the research questions as posted in section 1.3 have been answered as well as the research objectives stated in section 1.4 have being met.

4.11 Summary of the Chapter

This chapter discusses the major findings of the current study. This study uses the quantitative data collected through questionnaires which were distributed to a sample of 373 selected respondents. Out of 373 questionnaires, 154 questionnaires were returned and 152 questionnaires were useable for further analysis.

The preliminary analyses such as measurement of response rate, non-response bias, test of outliers, normality test, test of multicollinearity and common method variance were conducted prior to analysing the descriptive and inferential statistics. The respondents profile and other descriptive statistics were analysed using IBM SPSS statistics software. After establishing descriptive statistics, the inferential statistics was then performed to analyse hypotheses proposed. The inferential statistics is established using PLS-SEM with latest version of SmartPLS 3.2.6. This tests conducted include two procedures namely measurement model and structural model.

Also, in this chapter, the assessment of hypotheses testing was presented. In particular, the structural model' path coefficient discovered a positive relationship between: (i) Market Orientation (MO) and SMEs Performance (FP) and (ii) Change Implementation Capacity (CIC) and SMEs Performance (FP). These supported hypothesis 2(H2) and hypothesis 3 (H3) whereby hypothesis 1 (H1) was not supported. Moreover, this chapter also uncovered the presence of moderating effects of high Volatile Environment (VE) on the relationship between two independent variables and the dependent variable. Specifically, PLS-SEM path coefficient analysis designated that hypothesis 5 (H5) and hypothesis 6 (H6) were found significant whereas hypothesis 4 (H4) was not significant.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

The main purpose of this chapter is to summarise the results, discuss the findings and elaborate the contributions of the study to literature. This thesis also provides useful, additional insights and knowledge for the retail practitioners and agencies that are responsible for the SME growth in Malaysia in terms of retail firm's performance which includes the future direction, skills set and capability of the firms facing the same highly volatile environment in future. This chapter highlights the limitations upon the completion of the thesis and future research avenues based on that specified limitations. Finally, this chapter also presents the conclusion of the thesis.

5.2 Recapitulation of the Study's Findings

The main focus of this thesis is to examine three predictors of SMEs performance of the retail firms in Malaysia and the determining whether the external volatile environment strengthen or lessen (as moderator) the predictors-performance relationship. Many determinants have been identified by previous studies that have contributed to the superior SMEs performance. This study focuses only on three variables namely MO, EO and CIC. The study tends to determine whether the determinants of SMEs performance are also applied to retail subsector. The introduction of moderating construct of high VE makes this study more intriguing and valuable because this is the first attempt ever the combination of these models being analysed. Hence, this study fills the theoretical and practical gaps.

The raw data have been screened and undergone a preliminary analysis before they are run through multiple regression in SPSS software. Then, the empirical results of this study are regressed using SEM-PLS of Smart PLS v3.2.6. Structural Model Assessment and other evaluations have been executed in order to test six hypotheses and they show that two direct relationships and two moderating effects are supported. However, one direct relationship and one moderating effect are not effective.

5.3 Discussion of the Findings

The following subsection discusses the findings of the study which are aligned with the research objectives and questions provided in an earlier chapter.

5.3.1 EO and SMEs Performance

The first objective (RO1) of this thesis is to examine the direct relationship between EO and SMEs performance for the retail firms in Malaysia, focusing mainly on the central region of Peninsular Malaysia. Based on previous literature that mostly shows significant positive effect of EO-performance relationship, a positive relationship has been hypothesised. Rigorous tests and analyses using SEM-PLS path modelling have been executed on the respondents' data files.

Unlike the predicted relationship outcome, the hypothesis in the present thesis is not supported. It is found that no significant effect of relationship between both constructs in this retail subsector.

Even though many studies have been conducted worldwide such as by Martin and Rialp (2015), Arshad, Rasli, Arshad and Mohd Zain (2013), Gupta and Batra (2015), and Ruiz-Ortega *et al.* (2013), to name a few, which support the positive linkage of EO towards performance, many others are unable to find significant relationship.

As noted by Wiklund and Sherperd (2005), every business is unique and has different proposition compared with others. Most studies are focusing on SMEs as a whole or for certain categories like manufacturing and services whereas others focus on SMEs subsectors such as sport equipment (e.g. Hafeez, 2014), high technology industry (e.g. Arshad, Rasli, Arshad, & Mohd Zain, 2014) and many more but their preferences of business scopes are different from this present study. Therefore, the results from other category, subsectors and geographical areas may not represent other subsectors such as retail.

Moreover, various past studies support the absence of significance influence of EO towards performance (such as, Grimmer *et al.*, 2015; Aminu & Mohd Shariff, 2015). From a different perspective, certain scholars also argued that when EO and MO executed simultaneously, the effects of EO reduced drastically or become ineffective (Morgan *et al.,* 2014; Frishammar and Hörte, 2007).

The present study focuses on the retail firms that are in operation more than three years. Hence, the initial struggles to sustain the business which require more proactiveness, innovativeness and risk-taking are not the main priority. As the firms become mature with time where all the systems are in place, management and staff are more experienced, relationship with suppliers are well established and standard operating procedure is in order, the greater EO posture might not become a high priority anymore.

Furthermore, the retail firms may not enough resources to be more enterprising, innovative and taking risk in certain decisions to bring the companies to the greater high. For example, online business strategy is an innovative method that require resources to increase the visibility and the performance of the company. Another reason may due to small size of the company, isolated and less networking to increase its level of EO. Owner-managers

should focus on company expansion by replicating the current model or improving relationship with customers through service-relationship approach compared with the initial stage whereby they need to fight for business survival. Mature businesses strengthen their market approach and monitor the competitors closely.

Therefore, this study highlights the intriguing findings in which for mature retail firms in Malaysia, EO posture is not significant to the performance. As such this study has provided new insights on the effect of EO, in which EO does not influence the matured retail firm performance directly. The result of analysis has achieved the second objective of this study, which is to determine the significant relationship between EO and FP.

5.3.2 MO and SMEs Performance

Narver and Slater (1990) refers to MO as an organisational culture that is focusing on the information gathered from customers and intelligence derived from competitors. These information and data are disseminated to various functions within the organisations so that the firms can respond to the changing needs of markets. The first objective of this study is to determine the direct linkage between MO and SMEs performance of retail firms in Malaysia. In lieu with that, hypothesis two (H2) predicts that there is positive relationship between MO and the performance.

As predicted, SEM-PLS regression shows highly significant effect of MO-performance and is supported by the structural model path coefficient test. Therefore, H2 is supported. The significant positive effect confirms that MO is a critical determinant for the achievement of SMEs existence of retail firms and the intended superior performance. Hence, the result supports the research objective that the MO has positive effect on the performance. The finding is aligned with most results in previous studies on MO. For examples, studies by Narver and Slater (1990), Kajalo and Lindblom (2015), Tutar, Nart

and Bingol (2015, Mahmoud *et al.* (2016), Kazemian *et al.* (2016), Kazakov (2016), Beneke *et al.* (2016) and Matikainen *et al.* (2016).

In any business, response to markets cannot be side-lined. This customer-focus strategic orientation construct allows firms to understand market needs and develop suitable strategies in adding customers' values and in long terms will lead to customers' satisfaction and loyalty. Therefore, this finding is conforming to the propositions of RBV which postulates that valuable intangible resources owned by a firm is crucial in achieving sustainable competitive advantage and alleviating greater performance. Barney (2000) proposed that through response of markets information, firms can generate business strategy and value increment to create competitive advantage and be ahead of other competitors.

Therefore, it can be concluded that MO is an essence of the retail firms' performance in Malaysia. MO and performance cannot work in isolation. Owner–managers of firms are suggested to invest in skills like recognising customer needs and wants, attracting more customers and retaining current customers. The result of the analysis for direct relationship has met the first objective of this study, namely to examine the significant positive effect of interaction between MO and FP.

5.3.3 CIC and SMEs Performance

CIC is one of management capabilities which relates to the ability to reconfigure resources and implement change effectively. Some scholars explained the capability from the Resource-based view theory (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984) but current researchers challenge the theory as being static and ignorant on the aspect of environment volatility (Eisenhardt & Martin, 2000; Wang & Ahmed, 2007). Then, Teece, Pisano and Shuen (1997) extended the theory and it became Dynamic Capabilities View theory which

highlights the context of dynamic environment. Thus, this study determines the relationship according to the RQ3 and synchronises it with RO3 where positive effect of CIC on the performance is to be determined.

As predicted, the empirical study of 152 retail firms using SEM-PLS dictates significant positive effect between the two latent constructs. As such, the H3 is supported. The significant positive relationship indicates that CIC is crucial in the achievement of superior SMEs performance after taking into consideration of high VE period during the study.

The finding agrees with the previous results that suggest the importance of firms to stress on this universal capability of adapting to environment, renewing and reconfiguring their resources and addressing environment change (Li & Liu, 2012; Ambrosini & Bowman, 2009; Helfat & Peteraf, 2009; Teece, 2007).

Subsequently, this research model supports the Dynamic Capability View theory (DCV) which enforces the capability of firms to build, integrate and reconfigure external and internal competencies and resources, and its capabilities to adapt to rapid changes environment in order to stay competitive and vibrant. CIC is a key for retail firms in searching for competitive advantages and better performance during the high environmental volatility. Owner-managers of retail firms in Malaysia in this study prove that the skills of problem solving, sensing opportunity and threats, making ad hoc decisions more frequent due to rapid changes, implementing strategic decisions and changes for the right direction are the markers for their firm performance. Furthermore, from the result of analysis, objective of this study to examine the significant positive relationship between CIC and FP has been achieved.

5.3.4 VE as Moderator between EO and SMEs Performance

The fourth objective (RO4) of this study is to examine the role of high VE as a moderator on the linkage between EO and SMEs performance of retail firms in Malaysia. Thus, a regression using SEM-PLS path modelling has been performed to determine the significant moderating effect as stated in H4 and RO4.

Contrary to the predicted hypothesis, this study found that high VE does not moderate the EO-SMEs performance relationship. Hence, the H4 is not supported. Therefore, during this type of environmental volatility, firms do not boost their EO activities and at the same time there is no linkage towards performance indication. This finding aligns with the findings of Wales (2011) and Zellweger and Sieger (2012). They argued that during highly volatile environment, greater EO posture does not bring positive effect towards FP. Rather, the EO may decrease due to high uncertainty and rapid changes.

In addition, Kultumus and Warner (2015) suggested that the EO-performance is not effective during the high volatile environment. They argued during this period, firms encounter difficulties in finding the financial support, condition of stagnant market and demand; and turbulent environment which create a negative environment. Thus, firms tend to be more market oriented when reconfiguring the resources and skills of their management. Hence, with the non-existence of EO, the impact of high VE is not significant to their EO-SMEs Performance.

According to Pratono and Mahmood (2016), firms tend to reduce their EO activities during high volatile environment. Firms which possess high EO during predictable environment will perform better. However, they will perform poorly during high volatile environment if high EO activities are still maintained.

Therefore, the role of EO is definitely be determined by the environment surrounding the business. The greater or lower effect of EO on performance is contingent on the high or

low volatile environment. Being a proactive firm is beneficial during low volatile environment in which the entrepreneurial firms may have many advantages (ample time, resources and predictable demand) in reconciling and prioritising their goal to successfully meeting their required performance (Nambisan and Baron, 2013). During this period, firms can introduce new innovations and take more risks without the stringent of financial capacity and market preference. However, during extreme volatile environment, firms become extra cautious and more risk-tolerant in order to cope with the unpredictable preferences and changing demands. In addition, this period sees SMEs struggle with financial difficulties because of their small scales and limited resources.

5.3.5 VE as Moderator between MO and SMEs Performance

The RO2 of this study is to examine whether the high VE moderates the relationship between MO and SMEs performance of retail firms in Malaysia. Thus, the objective leads to the testing of H5 which hypothesises that high VE moderates the relationship. The Structural Model Assessment result demonstrates that VE moderated the relationship between MO and performance. Hence, the result confirms the research objective five. The finding is in lieu with results from past studies performed by Mahmoud *et al.* (2016), Mahmoud (2011), Wang *et al.* (2012) and Tang and Hull (2012) that investigate the effect of high VE on the performance achievement.

High VE strengthens the linkage of MO-SMEs performance and supports the notion by Wiklund and Sherperd (2005) and Pratono and Mahmood (2016) that the firm performance depends on the volatility of environment surrounding the business. The success or failure of the firms during this situation is contingent to their adaptability to the unpredictability of demand, rapid changes of markets and uncertainty of customer's preference.

During the high unpredictable situation and rapid change environment, firms tend to shift the priority towards greater market effectiveness. The activities of gathering customers' feedback, responding to other competitors' strategy, and brainstorming ways and strategies with all functional departments within organisations are crucial to remain competitive and increase firm performance. Thus, the relationship between MO and SMEs performance for retail firms in Malaysia is moderated by the high VE.

5.3.6 VE as Moderator between CIC and SMEs Performance

The RO6 of this study is to examine the moderating role of high VE on the CIC towards SMEs performance of retail firms in Malaysia. Thus, this objective leads to the testing of H6 which proposes that VE moderates the linkage.

From the Structural Model Assessment (Moderating Effect) testing, the result shows significant effect of the moderating role. Therefore, the hypothesis six (H6) is supported. This result is aligned with the studies by Nedzinskas *et al.* (2013), Baretto (2010), Teece (2007) and Calantone *et al.* (2003).

Hence, the CIC and performance are moderated by high VE. This may not be effective during low (stable) or moderate VE. During the high VE, retail entrepreneurs become more sensitive towards opportunities, threats, and customer preferences and enhance their adaptability on environment. Changes are made frequently and organisational structure becomes more flexible or less centralised. This organic organisation allows fast responses and changes to improve firm performance. In summary, the fiercer the environment volatility, the more SMEs should focus on the CIC. In other words, the Malaysian SMEs retail firms should be ready to increase their CIC when the business environment turns hostile.

From the moderating effect testing of high VE on EO-FP, MO-FP and CIC-FP relationships, the results have met the sixth objective of this study.

5.4 Contributions and Implications of the Study

During the course of this study, many insights have been revealed regarding the predictors of the firm's performance. This study is one of the founding research in a developing country that outlines the effects of MO, EO and CIC specifically on the retail firms' performance. In addition, this study endeavours to expand the boundary of current literature by investigating whether high volatile environment (VE) strengthen or lessen those relationships. By integrating the exogenous constructs, the present study claims significant relevant contributions to the body of knowledge and propose suggestions for the considerations of agencies regulating SMEs and retail firms. The main contributions of this study are elaborated in the subsequent sub-sections.

5.4.1 Theoretical and Methodological Contributions

As per discussion in the significance of the study section in Chapter 1, the contributions of this study come in various forms and can be explained as follows.

Despite of finding from past studies which indicate that CIC is important during high volatile environment (Eisenhardt and Martin, 2000; Teece *et al.*, 1997; Nedzikas *et al.* 2015; Imran *et al.*, 2016) but worthless during stable environment (as per studies of Wu, 2010; Miles, 2012), this study instead proven that this capacity is still beneficial for both environments, as supported by Li and Liu (2014) study. Therefore, this findings added the new insight for the retail subsector environment and performance studies.

This thesis provides a valuable support to the Dynamic Capabilities View (DCV) theory which is founded from Teece *et al.* (1997) that considers dynamic capabilities construct

like CIC that enables firms to reconfigure, redeploy, seize opportunities, change and deal with conflicts effectively against unpredictable and rapid changes environment surrounding the ecosystem of the firms. By studying the moderating effects of high VE and change implementation capacity, the DCV is supported.

Previous studies have also examined the effect of EO and MO either in combination of constructs or by individual construct which is a basis in improving performance of SMEs (such as Covin & Slevin, 1989; Gupta & Batra, 2015; Hong *et al.,* 2013; Najafi-Tavani *et al.,* 2016; Kajalo & Lindblom, 2015; Suliyanto & Rahab, 2012; Amin *et al.*, 2016). This study has extended the theoretical framework and literature by combining other construct, namely Change Implementation Capacity in order to determine whether the new construct is also a contributor to SMEs performance, specifically to retail subsector. This study makes a significant addition to a scarce list of qualitative studies linking the SMEs performance with change implementation capability. A number of case studies were conducted but only on functional level, however very seldom on the organisational level as well as the shortage of quantitative studies on CIC in retail subsector.

Furthermore, this study has been executed during the period of highly volatile environment that existed once in a few years such as during the global financial crisis in 1998, Asia financial crisis in 2008 and current period of economic crisis (2015-2018). Hence, this study has added a moderating effect of high VE towards the determination of independent variables relationship with performance. The study of the moderator becomes a notable contribution to literature because the occasion exists rarely.

The results show that EO is not effective during the high VE whereas a combination of MO and CIC is evidently strong. The owner-managers of SMEs retail firms emphasize more on situational market and the capability to react and change rapidly due to the

unpredictable demands and changing of customer preferences, "price war" and intensity of competitor actions during the critical period. Additionally, the EO may not be emphasised by SMEs during this high volatility due to constraint of financial and other resources but it may be different for large organisations. Therefore, the control for firm size variable in this study has been determined earlier. As such, the results are very useful and provide valuable insights to owner-managers of SME retail firms.

Moreover, rigorous tests have been conducted to validate the hypotheses. The result yields a very strong relationship between MO and SMEs performance, indicating that market-oriented elements namely, competitor orientation, customer orientation and close inter-functional affairs play pivotal roles in weathering the challenging environment.

This thesis also strengthens the resource-based view (RBV) which theorises that unique resources generate the competitive advantage and enhance performance of a firm. This supports the views of Wernerfelt, 1984; Caves, 1980; Barney, 1991 and Peteraf and Barney, 2003 on RBV. RBV also theorises that one construct alone cannot contribute to improved performance (Kajalo & Lindblom, 2015) and this is proven by the combination magnitude of MO and dynamic capability construct, CIC.

On the perspective of methodological implication, this thesis contributes in enhancing the quantitative methodological approach starting with the preliminary analysis, measurement model and structural model techniques. A combination of recent techniques suggested by Pallant (2016) for data streaming using SPSS tools and Hair *et al.* (2017) for further analyses using PLS-SEM have been executed in order to obtain accurate and reliable results. For example, instead of using mean or median replacement for missing values employed by many researchers, this study further assesses the use of Little's MCAR and expectation-maximisation (EM) for missing values that are proven as missing completely

at random. Similarly, a suggestion by Hair *et al.* (2017) to execute rigorous tests for outer and inner models have been performed.

Most previous studies in strategic management and performance literature employ SPSS, SEM and AMOS. Traditional approaches through correlation analysis and multiple regression through SPSS have some limitations in explaining the effects between variables. This is due to the SPSS features that are capable to regress mostly on the variables level but unable to regress on the individual measurement items concurrently (Chua, 2014; Awang, Aftanorhan, & Mamat, 2015). This thesis employs PLS-SEM path modelling to assess the psychometric properties of each latent variable sourcing from its items. Convergent validity, and discriminant validity have been assessed through this application. Convergent validity is assessed by examining the value of AVE for each latent variable. Discriminant validity is determined by comparing the correlation among constructs and moderating effects are realised through bootstrapping of PLS path modelling. PLS path modelling provides an opportunity for testing the robustness and predictive power of tools used in a study that explores performance of SMEs in Malaysia. Hence, the present dissertation represents a unique methodological contribution.

Even though PLS-SEM has received remarkable applications in the recent past, only a few of its applications estimate some advanced level of PLS analysis such as effect sizes (f^2), predictive relevance (Q^2) and effect size of the predictive relevance (q^2). Calculating these further enhances the understanding on the most important exogenous variable in explaining the R^2 of the endogenous latent variable in a given model and the predictive capability of the model. Furthermore, a graphical representation of the moderation plots is provided in the current thesis. This further enriches understanding on the moderation effects. Consequently, using PLS path modelling in the study of strategic orientations and

dynamic capabilities constructs of SMEs provides a new framework for comparisons of results attained from past studies that use different tools of analysis and results.

5.4.2 Practical and Managerial Implications

The results of this study have important practical contributions and managerial implications for policy makers and SMEs retail firms' owner-managers. With regards to the implications, policy-makers generally and retail firm's owners-managers specifically may take significantly important measures for alleviating the performance of retail firms in developing countries especially in Malaysia.

Studies on the predictors of retail firms' performance especially during challenging environment are scarce. Hence, this study provides scholarly and practical insights on whether market orientation, entrepreneurial orientation and change implementation capacity, influenced by high volatile environment can enhance the overall SMEs performance of retail firms.

The findings also clearly reveal that MO and CIC can act as the basis for improved firm performance in the context of retailers in Malaysia. Therefore, retailers should recognise both MO and CIC as their valuable business goals and management cultures to adopt as both constructs fit well in the turbulence or highly volatile environment.

As retail is a customer-centric business, MO is considered highly crucial towards the achievement of firm performance. More effort and resources should be deployed by the retail firms to understand the customers changing preferences, gather information on the competitors' actions such as their approaches of marketing strategy (4P – competitive selling price, products preferred by customers, strategic place of outlets and promotion) and coordination of their functional departments to realise the sales objective. Retailers

should also allocate efforts on new media markets and on-line marketing such as internet, social media and business portal. Based on the Malaysian Business Sentiment Survey 2016/2017 (Monash University Malaysia, 2017) the on-line market becomes dynamically important as supported by 53 percent of their respondents. This is supported by past literature which suggest that adoption of online marketing or e-commerce may positively increase SMEs performance (Abebe, 2014; Stockdale & Standing, 2004).

The survey also reports that critical thinking skills (as one element of CIC) is contributing to business enhancement and competitiveness as believed by 70 percent of respondents (senior managers). Therefore, aggressive orientation on market situations may differentiate greater performance of one retailer above other. Hence, retail firms should invest more knowledge and skills to strengthen their MO and CIC in order to sustain their competitive advantages and greater performance.

Moreover, the capacity to reconfigure and redeploy their existence resources become the stable source of competitive advantages and performance achievement. This is strengthened by the capacity of implementing ad-hoc and frequent changes, and making timely decisions based on the changing environments. These are the essence of CIC. As such, it is very important for retail firms to invest and have the human resources that always alert for any circumstances of changing environments.

Furthermore, this thesis interestingly reveals that even though EO is considered highly important by many researchers, matured SME retail firms may not emphasise on EO's dimensions like proactiveness, innovativeness and risk-taking cultures. It might be highly important during the early stage of firm's establishment especially during its first three years of operations. However, once they have established in the marketplace, the focus has shifted to market orientation because the retail firms play the role of selling end-

products produced by manufacturers to mass customers. Unlike manufacturers, they are not the product designers or creators of new products but as a mediator between initiator and end-users.

Moreover, the retail firms should recognise the impact of MO and CIC which are dependent on the environment volatility. For example, the higher the intensity of competition, the higher the MO activities are applied. Similarly, the higher the unpredictability of competitor acts and customer needs, the higher is the reliant on the CIC. Therefore, the firms can quickly deal with uncertainty and conflict; and strategic changes can be efficiently carried out. Retail firms should be sensitive and able to respond to either internal or external environment changes in order to react effectively. As for this thesis, the high volatile environment moderates the implication of MO and CIC towards performance. Hence, retail firm owner-managers should have holistic views and comprehension on types of environment they are operating in. A different environment may posit different approach, orientation and capacity requirement.

Next, this thesis recognizes that retail firms' age plays an important role in influencing performance, therefore it should be maintained as a control variable. If it is not accounted as control variable, it will also affect the direct relationship effects of EO and performance as well as CIC and performance.

From policy implication perspective, policy makers should fully support the retail growth. For certain reasons, the retail firms' performance still lags behind the global benchmark of retail growth. The policy makers have to place a greater emphasis on transforming the traditional type of retailing to modern one by locating SMEs retail firms at shopping malls as alternative retail spaces. This can effectively carried out through imposing policy of

certain percentage of mall spaces to be given to SMEs at super discounted rate and in turn, the mall owners will be given tax deduction or rebate.

In addition, the government can also allocate more fund to government-related agencies to purchase retail lots and then rent them out to the SMEs at affordable rates. The agencies in long-term will benefit from appreciation of property value whereas SMEs retail firms will gain strategic location and better revenue which equals to higher income tax to the government and job opportunities. The policy-makers should also plan a livelier retail business centres at urban and smaller cities as implemented in Turkey. The so-called central business district (CBD) will become a major appeal to citizens whereby local municipals provide retail outlets with larger pedestrian areas, clean, comfortable and ample green areas with amenities, adequate parking lots and public transportation facilities to the CBD (Erkip & Ozuduru, 2015).

Finally, exposure and training can expedite human capital expertise as the main drivers for valuable intangible asset of a firm. SMEs or related government agencies should frequently launch training programs and workshops to improve strategic orientation skills and educate employees on how to respond to external and internal environment of a firm. Future extensive trainings should also be given for modernising the retail outlets so that traditional retailers can become more productive and assertive on the practicality of modern retailing such as comfortable ambience, effective merchandising and planogram (technique of display merchandises), synchronised inventory management, computerised point of sales (POS), media marketing and customer relationship. These trainings can be conducted for retail practitioners or the modules can be included in curriculum for technical or higher institutions. This will create awareness that leads to higher firm performance, better business environment and more effective work culture.

5.5 Limitation of the Study

Research on entrepreneur, social science and economics studies often encounter many limitations. The present dissertation focuses on the performance of the SMEs in retail subsector. Objective financial data are lacking which restricts an analysis as far as firm's performance is concerned. It is measured based on the owner-managers' subjective assessment on the given measures. However, according to Keh, Nguyen and Ping (2007), "the use of perceptual measures is a common issue in organisational research, and as reflected in other studies, objective and subjective measures are highly correlated, even though they are separate constructs".

Other objective of this thesis is to determine the internal organisational entrepreneurial posture that a firm possesses such as entrepreneurial orientation, market orientation, and the management capability namely, change implementation capacity of the firm's owner-managers with moderating effects of highly volatile environment. However, this thesis does not examine the moderating effect of other types of environments such as low volatile (stable) and medium volatile (moderate). This thesis also does not embed any mediating effect.

Moreover, the performance of SMEs in retail business might be influenced by various variables such as organisational characteristics, strategic orientations dimensions, entrepreneurial attributes, and other external forces surrounding the business establishment. However, due to time factor, this dissertation focuses on three predictors only, namely EO, MO and CIC. No other determinants have been examined due to the constraints of time and resources.

Moreover, the study is restricted to the context of central region of Malaysia which consists of Selangor, Kuala Lumpur, Putrajaya and Negeri Sembilan only for high number of retail firms are concentrated there. Due to the homogeneity of the retail industry, the generalisation of the results can still be made. On the other hand, the other limitation is small return rates compared with the whole population. Furthermore, qualitative approaches such as experts' opinion, focus group discussion and observation are not being conducted.

In addition, this study focuses on the retail businesses that have been operating for three years or more based on the definition of performed organisation dictated by several studies (e.g. Taomina & Lao, 2007; Dafna, 2008, Zafir & Fazilah, 2011). They support the notion that performed firm should be in business for three years or more. Vesper (1990) revealed that only 10% ventures survive after these periods of operations. Despite that, this thesis employs financial performance of firm's sales growth, profitability and market share (financial indicators) as the key determinants to measure firm performance (such as proposed by Gupta & Batra, 2015; Suliyanto & Rahab, 2012; Wiklund & Sherperd, 2005). Employee growth, customer growth and customer satisfaction are employed as non-financial indicators of firm performance (Gruber-Mueckle & Hofer, 2015; Suliyanto & Rahab, 2012). No other performance elements are used due to time and resources limitations.

The definition of SME has been adopted from the SME Corp. of Malaysia. Therefore, micro-enterprises (employee less than five persons or sales below RM300,000 annually) and large retail enterprises (hypermarket, superstore and retail chain outlets) have not been taken into consideration. This study is constrained to the registered SMEs in the retail sectors derived from the SME Corp website, which are registered under the Distributive

Trade category. Therefore, unregistered retailers are not included in this research parameters.

5.6 Recommendation of Future Research

The study of entrepreneurial is very wide and continuous in determining SMEs performance indicators and factors that intervene or mediate them. This thesis proposes a significant framework relating to three important constructs found in literature streams namely MO, EO and CIC. It is suggested that this framework be tested in different developing countries for retail subsector in order to generalise the findings. The same framework can also be applied for micro-sized retailers or large firms in future. Additionally, the framework can also be tested across different sectors (services, manufacturing or others), industries or subsectors and the differences of impact on the firms' performance can be investigated as well.

The present thesis is carried out based on cross-sectional approach in which the data are collected once during the study. It is recommended that longer period of time is allocated, for example three consecutive years so that we can see the trend of impact on the performance over time. This longitudinal approach will provide more information and reflect an in-depth understanding of the cause and effect of the relationships.

Furthermore, the future research may test other constructs in addition to current frameworks such as other strategic orientations constructs as well as other dynamic capabilities variables like technology orientation, learning orientation, relationship orientation, management competence, technical competence, alliance management capability, integrative capability, absorptive capacity and others which can be embedded into the current frame work.

The future research should note that there are different levels of environmental volatility. Therefore, a new research can utilize the same framework during stable (low dynamism) and moderate environments. Hence, a better understanding will be gained on the change implementation capability for various environments.

In addition, future research can employ other moderators such as entrepreneurial ambidexterity, government support, absorptive capacity, supply chain effectiveness, marketing capability or organisational inertia (processes, resources and path dependency) to examine the impact on financial and non-financial performance.

Furthermore, the future research may use real financial data instead of perceptions of owner-managers. Even though it is very difficult to get financial statement from SMEs owner-managers, if a proper planning (such as a deal with gate-keeper) and ample time are given, this project can be realised. The results of firm performance are expected to be more accurate if analysis is made on audited financial statements.

Considering the inability of the current thesis to acquire larger samples due to financial and logistic constraints, the future research should obtain fund and expand to the entire Peninsula Malaysia, Sabah and Sarawak. This will enhance the generalisation of findings of this framework. Future researchers can also apply multi-dimensional aspects for all exogenous constructs in order to get more information and comprehensive results because the present study applies unidimensional aspect only.

Finally, it is also recommended that other means of collecting data such as qualitative, mixed methods and/or interviewing experts can be gauged to gain a better perspective on determining constructs for SMEs performance of retail firms. The future researchers may also extend the firm performance dimensions to attain deeper insights.

5.7 Conclusions

The motivation to embark on this study is because studies on performance determinants in retail subsector are scarce. Thus, this study is considered a pioneer attempt to examine three predictors namely MO, EO and CIC with the moderating effect of high VE. The first two constructs are extensively studied from the perspective of SMEs performance but the individual retail subsector scope is lacking. The current thesis also extends past studies on strategic orientation by incorporating important determinants and role of high VE as a moderator.

CIC is selected as the third determinant due to the context of current high volatile environment surrounding the global retail business. The findings suggest that high VE significantly moderates the relationship between MO as well as CIC and retail firms' performance. On the contrary, it does not moderate the relationship between EO and performance. Thus, the study substantially adds to the academic's existing literature and practical knowledge for retailers on retail firms' performance; and as a starting point of framework for other researchers to explore for other predictors and intervening factors. Even though, the thesis focuses on retail subsectors in Malaysia some generalisations can be applied to other services subsectors or overall SMEs as well.

Policy-makers benefit from the findings for a few suggestions which might be useful for the future of retail subsector. As the government's vision is to make Malaysia as a shopping haven, findings and recommendations from this study are expected to contribute fundamental insights for future planning.

In conclusion, the main contribution of this study is in three fold. First, it answers various questions regarding the variables' effects towards performance. Second, the study employs one type of volatile environment in order to explain inconsistencies that exist

between the relationship between MO, EO, CIC and performance. Third, this study is unique because the data cannot be undertaken at all times due to the rare cycles of high VE. However, at the same time, it provides opportunities of an in-depth studies on other occasions, such as stable and moderate environments when the cycles arrive. This is also beneficial for the retail subsector performance study.

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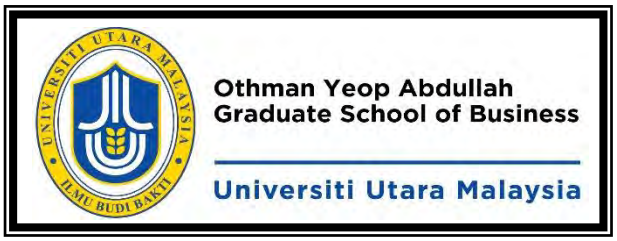
APPENDICES

Appendix 1: Survey Questionnaire



SOAL SELIDIK

KESAN PENYEDERHANAAN PERUBAHAN PERSEKITARAN LUARAN KE ATAS HUBUNGAN DI ANTARA ORIENTASI KEUSAHAWANAN, ORIENTASI PASARAN, KEUPAYAAN MELAKSANAKAN PERUBAHAN DAN PRESTASI PERNIAGAAN KECIL DAN SEDERHANA (SME) SEKTOR PERUNCITAN

Penyelidik DBA: Mohd Nizam Abdul Kadir

Penyelia Utama: Prof. Dr. Mohd. Noor Mohd Shariff

Penyelia Bersama: Dr. Jauriyah Shamsuddin

PERAKUAN PERSETUJUAN

Tujuan Kajian

Tujuan kajian ini adalah untuk mengumpul maklumat berkaitan faktor-faktor yang mempengaruhi prestasi firma dan mengenalpasti kesan persekitaran luaran dalam perniagaan kecil dan sederhana sektor peruncitan di Malaysia.

Maklumat Penyelidik

Kajian ini dikendalikan oleh Mohd Nizam Abdul Kadir, calon Doktor Pentadbiran Perniagaan (DBA) di OYA Graduate Business School, Universiti Utara Malaysia, Sintok di bawah penyeliaan Prof. Dr. Mohd Noor Mohd Shariff and Dr. Jauriyah Shamsuddin.

Prosedur

Sekiranya anda bersetuju untuk mengambil bahagian dalam **soal selidik** ini, sila berikan respon anda kepada soal selidik dan hantarkan maklumbalas kepada kami dengan menggunakan sampul surat yang beralamat dan bersetem yang disediakan.

Penyertaan

Penyertaan di dalam soal selidik ini adalah atas dasar **sukarela**. Anda berhak untuk tidak mengambil bahagian atau menarik diri pada bila-bila masa tanpa sebarang makluman. Sekiranya anda ada sebarang pertanyaan berkaitan dengan kajian ini atau permasalahan berkaitan soal selidik ini, sila hubungi saya melalui 012 3931159, or nizam.mnl@gmail.com

Sekiranya anda ada sebarang pertanyaan berkaitan hak anda sebagai peserta soal selidik ini, sila hubungi individu-individu berikut:

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Kerahsiaan

Sekiranya anda bersetujui mengambil bahagian dalam soal selidik ini, kami akan **merahsiakan identiti anda sepenuhnya**. Untuk makluman anda, dalam melaporkan data, maklumat yang anda berikan akan dipindahkan ke dalam borang agregat dan tidak akan dilaporkan dalam bentuk maklumbalas individu/organisasi. Semua data terkumpul soal selidik ini akan disimpan di dalam tempat yang terkawal dan kebenaran/akses akan hanya diberikan kepada individu yang ada kaitan lansung dengan soal selidik ini sahaja.

Kenyataan-kenyataan berikut menilai persepsi anda berkaitan **faktor-faktor penentu prestasi syarikat anda**. Tandakan (√) untuk menunjukkan tahap anda bersetuju dengan kenyataan-kenyataan berikut berdasarkan skala yang diberikan.

1	2	3	4	5	6	7
AMAT TIDAK BERSETUJU	TIDAK BERSETUJU	AGAK TIDAK BERSETUJU	TIDAK PASTI	AGAK BERSETUJU	SETUJU	AMAT BERSETUJU

	ORIENTASI KEUSAHAWANAN *Apakah tahap penerimaan anda bagi kenyataan-kenyataan berikut berkaitan dengan organisasi anda?*							
1	Firma kami memberi penekanan kepada kepimpinan berteknologi dan inovasi.	1	2	3	4	5	6	7
2	Perubahan dalam produk dan perkhidmatan di firma kami amat dramatik.	1	2	3	4	5	6	7
3	Firma kami sentiasa menawarkan pelbagai produk dan perkhidmatan baru	1	2	3	4	5	6	7
4	Kebiasaannya firma kami merintis langkah yang menjadi ikutan pesaing-pesaing kami.	1	2	3	4	5	6	7
5	Firma kami sering menjadi perintis dalam memperkenalkan produk/perkhidmatan baru.	1	2	3	4	5	6	7
6	Firma kami selalunya mengguna-pakai pendekatan "atasi pesaing" (*undo–the-competitors)* secara sengit.	1	2	3	4	5	6	7
7	Firma kami memiliki kecenderungan yang kuat dalam projek-projek berisiko tinggi.	1	2	3	4	5	6	7
8	Mengikut peredaran masa, berani dan membuat tindakan-tindakan besar amat penting untuk mencapai objektif	1	2	3	4	5	6	7
9	Apabila wujud ketidakpastian dalam membuat keputusan, syarikat kami biasanya menguna-pakai pendekatan yang berani dan agresif untuk mengeksploit peluang-peluang yang berpotensi.	1	2	3	4	5	6	7

ORIENTASI PASARAN								
1	Matlamat perniagaan kami adalah memenuhi kepuasan pelanggan	1	2	3	4	5	6	7
2	Kami sentiasa memantau dan komited dalam melayan keperluan pelanggan	1	2	3	4	5	6	7
3	Kelebihan bersaing kami berpunca dari pemahaman kami terhadap kehendak pengguna.	1	2	3	4	5	6	7
4	Strategi perniagaan kami adalah meningkat nilai tambah kepada pelanggan	1	2	3	4	5	6	7
5	Usaha dibuat oleh syarikat kami dalam mengukur kepuasan pelangggan	1	2	3	4	5	6	7
6	Kami memberi tumpuan kepada khidmat lepas-jualan	1	2	3	4	5	6	7
7	Di syarikat kami, jurujual sentiasa berkongsi maklumat tentang pesaing	1	2	3	4	5	6	7
8	Kami bertindak balas dengan cepat dalam menangani tindakan pesaing-pesaing.	1	2	3	4	5	6	7
9	Pihak pengurusan selalu berbincang tentang kekuatan dan kelemahan pesaing	1	2	3	4	5	6	7
10	Matlamat kami adalah menambah pelanggan jika kami ada kelebihan peluang dalam persaingan	1	2	3	4	5	6	7
11	Pihak pengurusan tanpa mengira jabatan selalu berjumpa pelanggan	1	2	3	4	5	6	7
12	Maklumat pelanggan sentiasa dikongsi dengan jabatan lain dalam syarikat	1	2	3	4	5	6	7
13	Fungsi unit-unit dalam syarikat disatukan untuk mencapai keperluan pasaran	1	2	3	4	5	6	7
14	Kami berkongsi sumber-sumber yang ada dengan lain-lain jabatan dalam syarikat	1	2	3	4	5	6	7
15	Pihak pengurusan faham bagaimana pekerja boleh menambah nilai kepada pelanggan	1	2	3	4	5	6	7

KEUPAYAAN MELAKSANAKAN PERUBAHAN								
1	Kami boleh mengumpul semula sumber tepat pada waktunya untuk menangani perubahan persekitaran.	1	2	3	4	5	6	7
2	Kami boleh mengurus konflik dalam proses membuat keputusan yang strategik dengan segera.	1	2	3	4	5	6	7
3	Perubahan strategik kami boleh dilaksanakan dengan efisyen.	1	2	3	4	5	6	7
4	Kami saling bantu-membantu dalam perlaksanaan perubahan yang strategik	1	2	3	4	5	6	7
5	Kami ada sistem penganugerahan dan kawalan yang tersusun	1	2	3	4	5	6	7
6	Kami boleh memperbaiki perlaksanaan perubahan strategic dengan efisyen	1	2	3	4	5	6	7

Kenyataan-kenyataan berikut menilai persepsi anda berkaitan **dinamisme persekitaran luaran** sekitar syarikat anda. Tandakan (√) untuk menunjukkan tahap anda bersetuju

DINAMISME PERSEKITARAN LUARAN								
1	Persaingan dalam industri kami adalah sangat sengit.	1	2	3	4	5	6	7
2	Terdapat banyak "perang promosi" dalam industri kami.	1	2	3	4	5	6	7
3	Apa sahaja yang ditawarkan oleh satu pesaing ditiru dengan mudah oleh pesaing lain.	1	2	3	4	5	6	7
4	Persaingan harga merupakan ciri khas dalam industri kami.	1	2	3	4	5	6	7
5	Adalah sukar untuk meramal perubahan kehendak pelanggan.	1	2	3	4	5	6	7
6	Tindak-tanduk pesaing sukar diramal.	1	2	3	4	5	6	7
7	Produk atau perkhidmatan dalam industri kami berubah dengan cepat	1	2	3	4	5	6	7

Pada skala berikut, tandakan (√) pada pilihan nombor yang mewakili persepsi terbaik anda bagi menunjukkan **prestasi syarikat** anda bagi tiga tahun kebelakangan.

PRESTASI PERNIAGAAN KECIL DAN SEDERHANA (SME) SEKTOR PERUNCITAN								
1	Dalam jangkamasa tiga tahun lepas, produk kami mendapat pasaran yang lebih luas.	1	2	3	4	5	6	7
2	Dalam jangkamasa tiga tahun lepas, jualan syarikat kami telah meningkat.	1	2	3	4	5	6	7
3	Dalam jangkamasa tiga tahun lepas, keuntungan syarikat kami telah meningkat.	1	2	3	4	5	6	7
4	Dalam jangkamasa tiga tahun lepas, bilangan aduan pelanggan telah berkurangan.	1	2	3	4	5	6	7
5	Dalam jangkamasa tiga tahun lepas, bilangan pekerja telah bertambah	1	2	3	4	5	6	7
6	Dalam jangkamasa tiga tahun lepas, bilangan pelanggan kami telah meningkat.	1	2	3	4	5	6	7

MAKLUMAT DEMOGRAFI

Tandakan (√) pada pilihan yang paling tepat menggambarkan anda, pemilik syarikat atau syarikat anda bekerja.

1. **Jawatan anda dalam syarikat**

□ Pemilik Perniagaan/Ketua Pegawai Eksekutif □ Pengurus
□ Pengarah/Rakan Kongsi □ Lain-lain, nyatakan _____

2. **Umur pemilik syarikat/Ketua Pegawai Eksekutif/Responden**

□ Kurang dari 26 □ 41-45
□ 26-30 □ 46-50
□ 31-35 □ 51-55
□ 36-40 □ 56 dan ke atas

3. **Lokasi perniagaan** _____

4. **Jantina anda**

□ Lelaki □ Perempuan

5. **Tempoh berkhidmat di syarikat semasa(tahun)**

□ Kurang dari 3 □ 9-11
□ 3-5 □ 12 dan ke atas
□ 6-9

6. **Kelayakan akademik tertinggi pemilik syarikat**

□ Tiada pendidikan formal □ Diploma
□ Sekolah rendah □ Sarjana Muda
□ Sekolah menengah □ Sarjana
□ Sijil Maktab/Kolej □ Sarjana Kedoktoran

7. **Jenis/Kategori syarikat anda**

□ Pasaraya besar/Pasaraya/Pasar mini/Kedai runcit
□ Pakaian & kasut □ Pakar rokok/Minuman keras
□ Farmasi & Kedai ubat □ Produk makanan dan minuman
□ Perabot & stor penyediaan perabot □ Pusat kecantian
□ Automotif & aksesori □ Pertukangan buat sendiri
□ Audio visual □ Perkakas elektrik & elektronik
□ Barangan rumah & berkebun □ Pakar barangan peribadi
□ Barangan sukan & riadah □ Kedai buku & alatulis
□ Kedai binatang peliharaan □ Kedai mainan & permainan video
□ Kiosk petroleum dan gas □ Lain-lain, nyatakan _____

8. **Tempoh syarikat beroperasi (tahun)**

□ Kurang dari 3
□ 3-5
□ 6-9
□ 9-11
□ 12 dan ke atas

9. **Bilangan staf sepenuh-masa (orang)**

□ 1-4
□ 5-29
□ 30-75
□ 76 dan ke atas

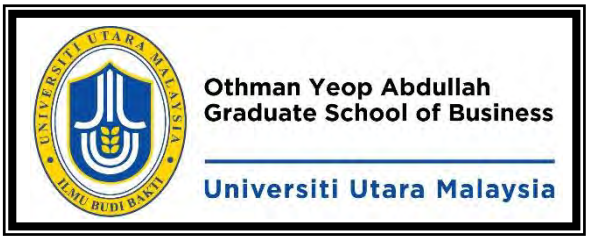
10. **Pendapatan/perolehan tahunan bagi tahun lepas**

□ Kurang dari RM300,000
□ Dari RM300,000 tetapi tidak melebihi RM3 juta
□ Dari RM3 juta tetapi tidak melebihi RM20 juta
□ RM20 juta dan ke atas

Komen/Cadangan (Opsyenal)

_____

Jika anda memerlukan kami berkongsi ringkasan hasil dapatan kajian ini, sertakan kad perniagaan syarikat anda atau copkan nama dan alamat syarikat anda di ruangan bawah ini. (Opsyenal)



SURVEY QUESTIONNAIRE

MODERATING EFFECT OF ENVIRONMENT VOLATILITY ON RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION, MARKET ORIENTATION, CHANGE IMPLEMENTATION CAPACITY AND RETAIL SMEs PERFORMANCE

DBA Researcher: Mohd Nizam Abdul Kadir

Principal Supervisor: Prof. Dr. Mohd. Noor Mohd Shariff

Co-Supervisor: Dr. Jauriyah Shamsuddin

CONSENT AGREEMENT

Research Purpose

The purpose of this study is to obtain information on the factors contributing to firm performance and identify the effect of external environment within small and medium enterprises retail sector in Malaysia

Researcher Information

The study is being conducted by Mohd Nizam Abdul Kadir, a Doctorate of Business Administration candidate at the OYA Graduate Business School, Universiti Utara Malaysia, Sintok under the supervision of Prof. Dr. Mohd Noor Mohd Shariff and Dr. Jauriyah Shamsuddin.

Procedures

If you agree to participate, please complete this survey questionnaire and reply to us using the provided addressed and stamped envelope

Participation

Participation in this study is entirely voluntary. You may refuse to participate or withdraw at any time without consequence. If you have questions about the research or research-related problems, you may reach me at 012 3931159, or nizam.mnl@gmail.com

If you have questions regarding your rights as a research participant, you may contact the following:

§ Prof. Dr. Mohd Noor Mohd Shariff – mdnoor@uum.edu.my (012 4759681)
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§ Dr. Jauriyah Shamsuddin – jauriyah@uum.edu.my (017 5151277)
Co-supervisor, Senior Lecturer and Deputy Director, Cooperation and Entrepreneur Development Institute, Universiti Utara Malaysia

1	2	3	4	5	6	7
Strongly Disagree	Disagree	Somewhat Disagree	Undecided	Somewhat Agree	Agree	Strongly Agree

ENTREPRENEURIAL ORIENTATION

To what extent do you agree with the following statements in your organisation?

1	Our firm makes strong emphasis on technological leadership and innovation	1	2	3	4	5	6	7
2	In our firm, changes in product and service lines have been quite dramatic	1	2	3	4	5	6	7
3	Our firm has many new products or services	1	2	3	4	5	6	7
4	Our firm typically initiates actions which competitors then respond	1	2	3	4	5	6	7
5	Our firm is often the first business to introduce new product/service	1	2	3	4	5	6	7
6	Our firm often adopts a very competitive "undo –the-competitors" posture	1	2	3	4	5	6	7
7	Our firm has a strong proclivity for high risk projects	1	2	3	4	5	6	7
8	Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objective	1	2	3	4	5	6	7
9	During decision making involving uncertainty, our firm typically adopts a bold aggressive posture in order to exploit potential opportunities	1	2	3	4	5	6	7

MARKET ORIENTATION								
1	Our business objectives are driven by customer satisfaction	1	2	3	4	5	6	7
2	We closely monitor and assess our level of commitment in serving customer's need	1	2	3	4	5	6	7
3	Our competitive advantage is based on understanding customers' needs	1	2	3	4	5	6	7
4	Business strategies are driven by the goal of increasing customer value	1	2	3	4	5	6	7
5	Efforts are made by our firm to measure customer satisfaction	1	2	3	4	5	6	7
6	We pay close attention to after-sales-service	1	2	3	4	5	6	7
7	In our firm, our salesperson share information about competitor information	1	2	3	4	5	6	7
8	We respond rapidly to competitive actions	1	2	3	4	5	6	7
9	Top management regularly discusses competitor's strength and weakness	1	2	3	4	5	6	7
10	Customers are targeted when we have an opportunity for competitive advantage	1	2	3	4	5	6	7
11	Our top managers from each business function regularly visit customers	1	2	3	4	5	6	7
12	Information about customers is freely communicated across our firms	1	2	3	4	5	6	7
13	Business functions within are integrated to serve the target market needs	1	2	3	4	5	6	7
14	We shares resources with other business units	1	2	3	4	5	6	7
15	Our managers understand how employees can contribute to value of customers	1	2	3	4	5	6	7

CHANGE IMPLEMENTATION CAPACITY								
1	We can reconfigure resources in time to address environmental change	1	2	3	4	5	6	7
2	We can quickly deal with conflicts in the strategic decision-making process	1	2	3	4	5	6	7
3	Our strategic changes can be efficiently carried out	1	2	3	4	5	6	7
4	We help each other in strategic change implementation	1	2	3	4	5	6	7
5	We have a proper awarding and controlling system	1	2	3	4	5	6	7
6	We can efficiently improve strategic change implementation	1	2	3	4	5	6	7

The following statements measure your perception regarding the **dynamism of external environment** surrounding your company. Please tick (√) to indicate the extent to which you agree with the statements based on the scale below.

EXTERNAL ENVIRONMENT DYNAMISM								
1	Competition in our industry is cut throat	1	2	3	4	5	6	7
2	There are many "promotion wars" in our industry	1	2	3	4	5	6	7
3	Anything that one competitor can offer, others can match readily	1	2	3	4	5	6	7
4	Price competition is a hallmark of our industry	1	2	3	4	5	6	7
5	To predict the change of customer needs is difficult	1	2	3	4	5	6	7
6	The acts of competitors are difficult to predict	1	2	3	4	5	6	7
7	Product or service in our industry updates quickly	1	2	3	4	5	6	7

On the following scale, please tick (√) the following number which best reflect your perception to indicate the **performance of your company** in the past three years.

	SMEs PERFORMANCE							
1	In the past three years, our product reached a wider market	1	2	3	4	5	6	7
2	In the past three years, our company sales has increased	1	2	3	4	5	6	7
3	In the past three years, our company's profits have increased	1	2	3	4	5	6	7
4	In the past three years, the number of complaints from customers decreased	1	2	3	4	5	6	7
5	In the past three years, the number of employees has increased	1	2	3	4	5	6	7
6	In the past three years, the number of our customers has increased	1	2	3	4	5	6	7

The following statements are about your position in the company, the demographic Information of the company owner or CEO and demographic information of your company. Please select (√) the option that can best describe yourself, the company owner or CEO and your company.

DEMOGRAPHIC INFORMATION

1. **Your position in this company**
   - □ Business owner/CEO □ Manager
   - □ Director/Partner □ Other, please specify_____

2. **Age of the company owner / CEO/respondent**
   - □ Less than 26 □ 41-45
   - □ 26-30 □ 46-50
   - □ 31-35 □ 51-55
   - □ 36-40 □ 56 and above

3. **Business location** _____

4. **Your gender** □ Male □ Female

5. **Period of working in the current company**
   - □ Less than 3 □ 9-11
   - □ 3-5 □ 12 and above
   - □ 6-9

6. **Highest educational qualification of the company owner**
   - □ Without formal education □ Diploma
   - □ Primary school □ Bachelor Degree
   - □ Secondary school □ Master Degree
   - □ College Certificate □ Doctorate Degree

7. **Category of your company**
   - □ Hypermarket/Supermarket/Minimarket/Convenience Store
   - □ Clothing & footwear □ Tobacco/Liquor specialist
   - □ Pharmacy & drugstore □ Food products and beverages
   - □ Beauty centre □ Furniture & furnishing centre
   - □ Automotive & accessories □ DIY
   - □ Audio visual □ Electric & electronic appliance
   - □ Home & garden product □ Personal goods specialist
   - □ Sport & leisure goods □ Bookstore & stationery
   - □ Pet-related □ Toys & video
   - □ Petrol kiosk & gas □ Other, please specify _____

8. Year(s) of company in operations

□ Less than 3
□ 3-5
□ 6-9
□ 9-11
□ 12 and above

9. **Number of current full-time staff**

□ 1-4
□ 5-29
□ 30-75
□ 76 and above

10. **Last year annual sales turnover**

□ Less than RM300,000
□ Between RM300,000 but not exceeding RM3 million
□ Between RM3 million but not exceeding RM20 million
□ RM20 million and above

Comments/Suggestions (Optional)

If you want us to share the summarised findings of this research, please attach your business card or stamp your company name and address here (Optional)

Appendix 2: Global Retail Development Index 2016

Rank	Country	GRDI Score	Population (million)	National retail sales (USD billion)
1	China	72.5	1,372	3,046
2	India	71.0	1,314	672
3	Malaysia	59.6	31	23
4	Kazakhstan	56.5	18	48
5	Indonesia	55.6	256	324
6	Turkey	54.3	78	324
7	UAE	53.6	10	69
8	Saudi Arabia	52.2	32	109
9	Peru	51.9	31	70
10	Azerbaijan	51.2	10	17
11	Vietnam	50.8	92	87
12	Sri Lanka	50.7	21	31
13	Jordan	49.9	21	14
14	Morocco	49.5	34	39
15	Colombia	49.0	48	91
16	Philippines	47.7	103	134
17	Dominican Republic	45.8	11	30
18	Algeria	45.2	40	42
19	Nigeria	43.8	182	125
20	Brazil	43.0	205	445
21	Cote d'Ivoire	43.0	23	13
22	Russia	41.8	144	448
23	Zambia	41.6	15	11
24	Romania	40.2	20	45
25	Paraguay	39.6	7	11
26	Tunisia	38.7	11	15
27	South Africa	36.7	55	102
28	Ghana	36	28	15
29	Kenya	35.6	44	26
30	Egypt	34.7	89	133

Sources: AT Kearney, 2017, Euromonitor International

Appendix 3: Number of SME establishments by state in Malaysia

State	Total SMEs	Percentage
Johor	68,874	10.7
Kedah	37,092	5.7
Kelantan	37,823	5.9
Melaka	21,675	3.4
Negeri Sembilan	24,542	3.8
Pahang	29,462	4.6
Perak	60,028	9.3
Perlis	5,053	0.8
Pulau Pinang	40,824	6.3
Sabah	40,884	6.3
Sarawak	43,830	6.8
Selangor	125,904	19.5
Terengganu	22,514	3.5
W.P. Kuala Lumpur	84,261	13.1
W.P. Labuan	1,952	0.3
W.P. Putrajaya	418	0.1
Total SMEs	645,136	100.0

Source: Economic Census (2011), Department of Statistics, Malaysia

Appendix 4: Breakdown of SME Retailers that Published in SME Corp Website

States	Total
Selangor	6689
W.P. Kuala Lumpur	6451
W.P. Putrajaya	26
Negeri Sembilan	519
Johor	1323
Kedah	381
Kelantan	278
Melaka	658
Pahang	250
Pulau Pinang	791
Perak	646
Perlis	64
Terengganu	223
Sabah	448
Sarawak	249
W.P. Labuan	8
Total	19,004

Source: SME Corp. Malaysia, 2015

Appendix 5: Response Rate Detail

Response/ State	Selangor	Kuala Lumpur	Putrajaya	Negeri Sembilan	Total
No. of distributed questionnaires	157	141	19	56	373
Returned questionnaires	76	19	18	41	154
Returned and usable questionnaires	74	19	18	41	152
Returned and excluded questionnaires	2	0	0	0	2
Response rate	48.40%	13.47%	94.74%	73.21%	41.29%
Usable response rate	47.13%	13.47%	94.74%	73.21%	40.75%