

The Effectiveness of Knowledge Acquisition and Export Performance among Malaysian SMEs: Mediated by Innovation

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Abstract: *Small and Medium Enterprises (SMEs) works as the backbone of the economy. Development of SMEs are paid attention since there is a strong bond between SMEs and nation's economy. However, SMEs in Malaysia are not developed in the full force. The rapid change in the commerce world caused organizations that are not developed well to struggle in surviving in the competitive market. In such, the resources and values that carries by knowledge could lead organization to gain a competitive advantage in the market. Knowledge which works as the capital and asset helps in driving the organization's success. Organizations are encouraged to enhance their capabilities in the process of knowledge management in which moving them into more competitive and innovative in the market. Innovation came to mind for organization to reinvest and reshape themselves in order to standstill in the competitive market. Innovation works in producing a new and creative idea in implementing new products or enhancement on the existing products which could help to improve the organizational performance. This study is carried out in aiming to fill the perceived research gap by determining the relationship between knowledge acquisition and export performance among SMEs in Malaysia which is mediated by innovation. This paper focuses on the manufacturing industry of SMEs in Malaysia. This study anticipates that knowledge acquisition are critical antecedents on the export performance which could lead to positive relationship with the export performance of SMEs and mediated by innovation. The findings of the study provide an insight towards the organizations which could lead them in identifying effective strategies and helps in improving their export performance.*

Keywords: Small and Medium Enterprises; Knowledge; Knowledge Acquisition; Export Performance; Innovation; Mediation

1. Introduction

The study is focusing the SMEs' export performance quality. It studies on how knowledge acquisition and innovation affect the export performance among manufacturing SMEs in Malaysia. Knowledge acquisition is known as the process of gaining knowledge and information within or outside the firm (Cho and Korte, 2014). Knowledge acquisition plays an important role towards the organization. The effectiveness of an organization in acquisition the knowledge could help to enhance the export performance of the organization. As mentioned, this study focused on manufacturing SMEs in Malaysia. This is supported by several researchers such as Chandran (2009), Shingler (2009) and Ezell and Atkinson (2011) that manufacturing sector is the driver of the economy and works as the important source of employment for the economy. Besides that, a firm needs to gain the competitive advantage in order to standstill in the competitive market. This is where innovation takes place. Innovation

involved in the process of transforming the idea that aims to satisfy customer needs (Kuhn and Marisck, 2010). Innovation help SMEs to gain the competitive advantage in the market and improve the export performance. Export performance can enhance the performance of SMEs. SMEs able to determine the level of the business either in good level or worse level through the export performance.

SMEs in Malaysia are not developed in the full strength. This could lead to low export performance among SMEs. Some of the SMEs are still facing the challenges in accessing to the relevant technology and depends on the poor technology. These firms will struggle in sustaining the business in the competitive market. Some of the SMEs claimed that they lack of time and fund in conducting research and development as they view research and development as the cost rather than an investment. However, SMEs noticed the risk of the business and raise the awareness towards knowledge acquisition in order to acquire the effective knowledge or information that helps to enhance the performance of the business.

By addressing the issues that faced among SMEs in Malaysia, this study must be carried. Resource-based theory, knowledge-based view theory and internationalization process model work as the underpinning theory in this study. This study aims to determine the relationship between knowledge acquisition and export performance among SMEs in Malaysia and mediated by innovation. The result obtain from the research could benefit and used as a guideline for SMEs which keen in paying attention on knowledge acquisition in order to enhance their organization's export performance. It also can provide a basis for understanding the influence of innovation on the link between knowledge acquisition and export performance. In addition, a pool of knowledge regarding the importance of knowledge acquisition and innovation can also be provided through the research. SMEs in Malaysia can gain the knowledge in managing knowledge acquisition and innovation and improve the export performance.

2. Literature Review

Small and Medium Enterprises (SMEs)

Most of the corporations start with SMEs and the success of SMEs may lead to the success of the larger organization. With the existence of SMEs, the large organization may able to meet the demand and supply for the goods and services. Katua (2014) mentioned that SMEs in Malaysia can be defined according to the number of workers employed and the volume of sales turnover. A manufacturing firm is classified as SMEs when there are less than or equal to 150 employees with the sales turnover less than or equal to RM25M (Katua, 2014). Besides that, according to SME Corp Malaysia (2019), Master Plan of SMEs works as the forces which drive the performance of SMEs in Malaysia. Master Plan found out six important performance levers among SMEs in Malaysia which are innovation and technology adoption, human capital development, access to financing, market access, legal and regulatory environment and also infrastructure. The enhancement of the performance levers is needed so that SMEs in Malaysia could perform in their full potential.

SME Corp Malaysia (2019) mentioned that a manufacturing firm is classified as small enterprise when the sales turnover is between RM300,000 and RM 15million with the number of employees between 5 and 75. On the opposite site, service and other sectors firm is classified as small enterprise when the sales turnover is between RM300,000 and RM 3 million with the number of employees between 5 and 30. Medium enterprise of manufacturing sector has the sales turnover in between RM 15 mil and RM 50 mil while the

employees is ranged between 75 and 200. Besides that, medium enterprise which is involved in services and other sector has the sales turnover between RM 3 million and RM 20 million while the number of employees is in the range of minimum 30 employees and not more than 75 employees. Besides that, Mustapha et al., (2011) mentioned that there are several activities included in the manufacturing sector of SMEs Malaysia such as production and processing of raw materials, petroleum, chemical, rubber and plastic products, food, beverages and tobacco products, non-metallic mineral products, basic metals and fabricated metal products and manufacturing of electrical and electronics appliances.

Export Performance

Export performance plays an important role while business is carried out. Export performance can strive to improve the performance of the SMEs in the management. Throughout the export performance, SMEs able to see whether their business is in a good level or worse level. Performance acts as the recurrent theme in branches of management and also interest to both academic scholars and organization managers. Armstrong (2006) stated that the most value asset for a business are the performance, competitiveness and the successful entrepreneurs. Boehe and Jimenez (2016) and Azar and Ciabuschi (2017) pointed out that it important to involve in exporting in the global economy as one of the core indicators of an organization's ability to leverage the resources and capability.

Larmo (2007) mentioned that export is a platform in which involve for future international expansion. Exporting able to help manufacturing SMEs to overcome the challenges and create the opportunities for the firms to involve in market share expansion as exchange of knowledge and experiences. Cassiman and Golovko (2011) stated that by entering and exporting to the foreign market, the organization enjoy the advantage of entering the foreign the market straightforward and avoid the huge amount of start-up cost, especially for manufacturing SMEs that lack of capital. Besides that, Lu and Beamist (2006) pointed out that the organization that involve in exporting able to gain international knowledge and experiences. As SMEs proceed to internationalize at exponential rate and global competition exaggerates, the significance of the ability to meet global standard will be more effective than competitors (Scott-Land, 2011). It is important for SMEs to understand how small and medium-sized enterprises can leverage their capabilities to a competitive advantage in order to sustain in the competitive export market (Kshetri N, 2011).

Innovation

Daugherty, Chen and Ferrin (2011) defined innovation as the idea or practice that is adopted as new one by one individual. Kuhn and Marisck (2010) stated that innovation is the process in transforming the idea which aims to create and satisfy the needs of the customers. Crepon, Duguet and Mairesse (1998) mentioned that product innovation is the innovation which involves in products and services. Omiidvar (2006) stated that product innovation could bring benefits towards the organization such as increase customer experiences while process innovation brings the benefit which involve the employees and machines. Product and process innovation are important towards manufacturing SMEs as the improvement of innovation could help firms to meet the requirement that set by foreign countries. In addition, product and process innovation not only helps to reduce production lead time and cost but also help to expand the market share. Manufacturing SMEs may not be able to achieve the higher performance without the existence of innovation.

It seems that innovation is vital to the organizations especially for small and medium enterprises (SMEs) as it is the vital factor for SMEs to survive in the competitive market. This is supported by Omidvar (2006) that innovation plays an important role towards the

organization especially SMEs. Herzog (2011) mentioned that most of the organization pay attention in generating new goods and services and will not miss out the development of innovation in their organization. Luk, Yau, Tse, Chow, & Lee, (2008) stated that a firm with innovation will encourage the employees to develop new products or make improvement on the existing products. The action of fresh ideas could bring enhance of the firm’s performance. Thus, top management of the firm should enhance the innovation in their business in order to sustain or even improve the business performance.

Knowledge Acquisition

Knowledge acquisition is the process of developing or generating the knowledge. The acquisition of the knowledge can be done internally or externally. Obaid and Rabea (2016) mentioned that knowledge acquisition includes the processes in which the organization seek to produce and create knowledge, either in between implicit knowledge and explicit knowledge in which it is an interaction between implicit knowledge and explicit knowledge through new knowledge is created and created within the organization to secure the various types of knowledge in favour of future decisions (Al-Kasasbeh, 2015, Abualoush, Masa, Bataineh and Alrowwad, 2018; Zawaideh, Al-zpubi, Abualoush, Masa and Kanaan, 2018).

Knowledge acquisition plays an important role towards the organization. This is because the appropriate knowledge acquisition lead to the increase of the asset of knowledge towards the firm and hence enhance the performance of the firm. Regarding this, Resi, Hoseini, Tlebpour and Nazari (2013) mentioned that the acquired knowledge must be organized effectively in order to be valuable and useful towards the firm. Liao, Wu, Hu and Tsui (2010) mentioned that effort and experience are needed in the process of acquiring the knowledge. Besides that, Liao et al., (2010) also conducted the same study in Taiwan and found that there is a significant relationship between knowledge acquisition and performance.

3. Theoretical Framework

The framework consists of three constructs. There is variables (IV), namely knowledge acquisition while export performance works as the dependent variable (DV) in this study. At the same time, innovation is the mediator in the study.

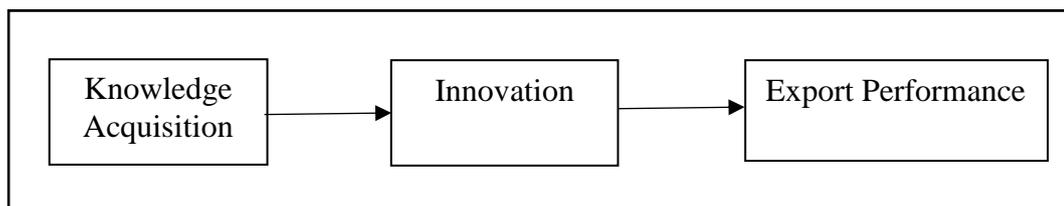


Figure 1: Theoretical framework of Knowledge Acquisition and Export Performance among SMEs in Malaysia

4. Hypotheses Development

Knowledge acquisition plays an important role towards the organization. This statement is supported by Daud and Yusoff (2010) and Mills and Smith (2011) who mentioned that firm could improve their efficiency through knowledge acquisition in which the firm will convert the acquired knowledge into applicable organizational knowledge and use it when it is needed. Knowledge acquisition plays an important role towards the organization. Knowledge acquisition is carried out in this study as it is believed that knowledge needs to be acquired in

order to solve problems that encounter by manufacturing process such as poor machine quality, process and material consumption. Organization that involve in knowledge acquisition is believed to have better innovation.

Scholars confirmed the relationship between knowledge acquisition and innovation (Byukusenge & Munene, 2017). For instance, Zhang, Shu, Jiang, and Malter (2010) found that the information acquired from alliance partners affects knowledge creation of the organization, which in turn leads to innovations. Tan and Nasurdin (2010) confirmed a positive and significant relationship between knowledge acquisition and technological innovation which includes process and product innovation. Mafabi, Munene and Ntayi (2012) study also revealed a positive and significant relationship between knowledge acquisition and organizational innovation. Based on the past research above, H1, H2 and H3 are developed to understand the relationship between knowledge acquisition, innovation and export performance among SMEs in Malaysia.

H1: Knowledge acquisition has a significant relationship with innovation among SMEs in Malaysia.

H2: Innovation has a significant relationship with export performance among SMEs in Malaysia.

H3: Innovation has mediating role between knowledge acquisition and export performance.

5. Methodology

Academic databases were explored to retrieve literature for the study. Areas related to innovation, organizational performance, and competitive advantage of the organizations were examined. Databases such as ScienceDirect, utmj.org, nih.gov, nchu.edu.tw, palgrave-journals were explored, and keywords such as SMEs, Malaysia, competitive advantage, innovation, organization performance, export performance of SMEs, resource-based view, knowledge-based view etc. were used to retrieve literature related to the study. Besides that, the target respondents throughout the research focus on upper-level manager, directors and CEO who are the power sponsor or decision makers within the organization in making important decision of the organization operation. The respondents must have the authority in decision making for the direction and strategy for the corporation. This study was carried out through survey instruments. The targeted respondents are from the manufacturing SMEs in Malaysia. Pilot testing was also carried out in order to test the obstacles of the questionnaire. The data collection was conducted through emails and mail. The survey and mail collected were filtered in order to meet the criteria that mentioned. Upon filtering, only 93 responses are usable.

6. Discussion

Hypotheses H1, examines the relationship between knowledge acquisition and innovation among SMEs in Malaysia. The results depict that knowledge acquisition has a significant positive relationship with innovation. According to the result of the study, the p values and T value for H1 was stated at 0.000 and 4.073. This depicts that the p value is less than 0.05 and t value is greater than 1.645. These values define the positive relationship between knowledge acquisition and innovation among SMEs in Malaysia. The positive relationship between knowledge acquisition and innovation is also supported by Liao Wu, Hu and Tsui (2010) who conducted the study in Taiwan and found that there is a significant relationship between knowledge acquisition and performance. In this study, knowledge acquisition works as the independent variable while export performance works as the dependent variable follow

by innovation as the mediator. The positive effect of knowledge acquisition will bring benefits when SMEs compete in the export markets. In such, effectiveness of knowledge acquisition helps an organization in gaining useful and important information and knowledge that can be applied in the business.

The next independent variable, innovation found to have positive relationship with export performance through the hypotheses testing. It is also supported by the past literature (Gehlhar et al., 2009 ; Narjoko & Harvie, 2014 ; Nor Ghani et al., 2016). The positive result of the relationship between innovation and export performance among SMEs in Malaysia depicts the awareness of firms towards the importance of innovation. In conclusion, innovation plays an important role towards manufacturing SMEs. The innovation within the product and process among manufacturing SMEs are highly require in order to sustain and expand their firm in the future. In order to sustain in the competitive market, the organization must high in research and development, actively seek innovative ideas as well as constantly support innovative and creative processes.

On the other hand, there is a positive relationship between knowledge acquisition and export performance among SMEs in Malaysia. After understanding the direct effect from factors that positively affect the export performance among SMEs in Malaysia, the mediation effect of innovation which included process innovation and product innovation was introduced in order to strengthen the relationship. By carrying out this study, it was found that innovation has mediating role between knowledge acquisition and export performance and H3 is supported. With the interaction of innovation between knowledge acquisition and export performance, the relationship between two variables get stronger. This was support by past literature (Liao et al., 2010). Besides that, another study which was conducted by Jiang and Li (2009) which focus on the relationship between knowledge acquisition and innovation also found the result to be positive among financial and manufacturing industries. This study proves that knowledge acquisition positive influence the export performance among manufacturing SMEs in Malaysia when mediated by innovation.

7. Conclusion

Throughout the study, it was found that H1, H3 and H3 are supported. This study extended competency research by having several theoretical contributions. Firstly, this study provides a deeper understanding of knowledge acquisitions towards SMEs in Malaysia. The results of this study extend information from export performance literature through determining the potential source of strengthening the manufacturing SMEs in Malaysia. It has been found that knowledge acquisition can enhance the export performance among SMEs in Malaysia. Knowledge acquisition and innovation are equally important in order to have better export performance. This is because an organization must well manage the acquired knowledge and applied them back to the business with innovativeness to help organization to stay different among competitors and gain competitive advantage within the competitive market. In general, effectiveness knowledge acquisition and innovativeness are vital to build a sustainable business to grow further. In general, the theoretical framework in this study provide an insight to the manufacturing SMEs in understanding the relationship between knowledge acquisition, innovation and export performance. By understanding this, manufacturing SMEs able to evaluate their own situation and make improvement on the area that requires to be enhanced. By focusing on the variables highlighted in the framework, an organization can work on improving their cons which will improve their export performance.

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