



## Marketing Environment of Small and Medium Enterprises in Pahang, Malaysia

Putri Rozita Tahir<sup>1\*</sup> and Muneer Sultana<sup>1</sup>

<sup>1</sup>Department of Business and Management, International College of Automotive, DRB-HICOM, Automotive Complex, Peramujaya, Industrial Area, Pekan, Pahang, Malaysia.

### Authors' contributions

This is an original work carried out primarily by author PRT as the first author. Author PRT designed the study, wrote the literature, the first draft of the manuscript and carried out the analysis. Author MS reviewed the draft manuscript. Both authors read and approved the final manuscript.

### Article Information

DOI: 10.9734/2015/BJEMT/17581

#### Editor(s):

(1) LI, Hui, School of Economics and Management, Zhejiang Normal University, China.

#### Reviewers:

(1) Anonymous, Duzce University, Turkey.

(2) Anonymous, Czestochowa University of Technology, Poland.

Complete Peer review History: <http://sciencedomain.org/review-history/9905>

Original Research Article

Received 18<sup>th</sup> March 2015

Accepted 4<sup>th</sup> June 2015

Published 20<sup>th</sup> June 2015

### ABSTRACT

**Aims:** The main aim is to examine the Socioeconomic Profile of Small and Medium Enterprises (SMEs) in Pahang and also to scrutinize the Internal and External forces of Marketing Environment of the SMEs in Pahang.

**Place and Duration of Study:** Study was directed only for SMEs that are registered as Halal SMEs in Pahang and was used as respondents for the period of 2013-2014.

**Methodology:** Primary data: The instrument selected for this research is questionnaire survey. Survey instrument is referred to a form that is composed of structured questions answers collected from the sample of 94 participants consisting of 37 female and 57 male respondents. The questionnaire mainly included self-designed questions and the survey instrument was developed to suit the targeted respondents in the present study. Secondary data: All existing literature was obtained from internet websites, magazines, and e- journals. Data was analyzed through ranked method using 5-point Likert scale represented by 1- strongly agree to 5-strongly disagree.

**Results:** The outcome of the study reveals that the SMEs are located outside their respective cities. Most respondents perceived that the environmental variables are conducive to the success of their business as respondents were asked to answer based on the environment in which they operate the Halal business.

**Conclusion:** The halal market is huge and attracts SMEs all over the world; future research can also be conducted to examine the level of success of halal SMES in other parts of the world since the marketing environment is different in the sense that the SMEs in other countries may have different requirements or different perceptions of influence of the environment.

*Keywords: Entrepreneurs; marketing; environment; halal; small and medium enterprises; pahang.*

## 1. INTRODUCTION

In Malaysia, entrepreneurs and the development of Small and Medium Enterprises (SMEs) have always been central to nation building. Effective and supportive environment have been established to develop and nurture new enterprises. As the emergence of new market creates even more opportunities to encourage entrepreneurship activities, many countries are now actively promoting the growth of new business through entrepreneurship activities. SMEs are found in a broad range of sectors, from manufacturing to sales and marketing, finance, and education.

The Malaysian government has stepped up every possible effort to develop SMEs, and recently the country has urged SMEs to participate in the 12 National Key Economic Areas (NKEAs)—sectors which have successfully been identified as driving financial enlargement. SMEs will also be capable of finding the correct solutions which will help in transforming their input to the GDP, which has been forecasted to be about 50% to 60% by 2020.

One obvious question that emerges at this stage is why we should give so much of importance to marketing environment of SMEs. The answer might not be that simple because there are a host of issues involved. However, one thing is undoubtedly agreed upon by all is that, without proper analysis of marketing environment and proper marketing of the products, the very existence of entrepreneurs who depend on various income-generating activities in those areas will be in danger? Furthermore, economic development is significantly dependent on entrepreneurship. Thus, proper analysis of marketing environment of SMEs is one of the stepping stones for SMEs development, which ultimately results in economic development and growth. In Malaysia, the entrepreneurship education can be seen as a national agenda in line with the development of Small and Medium Enterprises under the Ninth Malaysia Plan. The growth of entrepreneurship education and

training programs in recent years has been tremendous with the introduction of both formal and general educational programs at higher institutions in Malaysia to more specific training programs in respective industries that are offered to the public.

The government and other non-governmental agencies are also playing an important role in strengthening the SME sector in the country since they are the backbone of the economy. However, being small and medium in size poses some challenges to them. SMEs in the country operate within a multitudinous of factors that can cause constraints to such firms. Among the various constraints is the lack of a right kind of marketing effort that turns out to be a major problem these days. Since SMEs are small, lack of proper analysis of marketing environment may hinder the development of their businesses. The marketing environment, which consists of all actors and forces that will affect the way businesses meet their customer is also changing like any other environmental factors. As changes are inevitable, measures in the marketing efforts that can ensure success of entrepreneurs in the country is crucial.

### 1.1 Need and Significance of the Study

The importance of SMEs for the economy has been realized and identified; hence the government will have to play a crucial function in generating an enabling conducive scenario for SMEs. In 2010, a total of 354 programs with an assurance of RM6.02 billion were under implementation for the development of high-performing and elastic SMEs. The administration will continue its pursuit of developing policies, initiatives, and programs that would intensify support for the local SMEs. Over the past few years, the Malaysian government has been promoting the idea of entrepreneurship to its citizenry through various training and support programs. For several years, various bodies such as the Council of Trust for the Bumiputera—an agency under the Ministry of Rural and Regional Development and better known as Majlis Amanah Rakyat (MARA) — as

well as the former Ministry of Entrepreneurship and Cooperative Development (MECD) and Multimedia Development Corporation (MDeC) have been assigned roles to enhance entrepreneurship activities and to develop entrepreneurs.

### **1.1.1 Objectives of the study**

- i) To examine the socioeconomic profile of SMEs at Pahang
- ii) To scrutinize the internal and external forces of marketing environment of the SMEs in Pahang

### **1.1.2 Period of the study**

Period of the study is for the year 2013-2014.

### **1.1.3 Scope of the Study**

The study of marketing environment of Small and Medium Enterprises in Pahang, Malaysia is only to the extent of Halal SMEs.

### **1.1.4 Limitations of the study**

In this study, only the SMEs registered as Halal SMEs in Pahang was used as respondents. However the reliability depends on the true nature of their response.

## **2. REVIEW OF LITERATURE**

Burgmann [1], stresses that it is important to note that the concept of halal is not restricted to food or diet only. It is also a subjective issue that differs according to opinions and includes non-food. Generally, it pertains to cosmetics and medicines, hygiene and diet supplements, art, culture, finance, and even marriage. The concept of halal has received alarming positive reviews that can be associated with religious enthusiasm and sincerity. Also, most practitioners assure that following the concept signifies a clean and healthy lifestyle. Some outsiders maintain that it is only led by the desire of customers to conform to religious beliefs and to be accepted in their community, while others consider it as a string attached to increasing globalization.

On the other side, in the perspective of Kuratko and Hodgetts [2] an entrepreneur is a daring person. He is daring enough to take the risks that a business entail, an entrepreneur is a creative person who remains in quest of new resources

so that old resources can be replaced so that profit can be made.

According to Saleh and Ndubis, [3] in Malaysia, SMEs play immensely important role in the national economy with the help of its business operation that has more than a quarter of all manufacturing output.

Thurasamy, Mohamad, Omar, & Marimuthu, [4] opined that, as far as the production sector of Malaysia is concerned, SMEs are known to play an important part in developing the economy of the country. According to the data gathered around 2006, it was revealed that SMEs revolved around almost hundred percent of the businesses and added to around fifty percent of the GDP while providing employment to over sixty-five percent of Malaysia's labor force. What is unfortunate is the fact that despite their importance, they are occasionally overlooked as they are not able to garner the required assistance of foreign investors.

According to Aris [5], the SMEs in Malaysia have gradually become one of the main contributors to the Malaysian economy. SMEs are often considered as the backbone of economic by virtue of their size and nature of their businesses, numbers, and increasing share in employment and Gross Domestic Product. SMEs too, are now one of the well identified and recognized areas in the development of entrepreneurs in Malaysia.

In the perspective of Kuratko and Hodgetts [6], an entrepreneur is a daring person. He is daring enough to take the risks that a business entails; an entrepreneur is a creative person who remains in quest of new resources so that old resources can be replaced so that profit can be made.

The Malaysian SMI Association [7] reported that, it was discovered hardly thirty percent of the total SMIs in the country made use of their own website. Furthermore, few of these websites were kept up-to-date and reflected current information.

Work by Keh, Nguyen, and Ng [8] also suggests that, there exist a third element that could explain SMEs success. Their research showed that marketing environment may be related to two factors. This may be explained by the way entrepreneur's characteristics and the types of entrepreneurship education and training may both be influenced by the marketing decisions made based on the marketing environment in

which the SMEs are in, thereby providing a combined impact on the business.

Factually, Keh et al. [9] further researches and proposes that, the relationship between entrepreneurial orientation (as identified by training and characteristics) and the organizational performance actually is moderated by one of the variables of marketing environment which is marketing mix (internal decision). On the basis of the available evidence it would be logical to conclude the significance of innovative marketing strategies to the business. If the SME is run by an entrepreneur who possesses the optimal and desired sets of skills but, the organization does not implement effective marketing strategies then it may cause a negative impact on the effects noted. This cannot be considered as an issue that should be investigated in any sufficient details in relation to empirical evidence, despite the fact that the theory that extends its support to this concept would be rational.

A study of Rose, Kumar and Yen [10] shows that, the quality of taking personal initiative as the quality that is most associated with the growth and success of the business. These same researchers conduct another study. In this other study, the researchers identify the successful businesses and then with the help of questionnaire an attempt is made to know the traits and characteristics that have helped these businesses in gaining success.

As Sivapalan [11] said, "without entrepreneurs, there is no knowledge economy," efforts have been taken to nurture entrepreneurship in all ways. Conferences, seminars, short courses and training on entrepreneurship are being held and organized by various organizations, along with the formal entrepreneurship education offered by higher-education institutions. Both public and private organizations have started to introduce entrepreneurship education and training programmes at various levels.

[12] while discussing the difference between the entrepreneurial education and education of traditional management asserts that, here is a difference between imparting education about entrepreneurship and traditional education of management. He further claimed that there are certain aspects of traditional management education that may impede the development of important skills and qualities for entrepreneurship.

### **3. RESEARCH METHODOLOGY**

#### **3.1 Primary Data**

The instrument selected for this research is questionnaire survey. Survey instrument is referred to a form that is composed of structured questions answers asked from the sample of 94 participants consisting of 37 female and 57 male respondents. The questionnaire mainly included self-designed questions and the survey instrument was developed to suit the targeted respondents in the present study. Since the target respondents are the SMEs, it should be noted that they are perceived as simple and non-cumbersome. As such, the language and format of the questionnaire was developed to suit the respondents for its simplicity and user-friendliness. The language use in the questionnaire was both Bahasa Malaysia and English because of their respective status as the national and business language in Malaysia.

#### **3.2 Secondary Data**

All existing literature was obtained from internet websites, magazines, and e- journals.

#### **3.3 Analysis of Data**

The initial section consisted of profile information and demographic characteristics of the research participants, followed by their perception of level of success as compared to their nearest competitors using 5-point Likert scale. Then the participants were asked to rank the statements in the second and third part of the questionnaire based on contextual conditions associated with each factor that measures success by the participants. These statements were ranked using 5-point Likert scale represented by 1- strongly agree to 5-strongly disagree.

### **4. RESULTS AND DISCUSSION**

Table 4.1 indicates the Socioeconomic Profile of Small and Medium Enterprises in Pahang. In term of gender structure, female respondents were more than the male respondents with 60% of the respondents are female and 40% are males. The majority of respondents were between 41 to 50 years (49%). Large numbers of respondents were Malay ethnicity (64%). Years of experiences vary among respondents and majority of them (77%) had more than 3 years of experiences before starting their own business.

More than 48 percent of the respondents were the sole proprietor of their businesses. Food and beverage was the popular industry among respondents in which 45(47%) out 94 respondents were a part of this industry and majority having more than 3 years of experience in business. The number of employees clearly showed that the businesses were SME with majority having less than 10 employees (62.7%) As for the academic background, majority finished above secondary school with 59.6 percent graduated from college and university. Finally, about 82 percent of respondents' businesses were located outside the city.

**Table 4.1 Socioeconomic profile of small and medium enterprises in Pahang**

		Frequency (n = 94)	Percentage (%)
Gender	Male	37	39.4
	Female	57	60.6
Age group (in years)	Less than 21	4	4.3
	21 to 30	21	22.3
	31 to 40	20	21.3
	41 to 50	46	48.9
	More than 50	3	3.2
Ethnicity	Malay	64	68.1
	Chinese	25	26.6
	Indian	5	5.3
Highest education level	Primary School	10	10.6
	Secondary School	28	29.8
	College	27	28.7
	University	29	30.9
Years of experience	0 to 2 years	21	22.3
	3 to 5 years	34	36.2
	6 to 8 years	32	34.0
	More than 8 years	7	7.4
Years of business experience	3 years or less	13	13.8
	4 to 6 years	29	30.9
	7 to 9 years	23	24.5
	10 to 12 years	25	26.6
	more than 12 years	4	4.3
Type of business	Sole Proprietor	46	48.9
	Partnership	27	28.7
	Private Limited	21	22.3
Types of Industry	Food and Beverage	45	47.9
	Services	23	24.5
	ICT	14	14.9
	Agriculture	8	8.5
	Financial	1	1.1
	others	3	3.2
Types of Industry	Less than 6	27	28.7
	6.00 - 10.00	32	34.0
	11.00 - 15.00	15	16.0
	16.00 - 20.00	10	10.6
	more than 20	10	10.6
Location of business operation	City	17	18.1
	outside city	77	81.9

Source: field work

Table 4.2 depicts the internal and external forces of marketing environment of the Small and Medium Enterprises at Pahang. As for marketing environment, the score of each respondent was derived by averaging the above 36 items. Results show that most respondents perceived that the environmental variables are conducive to the success of their business as respondents were asked to answer based on the environment in which they operate the Halal business. Therefore, it can be concluded that firstly, shareholders or business owners were actively engaged in the decision making and operational activities of their respective halal businesses. Secondly, the enterprise should not only be registered as halal SMEs in Pahang, but the business must still be active and in operation to be in that halal environment.

**Table 4.2 Internal and external forces of marketing environment of the Small and Medium Enterprises in Pahang**

<b>Marketing environment</b>		<b>Mean=3.62</b>					<b>Total</b>
		<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Political and Social</b>							
1	Increase legislation regulating business	0	3	30	56	5	94
2	Changing government agency enforcement	0	4	26	58	6	94
3	Increase emphasis on ethics and social responsibility	0	3	20	66	5	94
<b>Economic</b>							
1	Consumer purchasing power	0	2	18	68	6	94
2	Change in consumer income	0	2	23	59	10	94
3	Change in spending pattern	0	2	18	66	8	94
<b>Demography</b>							
1	Changing age structure of population	1	4	41	43	5	94
2	Geographic Shifts in Population	1	9	33	45	6	94
3	Increasing diversity	3	6	31	50	4	94
<b>Marketing environment</b>		<b>Mean=3.62</b>					<b>Total</b>
		<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Technology</b>							
1	Change in market structure	2	4	28	50	10	94
2	New business opportunity	0	3	25	55	11	94
3	Opportunity to introduce new product	0	2	22	58	12	94
<b>Culture</b>							
1	Persistence of cultural values	0	2	39	48	5	94
2	Shifts in secondary cultural values	1	5	28	54	6	94
3	Society's view of business environment	0	2	31	52	9	94
<b>Natural</b>							
1	Shortage of raw materials	3	2	29	51	9	94
2	Increased pollution	6	3	24	56	5	94
3	Increase government intervention	8	1	24	55	6	94
<b>Internal organisation</b>							
1	Top management	1	1	28	56	8	94
2	Research and development	0	0	30	55	9	94
3	Team work	1	1	22	62	8	94

<b>Marketing environment</b>		<b>Mean=3.62</b>					
		<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>Total</b>
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Marketing intermediaries</b>							
1	Agencies that promote /market your product	0	0	35	45	14	94
2	Agencies that distribute your product	0	3	24	55	12	94
3	Agencies that sell your product	0	2	24	56	12	94
<b>Competitor</b>							
1	Strategic positioning	0	2	37	48	7	94
2	Competitive advantage	0	0	25	56	13	94
3	Marketing strategy	0	0	15	53	26	94
<b>Supply chain</b>							
1	Supply of raw materials	8	8	27	41	10	94
2	Supply availability	8	8	29	43	6	94
3	Suppliers purchasing power	8	7	28	42	9	94
<b>Public</b>							
1	Financial publics	0	4	35	48	7	94
2	Media support	1	5	33	46	9	94
3	Citizen action public	10	5	24	49	6	94
<b>Customer</b>							
1	Types of customers	4	8	35	42	5	94
2	Customer purchasing structure	0	2	34	52	6	94
3	Purpose of buying the products	0	3	28	46	17	94

Source: Field work

## 5. SUGGESTIONS

From the above study, it should be suggested that, as the main variable in this research, the halal marketing environment was proven an influencer in this study. The relationships between the independent variables and level of success are affected and influenced by the marketing environment. Under the perception of low marketing environment, there is a positive relationship between level of success and the lead success factors, while in perception of high marketing environment the relationship is opposite. Therefore in a low marketing environment, both types of entrepreneurship education and training and personal characteristics are crucial to the success of the halal SME owners.

On one hand, the marketing environment is essential in allowing proper implementation of the various procedures and on the other hand, it is also required to ensure that the level of success of the process is increased significantly. This implies that although the marketing environment may or may not place any direct impact on the industry and the overall effectiveness of the SME, the same places an indirect impact and thus influences the level of

success or failure of the same. The inability of the concerned individuals to maintain proper environment, that is not only expected to facilitate the owners and encourage positive change and constructive ambiance, is required to cause an increase in the level of success of the SME owners, thus amplifying the effect of the business environment and at the same time, highlighting the impact placed by the same on the concerned environment.

## 6. CONCLUSION

Therefore it can be concluded that, as the halal market is huge and attracts SMEs all over the world, future research can also be conducted to examine the level of success of halal SMES in other parts of the world. Since the marketing environment is different in the sense that the SMEs in other countries might have different requirements or different perceptions of influence of the environment, results may be able to show that marketing environment indeed play a significant role. For instance, in Malaysia, the governing body that can issue a formal halal certification is only JAKIM, and no other bodies can do the same. In other countries, the certificate issued by the world halal governing body is sufficient. Another interesting perception

that would lead to interesting result could be in terms of cultural and social environment, which includes the society's belief, cultural norms and practices. For example, the kosher market in the western countries has existed for a long time. As kosher is also similar to the concept of halal in Islam, in which kosher follows the religious teachings of the Jews, future research could include comparison of the two in areas of concepts, markets, success factors to name a few. This would contribute further to the body of knowledge and to the business world as a whole.

### COMPETING INTERESTS

Authors have declared that no competing interests exist.

### REFERENCES

1. Burgmann T. Halal flexes its marketing muscle; 2007.  
Available:<http://www.thestar.com/business/article/238551--halal-flexes-its-marketing-muscle>
2. Kuratko DF, Hodgetts RM. Entrepreneurship: Theory, Process. Practice. Mason, OH: South-Western Publishers; 2004.
3. Saleh AS, Ndubisi NO. An evaluation of SME development in Malaysia. International Review of Business Research Papers. 2006;2(1):1-14.
4. Thurasamy R, Mohamad O, Omar A, Marimuthu M. Technology adoption among small and medium enterprises (SME's): A Research Agenda; 2009.
5. Aris NM. SMEs: Building Blocks for Economic Growth. Paper presented in .Paper presented at the National Statistics Conference; 2007.
6. Malaysian SMI Association July 17; 2001. The Star News.
7. Keh HT, Nguyen TTM, Ng HP. The effects of entrepreneurial orientation and marketing information on the performance of SMEs. Journal of Business Venturing. 2007;22(4):592-611.
8. Keh HT, Nguyen TTM, Ng HP; 2007.
9. Rose RC, Kumar N, Yen LL. The dynamics of entrepreneurs' success factors in influencing venture growth. Journal of Asia Entrepreneurship and Sustainability. 2006a;2(2).
10. Sivapalan V. Move to K-economy, New Straits Times; 2001.
11. Kirby DA. Entrepreneurship Education: can Business Schools meet the Challenge? Paper presented at the ICSB World Conference, San Juan, Puerto Rico; 2002.

© 2015 Tahir and Sultana; This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

*Peer-review history:*  
*The peer review history for this paper can be accessed here:*  
<http://sciencedomain.org/review-history/9905>