



UNIVERSITI PUTRA MALAYSIA

**THE MODERATING EFFECTS OF DEGREE OF INTERNATIONALIZATION
ON FACTORS AFFECTING THE INTERNATIONAL PERFORMANCE OF
SMALL AND MEDIUM ENTERPRISES IN THE MALAYSIAN HALAL
FOOD INDUSTRY**

NOOR AZLIN ISMAIL

GSM 2011 9

DEDICATION

This thesis is dedicated to:

All academicians and students in this area of study

All SMEs in the halal food industry

Muslim and non-Muslim consumers

My parents, Ismail bin Sulaiman and Som binti Abdullah

My relatives and close friends

Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Doctor of Philosophy

**THE MODERATING EFFECTS OF DEGREE OF INTERNATIONALIZATION ON
FACTORS AFFECTING THE INTERNATIONAL PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES IN THE MALAYSIAN HALAL FOOD INDUSTRY**

By

NOOR AZLIN ISMAIL

JULY 2011

Chairman: Professor Zainal Abidin Mohamed, PhD

Faculty : Graduate School of Management

This study examines the influence of small and medium enterprises' (SMEs') specific internal capabilities, external environment and degree of internationalization based on speed, scale and scope on their internationalization process and performance. It looks specifically at the performance of the SME halal food exporters from/in Malaysia holistically. This is significant because earlier studies have largely ignored performance of firms operating in different cultural and religious settings. Furthermore, the context within which the firm acts has changed considerably particularly due to the globalization phenomenon. As such, SMEs' have had to understand the interplay between the various internal and external factors and the strategic choice of the internationalisation process and how these will affect their performance. Therefore, theories need to evolve to account for these new behaviours. This study uses existing theories based on Stage Theory-Uppsala Model, Resource Based View (RBV), International New Venture (INV), Dynamic Capability View, Contingency View, Industry-Based View and

Institutional Based View, incorporating various internal and external factors that are related to international business and international entrepreneurship fields of study.

In terms of methodology, this is a quantitative study. Three hundred (300) structured questionnaires were mailed to the SME exporters in Malaysia and 174 completed questionnaires were returned from 195 respondents. To answer the research objectives, Descriptive analysis, Multiple Linear Regressions (MLR) and Moderated Multiple Regression (MMR) analyses were executed to determine the significance of the relationships between SMEs' specific internal capabilities, external environment factors and moderating effects on their international performance.

Based on the six hypotheses proposed, and using MLR analysis, the results indicate that there are significant relationships between some of SMEs' specific internal capabilities (foreign experiential knowledge and halal reputation), external environment (globalization phenomenon, industry and domestic market, institutional factors) and international performance. The findings confirm that SMEs' international performance is influenced by the interplay between some of their internal capabilities and external environment factors. In addition, based on the impact of three moderator variables analysed by MMR to differentiate between traditional incremental versus rapid internationalization process, the findings reveal that speed and scale are not supported. However, scope level has significant positive impact on some of SMEs' specific internal capabilities (foreign experiential knowledge, founder/managers international experience, global mindset, international entrepreneurial orientation and halal reputation) and international performance. The scope level is categorized into regional firms operating in low scope and

global firms operating in high scope. As a result, there exist differences in terms of their internal resources (competitive advantage), and international performance where firms that are global show better position than regional.

In conclusion, these findings would enable academicians, practitioners and government agencies to focus on the pertinent and related issues of differences between these two types of SME exporters in terms of their internal resources, external environment, market scope (regional versus global) and international performance from a holistic point of view, religious products and country origin perspectives.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

KESAN MODERASI DARJAH PENGANTARABANGSAAN TERHADAP FAKTOR-FAKTOR YANG MEMPENGARUHI PRESTASI ANTARABANGSA SYARIKAT INDUSTRI KECIL SEDERHANA DALAM INDUSTRI MAKANAN HALAL DI MALAYSIA

Oleh

NOOR AZLIN ISMAIL

JULAI 2011

Pengerusi : Professor Zainal Abidin Mohamed, PhD

Fakulti: Sekolah Pengajian Siswazah Pengurusan

Kajian ini meneliti mengenai pengaruh faktor luaran, dalaman dan darjah pengantarabangsaan berdasarkan kepada kecepatan, skil keuntungan dan keluasan pasaran terhadap proses pengantarabangsaan dan prestasi syarikat industri kecil sederhana (IKS). Kajian ini memberikan tumpuan lebih kearah prestasi pengeksport dalam industri makanan halal di Malaysia dari sudut pandangan menyeluruh yang membabitkan teori-teori dan perspektif negara asal itu sendiri. Ini adalah penting kerana kajian-kajian yang lepas seringkali mengabaikan prestasi syarikat-syarikat yang beroperasi di industri yang berteraskan dari sudut kebudayaan terutamanya pengaruh agama serta tidak melibatkan perspektif negara asal itu sendiri. Tambahan pula, persekitaran di mana syarikat beroperasi telahpun mengalami perubahan terutamanya akibat era globalisasi, oleh itu syarikat industri kecil sederhana perlu memahami perkaitan antara faktor kemampuan dalaman dan persekitaran luaran mereka serta pilihan strategik dalam darjah

pengantarabangsaan. Ini adalah kerana ianya boleh memberi kesan terhadap prestasi pengantarabangsaan mereka.

Dari sudut methodologi pula, kajian ini adalah berbentuk kuantitatif. Tiga ratus borang soal selidik telah dihantar kepada pengeluar dan dalam masa yang sama merupakan pengeport makanan halal di Malaysia. Daripada 300 borang soal selidik yang dihantar, 174 borang adalah lengkap daripada 195 responden. Bagi menjawab persoalan objektif kajian, perisian SPSS digunakan berdasarkan kepada analisa Deskriptif, Multiple Regression Analysis (MLR) dan Moderated Multiple Regression (MMR).

Daripada 6 hypothesis yang telah dicadangkan, keputusan analisa MLR mengesahkan tentang hubungan kemampuan dalaman yang tertentu (pengetahuan pengalaman luar negara dan reputasi halal logo) dan faktor luaran (fenomena globalisasi, industri dan pasaran tempatan, faktor institusi) syarikat IKS terhadap prestasi eksport. Penemuan ini mengesahkan bahawasanya prestasi syarikat IKS dipengaruhi oleh kaitan antara faktor dalaman dan persekitaran luaran mereka. Tambahan lagi berdasarkan kepada tiga pembolehubah moderasi bagi membezakan antara proses pengantarabangsaan yang 'traditional incremental' dengan 'rapid', penemuan kajian membuktikan bahawa kecepatan dan skil keuntungan tidak signifikan. Hanya skop keluasan pasaran mempunyai kesan positif terhadap sesetengah faktor dalaman (pengetahuan pengalaman luar negara, pengalaman antarabangsa pemilik/pengurus, pemikiran global, orientasi usahawan antarabangsa dan reputasi halal) dan prestasi antarabangsa. Skop keluasan pasaran dapat dikategorikan kepada dua iaitu 'regional' di pasaran keluasan yang rendah (yang mengeksport di pasaran serantau) dan 'global' di pasaran berkeluasan tinggi (yang mengeksport di pasaran global sekurang-kurangnya 4 benua secara serentak). Implikasinya wujud perbezaan dari sudut sumber kemampuan dalaman (kelebihan bersaing), skop keluasan pasaran eksport dan

prestasi di mana syarikat global berada di kedudukan yang lebih baik berbanding dengan syarikat berstatus regional.

Kesimpulannya kajian ini membolehkan para ahli akademik, pengamal dan pihak agensi kerajaan memfokuskan kepada isu-isu yang berkaitan terhadap perbezaan di antara dua jenis syarikat pengeksport IKS dari sudut faktor kemampuan dalaman, persekitaran luaran, skop pasaran dan prestasi pengantarabangsaan. Tumpuan ini seharusnya dilihat secara menyeluruh, merangkumi dari perspektif keperluan agama dari sudut barangan dan negara asal.

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I certify that an examination committee met on 15th July 2011 to conduct the final examination of Noor Azlin Ismail on her Doctor of Philosophy thesis entitled “**The Moderating Effects of Degree of Internationalization on Factors Affecting the International Performance of Small and Medium Enterprises in the Malaysian Halal Food Industry**” in accordance with the Universities and Universities Colleges Act 1971 and the Constitution of Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the candidate be awarded the Doctor of Philosophy degree. Members of the Examination Committee are as follows:

Naresh Kumar, PhD

Lecturer
Graduate School of Management
Universiti Putra Malaysia
(Chairman)

Olli Kuivalainen, PhD

Professor
School of Business
Lappeenranta University of Technology, Finland
(External Examiner)

Ahmad Zaki Haji Ismail, PhD

Assoc. Professor
Kolej Universiti Insaniah
Alor Setar Kedah
(Internal Examiner)

Yaakob Che Man, PhD

Professor
Halal Product Research Institute
Universiti Putra Malaysia
(Internal Examiner)

Zainal Abidin Mohamed, PhD

Professor
Graduate School of Management
Universiti Putra Malaysia
(Representative of the Supervisory Committee Observer)

FOONG SOON YAU, PhD,
Professor/Deputy Dean
Graduate School of Management
Universiti Putra Malaysia
Date:

DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledge. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or any other institutions.



NOOR AZLIN ISMAIL

Date:

This thesis submitted to the Senate of Universiti Putra Malaysia has been accepted as fulfillment of the requirement for the degree of Doctor of Philosophy.

The members of the Supervisory Committee are as follows:-

Zainal Abidin Mohamed, PhD

Professor
Graduate School of Management
Universiti Putra Malaysia
(Chairman)

Jegak Uli, PhD

Associate Professor
Professional Development and Continuing Education
Universiti Putra Malaysia
(Member)

Osman Mohamad, PhD

Professor
Business School
Universiti Sains Malaysia
(Member)

ARFAH SALLEH, PhD, FCPA

Professor/Dean
Graduate School of Management
Universiti Putra Malaysia

Date:

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