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THE IMPORTANCE OF A GLOBAL MINDSET TO THE MALAYSIAN FOOD INDUSTRY SMES

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ABSTRACT

The food industry in Malaysia is a major contributor to Malaysia's economic growth even during the pandemic or economic crisis. It provides numerous opportunities, particularly for the Small and Medium Enterprise (SMEs): (1) increasing business efficiency; (2) enhancing product quality; (3) increasing production productivity, profit, and market share; (4) strengthening Bumiputera (native) SME networking; (5) generating competitive advantage. However, there are several challenges for this industry to remain competitive in the local market. Previous studies have revealed that internationalization strengthens SMEs competitiveness and survival prospects. Thus, for SMEs of the food industry to maintain their business growth and sustainability, they should involve in the international business transaction through accessing third markets by exporting, investing abroad and licensing. There are numerous discussions on the internationalization aspect of SMEs that require them the capability to develop international performance, which includes global mindset. Global mindsets from the aspect of global leadership are crucial in overcoming barriers to the internationalization, such as increasing the number of skillful workers in Malaysia. Additionally, the cost of hiring professional and skillful workers is a constraint for smaller companies to resolve with less financial resources compared to the multinational companies. Therefore, this study is aimed to improve the Malaysian food industry SMEs' performance at an international level. This research applied a quantitative

approach and involved hypothesis testing on the relationship between global mindset and international performance. A cross-sectional study was utilized to collect the data required for the hypothesis testing by using questionnaire method representing Malaysian participants' view on internationalization of SMEs.

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1. Food industry in Malaysia

The food industry is one of the world's most dynamic economic sectors that plays a significant role in the economic development of any nation (Sadiku, Musa, & Ashaolu, 2019). In Malaysia, the food industry is varied due to the diverse cultures with a wide range of food products with Asian preferences and mainly Malaysian-owned and dominated by small and medium scale companies besides the foreign and multinational companies (MNC) companies (Azmi, Abdullah, Bakri, Musa, & Jayakrishnan, 2018). It encompasses cocoa and cocoa preparations, prepared cereals and flour preparations, processed seafood, dairy products, prepared and preserved vegetables and fruits, processed meat, sugar and sugar confectionery, coffee, tea, spices and edible products, and preparations (Bhuiyan et al., 2016; Malaysian Investment Development Authority, 2018). Food industry also includes a complex network of activities related to the supply, consumption, and catering of food and services (Sadiku et al., 2019).

Food industry is one of Malaysia's vital socioeconomics (Huoy, 2018) according to previous studies (Huoy, 2018;Ismail & Kuivalainen, 2015) and current statistics (Malaysian Investment Development Authority, 2019). It offers vast opportunities, particularly for SMEs, including boosting business efficiency, improving product quality, enhancing production productivity, profit and market share, strengthening Bumiputera SME networking and generating competitive advantage (Zain et al., 2012). Moreover, food industry also contributes to Malaysia's economic growth (Ayupp & Tudin, 2013) particularly through food processing sectors that make significant contributions among SMEs (Huoy, 2018) and one of the largest mainstream of Malaysian SMEs (Bhuiyan et al .,2016).

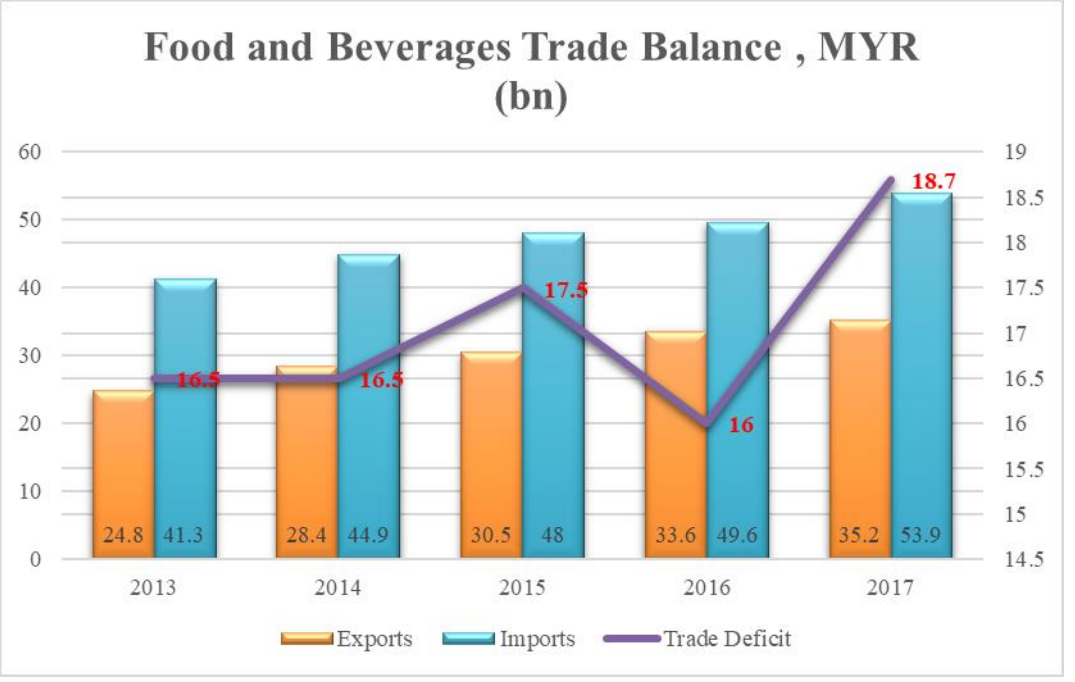
For the year 2018, processed foods from Malaysia that was exported to more than 200 countries, produced an annual export value of more than RM21.1 billion (Malaysian Investment Development Authority, 2018). In 2019, approximately 10% of Malaysia's production was in the food processing sector, whereby processed food exported to more than 200 countries has contributed RM21.76 billion in revenue to the country, as compared to RM20.27 billion total import for processed food (Malaysian Investment Development Authority, 2019)

One of the industries that had contributed to the Malaysian employment market was SMEs in food industry, with the rate of 62.0% (SME Annual Report, 2018). The food industry is also known as a target area for reducing the country's trade bill for agriculture products (SME Masterplan, 2020). According to Bhuiyan et al., (2017), food industry is supposed to play a crucial role in maintaining the financial development of the country. Malaysia also has developed and improved its agriculture and food processing industry progressively become a net exporter of processed food (Malaysian Investment Development Authority, 2019).

2. The importance of the international market for the growth and sustainability of Malaysian food industry SMEs

SMEs play a prominent role and contribute to the development of Malaysia. It also has long been an important mechanism for job creation and economic growth (Lampadarios, Kyriakidou, & Smith, 2017). However, Malaysian SMEs face difficulties to remain competitive in the market (Malaysia, 2018; Bhuiyan et al., 2017; SME Annual Report, 2018;(Zain et al., 2012). Significant challenges for SMEs in a developing country may include lack of knowledge, shortage of skill and lack of experience. Due to these challenges, a majority of SMEs cannot succeed in the international market (Rahman, Uddin, & Lodorfos, 2017). Besides, food industry has been facing many problems such as pressure from retail chains on price reductions and increasing imports of food products (Tuzová, Toulová, & Kubíčková, 2017). The food and beverages trade deficit in Malaysia for the year 2017 was at RM 18.7 billion as presented in table 1. The key food imports consisted of mutton, beef, raw materials, cocoa beans, vegetables and fruits

Table 1
Food and Beverages Trade Balance (MYR,bn)



Note. State of the Global Islamic Economy Report 2017/18, Malaysia Food and Beverages Sector 2018/2019 (EMIS Insights Industry Report 2018/19).

To remain competitive, previous studies have revealed that internationalization strengthens SME competitiveness and survival prospects (Bose, 2016; Zhou & Wu, 2014). Moreover, internationalization supported innovative capability (Kalinic & Forza, 2012; Ren, Eisingerich, & Tsai, 2015), improved productivity (Coviello, McDougall, & Oviatt, 2011; Ren, Eisingerich, & Tsai, 2015)

of SMEs compared to non-internationalized SMEs. Besides that, internationalization was known as a success factor to achieve growth, competitiveness and superior performance due to diversification advantages, economies of scale, and learning advantages (Coviello et al., 2011; Glava et al., 2017).

It is a trend that smaller firms seek to achieve growth by not only depending on the domestic market but obtaining their new customers through international venturing efforts as the local market are insufficient for ensuring business growth and sustainability(Tarun Kanti Bose, 2016). Thus, diving into international market will be a platform for firms to receive global competition benefit and increase survival prospects resulting in becoming a more reliable player in the domestic market (Bose, 2016; Zhou & Wu, 2014). In addition, internationalization will create employment activities, improve productivity for the national market, and as a way for accumulating foreign exchanges reserves (Hashim, 2015)

However, as a small and open economy, Malaysia remains exposed to external risks and obstacles. To strengthen its economic resilience, Malaysia needs to focus on enhancing productivity, improving the innovation, and maximizing export potential (Eleventh Malaysia Plan, 2020). Exports are commonly viewed as important contributions to nation's economic growth and well-being (Ribau et al., 2017). Malaysia External Trade Development Corporation (MATRADE) also has intended at internationalizing export-ready for the food industry (SME Annual Report, 2018). Thus, for the food industry to maintain their business growth and sustainability, it should involve itself in the international business transaction.

As shown in Table, and Figure 2, the Malaysian food industry was facing a decrease in export value for the years 2016-2017. Moreover, SME Annual report 2017/2018 surveyed all registered SMEs to recognize the constraints of SMEs in export operations. Figure 1 illustrated that 53.3% of SMEs responded that they were facing inadequate information on the targeted market. A total of 46% SMEs responded that they had inadequate knowledge on competitors; 43.3% of SMEs experiencing higher operating cost, 42.9% faced insufficient knowledge on procedure to export, 40.7% had insufficient knowledge of global demand; and 40.4% experienced inadequate sources of financing. Therefore, factors that may contribute to a better international performance of SMEs for the food industry should be analyzed to continue survive in the scarce market.

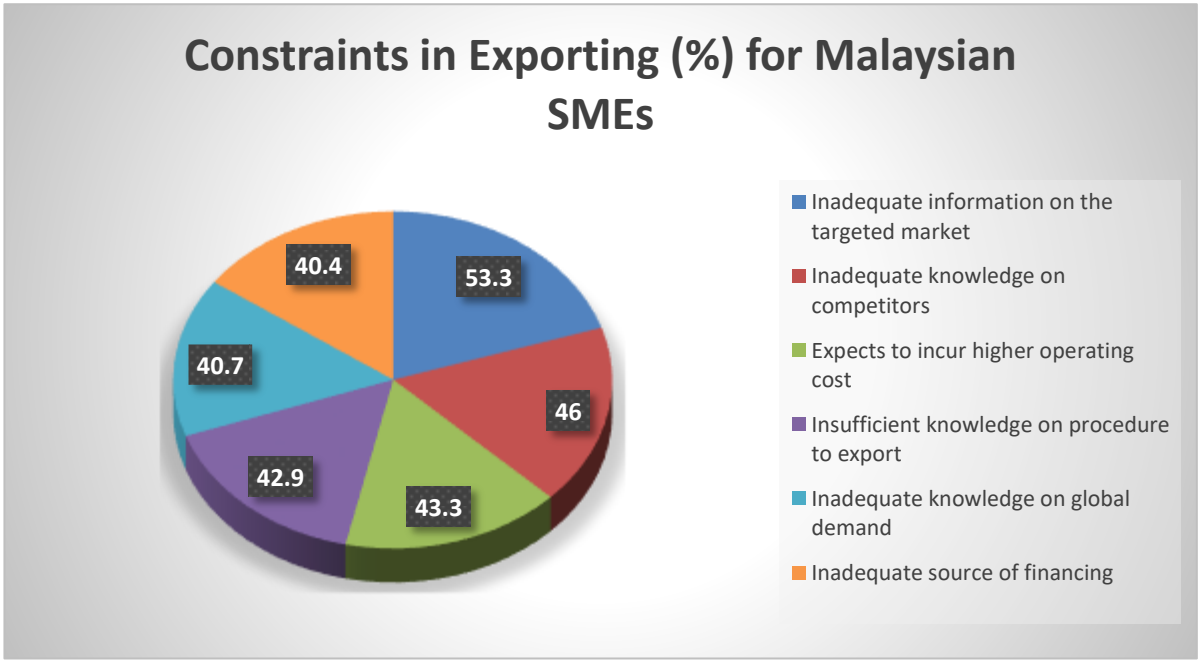


Figure 1:Constraints in Exporting (%) for Malaysian SMEs

Note. SME Corp. Malaysia Annual Report, 2017/2018 (Q3 2017 and Q3 2017 SME Survey

Table 2
Export for manufactured goods in Malaysia

	2015	**2016**	**2017**	**2018**
Food, Beverage, and Tobacco	RM 22945	RM 24639	RM 23926	RM 22 821

Note. Monthly External Trade Statistics (2018).

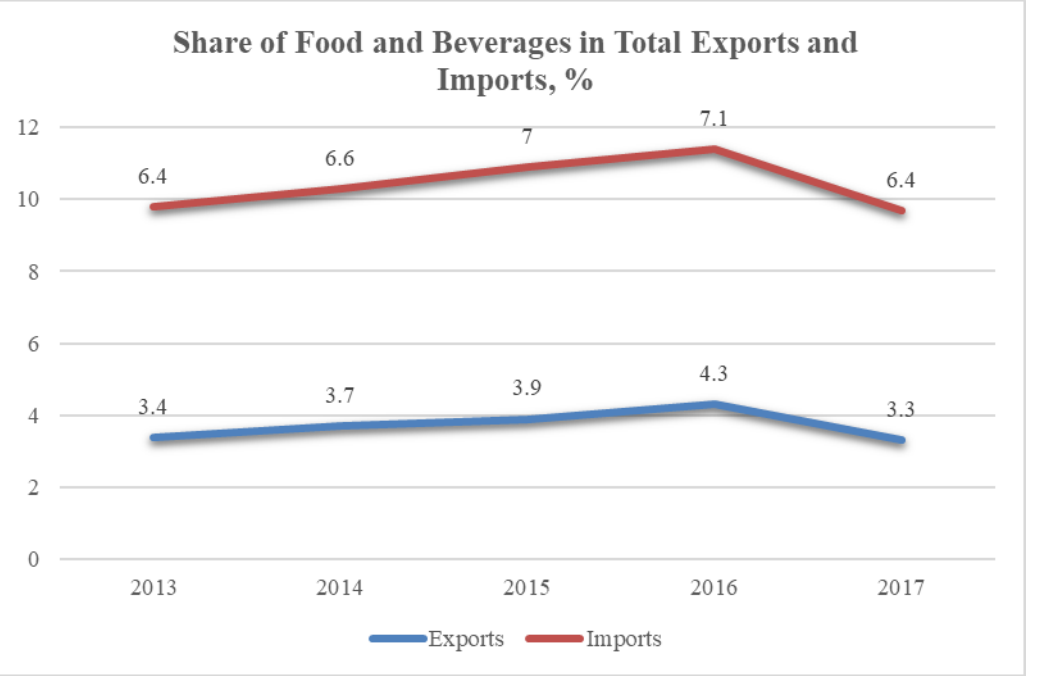


Figure 2: Share of Food and Beverages in Total Exports and Imports in Malaysia (%)

Note. State of the Global Islamic Economy Report 2017/18, An EMS Insights Industry Report 2018/19.

3. The role of the global mindset that aid for a better international performance

Past research has investigated the numerous factors that led to a better international performance of SMEs instead of their dearth of resources .One of the most important factors is related to the role and behavior of entrepreneurs in the internationalization process (Ciszewska-Mlinaric, Obloj, & Wasowska, 2016). Furthermore, SMEs relative strengths are mostly behavioural (Paul, Parthasarathy, & Gupta, 2017). Therefore, quite a lot of discussions in the internationalization literature that focus on capabilities that related to the role and behavior of entrepreneurs to develop international performance, which includes global mindset (Kyvik, 2018;Nummela, Saarenko, & Puumalainen, 2004;Torkkeli, Nummela, & Saarenketo, 2018). According to Gupta & Govindarajan (2002), global mindset can be defined as "manager's openness and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity" and was originated from the concept of cognitive psychology and organizational theory. People with a global mindset have the ability to view certain things that others fail to do (Dar, 2019) and it also can refer to high degree of internationalization (Pascucci & Bartoloni, 2018)

With the rapidly increasing complexity of international market, managers tend to face numerous challenges for successful internationalization. Therefore, to deal with all these challenges, many scholars highlight the importance of complex human cognition and behavior, (Ashkenas, Ulrich, Jick, & Kerr, 2002) and cross-cultural competencies, which is global mindset. Global mindset will

lead managers to think beyond narrow cultural boundaries and reach intelligent decision especially when dealing with international market (Andresen & Bergdolt, 2017;Bücker & Poutsma, 2010a; Johnson, Lenartowicz, & Apud, 2006). Thus, the manager must acknowledge global mindset as a more significant potential for firm performance and success on the global market (Eriksson et al., 2014a; Murtha, Lenway, & Bagozzi, 1998;Torkkeli et al., 2018).

The Malaysian government, as stated in "Dasar Keusahawanan Nasional" emphasized the importance of entrepreneurs to have a global mindset to survive, and contribute to economic growth to turn Malaysia into an entrepreneurial nation (Kementerian Pembangunan Usahawan, 2019). Global mindset plays a prominent role to overcome barriers in internationalization process, including the limited availability of skillful workers in the Malaysian market (Hashim, 2015; Roy, Sekhar, & Vyas, 2016). As shown in Figure 1, the most constrained issue Malaysian exporters faced was related to the knowledge and familiarity to foreign countries. Therefore, managers with global mindset will assist their company to deal with complex situations and in dealing with international market (Gupta & Govindarajan, 2002;Dar, 2019; Jiang, Ananthram, & Li, 2018; Kyvik, 2018).

Thus, the Malaysian food industry must figure out ways to market their goods, retain competition and be successful in the international market. According to Mostafiz, Sambasivan, & Goh (2019), SMEs must invest in human resources development and focus on cognitive mentality capability which is having a global mindset. International entrepreneurship literature often refers to global mindset, implying the cognitive skills of managers working in global business setting, as a prerequisite for successful international operations (Eriksson, Nummela, & Saarenketo, 2014;Nummela et al., 2004). Global mindset is needed to accumulate foreign market knowledge and survive in a competitive environment (Boyacigiller, Levy, & Ph, 2006).

4. Hypotheses

The main aim of this study is to understand the effect of global mindset on the international performance of the small and medium-sized businesses of the food industry in Malaysia. Considering the dynamic capability theory, in acquiring better international performance, SMEs must rely more on managers' capabilities, which include global mindset (Ismail & Kuivalainen, 2015; Solano Acosta et al., 2018). The literature on international entrepreneurship often signifies the global mindset as a cognitive capability of managers that are operating and surviving in an international scope environment (Eriksson, Nummela, & Saarenketo, 2014a). Furthermore, Kyvik (2011) stated that the global mindset of decision-makers in small firms is considered an intangible, distinctive and difficult-to-trade dynamic power capability. It will determine how the CEO / manager perceives foreign opportunities and risks with all these capabilities. This study, therefore, suggests the following hypothesis:

H1: Global mindset has a positive impact on international performance.

5. Method

This research is a quantitative approach and involves hypothesis testing on the relationship between global mindset and international performance. A cross-sectional study was utilized to collect the data required for the hypothesis testing by using a questionnaire survey. The target population for this study is SMEs in the food industry that have export activities, listed in Malaysia Product Directory 2019, provided by Malaysia External Trade Development Cooperation (MATRADE) and Federal of Malaysian Manufacturers (FMM), 2019. There are approximately 2526

food and beverage SMEs involved in export activities in Malaysia. However, MATRADE and FMM do not fully provide a readily available directory for Food Industry SMEs involved in export activities. Therefore, the researcher used purposive sampling to select those that satisfy the criteria for the research. Purposive sampling was used in this study, which is non-probability sampling. Food processing companies are the most appropriate for this research because they have huge hidden potentials to Malaysian economic growth and most vulnerable to globalization and export activities of food industry. Several criteria to select the sample was applied, such as the respondents must be in food industry, the total number of employees must not be more than 200 and sales turnover must not be more than RM50 million which is aligned with the definition of SME in Malaysia. Other criteria include that the respondents must involve in export activities. In this study, the target respondents were the top managers or owners of SMEs. The selected sample was chosen because they are considered key decision makers that will affect their firms' performance (Lazaris & Freeman, 2018; Paochoo, 2016).

6. Conclusion

In conclusion, the Malaysian government is encouraging internationalization activities, especially among the SMEs to become stronger players in the domestic market, and to receive competitive benefits in the international market (SME Annual Report, 2018). However, based on the preceding literature, internationalization remain challenges for firms especially for SMEs due to the limited of resources (Hashim, 2015;Paul et al., 2017 ;Yener & Ergun, 2014). This includes cost for recruiting skillful and expert employees which is difficult for smaller companies with fewer financial resources as compared to multinational companies (Zain et al., 2012). Therefore, global mindset is known to be a critical success factor affecting numerous organizational outcomes and performances (Astini, 2017; Gupta & Govindarajan, 2002; Levy et al., 2007) including international performance (Andersson, 2011a; Nummela et al., 2004; Torkkeli et al., 2018). Therefore, this study would shed lights on the global mindset to improve international performance of food industry SMEs in Malaysia.

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