



## Five (5) Items to Success for SMES Companies in Malaysian East Coast Economic Region (ECER) Area

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### ABSTRACT

Malaysian SMEs are an important component of national economic development. According SMIDEC 2010, SMEs accounted for 93.8 percent in the manufacturing sector. Value added products from SMEs is expected to RM120 billion or 50 percent of total production in the manufacturing sector by 2020. The aim of this study to determine the performance of the employees of SME companies in the East Coast Economic Region (ECER). The study involved four determinants of system performance namely training and development, communication, work environment and reward. A total of 108 respondents were used to answer a questionnaire of selected companies that have been distributed to the respondents to obtain information related to the research carried out. The results of this study show that communication skills, reward, work environment and training & development are the success factors to improving their employee performance. In order to achieve national development goals of the management of SMEs companies need to take into account factors related to improving workers performance. This study show that all the determinants studied had a significant relationship at the significance level of  $p < 0.05$ .

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### Introduction

Malaysian Small and Medium Enterprises (SMEs) are a significant component of the country's economic development. According to Small and Medium Industries Development Corporation (SMIDEC, 2012), SMEs accounted for 93.8 per cent of companies in the manufacturing sector. They contribute, 27.3 per cent of total manufacturing output, 25.8 per cent to value-added production, own 27.6 per cent of non-current assets, and 38.9 per cent of the country's workforce. Value-added products from SMEs are expected to be worth RM 120 billion or 50 per cent of total production in the manufacturing sector by 2020. Despite these statistics, Malaysian SMEs' share of total exports is approximately 20 per cent lower than many other countries, such as the Philippines, Hong Kong, Taiwan and even the US (SMIDEC, 2012). There is a shortage of skilled and talented, which affects the quality and efficiency of production and productivity. There was also the problem of communication and lack of awareness in the tasks assigned by the employer to the employee. Workplace environment that is conducive not be a problem for workers to focus on doing the work. The question is also made with the company's policy regarding the lack of training and development. These factors are expected to lead to workers who were not able to complete the tasks given effectively due to lack of skills of current technological developments. Problems in terms of rewards also affect the company's performance improvement.

The objective of this study was to find the effectiveness of 5 variables chosen to success for SMEs companies in Malaysian East Coast Economic Region area.

Statistics from Malaysia Department of Insolvency 2011, state that the cases of bankruptcy from corporate and business

sector increase 2,438 (13,238) to 3,339 (19,167) or 37% (45%) in year 2007 to 2011.

Trend of scenario from misinterpretation performance from financing institution. Non-conducive workplace environment has become a problem to the employees to focus work in doing the work. Communication problem is a lack of awareness in the tasks given by employers to employees. There is a lack of skilled and talented workers, which affects the quality of production as well as efficiency and productivity in industries (Md. Baharuddin and Khairul Azhar, 2013). Lack of training and development causes unskilled employees unable to complete the task given effectively. Problem in terms of rewards also influence the improvement of company performance. There is inadequate data and information on the development of Malaysian SMEs.

### Literature Reviews

Ahmad (1996); Sekaran (2000) and SMIDEC (2010) emphasize the many challenges faced by SMEs in the globalized environment. Lack of financing, low productivity, lack of management capacity, access to management and technology, and high work load current is to be given importance by the company management of SMEs. Fiona et al. (2005), human development is not only about training aspects but also include other aspects such as employee selection. Hoy et al. (1982), communication is the most important aspect and the key elements for maintaining the function of an organization. Communication effectiveness and performance of the company has a close relationship. Norusis, (2005), the temperature change in the workplace result in a negative impact on workers who perform mental tasks use. Bentler et al. (1980), they connects the two variables; remuneration and employee

commitment to the organization and the results show that the reward factors have a significant impact on employee commitment to the organization. Erika (2000), divides the concept of leadership to five situations firmly, integrity, warmth and democratic. Power management is a key factor to ensure that there is a convincing relationship during the process leader and staff relations (Cohen, 1988). Hence leadership style is necessary in a company to create a harmonious atmosphere, excel and achieve the goals of the organization and the employees themselves (Md. Baharuddin et al., 2014).

**Methods**

This study developed a conceptual framework based on issues beam work used by Elizabert et all. (2006), Gavios (2006), Lens (2005) and Falahy (2005). 108 respondents were sampled to obtain information about the main factors that affect the performance of employees in manufacturing SMEs in Industrial Area Kelantan. Data were analyzed using SPSS software version 20.0. Data's evaluation using Coefficient of Correlation with r value. The evaluation and measurement of variable focus on data r value more than (+- 0.50) between variable as an effectiveness effect of performance (Azizi et al., 2007).

**Findings**

The Cronbach 's alpha for the four variables studied were 0.82 and 0.84. This shows the level of reliability factors influencing employee motivation is high and reliable. Test of normality to job performance data showed normal distribution. For identifying outliers, this study has conducted an analysis using univariate outlier detection based on the measures outlined by Hair et al. (2006). Based on the results of the analysis conducted, there are no outlier cases that exceed the standards set 3.0. The correlation between the different dimensions (cross loading) was moderate, between 0.49 to 0.98. There are three variables, namely environmental factors, communication and reward system in which the correlation coefficient is 0.90 higher than specified by Hair et al. (2006) as the threshold for multicollinearity and higher than 0.85 indicated by Kline (1998) as an upper bound for the discriminate validity.

**Table 4.1 The factors of effectiveness for SMEs Industries**

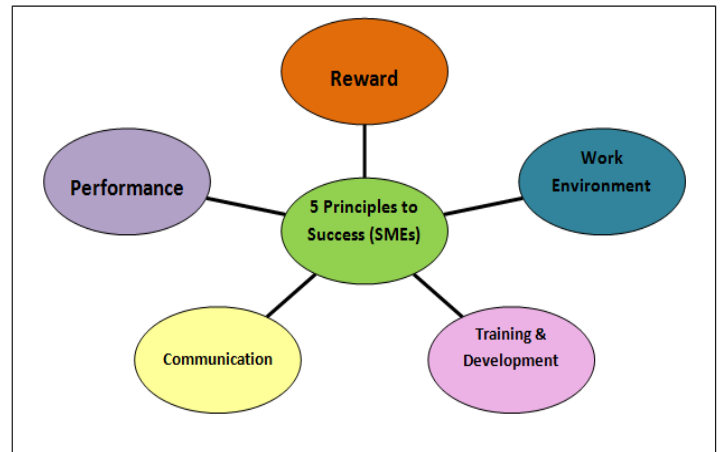
Factors	Training and Development	Commu nication	Work Environment	Reward	Performance
Training and Development	1.00				
Communication	0.52**	1.00			
Work Environment	0.49**	0.97**	1.00		
Reward	0.51**	0.98**	0.98**	1.00	
Performance	0.57**	0.96**	0.95**	0.96**	1.00

\* Correlation is significant at the 0 .01 level ( 2 - tailed ).

**Table five (5) Keys for Success in Development of SMEs Industries**

Key item for success in SMEs Industries	Elaborations of the terms
1.0 Reward	The reward to worker should consider as valuable asset to company/SMEs industries development for success
2.0 Work Environment	Company/SMEs industries should prepare working environment that influent in maximum output
3.0 Performance	Each Company/ SMEs Industries performance should elaborate with effective instruments
4.0 Communication	Company/SMEs industries should covering 100% communication input via system by using new technology
5.0 Training and Development	100 % staff should inter the training & development covering the need of company / SMEs industries

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Correlation analysis revealed that all factors studied leadership has a significant relationship with job performance at the significance level of p < .05. Table 4.1 shows the results of correlation analysis of the independent variables with the dependent variable. Based on correlation analysis proposed by Hair et al. (2006), found that there is a simple relationship between the determinants of strong training and development with the performance factors studied (r = 0.57, p = <0.05). Reward and communication factors are maximum correlation coefficient (r = 0.96, p < 0.05), keys to success for SMEs companies in Malaysian East Coast Economic Region Area. Work environment also effectiveness success factors to SMEs companies in Malaysia East Coast Economic Region Area with correlation coefficient (r = 0.95, p < 0.05).

**Conclusions**

Determinants of training and development, communication, environment and remuneration are factors that affect employees in improving their performance for SME Companies in the ECER. This assertion is supported by Ahmad Atony Hussain (1996). Due to establish a threshold for multicollinearity of factors studied was suggested that additional guide based form table of five (5) keys factors and diagram an appropriate five (5) principles should be implemented to improve the SMEs company's performance in the future (See: appendix 1).

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