Critical Success Factors for Small and Medium Enterprises: Perceptions of Entrepreneurs in Urban Malaysia

Wei Ying Chong

This study aims to investigate the perceived success factors of operating small and medium enterprises amongst Malaysian entrepreneurs. The term “success” is defined with both traditional criteria such as profit and growth and also with intrinsic factors such as personal satisfaction and the sense of achievement. A total of one hundred and eight entrepreneurs from Klang Valley were surveyed. Data was collected using a questionnaire that was conducted through face to face approach. Eighteen Likert-style questions were used to determine the perceived success factors. Findings revealed that the perceived success factors across ethnic groups and gender were reputation of honesty, good customer service and hard work. In conclusion, the findings reported in this article indicated that several similarities are shared amongst entrepreneurs in terms of success factors perceptions despite differences across ethnic groups and gender.

Field of Research: Management, Entrepreneurship

1. Introduction

Small and medium enterprises (SMEs) are widely viewed as important to the growth and stability of economy. Many studies have suggested that development and promotion of SMEs contribute greatly to new jobs creation, nation’s gross domestic product (GDP) growth and additional tax receipts (Iraj and Besnik, 2011, Aris, 2007). In New Zealand, SMEs represent 86 percent of its 259,000 businesses and these firms account for approximately 27 percent of the total employment (Robert and Leo Paul, 2003). In Japan, SMEs count for more than 98 percent of all business establishments and employ over 69 percent of the total workforce (Jasra et al., 2011). In Malaysia, 99 percent of the total business establishments are SMEs. SMEs contribute 31 percent of the nation’s GDP and share 56 percent of the total employment (National SME Development Council, 2011).

Because of its importance, varieties of programs have been designated by government to support the SMEs. For instance, government agencies like Small and Medium Enterprise Corporation Malaysia (SME CORP Malaysia) and Malaysia External Trade Development Corporation (MATRADE) are established to provide assistants and financial supports to SMEs. However, irrespective of countries, SMEs face high failure rate in their first five years. In Australia, the SMEs failure rate is reported to be 23% while in Malaysia the failure rate is alarmingly high at 60 percent (Noor Hazlina Ahmad and Seet, 2009). In an effort to curb the increasing number of SMEs failure, focusing on the entrepreneurs as the unit of analysis will improve

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1 Chong, Wei Ying, Faculty of Business and Accountancy, University of Malaya, Email: weiyyingchong@siswa.um.edu.my
understanding of the entrepreneurship and improve the likelihood of business success (Stokes and Blackburn, 2002). The main purpose of this study is to understand the perceived success factors of operating small and medium enterprises amongst Malaysian entrepreneurs. It compares perceived success factors across ethnic groups and by gender. More specifically, the research objectives addressed by this study are as follows:

1. To examine the critical success factors perceived by Malaysian entrepreneurs as necessary for business success.

2. To identify any significant difference amongst Malay and Chinese entrepreneurs in the perception of critical success factors.

3. To identify any significant difference amongst female and male entrepreneurs in the perception of critical success factors.

The remainder of the paper is organized as follows: First, the literature and hypothesis related to factors that contribute to the success of SMEs are provided. Then, the methodology and research design are detailed and explained. Next, the findings are presented and discussed. The findings of this study provided a fragmented set of insight into issues on perceived success factors across ethnic and by gender. Finally, this article ends with a brief conclusion.

2. Literature Review and Hypothesis

In looking to the research literature, there is no consensus among researchers on the factors that contribute to the success of SMEs. However, some factors are discussed more often in the previous research: 1) the psychological and personality traits; 2) the managerial skills and training of entrepreneurs; and 3) the external environment in which entrepreneurs operate. This study neither attempts to measure the psychological and personality traits nor determines the managerial skills and training of the respondents. This study focuses on the environmental conditions and attempts to determine what other factors the entrepreneurs themselves perceive as necessary for business success. For the purpose of this study, “success” is defined with both traditional criteria such as profit and growth and also with intrinsic factors such as personal satisfaction and the sense of achievement.

The definition of SMEs used in this study is based on the definition provided by SME Corp Malaysia. The following table defines SMEs in each of the respective sectors based on the Annual Sales Turnover or Number of Full-Time Employees.
Figure 1: Definition of SMEs (Source: SME Corp Malaysia)

<table>
<thead>
<tr>
<th></th>
<th>Micro-enterprise</th>
<th>Small enterprise</th>
<th>Medium enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing,</td>
<td>Sales turnover of less than RM250,000 OR full time employees less than 5</td>
<td>Sales turnover between RM250,000 and less than RM10 million OR full time employees between 5 and 50</td>
<td>Sales turnover between RM10 million and RM25 million OR full time employees between 51 and 150</td>
</tr>
<tr>
<td>Manufacturing-Related</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and Agro-based</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>industries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services, Primary</td>
<td>Sales turnover of less than RM200,000 OR full time employees less than 5</td>
<td>Sales turnover between RM200,000 and less than RM1 million OR full time employees between 5 and 19</td>
<td>Sales turnover between RM1 million and RM5 million OR full time employees between 20 and 50</td>
</tr>
<tr>
<td>Agriculture and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information &amp;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Technology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ICT)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A lot of previous studies (Benzing et al., 2009, Hung Manh et al., 2007, Benzing et al., 2005b, Chawla et al., 2010, Yusuf, 1995) pointed out that management skills and environmental conditions are critical for business success. In a study conducted amongst Pakistan small business owners (Coy et al., 2007) revealed that hard work, good customer services and product quality were the three most important factors. The reputation for honesty, friendliness and good customer services were found to be critical for entrepreneurs in Vietnam (Benzing et al., 2005b) and Romania (Benzing et al., 2005a). In another study, Benzing et al (2009) also found that Turkey entrepreneurs rated honesty, friendliness and social skills as the three most important success factors. Similar results were found in the survey of the entrepreneurs in other developing nations (Chawla et al., 2010, Hung Manh et al., 2007, Yusuf, 1995).

Several studies found that culture (Busenitz and Lau, 1996, Chu and Katsioloudes, 2001), religion (Carter and Jones-Evans, 2006, Turan and Kara, 2007) and gender (Hughes, 2003, Robichaud et al., 2010) may play a role in entrepreneurial behaviors. In Malaysia, most Muslims are being Malay while the Chinese practices a mixed of beliefs. The Malay culture is very hierarchical and lack of individual decision-making. They respect those in positions of authority and expect their superiors to act autocratically. They believe in formal ceremonies and strict tradition (Mohamad, 2010, Lim, 1998). They have, by tradition, learnt to depend on each other, to be integrated in a larger human unit. Malay’s society is accustomed to high collectivism, uncertainty avoidance, high power distance, and low masculinity (Idris, 2008).

The Chinese is very similar to Malay in terms of high collectivism and high power distance (Idris, 2008). However, Chinese scores high on Hofstede’s Masculinity Index (Idris, 2008). This score indicates that Chinese is expected to be tough, individualistic, decisive, and have stronger desire for individual advancement and leadership. There are certainly no dearths of evidence of the high value place on competition, winning and getting ahead in Chinese society. As discussed, there is much dissimilarity
between Malay and Chinese entrepreneurs in terms of culture and religion. Thus, I expected there is a significant difference between ethnic groups with respect of the critical success factors perception.

**Hypothesis 1:** There is a significant difference amongst Malay and Chinese entrepreneurs with respect to the perception of success factors critical to business.

Previous gender-based studies found that female entrepreneurs differ from male entrepreneurs (DeMartino and Barbato, 2003, Narayanasamy et al., 2011). Society, especially Asian society, draws a sharp divide between male and female. Female are responsibility mainly family while male have privileges in the work sphere. Indeed, the participation of female in business is considerably lower than male in most nations (Robichaud et al., 2010, Benzing et al., 2009, Chawla et al., 2010). Sex differences in entrepreneurship arise from the different constrained associated with female and male’s position in the social structure (Fischer and Oliker, 1983, Narayanasamy et al., 2011). Hence, female entrepreneurs may perceive success factors different from male entrepreneurs due to their characters and social factors.

**Hypothesis 2:** There is a significant difference amongst female and male entrepreneurs with respect to the perception of success factors critical to business.

Results of this study will provide more insights into the critical success factors perceived by entrepreneurs so that policy makers can better assist entrepreneurs by providing access to skills and knowledge that they need.

### 3. Methodology and Research Design

#### 3.1 Study Site

This study was conducted in Klang Valley over a period of six months. Klang Valley was chosen for the survey because of its active economic growth through the development of SMEs. Klang Valley comprises Kuala Lumpur and its suburbs, and adjoining cities and town in the state of Selangor. It holds a population of more than 6 million people which is almost 25% of Malaysia population as of 2010 (Department of Statistics, 2011). It is the heartland of Malaysia’s industry and commerce.

As the capital of Malaysia, Kuala Lumpur is the most active commercial center of the country. With job opportunities and modern amenities, Klang Valley attracts large number of migrants from other state within Malaysia and foreign workers. A sizable domestic market for services and products is created to cater this region’s population.

#### 3.2 Sampling Procedures and Data Collection Method

Data for assessing the critical success factors were collected via a survey of entrepreneurs in Klang valley. The first five entrepreneurs selected for this study were based on convenience sampling. The questionnaires were filled out in the author’s presence, instead of being collected by mails in. Once the entrepreneurs completed the questionnaire, they were asked to provide a referral to a Klang valley individual who is a SME’s owner. This is because only entrepreneurs are the appropriate
candidates for the survey and candidates are more cooperative through referral program. This resulted in a snowball sample of 103 additional questionnaire surveys, bringing the sample to a total of 108 respondents.

A self-report questionnaire was designed to measure the critical success factors. The items of the questionnaire were originally derived from Benzing, Chu, and Kara’s (2009) questionnaire. This questionnaire has been proven reliable under various contexts of economic development. The questionnaire was divided into two sections. A total of 18 items were included in the first section. A five-point Likert-style scale was utilized in this section (1 = Unimportant; 5 = Extremely important) to measure the perceived success factors of entrepreneurs. The second section collected personal and demographical data of the respondents.

In order to have a better response rate, the questionnaire was produce into three languages: English, Chinese and Malay. A back-to-back method (Zikmund, 2003) was used to translate the original English version of the questionnaire into Malay and Chinese.

4. Research Findings

4.1 Characteristics of the Respondents

Descriptive statistics for the 108 respondents are presented in table 1. Table 1 shows that the majority of the respondents were in service sectors or service related sectors and only less than 5 percent of them were in manufacturing sectors. The main reason for none of them is in the agricultural sector is because this survey was conducted in urban. Majority of the entrepreneurs surveyed indicated that they established the business by themselves.

The average age of entrepreneurs surveyed was around 44 years old and the average age of SMEs participated in this survey was 11 years. There were 43.5 percent of our respondents are female and 56.5 percent are male. In terms of ethnic, this study consists 45.5 percent of Malay and 54.6 percent of Chinese respectively. Since the survey was focused on SMEs, the average numbers of full-time employees were less than 20 people.

The overall educational levels were high for the entrepreneurs selected for this study. Almost 100 percent of the entrepreneurs were literate with more than 50 percent of them have college and university education. One plausible explanation for the high concentration of graduate in and around the urban is probably due to the better opportunity and economic growth in urban.
Table 1: Sample Characteristics of Small and Medium-Sized Entrepreneurs in Malaysia

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entrepreneurial Characteristics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>61</td>
<td>56.5</td>
</tr>
<tr>
<td>Female</td>
<td>47</td>
<td>43.5</td>
</tr>
<tr>
<td><strong>Ethnic</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>59</td>
<td>54.6</td>
</tr>
<tr>
<td>Malay</td>
<td>49</td>
<td>45.4</td>
</tr>
<tr>
<td><strong>Average Age of Entrepreneur (years)</strong></td>
<td>44</td>
<td></td>
</tr>
<tr>
<td><strong>Level of Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No formal Education</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>Primary School</td>
<td>8</td>
<td>7.4</td>
</tr>
<tr>
<td>Secondary School</td>
<td>38</td>
<td>35.2</td>
</tr>
<tr>
<td>Diploma</td>
<td>24</td>
<td>22.2</td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>29</td>
<td>26.9</td>
</tr>
<tr>
<td>Post Graduate Degree</td>
<td>8</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>Enterprise Characteristics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>How the Business Was Established</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Established by you</td>
<td>71</td>
<td>65.7</td>
</tr>
<tr>
<td>Bought from others</td>
<td>18</td>
<td>16.7</td>
</tr>
<tr>
<td>Inherited</td>
<td>15</td>
<td>13.9</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Average Age of Business</strong></td>
<td>11</td>
<td></td>
</tr>
<tr>
<td><strong>Average No. of Full-Time Employees</strong></td>
<td>11</td>
<td></td>
</tr>
<tr>
<td><strong>Average No. of Part-Time Employees</strong></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Type of Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5</td>
<td>4.6</td>
</tr>
<tr>
<td>Manufacturing Related Services</td>
<td>8</td>
<td>7.4</td>
</tr>
<tr>
<td>Services</td>
<td>95</td>
<td>88</td>
</tr>
</tbody>
</table>

4.2 Critical Success Factors

Respondents were asked to identify and rank the factors they perceived as critical for success in business. The questions on critical success factors required the respondents to rate their levels of important and unimportant on a five-point Likert-style scale from 1 indicating “Unimportant” to 5 indicating “Extremely Important”. Table 2 summarizes the factors given by respondents for deciding what contribute to their success. Based on survey responses, the primary factors were “reputation of honesty” (4.67), “good customer service” (4.54), and “hard work” (4.47) while the variables “political involvement” (2.70), “satisfactory government support” (3.24) and “management of accurate record of sales” (3.84) received relatively less priority.
Table 2: Perceived Success Factors - Mean Score

<table>
<thead>
<tr>
<th>Perceived Success Factors</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good management skills</td>
<td>4.37</td>
<td>0.635</td>
</tr>
<tr>
<td>Charisma: Friendliness</td>
<td>4.16</td>
<td>0.799</td>
</tr>
<tr>
<td>Satisfactory government support</td>
<td>3.24</td>
<td>1.282</td>
</tr>
<tr>
<td>Appropriate training</td>
<td>4.03</td>
<td>0.971</td>
</tr>
<tr>
<td>Access to capital</td>
<td>4.06</td>
<td>0.936</td>
</tr>
<tr>
<td>Previous business experience</td>
<td>3.99</td>
<td>0.881</td>
</tr>
<tr>
<td>Support of family and friends</td>
<td>3.97</td>
<td>0.961</td>
</tr>
<tr>
<td>Marketing/sales promotion</td>
<td>4.17</td>
<td>0.837</td>
</tr>
<tr>
<td>Good product at competitive price</td>
<td>4.20</td>
<td>0.794</td>
</tr>
<tr>
<td>Good customer service</td>
<td>4.54</td>
<td>0.647</td>
</tr>
<tr>
<td>Hard work</td>
<td>4.47</td>
<td>0.633</td>
</tr>
<tr>
<td>Management of accurate records of sales</td>
<td>3.84</td>
<td>0.866</td>
</tr>
<tr>
<td>Management of accurate records of expenses</td>
<td>3.93</td>
<td>0.851</td>
</tr>
<tr>
<td>Ability to manage personnel</td>
<td>4.08</td>
<td>0.844</td>
</tr>
<tr>
<td>Social skills</td>
<td>4.18</td>
<td>0.818</td>
</tr>
<tr>
<td>Political involvement</td>
<td>2.70</td>
<td>1.240</td>
</tr>
<tr>
<td>Reputation of honesty</td>
<td>4.67</td>
<td>0.580</td>
</tr>
<tr>
<td>Location</td>
<td>4.11</td>
<td>1.202</td>
</tr>
</tbody>
</table>

*5= extremely important, 4 = very important, 3=mildly important, 2=not very important, 1=unimportant
* Level of significance using t-tests.

The perceived success factors for the Malay and Chinese respondents were analyzed using t-tests. As shown in table 3, the success factors “good management skills”, “access to capital”, “previous business experience”, “good product at competitive price”, and “political involvement” were found to be significant (p≤0.05).

An item-by-item comparison showed statistically no significant difference between Malay and Chinese. Both ethnic groups considered reputation of honesty as the most critical success factor in business and political involvement is the least relevant factor.
Table 3: Perceived Success Factors - Mean Score

<table>
<thead>
<tr>
<th>Perceived Success Factors</th>
<th>Malay</th>
<th>Chinese</th>
<th>Total</th>
<th>Sig*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good management skills</td>
<td>4.53</td>
<td>4.18</td>
<td>4.37</td>
<td>0.005</td>
</tr>
<tr>
<td>Charisma: Friendliness</td>
<td>4.17</td>
<td>4.14</td>
<td>4.16</td>
<td>0.864</td>
</tr>
<tr>
<td>Satisfactory government support</td>
<td>3.46</td>
<td>2.98</td>
<td>3.24</td>
<td>0.053</td>
</tr>
<tr>
<td>Appropriate training</td>
<td>4.12</td>
<td>3.92</td>
<td>4.03</td>
<td>0.301</td>
</tr>
<tr>
<td>Access to capital</td>
<td>4.22</td>
<td>3.86</td>
<td>4.06</td>
<td>0.044</td>
</tr>
<tr>
<td>Previous business experience</td>
<td>4.15</td>
<td>3.80</td>
<td>3.99</td>
<td>0.036</td>
</tr>
<tr>
<td>Support of family and friends</td>
<td>4.14</td>
<td>3.78</td>
<td>3.97</td>
<td>0.059</td>
</tr>
<tr>
<td>Marketing/sales promotion</td>
<td>4.15</td>
<td>4.18</td>
<td>4.17</td>
<td>0.848</td>
</tr>
<tr>
<td>Good product at competitive price</td>
<td>4.42</td>
<td>3.94</td>
<td>4.20</td>
<td>0.002</td>
</tr>
<tr>
<td>Good customer service</td>
<td>4.53</td>
<td>4.55</td>
<td>4.54</td>
<td>0.839</td>
</tr>
<tr>
<td>Hard work</td>
<td>4.54</td>
<td>4.39</td>
<td>4.47</td>
<td>0.208</td>
</tr>
<tr>
<td>Management of accurate records of sales</td>
<td>3.97</td>
<td>3.69</td>
<td>3.84</td>
<td>0.104</td>
</tr>
<tr>
<td>Management of accurate records of expenses</td>
<td>3.95</td>
<td>3.90</td>
<td>3.93</td>
<td>0.757</td>
</tr>
<tr>
<td>Ability to manage personnel</td>
<td>4.02</td>
<td>4.16</td>
<td>4.08</td>
<td>0.372</td>
</tr>
<tr>
<td>Social skills</td>
<td>4.10</td>
<td>4.27</td>
<td>4.18</td>
<td>0.303</td>
</tr>
<tr>
<td>Political involvement</td>
<td>2.98</td>
<td>2.37</td>
<td>2.70</td>
<td>0.010</td>
</tr>
<tr>
<td>Reputation of honesty</td>
<td>4.68</td>
<td>4.65</td>
<td>4.67</td>
<td>0.825</td>
</tr>
<tr>
<td>Location</td>
<td>4.20</td>
<td>4.00</td>
<td>4.11</td>
<td>0.384</td>
</tr>
</tbody>
</table>

*5= Extremely important, 4 = very important, 3=mildly important, 2=not very important, 1=unimportant
* Level of significance using t-tests.

The perceived success factors for the male and female entrepreneurs were analyzed using t-tests. As shown in table 4, the success factors “good management skills”, “previous business experience”, and “political involvement” were found to be significant (p≤0.05).

An item-by-item comparison showed statistically no significant difference across male and female entrepreneurs. Both gender considered reputation of honesty as the most critical success factor in a business and political involvement is the least relevant factor.
**Table 4: Perceived Success Factors - Mean Score**

<table>
<thead>
<tr>
<th>Perceived Success Factors</th>
<th>Mean</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Sig*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good management skills</td>
<td>4.26</td>
<td>4.51</td>
<td>4.37</td>
<td>0.043</td>
<td></td>
</tr>
<tr>
<td>Charisma: Friendliness</td>
<td>4.21</td>
<td>4.09</td>
<td>4.16</td>
<td>0.412</td>
<td></td>
</tr>
<tr>
<td>Satisfactory government support</td>
<td>3.08</td>
<td>3.45</td>
<td>3.24</td>
<td>0.143</td>
<td></td>
</tr>
<tr>
<td>Appropriate training</td>
<td>3.92</td>
<td>4.17</td>
<td>4.03</td>
<td>0.182</td>
<td></td>
</tr>
<tr>
<td>Access to capital</td>
<td>3.98</td>
<td>4.15</td>
<td>4.06</td>
<td>0.365</td>
<td></td>
</tr>
<tr>
<td>Previous business experience</td>
<td>3.84</td>
<td>4.19</td>
<td>3.99</td>
<td>0.037</td>
<td></td>
</tr>
<tr>
<td>Support of family and friends</td>
<td>3.87</td>
<td>4.11</td>
<td>3.97</td>
<td>0.205</td>
<td></td>
</tr>
<tr>
<td>Marketing/sales promotion</td>
<td>4.13</td>
<td>4.21</td>
<td>4.17</td>
<td>0.618</td>
<td></td>
</tr>
<tr>
<td>Good product at competitive price</td>
<td>4.11</td>
<td>4.32</td>
<td>4.20</td>
<td>0.186</td>
<td></td>
</tr>
<tr>
<td>Good customer service</td>
<td>4.51</td>
<td>4.57</td>
<td>4.54</td>
<td>0.600</td>
<td></td>
</tr>
<tr>
<td>Hard work</td>
<td>4.43</td>
<td>4.53</td>
<td>4.47</td>
<td>0.392</td>
<td></td>
</tr>
<tr>
<td>Management of accurate records of sales</td>
<td>3.79</td>
<td>3.91</td>
<td>3.84</td>
<td>0.449</td>
<td></td>
</tr>
<tr>
<td>Management of accurate records of expenses</td>
<td>3.87</td>
<td>4.00</td>
<td>3.93</td>
<td>0.430</td>
<td></td>
</tr>
<tr>
<td>Ability to manage personnel</td>
<td>4.08</td>
<td>4.09</td>
<td>4.08</td>
<td>0.985</td>
<td></td>
</tr>
<tr>
<td>Social skills</td>
<td>4.15</td>
<td>4.21</td>
<td>4.18</td>
<td>0.683</td>
<td></td>
</tr>
<tr>
<td>Political involvement</td>
<td>2.44</td>
<td>3.04</td>
<td>2.70</td>
<td>0.012</td>
<td></td>
</tr>
<tr>
<td>Reputation of honesty</td>
<td>4.70</td>
<td>4.62</td>
<td>4.67</td>
<td>0.438</td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>4.03</td>
<td>4.21</td>
<td>4.11</td>
<td>0.443</td>
<td></td>
</tr>
</tbody>
</table>

*5= Extremely important, 4 = very important, 3=mildly important, 2=not very important, 1=unimportant
* Level of significance using t-tests.

Based on the findings presented, neither Hypothesis 1 nor Hypothesis 2 is supported.

**5. Discussion of Findings**

It is interesting that the findings of this research revealed that there is no significant difference in the perception of Malay and Chinese entrepreneurs. The Chinese entrepreneurs view political involvement and government support as the least critical success factors. This is understandable when we recognize that the government policies deliberately center on positive discrimination in favor of the Malay entrepreneurs over the Chinese entrepreneurs. Indeed, certain kinds of credit as well as certain businesses are open only to Malay entrepreneurs. For instance, *Bumiputera Exporters Development Programme—MITI*. But surprisingly, the Malay entrepreneurs in this study quoted political involvement and satisfactory government support as the least critical factors for SMEs success. In fact, various incentives programs have been developed by government to enable the Malay entrepreneurs raise enough capital to start and develop a business. The findings suggested that Malaysian entrepreneurs view government assistant, while being useful, are not credential enough to ensure continued prosperity. The findings also revealed that neither Chinese nor Malay expects help from government to enhance their success.

The gender of a business owner has no impact on the perception of critical success factors. There is no observed difference between the view of male and female entrepreneurs. The findings of this survey suggested that there is certain degree of
commonality across ethnic groups and gender with respect to the perception of success factors critical to business.

To reiterate, overall the three most critical success factors are perceived to be reputation of honesty, good customer service and hard work; and, the least important factors are political involvement and satisfactory government support. The findings suggested that Malaysian entrepreneurs believe they can influence their own business success since the top three most important factors are all under the entrepreneur’s locus of control.

The findings are expected since quality of honesty has long been regarded by Asian society as one of their traditional core value. Moreover in a highly competitive era, good customer service and hard work are the tools that help service providers to survive and prosperous. Hence, it is not surprising that good customer service and hard work were rated highly in the survey. In fact, more than 80 percent of the total business establishments in Malaysia are in the service sectors. These findings are consistent with survey of entrepreneurs in other nations (Benzing et al., 2009, Robichaud et al., 2010, Coy et al., 2007).

6. Conclusion

SMEs have played a prominent role in Malaysia’s economy. Over ninety percent of Malaysia’s companies are SMEs. In recognition of the need to improve SMEs’ entrepreneurial and management skills, the Malaysia government has established the SME Corp Malaysia, which is responsible for designing and delivering SMEs training programs to existing and potential SMEs owner. Our research findings, although not exhaustive and conclusive, revealed the perceptions of Malaysian entrepreneurs on the critical success factors for SMEs. The entrepreneurs believe that individual factors (such as reputation of honesty, good customer service and hard work) are more important than environmental factors (such as government support and political involvement). It is hope that this information can provide some insights and be a clear wake-up call for the implementation of new programs and policies to increase the number of entrepreneurs.

There are some limitations in this research. First, given the fact that all survey data were self reported which have subjected the report to a number of cognitive and motivational biases and errors. The data might prone to the potential problems of self-serving bias, memory distortion and social desirability bias. However, it is important to bear in mind that this study is intended to elicit the perception of entrepreneurs rather than ‘objective’ measures of critical success factors. Second, possibility biased might result from snowball sampling. Isolated members of the community will be under sampled, whereas others who have more extensive contacts and acquaintances are oversampled. Third, the sample was not large enough to permit directly generalization to other areas of the country. Indeed, it must be interpreted with an eye to general principles that transcend such specifics.
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References


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