

# INVESTIGATING MARKETING PERFORMANCE AMONG ONE DISTRICT ONE INDUSTRY ENTERPRISES IN PENINSULAR MALAYSIA

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**ABSTRACT:** *Community-based enterprise (CBE) is one of the business models that was designed to improve the socio-economic of the rural communities through the development of distinctive businesses whereby One District One Industry or SDSI is one of them. SDSI is a business model that is quite similar to the OVOP model that is practiced in Japan OTOP that is practiced in Thailand. In Malaysia, various entrepreneurial development programs have been provided including One District One Industry (SDSI), however, SDSI programs are considered as not that successful as OVOP and OTP. Thus, this study aims to investigate the influence of CBE model elements (cooperation, sustainable enterprise and innovation) on marketing performance among the SDSI entrepreneurs in Peninsular Malaysia. 500 sets of questionnaires were distributed and 459 were returned and all were usable. SPSS software version 22 was used to perform descriptive and regression analyses. The results revealed that cooperation and sustainable enterprise have a significant influence on marketing performance among SDSI enterprises. Overall, the results indicate that the CBE model is not well practiced among SDSI entrepreneurs in Peninsular Malaysia, as it is practiced by OVOP entrepreneurs in Japan and OTOP in Thailand. Thus, those responsible bodies or agencies are urged to play more active roles in promoting the adoption of the CBE model among SDSI entrepreneurs since the model has been proven to be successful in Japan and Thailand.*

**Keywords:** One district one product, marketing performance, cooperation, sustainable, business performance

## 1. INTRODUCTION

The "One Village One Product" (OVOP) Program was introduced in Oita, Japan in the 1970s, with the aim to foster economic development among small local businesses in rural areas. The effort was also to bring forward the local products to be the distinctive regional products. It seems that the OVOP program has been quite successful in transforming the local businesses in rural areas and has increased the economic status of those rural communities. Realizing that, under the reign of Prime Minister Mahathir Mohamad, in the 1990s Malaysia also started a similar program but with the name SDSI (Satu Daerah Satu Industri) and it has now grown into a nationwide operation. The adoption of SDSI was motivated by the government intended to promote more balanced and sustainable economic development targeted by Malaysia's "Wawasan 2020" (Mission 2020). This SDSI program has offered a huge potential to bring rural and local enterprises forward if all parties have a proper understanding of the local needs and context, as well as the readiness of the local entrepreneurs together with the right strategies and policies formulated and implemented by the government.

### 1.1 Background of Study

The community-based entrepreneurship and community-based enterprises have given way to mobilization and empowerment of the marginalized community to be benefited from economic activities to enhance their standard of socioeconomics. A general model of community-based entrepreneurship is the same across the region [1]. In Japan, it is known as OTOP, in Thailand, it is known as OVOP and in Malaysia, it is known as SDSI. SDSI is a program developed by the Malaysian government in the effort to assist micro and small enterprises in rural areas to be visible in the international and global market place. Rural entrepreneurs with good business performance can be also recognized and

be outstanding. In Thailand, many rural enterprises managed to transform themselves into performing business through the OTOP program [2].

So far, SDSI in Malaysia is not that successful as compared to OVOP and OTOP. Many of rural entrepreneurs still do not have a strong belief in the CBE model and its elements that can enhance the financial and non-financial performance of an enterprise. Thus, this research will examine the influence of a few elements of the CBE model namely cooperation, innovation, and sustainability on the marketing performance of SDSI enterprises in Peninsular Malaysia.

## 2. LITERATURE REVIEW

### 2.1 Marketing Performance

A firm's marketing performance can be conceptualized in several different ways and a complete conceptualization of marketing performance requires explicit consideration [3]. The most desirable situation from a firm's standpoint is to have a large relative market share and a high relative price. However, to get to that situation is not easy.

For all types of businesses, marketing strategy plays a very vital role because good marketing activities can ensure the products sustain in the market. Indeed, marketing performance indicated by sales growth, market shares, and market development are keys to business success resulted from a good marketing strategy [4].

There are many potential internal and external factors that can influence good marketing performance such as product quality, product breadth, consumer size, pioneering effort, services offered, and a number of competitors [3]. Alghamdi and Bach [5] suggested that technology impacts marketing strategy and in the end improve the marketing performance of the business.

Value creation and innovation through local business development are essential to boost the business and at the

same time alleviate poverty. Indeed, in practice, community-based solutions have been emerging for income generation among poor populations in Latin America [6]. Thus, this study would focus on cooperation, innovation, and sustainability and look into how these variables influence the marketing performance of SDSI enterprises in Peninsular Malaysia.

**2.2 Cooperation**

Working together in operating a business will give better self-confidence among business operators. Through collaboration and cooperation will enable the business to create a broad business network and able to come up with better problem-solving together [7]. Meanwhile, inter-firm cooperation, cooperation with the government, and cooperation with research institutions help SMEs to be more innovative [8]. It can be concluded that cooperation among business partners and any organizations in the business ecosystem can lead to improved marketing performance. Thus, it is hypothesized that:

*H1: Cooperation has a positive relationship with marketing performance among SDSI entrepreneurs in Peninsular Malaysia.*

**2.3 Innovation**

Innovation within-firm refers to a firm's involvement to adopt new ideas that lead to better performance [9], be it the innovation in developing new products, better service, new ways of doing business, and so on. This is being agreed by a few other previous researchers who suggested that firms regardless of the size, should be innovative in drafting and implementing their strategies for them to stay competitive and sustain in their business field. As mentioned by [10] and [11], innovation and business performance are positively related and they agreed that innovation contributes significantly to economic and business development Having mentioned that, therefore the second hypothesis is :

*H2: Innovation has a positive relationship with marketing performance among SDSI entrepreneurs in Peninsular Malaysia.*

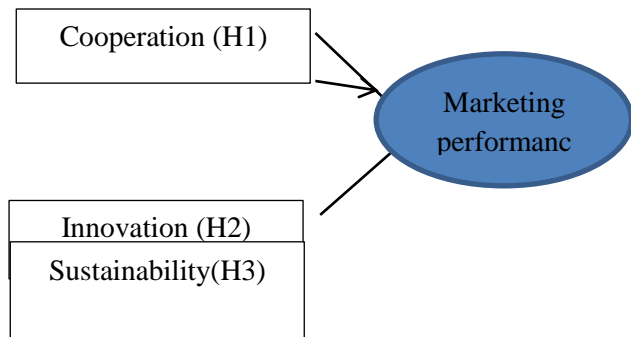
**2.4 Sustainability**

A sustainable enterprise is an approach that has been applied by the OVOP Program in Japan and OTOP in Thailand. Gibson et al. [12] stated that a good business is a business that is able to grow its products based on natural resources

that are available in their own village. The smart community that develops their village on a sustainable basis is the one that plans for the development of the business in their own village using local resources in a sustainable manner for the benefits of the locals, economically, socially, and environmentally [13]. Some previous studies found that having a sustainable business model could create value that can sustain the business longer [14]. Therefore, it can be hypothesized that;

*H3: Sustainability has a positive relationship with marketing performance among SDSI entrepreneurs in Peninsular Malaysia.*

Having discussed the independent variables as well as the dependent variable that involve in this study, thus the conceptual framework is as follow:



**Fig (1) : Conceptual framework**

**3. METHODOLOGY**

There are 1,431 entrepreneurs from four business clusters registered under the SDSI program in Peninsular Malaysia; 514 on the east coast and 917 on the west coast. The sample size for this study was determined by referring to the table provided by [15]. Based on that table, it was decided that 306 respondents would be the sample size for this study. Since the respondents would be from the east coast and the west coast and from four different business clusters, thus this study applied stratified random sampling. Table 1 below shows the number of respondents required for each business cluster and region.

**Tab (1) : The number of SDSI entrepreneurs and the sample size**

Cluster/ region	Home- stay	Food & Beverages	Health services	Handi- craft	Total	Sample Size	%Sample
East Coast	15	238	45	216	514	111	36
West Coast	49	666	94	108	917	195	64
Total	64	904	139	324	1,431	306	100

This study collected the data by using questionnaire surveys that were distributed to the respondents who were willing to participate in the study. The survey questions were divided into three sections: Section A asked questions related to marketing performance, Section B contained questions related to the element of the CBE model which were cooperation, innovation, and sustainability. Meanwhile, Section C required respondents to provide information about

the business owner and the business profile. The 7 points Likert Scale was used to measure the extent of respondents' perception. The data obtained were analyzed using the SPSS software program version 22.

**4. FINDINGS AND DISCUSSION**

Out of 500 sets of questionnaires delivered to the targeted SDSI entrepreneurs on both the east coast and west coast of

Peninsular Malaysia, 459 were returned and complete. All those returned questionnaires were usable and contributed to the data that would be further analyzed.

**4.1 Descriptive Analysis**

As shown in Table 2, the majority of the SDSI entrepreneurs involved in food and beverages with 202 entrepreneurs

(44.0%), followed by handicraft entrepreneurs with 125 entrepreneurs (27.2%), 82 entrepreneurs (17.9%) involve in health and services, and the lowest was homestay cluster with 50 entrepreneurs (10.9%).

**Tab (2) : The Profile of SDSI Enterprises under Study**

Item	Frequency	(%)	Item	Frequency	(%)
<b>Clusters</b>			<b>Financial sources</b>		
Food and beverages	202	44.0	Self-sponsored,	135	29.4
Handicraft	125	27.2	family, colleagues	47	10.2
Homestay	50	10.9	Government loan		
Health services	82	17.9	scheme	82	17.9
			Government grant		
			Bank institution	38	8.3
			Others	157	34.2
<b>Annual sales</b>					
Less than 100K	143	31.2			
101K-200K	158	34.4			
201K-300K	96	20.9			
301K-400K	42	9.2			
401K-500K	7	3.7			
More than 500K	3	0.7			

In terms of financial sources, it was found that 34.2 % (157) of the entrepreneurs obtained their financial support from other than their own money, government loan or grant, and banks. It was then followed by that 29.4% or 135 entrepreneurs who started their businesses with their own money or capital that was obtained from their family or colleagues. Meanwhile, 82 entrepreneurs (17.9%) got a business grant that was granted by the government and 47 entrepreneurs (10.2%) started or developed their business with the help of loans from the government. Besides that, 38 entrepreneurs (8.3%) got financial assistance from banks in their efforts to start or develop their business.

Most of the SDSI entrepreneurs in Peninsular Malaysia earned annual sales between RM101, 000 to RM200; 158 (34.4%) out of 466 entrepreneurs. However, only 3 entrepreneurs (0.7%) recorded annual sales of more than RM500, 000. This means that the financial performance of SDSI business organizations still does not reach the level that

can be proud of. There should be more involvement from the relevant agencies to help these business organizations to spur the sales. Maybe there are many more efforts need to be given in terms of training and promotion, as well as creative strategies to boost the sales of these businesses.

As shown in Table 3, 231 respondents were male entrepreneurs (50.3%) and 228 respondents were female entrepreneurs (49.7%). In terms of age, the majority of the respondents in this study aged between 40 to 49 (177 entrepreneurs or 38.6%), and only 15 entrepreneurs (3.3%) were from the young group entrepreneurs. It was also found that most of the SDSI entrepreneurs in Peninsular Malaysia were certificate holders (152 respondents or 33.1%), 73 respondents were diploma holders (15.9%), 60 respondents were bachelor/degree/Ph.D. holders (13.1%) and the rest just

**Tab (3) : Respondents' Profile**

Item	Frequency	(%)	Item	Frequency	(%)
<b>Gender</b>			<b>Level of education</b>		
Male	231	50.3	Primary school	56	12.2
Female	228	49.7	Secondary school	118	
			Certificate		25.7
			Diploma	152	33.1
			Bachelor degree, Master,	73	15.9
			PhD	60	13.1
<b>Age</b>			<b>Satisfaction level towards SDSI Program</b>		
30 years below	15	3.3	Not satisfied	14	3.1
30-39 years	86	18.7	Neutral	170	37.0
40-49 years	177	38.6	Satisfied	275	59.9
50-59 years	136	29.6			
60 years above	45	9.8			

The survey also asked a question on entrepreneurs' satisfaction towards the SDSI program. 275 entrepreneurs (59.9%) were satisfied with the program and 14 entrepreneurs (3.1%) were not satisfied with the SDSI programs. Surprisingly, 170 entrepreneurs (37%) gave a neutral answer when they were asked about their satisfaction level towards SDSI programs. 37% was quite a high percentage and more investigation should be done in order to know the reason why many of them preferred to tick for neutral.

**4.2 Reliability Analysis**

The results of the reliability test are very important to be known so that the data can proceed for further analysis if the results of the reliability test is desirable. As revealed by Table 4, all variables showed desirable results and that means further analysis to answer the hypotheses is possible. The reliability values for marketing performance, cooperation, innovation, and sustainability were 0.885, 0.782, 0.731, and 0.623 respectively. All values were considered as acceptable values because according to Di Lorio [16], 0.7 should not be the only standard used to determine the reliability.

**Regression Analysis**

To investigate the influence of independent variables on the dependent variable and to test the relationship among cooperation, innovation, sustainability, and marketing performance, this study applied simple linear regression analysis. Table 5 below reveals that the value of R square is

0.099 which means that only 9.9% of the marketing performance can be predicted by those three variables; cooperation, innovation and sustainability. 90.1% of the marketing performance can be predicted by other variables

**Tab (4) : Reliability Test of the Variables**

Variable	Number of items	Reliability Cronbach's Alpha ( $\alpha$ )
Cooperation	7	0.782
Innovation	6	0.731
Sustainability	6	0.623
Marketing performance	10	0.885

**Tab (5) : Model Summary**

R	R square	Adjusted R square	F value	Sig. F	N
0.315	0.099	0.093	16.742	0.000	459

Meanwhile, Table 6 shows that there is a significant positive relationship between cooperation and marketing performance ( $p=0.015$ ) and there is also a significant positive relationship between sustainability and marketing performance ( $p=0.014$ ). However, the relationships were weak.

**Tab (6) : Regression Analysis Results**

Variables	Unstandardized Coefficients Beta ( $\beta$ )	Standardized Coefficients Beta ( $\beta$ )	t	Sig.	Results
Innovation	0.175	0.106	1.860	0.064	<b>H1 - Not accepted</b>
Cooperation	0.198	0.139	2.431	0.015*	<b>H2 - Accepted</b>
Sustainable enterprise	0.173	0.134	2.472	0.014*	<b>H3 - Accepted</b>
Sustainable enterprise	0.173	0.134	2.472	0.014*	<b>H3 - Accepted</b>

Note: Dependent variable: Marketing performance, \*significant at  $p < 0.05$

**5. CONCLUSION**

This study examined the relationships between cooperation, innovation, and sustainability which are part of community-based enterprise (CBE) elements, and marketing performance among SDSI enterprises and entrepreneurs in the east coast and west coast of Peninsular Malaysia. The findings of this study revealed that there are significant positive relationships between cooperation, sustainability, and marketing performance. However, the relationship between innovation and marketing performance was found to be insignificant.

Since the results of the study found that the relationships between cooperation, sustainability, and marketing performance were weak and the relationship between innovation and marketing performance was insignificant, thus, it can be inferred that SDSI entrepreneurs in Peninsular Malaysia do not really practice the CBE model as being practiced by OVOP and OTOP entrepreneurs in Japan and Thailand. Therefore, it is recommended that the government and relevant agencies should actively promote elements of CBE to be practiced by SDSI entrepreneurs in Malaysia.

Future studies that investigate other CBE elements other than cooperation, innovation, and sustainability are also recommended to be conducted among the SDSI entrepreneurs in Peninsular Malaysia.

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