

ENTREPRENEURIAL ASSISTANCE PROGRAM AND BUSINESS PERFORMANCE IN ONE DISTRICT ONE INDUSTRY

Muhammad Abi Sofian Abdul Halim^{1*}, Khatijah Omar¹, Noor Fadhiha Mokhtar¹, Zuha Rosufila Abu Hasan¹, Marhana Mohamed Anuar¹, Sri Djatnika Sya'diah²

¹Faculty of Business, Economy and Social Development, Universiti Malaysia Terengganu, Kuala Terengganu, 20103, Terengganu

²Faculty of Economics and Business, Universitas Padjadjaran, Bandung, Indonesia

*For correspondence; Tel. + (09) 6684805 , E-mail: abi.sofian@umt.edu.my

ABSTRACT: In Malaysia, One District One Industry (SDSI) has been identified as one of the most important strategies to enhance business development and economic growth in rural areas. Similar to the Program of One Village One Product in Japan as a policy to reverse rural depopulation, SDSI focuses on further enhancing industrial development as well as poverty alleviation in Malaysia. Thus, the purpose of this study is to investigate the effect of entrepreneurial assistance programs on business performance among entrepreneurs who operate their business in SDSI in Malaysia. The sample of this study was obtained by using stratified allocation sampling where the number of SDSI entrepreneurs from four clusters was considered. Questionnaires were delivered to 306 selected registered SDSI entrepreneurs from the East Coast and West Coast of Peninsular Malaysia. The results revealed that there was a significant effect of entrepreneurial assistance programs on business performance. Hence, the results indicated that the authorities need to take initiative to revise the entrepreneurial assistance program to improve business performance among SDSI entrepreneurs in Malaysia.

Keywords: Entrepreneurial assistance, business performance, SMEs, One Village One Product

1. INTRODUCTION

Malaysia is a country in Southeast Asia that has given full emphasis to developing rural areas. Several programs and policies have been implemented by the authorities to address poverty and employment opportunities for the rural community. The development of rural enterprises in third world countries should be assisted in many ways according to the needs and problems of the industry and the community [1]. Even Chakravarty [2] has added that rural development is the key element of strategies to reduce poverty and create income and employment opportunities. Thus, entrepreneurial assistance is considered as an important element in enhancing the economic growth among the small industries, especially for those entrepreneurs who are operating their business in rural areas. In fact, One Village One Product (OVOP) is an entrepreneurship program that purposely assists rural entrepreneurs, which has been widely implemented in several undeveloped and developing countries to solve rural poverty and employment opportunities. In Southeast Asian, the countries that have embraced the uniqueness of the OVOP approach include Thailand, Vietnam, Korea, China, Cambodia, Philippines, Laos, and Indonesia. As part of the OVOP program, Malaysia has also implemented One District One Industry or known as Satu Daerah Satu Industri (SDSI) which aims to assist rural entrepreneurs to operate businesses based on their skills, knowledge, environmental resources surrounding and to assist in marketing their products. While developing this SDSI program, Malaysia has been focusing on the importance of entrepreneurial assistance, which involves entrepreneurial skills training, access to markets, business networking, and information and communications technology (ICT). Entrepreneurial assistance is an approach to create the value and system of community exchange that can transform low-income rural communities through providing entrepreneurial assistance to manage their existing skills, knowledge and resources in the future [3].

2. BACKGROUND OF THE STUDY

The Entrepreneurial assistance program helps to develop SMEs through support ventures into the entrepreneurship field to create a high business performance for individuals in improving their life status. At the micro-level, it involves the practice of awareness of opportunities, engaging in business with external parties such as customers and suppliers, technology, markets, and dealing with government agencies. Many universities around the world are in the process of strengthening their entrepreneurship assistance programs to create more young entrepreneurs in the future. This program will always be reviewed to ensure the structure of the program fits the challenges of the outside world. Nowadays, the number of entrepreneurs in SMEs in Malaysia is increasing from year to year. The higher levels of entrepreneurship assistance programs will lead to recognizing the importance of SMEs in raising national economic rates. Various exertions have also been taken by the government to grow SMEs internationally. The active entrepreneurship development programs in Malaysia include entrepreneurial skills training, access to markets, business networking, and information and communications technology (ICT).

One of the initiatives undertaken by the government in efforts to increase the income of rural people is through SMEs entrepreneurship development programs under the One District, One Industry Program or known as 'Satu Daerah Satu Industri' (SDSI) program. SDSI is one of the programs that has been planned in detail by the government in enhancing the role of SMEs throughout the country. The SDSI Program has been adapted from the One Village One Product (OVOP) Program in Japan and One Tambun One Product (OTOP) Program in Thailand. In Malaysia, although diverse entrepreneurial assistance development program has been implemented by many authorities, the SDSI program is less favourable in the market and the performance still does not achieve the target as OVOP implementation in Japan [4].

Moreover, rural entrepreneurs in the SDSI Program are not well aware of the importance of utilizing natural resources in their enterprises to improve business performance [1]. As noted, the key success of the OVOP Program in Japan is because they were creative in implementing sustainable enterprise in their village that encouraged them to develop micro, small, and medium-sized enterprises. Thus, the purpose of this study is to investigate the impact of entrepreneurial assistance programs (entrepreneurial skills training, market access, business network, business financing, and ICT) on business performance among the SDSI entrepreneurs in Peninsular Malaysia.

3. LITERATURE REVIEW

In Southeast Asian countries, the program of One Village One Product (OVOP) approach has recently attracted significant attention from many scholars and policymakers as a rural development strategy. Moreover, the development of SDSI in Malaysia is connected to the business performance of SMEs. The strength of business performance will help businesses and residents benefit through resource withdrawals, create job opportunities, and increase assets [5]. Hence, entrepreneurship assistance programs that include factors such as entrepreneurial skills training, market access, business financing, business networking, and ICT technology have significantly contributed to improving business performance [6]. On the other hand, companies with unsatisfactory performance will tend to be less competitive and will face financial difficulties [7].

3.1 Entrepreneurial skills training

Entrepreneurial training can be divided into two forms; financial and non-financial training. Whereas entrepreneurial skill incorporates behaviours such as strategic, tactical, and personal [8]. Specific skills such as internal control, risk-taking, be innovative, change-oriented, diligent, and leadership distinguish an entrepreneur from a manager [6]. Entrepreneurial training can be classified into technical skills, business management training, and private entrepreneurial training that can contribute to business performance. Entrepreneurial skills are developed, consolidated, and eventually realized by individuals because of their capabilities and characteristics at different levels. This indicates the ability of an entrepreneur to run a business that can represent his / her ability to create a product using the factor of production [9]. Therefore, it can be hypothesized that;

H1: Entrepreneurial skills training would have a significant impact on business performance among SDSI entrepreneurs in Peninsular Malaysia.

3.2 Market access

Fundamentally, customers will be more attracted to products that have a broad market platform and easy to access. Rural entrepreneurs with good performance in their business should promote their product to the national level to be recognized by the people in this country [10]. Developing a good relationship with retailers and being able to market the product to the retail channels is one of the achievements that entrepreneurs need to do in order to continuously strengthen their market. Thus, it can be hypothesized that;

H2: Market access would have a significant impact on business performance among SDSI entrepreneurs in Peninsular Malaysia.

3.3 Business network

Through the business network, small and medium enterprises are quicker to identify and exploit opportunities as well as manage the uncertain business [11, 12]. The competence of a corporate network is defined as the ability to increase the business network and manage specific relationships [13]. Enterprises can build relationships with various businesses or organizations because they directly or indirectly influence their business performance to succeed [14]. A strong business network relationship can be well-kept with trust between business network entities, hence simplify the exchange of relevant information towards enterprise development among network partners [15]. Therefore, it can be hypothesized that;

H3: Business network would have a significant impact on business performance among SDSI entrepreneurs in Peninsular Malaysia.

3.4 Business financing

The overall structure of capital consists of a mix of equity and debt used to pay the entire business operations [16]. Entrepreneurship is defined as human energy or quality that is responsible for the creation of work by using production factors such as capital, operating, labour, and the ability to perform such activities as business opportunities, business ventures, and mobilizing economic resources to accelerate the growth of economic processes [17]. Entrepreneurs are making improvements to their products using funding sources to achieve great business performance [18]. Hence, it can be hypothesized that;

H4: Business financing would have a significant impact on business performance among SDSI entrepreneurs in Peninsular Malaysia.

3.5 ICT technology

ICT is a medium that can contribute towards the economic growth of a country [19]. Economists have focused more on the role of ICT in promoting economic development [20]. ICT also acts as a medium for the economic growth of a place [21]. This is because, [21] believed that apart from the strength of economic, financial, marketing, social, and political resources, ICT mastery is also the key to the rise of today’s world. The increase in ICT in Malaysia from year to year is due to the development of infrastructure provided by the government. Therefore, it can be hypothesized that;

H5: ICT technology would have a significant impact on business performance among SDSI entrepreneurs in Peninsular Malaysia.

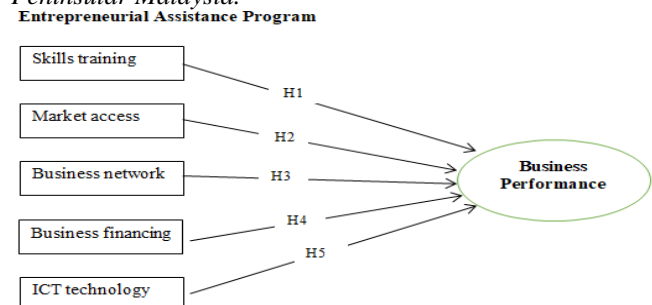


Fig (1) Theoretical Framework

4. RESEARCH METHODOLOGY

4.1 Population and Sample Size

The population of this study encompasses 1,431 entrepreneurs registered under the SDSI Program in Peninsular Malaysia. Thus, there are 306 respondents needed as a sample size [22] by using the stratified sampling to represent the population of 1,431 SDSI entrepreneurs who are operating their business in Peninsular Malaysia.

4.2 Instruments and Measurements

This study used a questionnaire survey as a medium of data collection. A set of survey forms as a research instrument were divided into 3 sections. Section A covered questions related to entrepreneurial development programs (entrepreneurial skills training, market access, business network, business financing, and ICT technology), Section B

contained questions regarding business performance, meanwhile, Section C covered respondents' background and business profile. In this ordinal questions, the seven-point Likert Scale is used to measure the extent of respondents' views of the developed variables on the scale: 1 = disagree at all, 2 = very disagree, 3 = disagree, 4 = neutral, 5= agree, 6 = strongly agree, and 7 = very agree at all. Subsequently, a quantitative approach had been used in the analysis through the Statistical Package for Social Science (SPSS) software program version 22 to measure the relationship among the variables in this study. Table 1 below shows the number of SDSI entrepreneurs in East-Coast and West-Coast of Peninsular Malaysia divided by clusters respectively.

Table (1): The number of SDSI entrepreneurs in East-Coast and West-Coast of Peninsular Malaysia by clusters

Clusters/ Regions	Food & beverages	Handi- craft	Homestay	Health services	Total	% sample	Sample size
East-Coast	238	216	15	45	514	36.0	111
West-Coast	666	108	49	94	917	64.0	195
Total	904	324	64	139	1,431	100	306
% sample	63.1	22.6	4.5	9.8	100	100	306
Sample size	193	69	14	30	306	100	306

(Source: Prime Minister's Department's Implementation Coordination Unit, 2018)

5. ANALYSIS AND DISCUSSION

In order to achieve the primary objective of this study, a simple linear regression was conducted to examine the impact of entrepreneurial assistance programs on business performance among SDSI entrepreneurs in Peninsular Malaysia.

5.1 Descriptive of Respondents' Profile

There were 500 sets of questionnaires distributed to the SDSI entrepreneurs in Peninsular Malaysia, however, only 459 sets of questionnaires were completed and usable. Even though the sample size needed was only 306 respondents, this study had collected more than what it requires to further strengthen the results of this study. All the data were analyzed using the SPSS software program version 22. Gender, age, level of education, and level of satisfaction towards the SDSI program are the items that have been described well in this study to complete the demographic profile analysis.

Based on Table 2, the result shows that 231 (50.3%) of the total respondents are male entrepreneurs, while the remaining 228 respondents (49.7%) are female entrepreneurs. Next, an item of entrepreneurs' age analysis was divided into four

main ranges starting from below 30 years old which could be categorized as youth entrepreneurs, entrepreneurs aged 30 to 39, entrepreneurs aged 40 to 49, entrepreneurs aged 50 to 59, and entrepreneurs who are over 60 years old. The analysis found that respondents between the ages from 40 to 49 were the highest in number that contributed to 177 entrepreneurs (38.6%), while only 15 entrepreneurs (3.3%) contributed to youth entrepreneurs that aged below 30 years old under the SDSI Program in Peninsular Malaysia. Most SDSI entrepreneurs in Peninsular Malaysia were educated at certificate level, represented by 152 respondents (33.1%). Unexpectedly, there are also some entrepreneurs who were educated from a bachelor degree, master, and Ph.D. level with 60 entrepreneurs (13.1%). Besides that, this study also looks into the level of entrepreneurs' satisfaction towards the SDSI Program that has been introduced by the government. Over half of them were satisfied with SDSI Program with 275 entrepreneurs (59.9%), while 170 entrepreneurs (37.0%) were at a neutral level and surprisingly there are also a few of them, represented by 14 entrepreneurs (3.1%), who were not satisfied with SDSI Program.

Tab (2): SDSI entrepreneurs' profile in Peninsular Malaysia

	Frequency	Percentage (%)		Frequency	Percentage (%)
Gender			Level of education		
Male	231	50.3	Primary school	56	12.2
Female	228	49.7	Secondary school	118	25.7

			Certificate	152	33.1
			Diploma	73	15.9
			Bachelor	60	13.1
			degree, Master, PhD		
Age			Satisfactio		
30 years	15	3.3	n level		
below			towards		
30-39	86	18.7	SDSI		
years			Program		
40-49	177	38.6	Not	14	3.1
years			satisfied	170	37.0
50-59	136	29.6	Neutral	275	59.9
years			Satisfied		
60 years	45	9.8			
above					

Meanwhile, Table 3 below shows the business profile of SDSI entrepreneurs in Peninsular Malaysia. Regarding the business cluster classification, the main contribution came from the food and beverages cluster with 202 entrepreneurs (44.0%), followed by the handicraft cluster with 125 entrepreneurs (27.2%), health services contributed as much as 82 entrepreneurs (17.9%), and the lowest was contributed by homestay cluster with 50 entrepreneurs (10.9%) who took part in this study. Most SDSI entrepreneurs in Peninsular Malaysia, which is 158 (34.4%) out of 459 entrepreneurs earned annual sales between RM101, 000 to RM200. However, only 3 entrepreneurs (0.7%) produced annual sales

of more than RM500, 000. Therefore, this result revealed a poor fact of SDSI entrepreneurs in Peninsular Malaysia in organizing their business to gain high sales every year. Moreover, this study has also analyzed the financial sources of each respondent. It shows that the greatest involvement was from other sources which included a combination of sources, including self-sponsored and government loan schemes, bank institution and family, government grant, and self-sponsored with 157 entrepreneurs (34.2%) contributed to this source. Meanwhile, the bank institution was the least amount involved to this source with 38 entrepreneurs (8.3%).

Tab (3): SDSI entrepreneurs' business profile in Peninsular Malaysia

	Frequency	Percentage (%)		Frequency	Percentage (%)
Clusters			Financial sources		
Food and beverages	202	44.0	Self sponsored, family, colleagues	135	29.4
Handicraft	125	27.2	Government loan scheme	47	10.2
Homestay	50	10.9	Government grant	82	17.9
Health services	82	17.9	Bank institution	38	8.3
			Others	38	34.2
				157	
Annual sales					
Less than 100K	143	31.2			
101K-200K	158	34.4			
201K-300K	96	20.9			
301K-400K	42	9.2			
401K-500K	17	3.7			
More than 500K	3	0.7			

5.2 Reliability test

In order to ensure the consistency of the questionnaire, the reliability test becomes critical and is a basis before conducting further analysis of the hypotheses in this study. Cronbach's Alpha read several variables in this study during the first run of the test which was conducted on 459 respondents. Based on Table 4, all variables that have been

investigated in this study were found to be reliable including the overall entrepreneurial assistance program variable (0.949), entrepreneurial skills training (0.893), business financing (0.833), market access (0.885), business network (0.924), ICT technology (0.934), and business performance (0.947).

Tab (4) Reliability analysis test results

Sections	Variables	Number of items	Reliability Cronbach's Alpha (α)
Entrepreneurial assistance program	Independent	61	0.949
Entrepreneurial skills training	Independent	10	0.893
Business financing	Independent	12	0.833
Market access	Independent	10	0.885
Business network	Independent	15	0.924
ICT technology	Independent	14	0.934
Business performance	Dependent	23	0.947

5.3 Correlation analysis

Correlation is a 'bivariate' analysis that measures the strengths of the relationship between two variables. In statistics, the value of the correlation coefficient varies between -1 and +1. When the value of the correlation coefficient lies around ± 1 , therefore it is believed to be a perfect degree of association between the two variables. As the correlation coefficient value goes towards 0, the relationship between the two variables will be weaker. This research used the Pearson Correlation in order to investigate the impact of entrepreneurial assistance programs on business performance among SDSI entrepreneurs in Peninsular Malaysia.

Based on Table 5 below, there was a positive relationship between entrepreneurial assistance program and business performance with the correlation value 0.686 and significant p-value at 0.000. Besides that, entrepreneurial skills training, business financing, market access, business network, and ICT technology also have a positive correlation towards business performance with values 0.477, 0.290, 0.479, 0.582, and 0.581 respectively. All the correlation values were in a moderate relationship with business performance except for business financing with a weak correlation since the value is 0.290. The absolute value was determined by Evans (1996).

Tab (5) Correlation between CBEs model and business performance

		Business performance
Entrepreneurial assistance program	Pearson	.686*
	Correlation	
	Sig. (2-tailed)	.000
Entrepreneurial skills training	N	459
	Pearson	.477*
	Correlation	
Business financing	Sig. (2-tailed)	.000
	N	459
	Pearson	.290*
Market access	Correlation	
	Sig. (2-tailed)	.000
	N	459
Business network	Pearson	.479*
	Correlation	
	Sig. (2-tailed)	.000
ICT technology	N	459
	Pearson	.582*
	Correlation	
	Sig. (2-tailed)	.000
	N	459
	Pearson	.581*
	Correlation	
	Sig. (2-tailed)	.000
	N	459

Note: Dependent variable: Business performance, *significant at $p < 0.01$

5.4 Regression analysis

To test the hypotheses of the study, researchers have used a simple linear regression analysis to test the significant relationship between variables. The regression test takes part to comprehend which, among the independent variables (entrepreneurial skills training, business financing, market access, business network, and ICT technology) are related to the dependent variable (business performance) as well as to explore the forms of these relationships. Regression analysis can be used to infer underlying relationships between the independent and dependent variables. In this analysis test, the values of R square, Pearson correlation, Beta, and P values were determined to identify whether the variables have a significant impact on business performance or otherwise.

Tab (6) Regression analysis test results

R	R square	Adjusted R square	F value	Sig. F	N
0.714	0.510	0.505	94.371	0.000	459

Table 6 shows the result of the regression analysis test of this study. The results indicated that the correlation coefficient (R) which using all predictors simultaneously is 0.714 and R square is 0.510 which means that only 51.0 percent of the variance in business performance can be predicted from the factors investigated in this study. In terms of Beta value and significance study of each hypothesis, Table 7 reveals that four hypotheses are positively significance and accepted which are; hypothesis 1 ($\beta = 0.146$, $P = 0.000$), hypothesis 3 ($\beta = 0.128$, $P = 0.002$), hypothesis 4 ($\beta = 0.293$, $P = 0.000$), and hypothesis 5 ($\beta = 0.370$, $P = 0.000$). Meanwhile, hypothesis 2 was not accepted ($\beta = -0.021$, $P = 0.562$).

Tab (7) Regression coefficients analysis test results

Variables	Unstandardized Coefficients Beta (β)	Standardized Coefficients Beta (β)	t	Sig.	Results
(Constant) ^a	1.149	-	5.284	0.000*	
Entrepreneurial skills training	0.143	0.146	3.638	0.000*	H1 Accepted
Business financing	-0.021	-0.021	-0.580	0.562	H2 - Not Accepted
Market access	0.106	0.128	3.116	0.002*	H3 Accepted
Business network	0.272	0.293	6.320	0.000	H4 Accepted
ICT technology	0.300	0.370	9.894	0.000	H5 Accepted

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

Briefly, this study has investigated and discussed the substantial literature regarding entrepreneurial assistance programs (entrepreneurial skills training, business financing, market access, business network, and ICT technology) on business performance among SDSI entrepreneurs in Peninsular Malaysia. This study has used descriptive demographic analysis, reliability, correlation, and regression analysis tests examine the relationship between independent and dependent variables including entrepreneurial skills training, business financing, market access, business network, ICT technology, and business performance. In general, this study revealed four (4) factors in entrepreneurial assistance programs that have a significant positive impact on business performance and rejected H2 which implied that business financing has no significant impact on business performance since the significant value is more than 0.05 ($p = 0.562$). It can also be inferred that financial assistance from the government does not help the SDSI entrepreneurs in improving their business performance. However, all variables moderately correlate with business performance with a value between 0.477 and 0.582 except for business financing with the value 0.290 that also showed a weak correlation between business and financial performance.

6. CONCLUSION AND RECOMMENDATION

In a conclusion, this study examined the impact of entrepreneurial assistance programs on business performance that are capable of increasing the level of rural economy among the SDSI entrepreneurs in Peninsular Malaysia. Generally, the concept of the entrepreneurial assistance program in this study focused on several factors, including entrepreneurial skills training, business financing, market access, business network, and ICT technology. The findings of this study indicated that there are significant impacts of entrepreneurial skills training, market access, business network, and ICT technology on business performance. The business financing factor that was included in entrepreneurial assistance programs showed no significant impact on business performance. Overall, this study revealed that SDSI entrepreneurs in Peninsular Malaysia perceived that the entrepreneurial development program that was organized by the Malaysian Government contributed to a moderate level which is 51.0 percent towards their business performance. Thus, the findings of this study recommend the government to take any possible initiative to specify and restructure their policies in developing entrepreneurial development programs among SDSI entrepreneurs in Malaysia in order to improve the program as well as the business performance among rural entrepreneurs in Malaysia. Meanwhile, the industry

practitioners of SME firms can benefit from adopting a new approach in implementing appropriate programs to address the problems faced by SDSI entrepreneurs, especially regarding their business performance.

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Acknowledgement

The authors would like to acknowledge the Ministry of Education (MOE) and Research Management and Innovation Centre (RMIC), Universiti Malaysia Terengganu for financing this research through Fundamental Research Grants Scheme (FRGS).