

## Chapter 3

# The Relationship between Entrepreneurial Competencies, Competitive Intelligence, and Innovative Performance among SMEs from an Emerging Country: Competitive Intelligence in SMEs

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### **ABSTRACT**

*Competitive intelligence is vital to an organisation because it emphasises on understanding and measuring an organisation's competitive environment and the unstructured information that influence an organisation's strategic decision making. In fact, it also assists in creation of ideas and innovation. Yet, research on competitive intelligence practice among entrepreneurs is quite scanty. There is a need to investigate if entrepreneurial competencies and innovative performance is influenced by competitive intelligence. Thus, this study aims to analyse the relationship between entrepreneurial competencies, innovative performance and if competitive intelligence is the missing link among the entrepreneurs within the Malaysian SME context.*

## INTRODUCTION

Over the years, Malaysia has made significant progress to become a fast growing developing nation. Bolstered by a relatively stable political environment, much stride was made in the economic and social spheres. The country now prides itself with robust industrialisation to further propel its economy that was once heavily dependent on mining and agriculture. In 1991, the idea of realising a fully developed nation status, a nation that is entirely competitive, dynamic, robust and resilient by the year 2020, was mooted (Economic Planning Unit, 2001). This vision, dubbed Vision 2020, is predicated on the assumption that the country will invest in, among other things, policies and programmes to unleash the innovative power of the economy's engines of growth. This is so because innovation, and hence the emergence of an innovation-based economy, is crucial to the competitiveness, dynamism, robustness and resilience of the country (Guha, 2011). An Innovation Economy denotes an economy that emulsifies knowledge, technology, entrepreneurship and innovation in order to accelerate productivity, which is the heart of economic growth (Janeway, 2012; Nelson & Winter, 2002; Schumpeter, 1943). In order to compete with other developed countries and achieve developed country status as enshrined in Vision 2020, it is imperative that Malaysia take steps to develop a more knowledge-intensive and innovation-driven economy.

Towards this end, the government of Malaysia of late has embarked on a new economic strategy known as the Economic Transformation Program (ETP) (PEMANDU, 2010). Specifically, the ETP seeks to transform Malaysia into a high-income nation, a prerequisite of a fully developed nation. One of the most significant and vital factors of the ETP is the leadership of the private sector in building the nation's economy. In contrast, the government acts as the catalyst in policy making and high-impact funding. The plan is for the private sector to fork 92% of the nation's economic investment from 2010 to 2020, where approximately 73% would be domestic direct-investment and 27% foreign direct-investment (PEMANDU, 2010).

An interesting fact disclosed by the Department of Statistics Malaysia is that 97.3% or 645,136 of the total established businesses in Malaysia are SMEs and only 2.7% are categorised as large organisations (Jabatan Perangkaan Malaysia, 2012). As a major investing sector, the importance of the SMEs in the transformation of Malaysia has been duly recognised by the government. In the Third Industrial Master Plan 2006-2020 (IMP3), for instance, special focus was given to them by the government with their needs being addressed (MITI, 2006). The SMEs provide 57.5% of the nation's employment (National SME Development Council, 2014) despite having 97.3% of the total number of business establishments in Malaysia. In terms of Gross Domestic Product (GDP), they contribute a meagre 1/3 or 32.5% (Star Business, 2013).

In Malaysia, the definition of SME revolves around two criteria, namely the number of people employed by the entity or the amount of revenue generated. Prior to 1<sup>st</sup> of January 2014, an entity is considered a SME if its annual sales turnover does not exceed RM25 million (approximately USD6.1 million) or if the number of employees does not exceed 150 people. Due to changes in the world economic landscape, especially triggered by price inflation, structural shifts and changing business plans, the definition of SMEs has been revised accordingly. The new definition has the impact of including even more organisations into its fold. This revision, which was effective 1<sup>st</sup> January 2014, is described in Table 1.

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