THE MEDIATING EFFECT OF STRATEGIC DECISION MAKING QUALITY ON THE RELATIONSHIP BETWEEN INTERNAL AND EXTERNAL PERSPECTIVES AND PERFORMANCE OF TRADITIONAL COFFEE SHOPS

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I wish to dedicate this study to my mother and sister.
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ABSTRACT

Traditional coffee shops (TCS) represent a significant sector of the small and medium enterprise (SMEs) food services economy in Southeast Asia. Most of the Malaysian TCS are micro enterprises and therefore have low business sustainability due to low profitability and fierce competition in food service industry. However, knowledge about the determinants of food service business performance, particularly those related to the TCS in Malaysia is lacking. Despite TCS being a cultural heritage of the country, TCS proprietors are unaware of the performance determinants that could help to increase business sustainability. Thus, the purpose of this study is to identify the performance determinants of Malaysian TCS. This study advances the discussion in business performance by integrating entrepreneurial theories, including the resource-based view (RBV), the sustainability family business (SFB), the three circles (3Cs) and the dynamic capability (DC) to develop comprehensive performance determinants of TCS in Malaysia. This study categorises performance determinants into ten internal and three external perspectives. In addition, this study also investigates the mediating effect of strategic decision making quality on the relationship between performance determinants and TCS performance. A total of 250 TCS proprietors’ data were collected by using structured questionnaires. Structural Equation Modeling (PLS) was used as data analysis method used to examine the relationship between variables, as well as to test the mediator. Findings of the study revealed that three out of ten internal perspectives namely entrepreneurial characteristic, financing accessibility and marketing competency and two out of three external perspectives namely location, government agency and policy have the impact on TCS performance. In addition, strategic decision making quality has a mediating effect on the entrepreneurial characteristic, financing accessibility, and government agency and policy toward TCS performance. These findings not only revealed the performance determinants of TCS but extend the body of knowledge of entrepreneurship through understanding the mediating effect of strategic decision-making quality in business performance. This study also makes a contribution in extending existing models of business performance beyond firm’s resources and thus overcomes the weakness of the current business sustainability theoretical frameworks. Practically, the findings could deliver a useful message to policy makers and TCS entrepreneurs to place an emphasis on performance determinants in order to increase the sustainability of TCS. As the study also delivers a performance determinants framework which could be replicated, it is recommended that future research conduct a study on other segments of food services in Malaysia.
Kedai kopitradisional (TCS) mewakili sektor signifikan perusahaan kecil dan sederhana dalam ekonomi perkhidmatan makanan di Asia Tenggara. Kebanyakan TCS di Malaysia adalah perusahaan mikro dan dengan itu mempunyai kemampuan perniagaan yang rendah kerana keuntungan rendah dan persaingan sengit dalam industri perkhidmatan makanan. Walau bagaimanapun, pengetahuan tentang penentu prestasi perniagaan perkhidmatan makanan terutamanya yang berkaitan dengan TCS di Malaysia adalah kurang. Walaupun TCS merupakan warisan kebudayaan negara, pemilik TCS tidak peka tentang penentu prestasi yang dapat meningkatkan kemampuan perniagaan. Oleh itu, tujuan kajian ini adalah untuk mengenalpasti penentu prestasi TCS di Malaysia. Kajian ini bermula dengan percikan perbincangan tentang prestasi perniagaan dengan menggabungkan teori-teori keusahawanan, termasuk pandangan berasaskan sumber (RBV), kemampuan perniagaan keluarga (SFB), tiga bulatan (3Cs), dan keupayaan dinamik (DC) bagi membangunkan penentu kemampuan perniagaan TCS di Malaysia secara menyeluruh. Kajian ini mengkategorikan penentu kemampuan perniagaan kepada sepuluh perspektif dalam dan tiga perspektif luaran. Tambahan lagi, kajian ini juga mengkaji kesan pengantara kualiti pembuatan keputusan strategik ke atas hubungan di antara penentu prestasi dan prestasi TCS. Sejumlah 250 data pemilik TCS dikumpul menggunakan soal selidik berstruktur. Model Struktur Persamaan (PLS) telah digunakan sebagai kaedah analisis data untuk mengkaji hubungan antara pembaharounah ubah-ubah, serta juga untuk menguji pengantar. Dapat kajian menunjukkan bahawa tiga daripada sepuluh perspektif dalam dan iaitu ciri-ciri keusahawanan, kebolehcapaian pembiayaan dan kecekapan pemasaran serta dua daripada tiga perspektif luaran iaitu lokasi dan agensi dan dasar kerajaan mempunyai impak terhadap prestasi TCS. Tambahan lagi, kualiti pembuatan keputusan strategik mempunyai kesan pengantara ke atas ciri-ciri keusahawanan, kebolehcapaian pembiayaan serta agensi dan dasar kerajaan terhadap prestasi TCS. Dapat kajian ini bukan sahaja mendedahkan penentu prestasi TCS tetapi juga menambah pengetahuan tentang keusahawanan melalui pemahaman terhadap kesan pengantara kualiti pembuatan keputusan yang strategik dalam prestasi perniagaan. Kajian ini juga memberi sumbangan dalam menambah model-model prestasi perniagaan melangkahai sumber firma dan dengan itu mengatasi kelemahan kerangka teori-teori kemampuan perniagaan sedia ada. Secara praktikal, hasil dapatan ini memberi mesej berguna kepada pembuat dasar dan usahawan TCS untuk memeriksa pengetahuan dan penekanan ke atas penentu prestasi bagi meningkatkan kemampuan TCS. Oleh kerana kajian ini juga memberikan satu kerangka penentu prestasi yang boleh diaplikasikan, disyorkan bahawa kajian pada masa hadapan dijalankan terhadap bahagian perkhidmatan makanan yang lain di Malaysia.
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<td>Average variance extracted</td>
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<td>CB-SEM</td>
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<td>CR</td>
<td>Composite reliability</td>
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<td>DC</td>
<td>Dynamic capability</td>
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<td>PLS-SEM</td>
<td>Variance-based structural equation modeling</td>
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<td>RBV</td>
<td>Resource-based view</td>
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<td>SDMQ</td>
<td>Strategic decision making quality</td>
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<td>SME</td>
<td>Small and medium enterprise</td>
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<td>TCS</td>
<td>Traditional coffee shop</td>
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<tr>
<td>VAF</td>
<td>Variance accounted for</td>
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<tr>
<td>VIF</td>
<td>Variance inflation factor</td>
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<tr>
<td>VIRN</td>
<td>Valuable, rare, imitable and non-substitutable resources</td>
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<td>N</td>
<td>Population</td>
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<td>n</td>
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CHAPTER 1

INTRODUCTION

1.1 Research Background

According to Malaysia Economic Census in year 2011, SMEs currently represent 97.3% (645,136 establishments) of the total business establishments of 662,939 in Malaysian. One major SMEs sector is foodservice industry. Currently, the food service industry has shown rapid growth in Southeast Asia (Euromonitor, 2013). In 2012, Malaysia food service market is valued at between US$5 and US$10 billion (Malaysian-German Chamber of Commerce and Industry, 2012; Euromonitor, 2014). Generally, the food service sector in Malaysia can be classified into four major groups, i.e. full service restaurants, fast food restaurants, cafes and bars, and small-to-medium independent foodservice operators (Tan, 2011). The small-to-medium independent foodservice operators include the single site cafes, coffee shops, open-air food stalls, food courts and other minor food service operators (Stantons et al, 2008). In year 2005, these food service operators were the largest category (85.1%) of the food services (Department of Statistics, 2006). In year 2010, traditional coffee shops were the majority due to low cost of meals which suited to the local taste (Euromonitor, 2011). Currently, the estimated number of traditional coffee shops in Malaysia is between 20,000 and 30,000 (The Star, 27 May 2011; MS Coffee Shop PGA, 2014). The relative importance of traditional coffee shops has led and would
continue to lead to a reconsideration of the role of small food service providers in the economy of nations.

Traditional coffee shop (TCS) also called as kopitiam and kedai kopi are mostly operated by sole proprietor or a family especially in Southeast Asian countries (Lai, 2010). Kopitiam is a pre-World War II shop serve as the congregation point for the society and it is the combination of Hokkien Chinese word “tiam” (shop) and kopi (Malaysia coffee) (Wilson, 1967). These open-air coffee shops offer Malaysian coffee and facilities such as ceiling fans, marble-topped tables, foldable tables and chairs as the others (Kong, 2010). Mostly TCS not only selling drinks but they are teaming up with variety of hawker stalls (Lee and Tan, 2007). Until today, there are many TCS in Malaysia that have been operating for over 50 years old with this formula and most of them are now in its second or third generation (MS Coffee Shop PGA, 2014). Malaysian TCS are hence considered as the intangible cultural heritage (Huang, 2010; Rahman, 2010; Lai 2010). People visit these TCS not just for their culinary offerings, but also for the history that each serves up. TCS are playing an important role in expending to tourism industry due to its cultural heritage. There is a general believes that desire tourism generation in this country can be achieved through development of TCS. As stated by former Tourism Minister Datuk Seri Dr Ng Yen Yen in The Star (20 April 2012),

Our traditional kopitiam (TCS) is a unique heritage that can only be found in Malaysia. An average tourist to Malaysia last year spent about RM300 or 17% from an average expenditure of RM2,260 on food and drinks. So, we should see how our coffee shops can use this opportunity to benefit from the country’s expanding tourism industry.

(The Star, 20 April 2012)

Nevertheless, the coffee shops industry in Malaysia reported as the fastest growing with its value worth close to RM4 million (Euromonitor, 2014). Clearly, the above statement proves the crucial of coffee shops for the nation. TCS is gaining
popularity among local people and tourist as it provides local food and beverages such as local white coffee which differs from western-style coffee and tea (Zainol et al., 2015). Additionally, the local white coffee prepared by using an unusual method that combines modern elements of roasting with traditional brewing practices gained high status and popularity (MS Coffee Shop PGA, 2014). As such, TCS in the context of literature suggesting social gathering places with the potential to enhance community (Lai, 2010).

The rich cultural heritage of Southeast Asia has been recognized as an asset that attracts visitors and generates income for this region. Cultural heritage as indications for regional tourism development and generates income for country (Ghafar, 2006). Lai (2010) conducted a study on the coffee cultural, social distinctiveness and diversity of TCS in Singapore. She addresses that TCS not only served as public place for meals and meetings but also considered as a part of cultural heritage because of its multicultural cuisines and customers (Lai, 2010). It is common that local coffee shops Malaysia, Singapore and Indonesia are the famous places in Southeast Asia for coffee. In fact, traditional coffee shops bring the name of Malaysia to tourists. For example, Ipoh which is located in Perak became a famous place due to the origin of white coffee and the success of the Old Town White Coffee brand which developed from a small and traditional coffee shop. Now, Old Town White Coffee becomes one of the largest Malaysia franchise at oversea. Local breakfast originated from traditional coffee shops which serving kaya toast, kopi and half-boiled eggs have becomes a profitable business. The government further decided to branding Ipoh as the ‘City of White Coffee’ and consider it as one of the icons of Perak, Malaysia (Ipohecho, 2010). This is supported by the former State Chairman for Industry, Investment, Industrial Development and Tourism, Dato’ Hamidah Osman who said,

“white coffee is also well-known overseas especially in the United Kingdom”

(Ipohecho, 2010)
Thus, TCS create a strong link among Malaysian with the signature local cuisine and also act as places to foster nation food reputations. TCS are therefore act as the local signature food industry in Malaysia. Local food represents cultural or national identity and plays roles in positioning and promoting a destination (Hjalager and Richards, 2002; Du Rand *et al.*, 2003). That is why food tourism has become interest topics recently. A study by Holroyd and Elliott (2010) found that restaurant industry make a valuable contribution in attracting tourists and hence encourage the growth in tourism industry. In Wilson (2011) review, several countries like France, Italy, Mexico, Thailand, South Korea and Taiwan are attempting to construct the image of a nation through its distinctive culinary cultures. TCS have a great potential to develop quickly because people love culinary native Malaysian. In addition, Malaysia is a country of tourism and always crowded of visitors from abroad. TCS in Malaysia have been recognised as these eateries cater to a big population of locals and foreign tourists. As a result, many travel writers and food critiques hailed kopitiam as a unique food eatery in Malaysia with a vibrant local cuisines and culture. Therefore, the cuisine and cultural of local coffee shops are undeniably become important elements to tourism industry and hence promote our country.

SMEs help in developing of entrepreneurship spirit and provide job opportunities to the low educated citizens (The Asia Foundation, 2010). Individuals with lower incomes can improve their lives by joining this sector (Selamat *et al.*, 2011). TCS creates considerable direct and indirect employment in the economy. They contribute to the national objective in terms of employment generation at low investment cost and indigenous technology. For instance, TCS will provide self-employed job opportunities such as food stall operators, cooks, waiters and dishwashers. This industry might also provide a range of jobs opportunities for workers over the age of 50. In additional, traditional coffee shops could encourage development of entrepreneurial capabilities. For instance, Old Town White Coffee be successfully expanded their businesses internationally (Ipohecho, 2010). SMEs are important traders and giving support to the big companies (Omar *et al.*, 2009). TCS are also important traders to primary industries as they encompass the business activities involved in acquiring materials from suppliers and providing products and services to consumers. For instance, they contribute to a large demand of the coffee,
tea and beverage industry (MS Coffee Shop PGA, 2014). These coffee shops use locally produced and manufactured products exclusively. In sum, TCS contribute significantly to the provision of employment opportunities, enabled the local cuisines to flourish, opportunity to expand tourism industry, potential to be franchised, and eventually increase the generation of national income.

1.2 Malaysian Traditional Coffee Shop

Traditional coffee shop (TCS) also called as kopitiam and *kedai kopi* and mostly operated by sole proprietor or a family especially in Southeast Asian countries (Lai, 2010). Kopitiam is derived from the combination of the Hokkien Chinese word “tiam” (shop) and kopi (coffee) and exist before World War II. Most of the Malaysians TCS were family-run (Lai, 2010; Toyad, 2012). These open-air coffee shops offer local coffee and equipped with facilities such as ceiling fans, foldable tables and chairs as the others (Kong, 2010). The layout of TCS is simple but not systematic as they have limited space. Due to limited space, sharing table among patrons is common in the kopitiams (Mak, 2007; Malaysiakini, 2007). As a result, TCS is in commitment of excessively noisy surroundings. Mostly TCS not only selling drinks but they are teaming up with variety of hawker stalls (Lee and Tan, 2007). They operate with many stalls selling a variety of local cuisines (some of them are halal and some are non-halal) (Mak, 2007). For example, *nasi lemak* (coconut flavoured rice), *laksa* (noodles in a spicy broth), curry *mee* and Hainan chicken rice.

European experienced coffee culture in seventeenth century. The original function of coffee house or coffee shop is set up as alcohol free alternatives place to the public where a center of social activity and communication (Ellis and Aytoun, 1956). Coffee shop in South Asia was the starting point for their local coffee culture since the British colonization in nineteenth century as European established coffee
plantations in their respective colonies. Malaysian coffee culture has been established in the early 1900s during the British colonization where the coffee shops serve as a natural gathering point for the society (Wilson, 1967). The establishment of Malaysia and Singapore Coffeeshop Proprietors’ Association in 1947 also represent the historical story of traditional coffee shops in both Malaysia and Singapore. Kopitiam is a place serving cups of local-style brew and traditional cuisine, and offering traditional fares with budget meals. Kopitiam history is always close related to the Chinese, Hainanese immigrants. As noted in the study by Lai (2010),

The early history of the koitiam is incomplete without understanding the part played by the Hainanese kopitiam.

(Lai, 2010)

During the British colonization, the authorities established a legal framework in conceptualizing human capital to solve the shortage of low skilled workers. Asian labor migration was largely dominated from China and India. Many Chinese came to Southeast Asia due to the growing economic opportunities in the region. The entrepreneurial immigrants from China also moved to the country to seek a better life. The majority of the Chinese migrants were less skilled, many of them are working as cooks on the European ships and some work in expat homes. Among the Chinese, Hainanese and Foochow immigrants set up coffee shops with their culinary skills they had previously acquired from the European when they have enough modal. Selling coffee bring a better living to them as they offer a cheaper unique taste of coffee and breakfast.

In the late twentieth century, modern coffee shops or chain cafes have sprouted across the country. For example, Starbucks, Alicafé, Old Town White Coffee, Pak Hainan Lao and Uncle Lim. These coffee shops have a close design with traditional coffee shops but modernized with air-conditional environment and facilities such as free Wi-Fi service (Euromonitor International, 2010). The trend of drinking coffee in traditional coffee shops was revamped to air-conditioned modern
coffee shops (Euromonitor International, 2011). Consumers are now getting more choices to experience a wide variety of coffee beans from every corner of the world. As a result, coffee shops today create a fierce competition among the operators (The Star, 2011). However, until today, there are numerous TCS in Malaysia that have been operating for over 50 years and handed down from father to son over generations. Many of them have become famous for their traditional cuisines and people visit the traditional coffee shops not just for their culinary offerings, but also for the history that they possess. For example, Nam Heong and Sin Yoon Loong in Ipoh, Malaysia (Huang, 2010). In fact, there is a strong sense of affinity for local coffee shops in Malaysia while it would be impossible substituted by modern coffee shops.

Malaysian TCS are open-air coffee shops that offer local breakfast accompanied by local coffee. The breakfast are based on egg, toast, and kaya (jam) while the coffee (kopi) is made by pouring boiling water through a cloth sock filter. Other drinks like coffee, tea, and Milo (malted chocolate drink) also provided in the traditional coffee shops (Mak, 2007). Comparatively, traditional coffee shop is devoid of air-conditioning environment is considered grimy and greasy (The Star, 2011). According to Lai (2009), TCS is consider as the public spaces and also space social sense for people either in formal or informal groups, as they go about their daily activities over time. Coffee shop patrons would like to enjoy a cup of local coffee and exchange news on various topics including national politics, office politics, TV dramas, and food. They patronize TCS because the price of meal is low (Lai, 2009). Concretely, TCS offer a coffee culture with a more affordable price.

Modern coffee shops in comparison offers menu such as sandwiches, salads pastries, and other light refreshments plus filter coffee, espresso-based hot drinks, ice tea and cold drinks. These cafes serving ‘Italian-style’ coffee which emphasis on arts. Modern coffee shops are not only leading in term of product innovation but also offering local cuisines. For example, Starbucks came out with new products such as Frappuccino (a low fat creamy iced coffee) and offer curry puffs in Asian countries (Schultz and Speiser 2003). On the other hand, modern coffee shops provide an
atmosphere of luxury with air-conditioned, indoor or outdoor coffee spaces, free WiFi services and sofa seating for their customers (Ellis, 2004; Samukkeetham, 2010). Modern coffee shops are located in both economic centers and residential areas. They provide convenient atmosphere that can attract customers (Miller, 2009; Pradata and Ariestya, 2007).

In conclusion, TCS and modern coffee shops are slightly different in terms of foods and beverage, layout, interior design and facilities, location selection, coffee culture and customers and also the price. Based on the report by Stantons et al (2008), open air coffee shops belong to the small independent food service operators in Malaysia. According to MS Coffee Shop PGA (2014), the number of full-time employees in local coffee shops is not more than thirty as mostly run by a small family. Furthermore, there is no statistical data of the annual sales turnover of local coffee shops therefore this business is categorized as micro enterprise based on its size (employee). For the purposes of this study, the terms TCS, Malaysian traditional coffee shop, and local coffee shop are used interchangeably.

1.3 Problem Statements

TCS represent a significant sector of the SMEs food services economy in Southeast Asia. The competition in food service industry increase as it has shown rapidly growth in Malaysia (Stantons et al., 2008; Alejandro et al., 2010; Bakar and Farinda, 2012; Salim et al., 2012; Euromonitor, 2013). Many more consumers in various cities are eagerly waiting for opening up of the eateries due to their busy lifestyle (Farzana et al., 2011). Malaysia’s food service market has growing but the number of TCS was decreased over the past 10 years (The Straits Times, 4 July 2010). The major impact which the TCS has made in Malaysia is that it has changed the whole concept of patronise in term of setup and consumer consumption behaviour. The modern cafes and the Western cafes are multiplying at a lighting
speed over the past few years in Malaysia (Rahman, 2010). The trend shows that it is not only the consumers of major cities of Malaysia but also those of the small cities who are experiencing this coffee shop revolution. Modern cafes are successfully in catching customer’s attention with more comfortable environment and facilities (Rahman, 2010). Modern cafes also started to catch the local consumers with their exotic cuisine (Stantons et al., 2008). For example, Starbucks offer local coffee, KFC offers spicy fried chicken and rice, whereas Pizza Hut offers curry and satay flavors. As such, TCS is not the only place that provides local cuisine.

The growing of modern cafe and Western cafe threatens the small independent food service operators like TCS (Lai, 2010; Rahman, 2010). Food service industry is one of the most entrepreneurial of business and has a low barrier to entry (Sahari and Basir, 2012). The presence of massive cafe chains brings about a tension in the foodservices industry. More companies are chasing fewer customers because supply is greater than demand. It is worst when many international brand cafes and restaurants now also offer coffee for a price that close to TCS (Euromonitor, 2013). Number of TCS forced to close because of the threats from modern cafe and Western cafe. Alejandro et al. (2010) reported that more than 50% of service sector SMEs including food services sector were affected by the downturn in 2010. According to the Malaysia Kheng Keow Coffee Merchants Restaurant and Bar Owners Association, there was decreasing number of coffee shops over the past 10 years (The Straits Times, 2010, July 04). According to Department of Statistics Malaysia (2011), the total number of SMEs has decreased from 17,157 firms in 2010 to 16,893 firms in 2011. In the same year, the number of traditional coffee shops in Petaling Jaya, Kuala Lumpur has decreased from about 800 to about 200 (Raj, 2011). These indicated that the TCS is struggling in the high competition industry. As most of the SMEs businesses, TCS might force to shutdown when they are not capable to deal with the fierce competition.

The added competition in the existing environment is not only challenge that TCS faced. Rising of operation cost and staffing are serious issues. Some traditional coffee shops closed down due to a high rent in conjunction of rising costs of goods.
According to Malaysia and Singapore Coffeeshop Proprietors’ Association, TCS are under pressure in the high cost of goods due to inflation (The Star, 12 July 2008). This led to a glass of water offered in TCSS raise from Rm0.30 to RM0.50 (Euromonitor, 2013b). As a result, they are facing lost of customers due to hard to sustain their low price strategy. In addition, SME family businesses suffer shortage of labour due to low wages, less career opportunities, hard works and long hours of operation (Mandl, 2008). Local do not want to work at small independent food services nowadays (Tan, 2011). Recently, more than 500 restaurants and coffee shops ceased operations temporarily due to the shortage of workers. As local people do not want to work in coffee shop, coffee shop proprietors are hiring foreign workers. Unfortunately, the work permit of foreign workers from Indonesia and the Philippines has detained because of the regulations (The Star, 7 March 2014). As a result, coffee shop proprietors also bear a burden of hidden costs. MS Coffee Shop PGA (2014) further revealed that there is more closure of TCS in Malaysia than their birth nowadays.

Commonly, the major reasons SMEs shutdowns are financial and managerial issues (Thornhill and Amit, 2003). Interestingly, SMEs family businesses shut down might mainly due to personal issue of incumbent or offspring itself. Previous family business research has shown that the chance to transfer their business to the second generation and beyond is low (Carlock and Ward, 2001; Le Breton-Miller et al., 2004; Motwani et al., 2006; Duh, 2012). In 1975, there is a trend of occupational transformation from traditional coffee shop enterprise to other lines of occupations due to the offsprings’ interest has changed (Han, 1975). Drawing on the study by Ngui (2002) in Malaysia, revealed that Chinese family firms suffer from business sustainability due to lack of motivation among offspring. Correspondingly, other studies show that lack of interests (Van Praag, 2003), other career opportunities (GMAP, 2007), and desire to retire (Wennberg et al., 2009) also lead to SMEs shutdown. Likewise, these mostly family-run traditional coffee shops in Malaysia are facing greater challenges in trying for long-term survival. When it comes to the condition of these businesses after the demise or retirement of their founders most of them do not succeed, grow, or survive. Large number of TCS rarely survives when left in the hands of the next generation of family members. Thus, urgent question can
be put forward. Why are some traditional coffee shops able to successfully manage their coffee shop while others are not?

Consequently if traditional coffee shops are to survive to the second generation and beyond, it is critically important for the researcher to understand what are the performance determinants of the SMEs family businesses particular related to the food services industry, and how it differs from that within manufacturing industry. Previous studies on SMEs performance had been mostly conducted in European countries. Many studies conducted in other countries and Malaysia had done but focus on manufacturing industry (Wijewardena and Tibbits, 1999; How, 2001; Cheng, 2002; Kaliappan et al., 2008; Purohit and Kavita, 2009; Moorthy et al., 2012). The future study on the SMEs is highly recommended in different industry (Geoffrey and Miller, 2009). This is because the findings may vary from industry to industry given the difference of idiosyncrasies associated with firms. The manufacturing industry has greater extent of trading and complex system with more stringent process. Besides, SMEs food service industry has a low survival rates than other industry (GMAP, 2007). The studies on performance determinants for SMEs family businesses are increasing in strategic management research (Abdullah, 2002; Poutziouris et al., 2004; Alasadi and Abdelrahim, 2007; Strotmann, 2007). Yet it appears to be very limited research on small independent food operators in Malaysia. The findings of studies in retailing or in manufacturing may not be readily apparent in the studies of food service industry. Thus, it is a gap for researchers to study the performance determinants of small independent food services in Malaysia.

In Malaysia, studies discussed on foods services industry have overemphasis on the consumer behaviour such as behavior intentions, customer loyalty and services quality. For example, Tan and Yeap (2011); Ariffin et al. (2012); Voon (2012); Othman and Goodarzirad (2013); Sulaiman and Haron (2013); Chan et al. (2014); Rahman and Abdel Fattah (2014); Zainol et al. (2015). Particularly, identifying and categorizing the determinants of performance are lacking. Han (1975) is the earlier researcher studied on the TCS in Malaysia. Han (1975) concluded that the traditional pursuit coffee-shop enterprises are gradually breaking down because
the new generation is reluctant to take over those small family-owned businesses (Han, 1975). Rahman (2010) conducted the research about understanding Malaysian coffee culture. Rahman’s research mainly discussed about history and the journey towards modernity of Malaysian social culture. Rahman suggested to the future study on the investigation of branding of local coffee shop (Rahman, 2010). What are the determinants of the TCS business performance in Malaysia? Therefore, this study was spawned from the lack of research where intended to investigate the performance determinants of TCS.

In addition, most of the similar research in SMEs was fragmented and only in the descriptive state. The findings from the previous analyses revealed numerous determinants analyzed influence the SMEs business performance (detailed in Table 2.3, Chapter 2). These performance determinants can be grouped into internal perspectives and external perspectives. The internal perspectives can be categorized into entrepreneurial characteristic, owner characteristic, firm characteristic, family involvement, human capital, management, succession planning, business planning, financing, social capital and network, marketing, technology, innovation and strategy etc. While external perspectives can be categorized into location, government, competition, and economic conditions etc. Literature has paid particular attention to the importance of various determinants but limited relevant model as a guideline for future study on the SMEs business performance. Besides, overemphasis on internal perspective areas of firm is stressed by the resource based view researchers (Upton and Petty, 2000; Newbert, 2007). The question of why some businesses perform better and or others do not is still the centre of focus in these areas. The environments as well as and some other factors that are very complex and dynamic. By comparing the previous studies, this study attempts to test a wider set of determinants to provide a complete picture, which in turn permits us to present an empirical answer to the question of what determinants are valid predictors of TCS business performance in Malaysia.

In Malaysia, one of the reasons for restaurant failure is poor business strategy (Salim et al., 2012). Business’s activities and strategy implementation are depends a
lot on strategic-decision making. Usually, every firm will adjust themselves (valuable resources) to the industry structure to remain competitive in the market (Parnell, 2006). But every firm has its own set of internal and external valuable resources and different perspective towards environmental uncertainties (Moorthy et al., 2012). During hectic times for the business, better strategic decision-making quality could be the key action for utilizing of valuable resources. It is notable that, previous studies from other countries recognized that strategic decision-making quality could helps to delineate the success of SMEs (Huang, 2009). Currently, there is no study, to researcher knowledge, empirical links between performance determinants and strategic decision-making quality and its impact on Malaysian small businesses. This study’s purpose is to study TCS as small businesses. Hence a question has arises. What are the roles of strategic decision making quality on traditional coffee shop businesses performance? Therefore, another research gap is to capture extensive performance determinants to incorporate the strategic decision-making quality that affect business performance.

Regarding the above discussions, the main problems concerned that need to be studied: Understanding the determinants associated with performance can help to increase the mortality rate of traditional coffee shops. Malaysian TCS proprietors are unaware of the determinants that can enhance business performance. The findings of studies in retailing or in manufacturing may not be readily apparent in traditional coffee shops. They need to identify the performance determinants by capturing extensive performance determinants from both the internal and external perspectives. Strategic decision making quality affects the businesses in deploying their existing resources to implement business’s activities and strategies. Yet, whether the strategic decision-making quality can act as a mediating factor between performance determinants and business performance is remain unidentified.
1.4 Research Questions

This research tries to contribute to the body of knowledge that exists in the relationship between determinants of small family business performance. In particular, this research is to investigate the determinants of traditional coffee shop businesses performance in Malaysia. In order to do so, the following research questions are formulated:

1. Do the determinants of firm performance like internal perspectives (entrepreneurial characteristic, family involvement, managerial competency, succession planning, financing accessibility, social capital and network, marketing competency) and external perspectives (location, competition, government agency and policy) have a significant effect on traditional coffee shop businesses performance?

2. Could strategic decision-making quality be a mediating factor between performance determinants and traditional coffee shop businesses performance?

3. Which determinants have significant effect on traditional coffee shop businesses performance?
1.5 Research Objectives

The objectives of this study are:

1. To investigate the determinants of traditional coffee shops businesses performance in Malaysia.

   - To justify the effect of internal perspectives (entrepreneurial characteristic, family involvement, managerial competency, succession planning, financing accessibility, social capital and network, marketing competency) on traditional coffee shop businesses performance.

   - To justify the effect of external perspectives (location, competition, government agency and policy) on traditional coffee shops businesses performance.

2. To study the mediating effect of strategic decision-making quality between performance determinants and businesses performance.

3. To develop a businesses performance model of traditional coffee shops by using structural equation modeling (SEM).
1.6 Justifications for Choosing Scope of the Study

Traditional coffee shops in Malaysia form the scope of the study as they are the big category small independent foods service providers. They represent local signature in Malaysia and considered as the intangible cultural heritage especially in Southeast Asian countries (Huang, 2010; Rahman, 2010; Lai 2010). A booklet of Top 100 Malaysian traditional coffee shops published by Tourism Ministry define that traditional coffee shops are including those coffee shops that have evolved and repackaged its décor which located in the traditional rows of shop houses but excluded the modern and franchise café outlets (MS Coffee Shop PGA, 2011; Tourism Malaysia, 2011). In this study, TCS entrepreneurs or owners are the participations in the research survey. This is because owners possess a substantial knowledge about their business (Lee et al., 2003). These people are running and managing the traditional coffee shop business directly. TCS failure rates are very high in Peninsula Malaysia, which makes Peninsula Malaysia a suitable setting for the study (The Straits Times, 2010, July 04; Raj, 2011; MS Coffee Shop PGA, 2014). East Malaysia is not included in the study because the development of the SMEs in East Malaysia (Sabah and Sarawak) is slower compared to Peninsula Malaysia (Moorthy et al., 2012). Besides, TCS in East Malaysia are usually facing less challenge (MS Coffee Shop PGA, 2014). Successful TCS owners in Peninsula Malaysia may provide insight on the unique nature of the competitive small independent food services industry to provide knowledge to others in, or considering entering, the industry.

1.7 Significance of the Study

This study adds benefits to theoretical implications for several reasons. First, research on businesses performance of SMEs will add to the total knowledge of sustaining entrepreneurship (Neneh and Vanzyl, 2012). Many studies conducted in
other countries and Malaysia had done but focus on retailing industry and manufacturing industry (Wijewardena and Tibbits, 1999; How, 2001; Cheng, 2002; Kaliappan et al., 2008; Purohit and Kavita, 2009; Moorthy et al., 2012). The performance determinants of the SMEs family businesses should be devoted to different sectors like food services industry and to study how it differs from that within manufacturing industry. Previous studies have extensively looked into the facet of service quality and product in the food services setting. Particularly, identifying and categorizing the determinants of businesses performance are lacking. Therefore, this study was conducted to bridge the gap. This study develops a structural model of TCS businesses performance in Malaysia which is not readily apparent in the study of SMEs family business. Therefore, this kind of empirical study has a great potential to contribute to the debate in entrepreneurship research, especially concerning what competitive advantages and performance determinants of SMEs food services sector.

Second, this study extends existing models of businesses performance beyond firm’s resources. Benavides-Velasco et al. (2011) conducted a study to identify trends in family business research from the indexed articles, summarised that a combination of frameworks should be linked together to advance in the future research. This study combines the framework of sustainable family business (SFB), resource-based view (RBV), and dynamic capability (DC) by developing more comprehensive variables into a model within SMEs family business which overcomes the weakness of the theoretical frameworks. It also presents empirical evidence on how each of the determinants affects the TCS businesses performance. By adding to the current understanding of the performance determinants, the new information about the topic will be of benefit to discipline academics and specialists interested in developing theory.

Third, this study attempts to answer the call of previous studies where in concert with the sparse literature on strategic decision-making in Malaysian SMEs and small family businesses generally (Jamaluddin and Dickie, 2011). This study presents literature of the roles of strategic decision-making in the small family
businesses. Previous studies call for the future studies on the relationship of SDQM and firm performance (Huang, 2009). This study answers the call. How efficient firms utilise their resources to improve firm performance is depends on the role of capability like enhancing SDQM. Analogous to this, therefore this study also investigates the effects of determinants of SMEs family businesses performance with taking into account the SDQM as a mediator. With the findings, it helps to build a strong awareness on the relationship between internal perspectives, external perspectives and SDQM toward businesses performance.

Fourth, this study is significant because the researcher emphasis on the advance statistical methodology tools by providing a more reliable empirically-supported model. This is because most of the previous studies employed an exploratory design and yet the outcomes of the analyses are fragmented and wide-ranging. This study helps to clarify which determinants that are affecting the businesses performance of TCS through structural equation modeling (SEM). Thus, this study highlights the value of applying PLS-SEM in empirical research as there is increasing number of studies suggested future study on causality effects of the survival determinants towards the businesses performance. The findings of this study will not only add richer insights to the study on businesses performance but also benefit researchers by providing a guideline model to imitate.

In addition, this study also provides some practical implications. Firstly, this study offers consciousness of what determine TCS businesses performance in Malaysia. In Malaysia, studies discussed on foods services industry have overemphasis on the consumer behaviour such as behavior intentions, customer loyalty and services quality. For example, Tan and Yeap (2011); Voon (2012); Othman and Goodarzirad (2013); Sulaiman and Haron (2013); Chan et al. (2014); Rahman and Abdel Fattah (2014). The performance determinants of the food service providers are beyond than that. For instance, Othman and Don (2012) noted that the restaurant entrepreneurs must have the knowledge on management, customers, competitors and market conditions to make the businesses profitability. Business performance determinants, if not understand appropriately, may eventually led to
business closure. This study can help coffee shop proprietors more comprehensively understand the determinants that help generate their competitive advantages, help them use this understanding to evaluate the full range of resources their business may possess, and then exploit those resources that have the potential to reduce the risk of failure and increase chances of success. The findings in this study can be used by other concepts food service providers to develop a competitive advantage, achieve businesses performance and maintain survivability.

Secondly, this study lifts up consciousness and understanding of the role of TCS as an intangible cultural heritage of the country and their potential contribution to the tourism industry. Malaysia is the second largest in the ASEAN coffee market after Vietnam (Corporate Directions Inc., 2016). Malaysia kopitiam franchise, for example, Old Town White Coffee is also done well abroad (Ipohecho, 2010). The local coffee shop businesses also play a role to promote Malaysian cuisine in the global market. For instance, a portion of local coffee shops operators carry their father’s recipe to start a Malaysian restaurant in overseas when they move or migrate to Japan (Yoshino, 2010). Unfortunately, there is not much official data available or research conducted on the local coffee shops. This study encourages entrepreneurs to view the local coffee shops business as the wealth creation vehicle and strive to create new ideas in particular relating to food service sector or tourism sector, they may be able to move beyond the succession model and hence further promote Malaysia as an interesting food heaven tourism destination in the world. Thus, it is important to gain more understanding on the local coffee shop industry and how to enhance the survivability of them.

Thirdly, this study is also beneficial to government and other institutions because it explore more information and issues of TCS. Commercially oriented institutions like banks, might benefit from understanding the performance determinants as well when bring about loan decision-making. Performance determinants of TCS are not only interesting to commercially oriented institutions. Recently, the government recognised that the opportunity of local franchise industry to the global market, for instance, average start-up cost of a kopitiam is around
RM600, 000 to RM1.2 million (SME Annual Report, 2014). Under Budget 2015, the Government reiterated its commitment to further developing the franchise industry (SME Annual Report, 2014). Therefore, through the finding of this study, SMEs support mechanisms such as SME Corporation Malaysia and SME Bank may gain a better understand on the issues facing by the TCS businesses and hence bring about appropriate assistance or programs to enhance their opportunity to become successful.

In summary, the current study of performance determinants of TCS adds to existing knowledge in the academic and practical discipline of SMEs family business. The development of suggestions for future research in the discipline will be of value to researchers and research students. The findings of the research are helpful and useful to individual entrepreneurs as well as to economic development planners.

1.8 Operational Definitions

This section provides operational definition of the terms and variables in which the study uses at the operational model applied in this thesis. Brief definitions and/or explanations for each term are given below in an alphabetical order:

1. Business Performance

Business performance is defined as the opposite of failure and it depends on the ability of the business continues to operate as a self-sustaining economic entity (Chrisman et al., 1998). Business performance has discernible links between business longevity, success, and performance (Lussier and Pfiefer, 2001; Danes et al., 2002; Williams and Jones, 2010; Zellweger et al., 2011; Rahman et al. 2015). Business performance is therefore defined as entrepreneur’s perception of achievement.
2. Competition
Hunt (2000) defines competition as a “disequilibrating, ongoing process that is a constant struggle among firms for a comparative advantage in resources that will yield a marketplace position of competitive advantage, and thereby, superior financial performance”. Competition is apparent in conditions where firms struggle for survival in an environment with high number of rivals.

3. Entrepreneurial Characteristic
Entrepreneurial characteristic is described as a typical feature or quality that someone or somebody has such as being innovative, creative and open to change, have the ability to identify opportunities and achieve stated goals, which can build something of recognized values around perceived opportunities (O’Connor and Fiol, 2002). The characteristics of entrepreneurs incorporated The Big Five Model of personalities provide the measures of the entrepreneurs’ personality (Ciavarella, 2004; Zhao and Seibert, 2006; Farrington, 2012).

4. Family Business
Family business is defined as a business managed with the intention to pursue the vision of the business held by a dominant coalition controlled by members of family (Sharma et al., 2001). Family businesses are typically characterized by considering the interaction of family members, ownership and management (Tagiuri and Davis, 1996; Sharma and Nordqvist, 2008).

5. Family Involvement
Family involvement exists when there two or more family members are directly involved in the everyday business procedures (Poutziouris, 2001; Astrachan and Shanker, 2003; Miller et al., 2008).
6. Financing Accessibility
Ganbold (2008) defined financial accessibility as an absence of cost barriers in the use of financial services. Cost barriers make it expensive and time consuming for users to gather information on financial services.

7. Government Agency and Policy
Government agency and policy plays roles in making rules, legal systems and agencies to give impact on allocation at the business activity and allow legally binding edicts to flow across national boundaries (Jahanshahi et al., 2011).

8. Location
Location is related to the more location criteria by the level of geographical analysis. The possible determinants of classical strategic location are including visibility, accessibility and competition difficulties.

9. Malaysia SMEs –Food services sector
Malaysia SMEs services sector can be divided into three categories. First, micro enterprise which is an enterprise with a sales turnover of less than RM300, 000, or less than five full-time employees. Second, small enterprise which has annual sales turnover of RM300, 000 to less than RM3 million, or five to thirty full-time employees. Third, medium enterprise which has annual sales turnover of RM3 million to RM20 million, or 30 to 75 full-time employees (SME Corp. Malaysia, 2014). The food service sector is including restaurant industry, coffee shops, hawkers and stalls (Census of Establishments and Enterprise, 2005). Also, foodserviceindustry involves a great amount of personal interaction among food service providers and customers (Grace and O’Cass, 2002; Kim and Kim, 2004; Papadatos, 2006; Schulz, 2012; Othman et al., 2013b).
10. Managerial Competency
Competency is defined as the dimensions of behaviour which underlie competent job performance and developed on-the-job rather than as a set ideas and skills that exist independently of the industrial context (Martin and Staines, 1994). Scholars described managerial competencies as the content and terminology of knowledge, skills and attitudes of a person which essentially to firm’s performance (Strebler et al., 1997; Hoffmann, 1999; Tett et al., 2000; Mitchelmore and Rowley, 2010).

11. Marketing Competency
Marketing competency relate to activities that resulting from the interaction between emerging environmental forces (including day-to-day market events) to facilitate the effectiveness of marketing (Sashittal and Jassawalla, 2001). In this study, marketing competency is that delineate the marketing activities food services perform.

12. Social Capital and Network
Adler and Kwon (2002) define social capital as the goodwill available in a network of relationships to individuals or groups. These goodwill or resources include information, ideas, contacts, opportunities, power, influence, emotional support, trust and cooperation (Baker, 2000).

13. Succession Planning
Sharma et al. (2000) defined succession planning as the explicit process by which the management control is transferred from one family member to another. Succession planning can also be described as the attempt to plan for transferring of leadership and power from one family member to the next where firms plan for the future transfer of ownership (Sambrook, 2005; Griffeth et al., 2006).

14. Strategic Decision-making Quality
Prior theorists defined a strategic decision as an action in making choice with important consequences and resource demands for the organization (Mintzberg et al.,
1976; Nutt, 1998). Strategic decision-making quality is the extent to which the strategic decisions made has given sufficient consideration in achieving the overall effectiveness.

15. Traditional Coffee Shop
Traditional coffee shop also called as kopitiam and *kedai kopi* and mostly operated by sole proprietor or a family especially in Southeast Asian countries (Lai, 2010). These open-air coffee shops offer Malaysian coffee and facilities such as ceiling fans, marble-topped tables, foldable tables and chairs as the others (Kong, 2010). Mostly traditional coffee shops not only selling drinks but they are teaming up with variety of hawker stalls (Lee and Tan, 2007). A booklet of Top 100 Malaysian traditional coffee shops published by Tourism Ministry define that traditional coffee shops are including those coffee shops that have evolved and repackaged its décor which located in the traditional rows of shop houses but excluded the modern and franchise café outlets (MS Coffee Shop PGA, 2011). Additionally, Traditional coffee shop is categorized as micro and small enterprise based on its size (employee) and turnover. For the purposes of this study, the terms traditional coffee shop, Malaysian traditional coffee shop, and local coffee shop are used interchangeably.

1.9 Organisation of the Thesis
This thesis is organised as follows. Chapter 2 presents the theoretical framework and elaborates literature review on previous studies incorporating the objectives of this research. This is followed by research methodology in Chapter 3. Chapter 4 of the thesis presents the principal findings of the research. Finally, the last chapter exposes the main conclusions of the research and some suggestions for further research.
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