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Cost management, entrepreneurship and competitiveness of strategic priorities for small and medium enterprises

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Abstract

In this paper, we examine the relationship between cost management practices and competitiveness of strategic priorities of Small and Medium Enterprises (SMEs). Based on resource based view theory, we argue that cost management is an important resource to develop competitiveness of strategic priorities of SMEs. This paper posits that there is a positive relationship between cost management practices and competitiveness of strategic priorities of SMEs. Questionnaire surveys were mailed to either owners or senior management of SMEs in Malaysia. This study applies factor analysis and regression to test the hypotheses. Consistent with previous research, the results of this study provide evidence that cost management practices is positively associated with SME's competitiveness of strategic priorities. A further analysis demonstrates that the relationship between cost management practices and SMEs' competitiveness of strategic priorities is mediated by entrepreneurship capabilities. This study contributes to the literature on resource based view by extending the understanding of integrated effects of cost management practices and entrepreneurship on competitiveness of strategic priorities. In terms of practical contribution, the results of this study can be used by regulators, policy makers and SMEs' owners in developing the right resources to enhance the competitiveness of SMEs' strategic priorities.

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1. Introduction

What are the factors that could influence Small and Medium Enterprises (SMEs) competitiveness of strategic priorities? This is the question that many SMEs and regulators aim to solve in order ensure the sustainability and successfulness in creating market differentiation among SMEs. This study seeks to explain does SMEs cost management practices influence competitiveness of strategic priorities by examining SMEs' cost management practices in Malaysia.

SMEs are important to Malaysian economy significant contribution to the country's income, providing employment and source of suppliers to bigger corporations (Ates et al. 2013; Mohd Nizam 2012; Kamilah 2014; Kamar et al. 2011). Despite its importance, several studies also document that SMEs have to overcome many challenges in order to survive and sustain. For examples, SMEs should have appropriate strategic priorities to overcome problems such as lack of funding, low productivity, lack of management capabilities, as well as access to technology and controls (Saleh & Ndubisi 2006; Ting2004). Ting (2004) also suggests that there are possibilities for SMEs to have high risk on their sustainability if they do not possess competitive advantages through appropriate strategic priorities. SMEs' competitiveness of strategic priorities is very important as it could directly affect firms' performance. Thus, the first objective of this study is to investigate the relationship between cost management with competitiveness of strategic priorities for SMEs.

Previous studies on cost management practices in Malaysia mainly focus on the type of management control techniques. For example, studies in budgeting behaviour (Kamar et al. 2011), management accounting practices (Kamilah 2014), and performance management (Mohd Nizam 2012). However, there is little evidence on study that looks at the relationship between cost management and the formation of organizational competitiveness and competitive strategies of SMEs. Additionally, Henri (2006) and Hult and Ketchen (2001) identify that entrepreneurship capabilities could assist organizations to achieve competitive advantages and create market differentiation. Entrepreneurship capabilities will also affect the effectiveness of management practices of SMEs (Ates et al., 2013; Mohd Nizam 2012). Thus, the second objective of this study is to examine whether the relationship between cost management practices and SMEs' competitiveness of strategic priorities can be mediated by entrepreneurship capabilities.

Questionnaire surveys were mailed to either owners or senior management of SMEs. Respondents are selected randomly from SME Corp listing. We perform factor analyses to scale down our questionnaire items into variables and regression analyses to test the hypotheses. This study also used the macro analysis in SPSS which is PROCESS macro introduced by Hayes (2013).

This study contributes to resource-based theory by testing the role of cost management practices to achieve SMEs' competitive advantages. We also consider entrepreneurship capabilities as the mediating role in the relationship between cost management practices and competitiveness of strategic priorities. Our study provide unique evidence on the role of cost management practices in SMEs environment in achieving competitiveness of strategic priorities in comparison to prior studies that are only evidenced in larger firms.

The remainder of the paper is organized as follows: First we provide the background literature; second, we describe the resource-based view theory and develop the hypotheses; third, we present the empirical analysis; and finally, we provide some concluding remarks.

2. Literature review

2.1. *SME competitiveness of strategic priorities*

Competitiveness of strategic priorities refers to the competition between strategic priorities in meeting customer requirements and cost management efficiency. Competitiveness of strategic priorities can also be referred as the successful outcome of the strategic priorities that based on the strategic priorities of the competition of the firm (Chenhall, 2005). According to Miller et al. (1992), strategic priorities depends on the product features. Which is combination of cost leadership strategies and differentiation strategies. Product differentiation strategy is focusing on strategies that can meet customer needs that is to provide high quality products, flexibility of products, customer

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