


# Chapter 20

## Strategizing SME Performance in the 4th Industrial Revolution Era: An Entrepreneurial Marketing Approach

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### ABSTRACT

*Small and Medium Enterprises (SMEs) have played an important role in fostering growth, employment and national income around the world. However, despite the significant role and contribution to the economy, SMEs faced some constraints and challenges that directly affect their business growth and performance. Literature in SMEs showed that SMEs failure rate increased up to 70 percent after five years of operation, and among the main reasons for this situation is the marketing problems faced by SMEs. Marketing plays as the backbone for SMEs survival in today's competitive environment, especially in the 4th Industrial Revolution Era. The chapter focuses on the historical aspect of entrepreneurial marketing (EM) and how EM enhance the SME's capabilities through the adaptation of EM strategic approaches.*

### INTRODUCTION

Small and medium enterprises (SMEs) are acknowledged as one of the driving factors of a nation's economy. SMEs represent 90 per cent of businesses globally and contribute 50% to the gross national output, making SMEs a significant industry to the growth of the economy in the developing and developed nations. The contribution of SMEs in the economy includes;- [1] eradicating and reducing the rate of poverty through employment opportunities, [2] distribution of economic activities in the nation, [3] acts as a supplier and support service provider to big businesses, [4] stimulates entrepreneur skills in the community, and [5] acts as an incubator to develop domestic enterprises into large firms.

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## ***Strategizing SME Performance in the 4th Industrial Revolution Era***

In developed nations such as the United States (US), SMEs not only act as a leader in established technologies in the market; where 60 per cent of new jobs created in the US every year is contributed by SMEs. Meanwhile, in Asia Pacific countries, the average contribution of SMEs in the job sector is 50% - Australia (48%), Japan (79.4%), Korea (66.7%), China (75%), Philippines (67.9%), New Zealand (30%) and Singapore 50% (Ndubisi, 2008).

Malaysia, as a growing nation also recognizes the role and contribution of small-medium enterprises in the development and growth of the nation's economy. Small-medium enterprises represent 92.2% of all business institutions in Malaysia and contribute an amount of 32% in the gross domestic product or GDP, as well as 55% contribution in the job sector. Specifically, the contribution of SMEs in the development of Malaysia's economy can be seen through; [1] providing work opportunities, [2] the increase of Per capita income, [3] supply of raw materials, [4] the nations Export income, [5] The use of stimulating capacity in leading industries. Therefore, the role played by SMEs in the development and growth of the economy for each nation is very significant.

### **SME IN THE 4IR ERA**

SMEs are the foremost driver which bring forth economic development for ASEAN by dominating 89% to 99% of all businesses and SMEs are also able to provide job opportunities as much as 52% to 97% to the communities. While in Malaysia, the gross domestic product contributed by the production industry is as much as 22% through the jobs creation, the attraction of investors and the creation of business opportunities in downstream activities and related service sectors. A big part of the production industry in Malaysia is represented by SMEs which account for 97%. For several years, the emergence of online service and the digital market strengthened SMEs in trade by connecting them to the regional market which is more prominent than not only to the local customers. Technologies such as blockchain will revolutionize payment and logistics as well as enabling small firms to interact transparently can confidently even though the parties have never met. Indirectly, this situation can raise the market demand for products that are made by SMEs. Therefore, this is in line with the 4th industrial revolution which emphasizes on the usage of advanced technologies to improve the efficiency of SMEs in meeting supply and demand.

Other than the positive effects and opportunities the 4th industrial revolution has on SMEs, there are a few challenges and obstacles that have to be faced by SMEs. First, the lack of awareness in SME entrepreneurs on the effects and requirements on the usage of the 4th industrial revolution technology. The knowledge on the usage of technology has to be raised amongst SMEs because of the massive opportunities that can be created and sort after in the competitive market if the technology that is used is advanced and at par with other developed nations. Negligence in benefiting from the development of technology will cause the SME industry to lag behind and not be able to compete with large industry players. Therefore, the lack of technology awareness amongst SME entrepreneurs is a challenge that has to be overcome so that the 4th industrial revolution becomes relevant.

Other than that, cost and financial support are also one of the main challenges in facing the 4th industrial revolution. Investments in technologies are costly and involve a long process and repayment period. Furthermore, the lack of knowledge regarding cost and interest in business as well as the inability to analyse business cases bring about difficulties to small and medium enterprises. A high cost, as well as a lack of knowledge regarding cost and interest, has caused SMEs to doubt and tread lightly in making investments regarding research and the development of 4th industrial revolution technology.

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