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# SMEs' intangible resources and their effects on export performance: a study on Malaysian halal F&B sector

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## Abstract

**Purpose** – The growing demand for halal products has attracted small and large companies looking to secure their market share in the lucrative global halal market. However, it is difficult for resource-constrained firms, such as small and medium enterprises (SMEs), to compete internationally. Therefore, drawing from a resource-based view, this paper aims to examine how intangible resources affect the export performance of Malaysian SMEs exporting halal food and beverages (F&B) products.

**Design/methodology/approach** – This study used a purposive sampling technique, and respondents were reached out by mail. Out of 517 local SMEs exporting halal-certified F&Bs contacted, 193 firms responded, and only 188 responses were eligible to be used for data analysis. The partial least squares structural equation modelling technique was used to conduct the analysis. The data underwent measurement and structural model evaluation to confirm the hypotheses postulated.

**Findings** – Based on the data analysis conducted, it was discovered that intangible resources, namely, international orientation and marketing capability, significantly influence the export performance of Malaysian SMEs exporting halal F&B. However, the influence of cultural intelligence on export performance could not be demonstrated.

**Originality/value** – This paper fills the gap of the need for more attention to SMEs in developing countries, especially in the halal industry. This research paper also contributes to international business and halal studies by promoting an understanding of intangible resources as strategic resources for SMEs to create competitive advantages and elevate their export performance in the emerging global halal market.

**Keywords** SMEs, Export performance, Intangible resources, Halal export, International orientation, Marketing capability, Cultural intelligence

**Paper type** Research paper

## 1. Introduction

The development of small and medium enterprises (SMEs) internationalisation has been the interest among scholars in international business and entrepreneurship studies to understand their organisational operations, strategies and behaviours (Allen, 2016; Reuber *et al.*, 2018). In particular, they seek to identify the key to enhancing SMEs' export performance based on its importance to economic development (Francioni *et al.*, 2016; Mansion and Bausch, 2020). Such efforts are critical today as global competition is becoming more intense, and SMEs are still at a severe disadvantage in the international market.

However, the literature on SMEs' internationalisation is saturated with literature in the context of developed economies (Haddoud *et al.*, 2021). Consequently, there is an inadequate understanding of how SMEs in developing economies can compete in the international market. More research from the context of developing economies, such as Malaysia, is needed to fill this gap. There is a need for further studies as SMEs from both contexts have

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been exposed to different entrepreneurial and institutional environments. Therefore, they may also have different experiences with internationalisation (Hashim, 2015), which require a different strategy to thrive in the international market.

In Malaysia specifically, the development of SMEs in the international market is a major national economic concern, especially the internationalisation of SME players in the halal industry (HDC, 2020a). Annual halal export statistics by Halal Development Corporation (HDC) generally show an increasing trend in Malaysian SMEs' participation in the export of halal products, although a few were unable to sustain their business during the coronavirus pandemic (HDC, 2017, 2018, 2019; Whitehead, 2021). The increasing trend of Malaysian SMEs exporting halal products shows that there are demand for Malaysian halal products abroad. The trend also indicates that local SMEs offer quality products that can be promoted to foreign customers. However, SME exporters often struggle to survive because they are suppressed by stiff competition, uncertainty and risks in the international marketplace (Boso *et al.*, 2017), including Malaysian SMEs exporting halal products (Economic Planning Unit, 2021).

Although the number of SMEs involved in the export of halal products shows an increasing trend, the contribution of Malaysian SMEs to the national halal export value remains low. According to the HDC's annual halal export reports, multinational corporations (MNCs) make a more considerable contribution to Malaysia's halal export value (HDC, 2020b, 2020c, 2020d, 2021). The significant discrepancy between the export contributions of MNCs, which are primarily foreign-owned, and SMEs is worrying as it shows that local SMEs are lagging in exporting halal products. The gap also suggests that MNCs are highly dominating the global halal market. The dominance of MNCs in the global halal market also indicates that local SMEs face stiff competition from larger and more overpowering competitors in export markets. Therefore, more research is needed to ascertain how Malaysian SMEs can compete with these competitors and improve the performance of their halal product exports (Ismail, 2017).

Moreover, global demand for halal products and services far exceeds supply, with 80% of market demand still unmet (HDC, 2020a). The gap between supply and demand presents an excellent opportunity for companies, especially SMEs, to expand their business overseas and generate higher sales. However, Malaysian SMEs have a hard time in the international halal market compared to larger companies because they are small in scale and have insufficient distinctive resources to remain competitive in export (Basir *et al.*, 2018; Bohari *et al.*, 2013; Tahir *et al.*, 2016). Primarily, they are clogged with issues such as attitude, ineffective marketing and ineptness towards foreign cultures (Bohari *et al.*, 2013; Ismail *et al.*, 2013, 2016; Economic Planning Unit, 2021). Hence, in an effort to discover how Malaysian SMEs can improve their export performance of halal products, this paper applied a resource-based view (RBV) to explore how certain intangible resources could address the highlighted constraints of SMEs to boost their export performance.

## 2. Literature review

### *2.1 Application of resource-based view in small and medium enterprises' halal product export*

RBV is widely used in international business research to explain how companies can overcome liabilities in foreign markets and establish the groundwork for foreign expansion (Barney *et al.*, 2001). This theory has also been invoked to explain how exporting firms can achieve superior export performance (Chabowski *et al.*, 2018; Chen *et al.*, 2016). Using RBV, Morgan *et al.* (2004) proved that firms' resources provide exporting firms with a positional advantage that leads to superior export performance. A systematic study of SMEs'

international involvement also suggests that the key to higher export performance depends on SMEs' distinctive resource bundles (Martineau and Pastoriza, 2016). Therefore, RBV can be used to understand how SMEs exporting halal products use their unique bundle of internal resources to cope with intense competition in the export market.

SMEs often have limited tangible resources such as buildings, machinery and equipment compared to larger companies, as these assets are expensive to acquire (Njegić *et al.*, 2020). On this account, it is more feasible for SMEs to rely on intangible resources such as their skills and capabilities when dealing with competitors. Most importantly, intangible resources are stickily tacit and complex to transfer and imitate by others (Fernández *et al.*, 2000; Md Saad *et al.*, 2015). Hence, intangible resources play a more significant role in building the growth of exporting SMEs (Rua *et al.*, 2018). Furthermore, Mansion and Bausch (2020) conducted a meta-analysis suggesting that intangible resources have significant effects on SMEs' export intensity, propensity and scope.

A study of Malaysian SMEs exporting halal food also demonstrates that SMEs' international performance is based on intangible resources, such as top management's skills in foreign market knowledge and global mindset (Ismail *et al.*, 2020). These findings support the conception that intangible resources are the critical determining factor of SMEs' export performance, including SMEs in the halal industry. Therefore, this paper aims to investigate how intangible resources, such as international orientation, marketing capability and cultural intelligence, could be the cornerstone of superior export performance for resource-constrained Malaysian SMEs in the halal industry.

### *2.2 Export performance and the influence of intangible resources*

Export performance represents the output of firms conducting business in export markets (Kahiya and Dean, 2014; Katsikeas *et al.*, 2000). It can be measured in economic terms (e.g. profit, turnover and market share) or non-economic terms based on managers' perceptions (e.g. satisfaction, goal achievement and reputation) (Cavusgil and Zou, 1994; Madsen and Moen, 2018). Although there is an abundance of research that has examined the determinants of export performance, scholars have concluded that no definite answers can comprehensively clarify the factors that influence the performance of exporting firms (Chen *et al.*, 2016; Katsikeas *et al.*, 2000; Madsen and Moen, 2018).

In examining firms' export performance, researchers are intrigued to understand how resource-constrained SMEs can succeed in their international involvement (Gupta and Chauhan, 2021; Morais and Ferreira, 2020). Therefore, they investigated the factors that stimulate SMEs' superior export performance. By examining the relationships between export performance and its determinants, the researchers concluded that two types of factors determine export performance: internal and external (Chen *et al.*, 2016; Katsikeas *et al.*, 2000).

Internal factors include factors anchored in the firms or that they have at their disposal, whether in the form of tangible or intangible resources. External factors, on the other hand, are those that are beyond the firms, such as government support (Njinyah, 2018), competitive intensity (Lengler *et al.*, 2016) and market distance (Robb and Stephens, 2021). However, intangible resources were seen to have a more significant impact on SME export performance compared to tangibles (Rua *et al.*, 2018; Mansion and Bausch, 2020). Thus, the following sub-sections will discuss critical intangible resources that are considered crucial for Malaysian SMEs to improve their export performance of halal products.

*2.2.1 International orientation.* Previous scholars have mentioned that international orientation is a precondition for SMEs to succeed in exporting (Dichtl *et al.*, 1990). The reason is that SMEs need an international orientation in the early stage of internationalisation to

break the internal and external barriers (Celik *et al.*, 2019; Escandon-Barbosa *et al.*, 2019). International orientation reflects the positive attitude and behaviour of top managers towards the growth of their international firms (Knight *et al.*, 2020). It also encompasses the vision of firms with proactive organisational support for developing and deploying resources to generate revenue in international markets (Knight and Kim, 2009). The extent to which international orientation is embedded in SMEs thus determines the extent to which SMEs are willing to develop and tune in the resources required for internationalisation (Nummela *et al.*, 2020).

The characteristics of internationally oriented firms offer them several advantages. The international market is a highly competitive market that requires SMEs to put in extra effort and demand a large amount of financial, managerial, technical and strategic resources to manage their demanding international operations (Fernandes *et al.*, 2020). Internationally oriented companies promote the development of key resources, such as human resources, to ensure a thriving export business (Sørensen and Madsen, 2012). As a result, their resource bundle becomes more diverse and enhanced over time as they internationalise, making them more competitive than companies that exclusively serve the domestic market (Joensuu-Salo *et al.*, 2018).

Internationally oriented companies also emphasise exploring potential foreign markets so that they can easily find new opportunities (Lazaris and Freeman, 2018), foster innovation (Colclough *et al.*, 2019) and create new products that satisfy the needs of their foreign customers (Cho *et al.*, 2017). They do not just focus on the domestic market but see the world as their market and are enthusiastic about doing business with foreign customers (Birru *et al.*, 2019). They are valiant towards risks and proactive in managing their businesses (Acedo and Jones, 2007). Such organisational practices help them expand their business networks faster, attain more market knowledge and achieve economies of scale (Campos *et al.*, 2018).

Previous studies have shown a significant relationship between international orientation and the export performance of SMEs (Knight and Kim, 2009; Sapouna *et al.*, 2018). The findings of Moen *et al.* (2016) also show that SMEs with international orientation have higher export growth. Based on the Malaysian scenario, previous studies on Malaysian halal SMEs have confirmed that a positive attitude towards internationalisation influences SMEs' international performance (Ismail and Kuivalainen, 2015; Ismail *et al.*, 2020). Based on these results, the current study posits that the embeddedness of international orientation in Malaysian SMEs operation can be a strategic organisational culture that promotes determination and commitment to invest efforts, time and resources to achieve superior export performance in foreign halal markets.

Moreover, practising domestic market orientation will only limit their potential to earn more profit. The domestic halal F&B market is already saturated and highly competitive. By expanding their product market abroad, SMEs can maximise their production capacity and achieve economies of scale. Based on the arguments put forward, the current study predicts the following premise:

*H1*. International orientation is positively significant in influencing Malaysian SMEs' export performance of halal F&B products.

*2.2.2 Marketing capability.* Another critical resource for international firms is the firms' ability to plan and implement marketing strategies to create and deliver value and attract foreign customers through appropriate marketing activities (Cavusgil and Zou, 1994; Morgan *et al.*, 2018; Zhang *et al.*, 2009). As highlighted in a previous study, marketing skills are needed by exporting SMEs as they have a significant positive impact on the expansion

of firms' internationalisation activities (Chatterjee *et al.*, 2022). Previous researchers have also stressed that SMEs can only generate high sales, even with high-value products if their products are effectively marketed to foreign customers (Knight and Kim, 2009; Pronina *et al.*, 2016).

Correspondingly, marketing capability is vital for exporting SMEs because it supports the organisational learning of foreign customers and competitors (Jin and Cho, 2018), which can promote innovation activities for new product development (Aljanabi, 2020). When firms seek to expand their product market abroad, new product development and adaptation are particularly critical because they need to meet the tastes and preferences of foreign customers (Chung *et al.*, 2019). Moreover, marketing capability is even more necessary for SMEs in the current volatile global market to properly identify and respond to the changing needs and desires of foreign customers to build long-term relationships with them (Chatterjee *et al.*, 2022; Theodosiou *et al.*, 2012).

In addition, the ability to price their products effectively allows firms to gain a competitive advantage by offering their customers competitive prices and better value than their competitors (Pham *et al.*, 2017). On the other hand, SMEs' ability to communicate with customers through marketing programmes and advertising helps drive buying behaviour by promoting their value proposition and differentiating their product offerings from those of competitors (Buccieri *et al.*, 2020; Falahat *et al.*, 2020).

Nevertheless, SMEs with limited resources often face difficulties marketing their products abroad due to country-specific differences (Morgan *et al.*, 2018), including SMEs exporting halal products (Abdul-Talib and Abd-Razak, 2013). In the context of halal products, marketing halal products is complicated because the products are associated with Islamic religious values (Hassan and Bojei, 2011). Marketing the products is particularly complex for SMEs in markets that lack awareness and understanding of Islam and the halal concept, especially in Muslim-minority countries.

In view of the fact that both large and small Muslim populations markets are sources of demand for Malaysian halal products (Ali *et al.*, 2022), Malaysian SMEs need to be aware of the appropriate marketing approach when promoting their products to different customer countries. Malaysian SMEs must identify the target market accordingly, as other countries and customer segments may require different marketing strategies. Thus, understanding the marketing process when exporting halal products is crucial for Malaysian SMEs to export their halal products productively.

Prior studies have also documented that export performance in different industries and countries is significantly influenced by marketing capability. For instance, researchers found that the export performance of South Korean exporting firms is influenced by their ability to identify and implement effective marketing strategies (Koo *et al.*, 2016). Marketing capabilities, such as pricing and promotion, also significantly impact the performance of agro-based exporters in Thailand (Tooksoon and Mohamad, 2010).

Likewise, a study of Finnish SMEs in the wood industry found that the significant effect of marketing capability on firm performance was more notable for SMEs operating in an international environment than for SMEs pursuing only the local market (Joensuu-Salo *et al.*, 2018). The result of their study supports the conviction that marketing capability is critical for exporting SMEs to increase their export performance. Based on the discussions presented and the findings of previous research studies, this paper postulates the next hypothesis:

*H2.* Marketing capability positively and significantly affects Malaysian SMEs' export performance of their halal F&Bs.

*2.2.3 Cultural intelligence.* Earlier studies on cultural intelligence centred mainly on the individual level as opposed to the organisational level (Yari *et al.*, 2020). Among the earliest studies to address cultural intelligence at the organisational level are the works of Ang and Inkpen (2008), de la Garza Carranza and Egri (2010) and Moon (2010). According to these authors, cultural intelligence can be described as an organisational capability encompassing organisations' awareness, knowledge, enthusiasm and ability to effectively operate and manage their business in different cultural environments.

Cultural intelligence is considered one of the most important resources when operating in the international market due to its importance in most business processes. SMEs need to rely on their cultural intelligence to cope and respond to export market stimuli because the cultures, regulations and behaviour of competitors and customers in foreign markets are very different (Pauluzzo, 2021; van Driel and Gabrenya, 2012). Basically, SMEs need to be culturally competent to better communicate with their foreign customers, understand customers' needs and behaviours (Chaisrakeo and Speece, 2004), improve their corporate reputation and strengthen customer loyalty (Akpi *et al.*, 2020).

An earlier study also revealed that SMEs led by culturally intelligent managers acquire more knowledge about their foreign market, customers and competitors (Charoensukmongkol, 2016), which increases their ability to adapt to foreign markets (Pauluzzo, 2021). Moreover, it is easier for culturally competent firms to build constructive relationships with foreign stakeholders as they understand the dynamics of working with intercultural stakeholders (Kadam *et al.*, 2019; Charoensukmongkol, 2015). Furthermore, understanding foreign cultures helps firms identify and scout new opportunities in the export market (Calza *et al.*, 2013).

Furthermore, although demand for halal products is increasing in many non-Muslim majority countries due to immigration and tourism among Muslims (Park and Lee, 2017), anti-Muslim sentiments create a problem that exporters of halal products have to confront. For example, previous literature has mentioned that Islamophobia in Western countries has deterred halal trade (Ruiz-Bejarano, 2017). In some countries, such as South Korea, the development of halal-oriented businesses has faced headwinds (Sheikh, 2019). Such issues must be considered, as previous studies have shown that religiously motivated boycotts can affect brand image and brand loyalty (Abosag and Farah, 2014). Thus, this paper emphasises that exporters of halal products need to know how to conduct their business in countries with different norms and cultural views.

Several previous studies have proven how vital cultural intelligence is for SMEs. Following the upper echelon theory, Kadam *et al.* (2019) have shown that the cultural intelligence of SME owners is positively related to firm performance. Abidin *et al.* (2016) reported a similar significant result when examining the international performance of SMEs exporting sports products in Pakistan. A previous study also emphasised that Malaysian exporters of halal products need to consider their foreign customers' awareness and acceptance of halal products (Ismail and Kuivalainen, 2015). These studies elucidate the importance of cultural intelligence in exporting halal products so that exporters can operate effectively in different cultural environments. Building on the initial findings and discussion, the current study postulates the following proposition:

*H3.* Cultural intelligence positively and significantly affects Malaysian SMEs' export performance of halal F&B products.

The three research hypotheses predicted are summarised in a research framework illustrated in Figure 1 below.

## 3. Research methodology

Malaysian SMEs engaged in halal F&B were selected as the current study's target population. SMEs were selected because they form the largest group of businesses in Malaysia and are the leading facilitator of Malaysia's economic development (SME Corporation Malaysia, 2021). In addition, this study focuses only on the halal industry because Malaysia aims to enhance its competitiveness to acquire a larger share of the global halal market and establish the industry as a catalyst that drives the national economy (Economic Planning Unit, 2021). Meanwhile, the F&B sector was selected as the central sector because F&B is the largest export value generator in Malaysia's halal industry (HDC, 2021). Moreover, Malaysia's SMEs are predominantly in the F&B sector (Azhar, 2019).

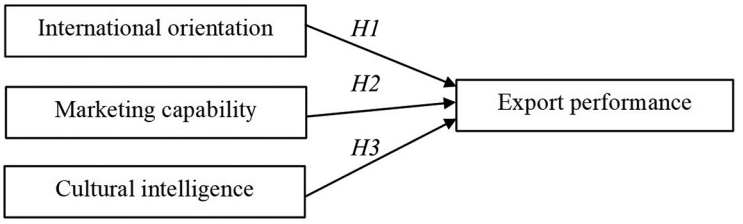
The samples for the study were chosen based on the purposive sampling method, using Malaysia External Trade Development Corporation's (MATRADE) exporters directory as the sampling frame. Five hundred seventeen home-grown SMEs exporting halal-certified F&Bs were identified as suitable samples for this study. The self-administered questionnaires were sent to the SME managers by post with a pre-paid return envelope (Dillman *et al.*, 2014). One hundred ninety-three respondents returned the questionnaires, with a response rate of 37.5%. Three incomplete questionnaires were removed from the final data set. Two other responses were removed from the data set because of straight-lining responses (Hair *et al.*, 2022). Hence, only 188 usable questionnaires were used for further data analysis.

The items used in the current study were adopted from earlier studies (Ang and Inkpen, 2008; Jin and Cho, 2018; Ngo *et al.*, 2016; Sørensen and Madsen, 2012). All items of the constructs were measured using a seven-point Likert scale. Items for international orientation, marketing capability and cultural intelligence were measured using scale ranges from "1 = strongly disagree" to "7 = strongly agree". On the other hand, items for export performance were measured using a Likert scale of "1 = much lower" to "7 = much higher" than competitors.

The items on international orientation measure the extent to which SMEs see the potential of the international market to grow their business, their proactivity in pursuing the international market, and their willingness to allocate the necessary resources to reach and serve customers in the export market. On the other hand, marketing capability measures the extent to which SMEs can effectively market their halal F&B products in the export market. Then, cultural intelligence measures the managerial capability of SMEs to have awareness, knowledge, motivation and the ability to behave in a culturally appropriate manner in managing their export business. Finally, export performance measures how well the SMEs perform in export compared to their competitors.

## 4. Data analysis and findings

The evaluation of the business background of the SMEs revealed that 38.3% of the SMEs that participated in this study have been exporting for the past three years, 27.7% have been




**Source:** Authors' own work

**Figure 1.**
Research framework

exporting for four to six years, 12.2% for seven to nine years and 21.8% have been exporting for more than nine years. A large number of SMEs export processed halal F&B products (76.1%), raw halal F&B products (16.5%) and F&B ingredients (5.9%). The products were exported directly (68.6%) and indirectly (31.4%).

The data collected in this study were then analysed based on the partial least squares structural equation modelling technique using the SmartPLS 3 software, as it has high statistical power when examining causal-predictive models (Hair *et al.*, 2019). The assessments are conducted in two stages (Hair *et al.*, 2022). Firstly, the reflective measurement model evaluation was conducted, examining internal reliability, convergent validity and discriminant validity. Then, the structural model evaluation was performed by assessing collinearity, path coefficient, explanatory power and effect size.

Based on Table 1, all items met the internal consistency requirements, with all sets of items yielding composite reliability values (CR) ranging from 0.906 to 0.957, exceeding the threshold value of more than 0.7. To ensure that convergent validity was met, one item was removed from the cultural intelligence construct because its factor loading was less than 0.4 (Ramayah *et al.*, 2018). As for the average variance extracted (AVE), the four-item sets AVE yield values between 0.642 and 0.815, thus meeting the convergent validity requirement with a value above 0.5. The item sets also conform to the discriminant validity requirement, with an heterotrait-monotrait ratio of less than 0.85. The results of the previous analyses conducted as part of the measurement model evaluation confirm that the dataset is valid and reliable to be subjected to structural model testing.

Next, the structural model was evaluated, and the results are as demonstrated in Table 2. In structural model evaluation, the collinearity between the predictors of the model is first examined. The variance inflation factor (VIF) evaluation shows that the VIF values are less than five and range from 1.71 to 2.76, confirming the non-existence of collinearity between the exogenous latent constructs (Hair *et al.*, 2011).

To test the hypotheses generated in the current study, a bootstrapping procedure was used with 5,000 subsamples and a one-tailed test with a significance level of 0.05.

**Table 1.**
Convergent validity

| Construct | CR | AVE |
|---|---|---|
| International orientation | 0.942 | 0.668 |
| Marketing capability | 0.906 | 0.707 |
| Cultural intelligence | 0.926 | 0.642 |
| Export performance | 0.957 | 0.815 |

**Source:** Adapted from original data analysis result

**Table 2.**
Results of structural model assessment

| Paths | VIF | Std. beta | Std. error | *t*-value | $R^2$ | $f^2$ | Decision |
|---|---|---|---|---|---|---|---|
| *H1*: IO → EP | 1.712 | 0.208 | 0.124 | 2.001 | 0.234 | 0.033 | *H1* is supported |
| *H2*: MC → EP | 2.474 | 0.216 | 0.105 | 2.069 | | 0.025 | *H2* is supported |
| *H3*: CI → EP | 2.762 | 0.129 | 0.103 | 1.017 | | 0.008 | *H3* is not supported |

**Notes:** IO = international orientation; MC = marketing capability; CI = cultural intelligence; EP = export performance
**Source:** Adapted from original data analysis result

The results in Table 2 show that international orientation significantly influences export performance ($\beta = 0.208$, $t = 2.001$; $p < 0.05$), indicating that *H1* is supported. The results show a similarly significant effect of marketing capability on SMEs' export performance ($\beta = 0.16$, $t = 2.069$; $p < 0.05$), indicating that *H2* is supported. However, the bootstrapping result does not support *H3* ($\beta = 0.129$, $t = 1.17$; $p > 0.05$). Therefore, *H3*, which postulates a positive and significant effect of cultural intelligence on export performance, is not supported. Based on these results, this paper concludes that international orientation and marketing skills play an essential role as intangible resources that are critical for Malaysian SMEs exporting halal F&B to achieve superior export performance.

Further evaluation of the structural model shows that $R^2$ for the research model is 0.234, indicating that 23.4% of the variation in export performance of Malaysian SMEs in halal F&B can be explained by their international orientation and marketing capability. The effect size ($f^2$) results of the research model suggest that international orientation ($f^2 = 0.033$) and marketing capability ($f^2 = 0.025$) have a small effect size (Cohen, 1988) on export performance.

## 5. Conclusion and discussion

The global halal market offers Malaysian SMEs many opportunities to expand their market for halal F&B products through export. However, intense competition and the complexity of doing business in foreign markets make it difficult for them to remain competitive in the export markets. Due to the importance of SMEs in developing Malaysia's halal industry and the national economy, this study aims to explore how Malaysian SMEs engaged in halal F&B can achieve better export performance.

According to the RBV, firms' distinctive resource bundles provide competitive advantages that determine their superior performance. Hence, this investigation was conducted to critically examine the effect of intangible resources (i.e. international orientation, marketing capability and cultural intelligence) of Malaysian SMEs on their export performance of halal F&B products. Based on the analyses, it was found that international orientation and marketing capability have a positive and significant effect on Malaysian SMEs' halal F&B export performance. However, the significant impact of cultural intelligence on the SMEs' export performance could not be demonstrated.

The significant effect of international orientation on export performance is consistent with several previous studies conducted in different contexts. For instance, studies conducted on Colombia-based global firms (Escandon-Barbosa *et al.*, 2019), exporting SMEs in the USA (Knight and Kim, 2009) and European countries (Sapouna *et al.*, 2018) revealed that international orientation is a significant factor in determining firms' international performance. Therefore, the current study's finding supports previous research that SMEs can leverage intangible resources, such as international orientation, to gain a competitive advantage and improve their export performance.

The domestic halal F&B market in Malaysia is already saturated and highly competitive. The adoption of international orientation among the SMEs makes them see the international market as their main market, not only Malaysia. Developing products with an international market mindset encourages SMEs to create halal F&B products that meet local and international tastes and standards. Producing halal F&B products that can be universally accepted helps SMEs to reduce their adaptation cost when exporting their products. Meanwhile, adapting their F&B products that fulfil foreign customers' tastes helps SMEs penetrate the export markets more easily.

At the same time, Malaysian SMEs exporting halal F&B embedded with international orientation demonstrate a strong willingness to deploy their resources in this direction.

Developing critical resources, such as human resources, to manage their international business helps SMEs manage their export activities more efficiently. Efficient management of export activities is crucial as export activities require SMEs to manage the uncertainty and risk in the international market. For instance, they need to manage international transactions with foreign customers, oversee cross-border supply chain activities and go through a lot of complicated documentation processes to meet Malaysia's export requirements and export countries' standards.

Next, the current study also reveals that marketing capability has a positive and significant effect on the export performance of SMEs in halal F&B export. The finding also supported that marketing capability is a distinct intangible resource that could contribute to the export performance of resource-limited SMEs, as indicated in RBV. The result is congruent with previous studies that found that marketing capability gives a competitive advantage and significantly affects firms' performance in the international market (Chung *et al.*, 2019; Joensuu-Salo *et al.*, 2018).

Based on the produced result, the current study implies that Malaysian SMEs exporting halal F&B products become competitive through the utilisation of marketing tools, such as unique product design, competitive pricing, effective promotion and advertising tactics. They can attract Muslim and non-Muslim consumers in the export market to buy their products through strong promotion efforts. Considering that Malaysia's halal certification is highly reputable internationally (Dubé *et al.*, 2016), marketing the halalness of their F&B products provides a competitive advantage to them.

Furthermore, exporting to countries with higher exchange rates, such as Japan, Singapore and Brunei, allows Malaysian SMEs to offer their products at a lower price. Consequently, Malaysian SMEs are more competitive and able to attract more foreign customers to buy their halal F&B products. In addition, Malaysian SMEs' ability to coordinate marketing activities to understand foreign customers' needs and wants contributes to better product offerings. Exporting F&B to culturally different markets requires sufficient market knowledge to understand the foreign customers' palate. Instead of simply expanding the market of products which were initially made for local customers, understanding foreign customers' tastes and preferences helps SMEs make product adaptations that suit the locals' tastes and preferences when exporting.

Finally, while previous investigations have demonstrated the significant effect of cultural intelligence on the export performance of Pakistani SMEs manufacturing sports products (Abidin *et al.*, 2016), the result of the current study does not support cultural intelligence's influence on export performance. The insignificance of cultural intelligence on export performance suggests that cultural intelligence has no direct impact on the export performance of Malaysian SMEs in the halal F&B sector. The insignificant effect of cultural intelligence on the SMEs' export performance is also probably because the cross-culture competence of the managers is still low. SMEs are already known to have management resource issues (Surya *et al.*, 2021). Developing a culturally intelligent manager is difficult because it is costly and time-consuming (Reichard *et al.*, 2015). In fact, even MNCs struggle to cultivate their professional managers to be culturally competent in managing their international operations (Caligiuri *et al.*, 2019; Zhang, 2013).

Moreover, 38.3% of the SMEs in this study are still between one to three years of exporting. Based on the statistics, the current study indicates that these SME managers are still learning about their export market and are occupied with managing the basic procedures and requirements to export. At the same time, they are still learning about their export markets and understanding their foreign customers. Hence, the effect of cultural

intelligence on export performance is not detected in the analysis as their cultural intelligence is still limited to be translated into export performance.

Looking deeper into the literature, a study by de la Garza Carranza and Egri (2010) revealed that cultural intelligence influences firms' strategic decisions and behaviours, such as corporate reputation and employee commitment, rather than directly affecting financial performance. Similarly, in investigating the influence of cultural intelligence among SMEs in Thailand, Charoensukmongkol (2015) found that cultural intelligence influences SMEs' foreign network ties. Particularly, network ties with their foreign customers, suppliers and competitors. Then, the relationships translate into export performance. Based on the findings of the current and previous research studies, this article suggests that the influence of cultural intelligence on export performance may not be direct but could be mediated by other factors.

## 6. Research implications

The current study fills the gap of the need for studies examining the SMEs' export performance in developing economies (Haddoud *et al.*, 2021) and the halal industry (Ismail, 2017) by revealing how international orientation, marketing capability and cultural intelligence influence export performance. According to the RBV, firms' distinct resource bundles are pivotal in gaining a competitive advantage and achieving superior performance. Following the current research framework, the findings reveal that international orientation and marketing capability are essential in enhancing Malaysian SMEs' export performance in halal F&B export. The results highlight that the intangible component of RBV can be used to explain how resource-constrained SMEs can compete and succeed despite the limitation of tangible resources. Furthermore, the study proposes an idea as to why cultural intelligence was not a significant direct factor in SME export performance.

Based on the study's findings, SME managers, owners and local authorities, such as HDC and MATRADE, should prioritise adopting and developing an international orientation and marketing capability among Malaysian SMEs to improve their export performance. SME owners and managers have the leading role in embedding international orientation in their businesses as they are the ones who run the business and make managerial and strategic decisions for the company. Meanwhile, coordinating marketing activities for export can be costly and complicated for SMEs. However, they are essential for their business success. Thus, SMEs should prioritise their cash allocation for marketing activities to develop effective marketing strategies. Their marketing activities should focus on gathering information about their foreign competitors and customers, developing unique F&B products and conducting effective advertising programmes and promotional events in the export markets.

## 7. Limitations and future direction

There are a few limitations in this study that need to be highlighted. Firstly, only three intangible resources were examined in the current study. The present study only examined three intangible resources considered essential in the current context of Malaysian SMEs exporting halal F&B to ensure parsimonious research. Further research on other intangible resources that could significantly affect SMEs' export performance is needed to develop a more comprehensive model.

Next, the current study was carried out in Malaysia, where the halal ecosystem is well-developed. Moreover, the study focused only on SMEs operating in the F&B sector. Future research could replicate the current study and examine how the intangible resources studied affect SMEs in countries with less developed halal ecosystems and other halal economic

sectors. Such an investigation is necessary because SMEs in different sectors and business environments are shaped by various factors that affect their operations and strategy.

In this study, the purposive sampling technique was used as it was not possible to obtain a comprehensive list of SMEs engaged in halal F&B export. Future research could collaborate with government agencies to get a list of companies and apply a probabilistic sampling technique in their research. The use of probabilistic sampling techniques allows future researchers to obtain more conclusive results and improve the generalisation of their studies.

Finally, most studies on halal products and services are focused on consumer behaviour (Fauzi, 2022), tourism (Idris *et al.*, 2022), logistics and the supply chain (Indarti *et al.*, 2020). There is a scarcity of international business research focusing on the organisational behaviour and strategic management of companies exporting halal products. Thus, this study calls for more research to be conducted in the international business field of study, especially in organisational behaviour and strategic management. Such efforts are essential to further enhance the literature on the firms' export performance in the halal industry.

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