

Navigating Disruption: Strategic Decision-Making for Resilient Malaysian SMEs

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Abstract

In the disruptive era defined by rapid technological advancements, globalisation, and volatile market conditions, Small and Medium Enterprises (SMEs) face unique challenges and opportunities. This concept paper explores the critical factors influencing strategic decision-making in Malaysian SMEs, focusing on leadership, cost management, supply chain management, and digitalisation. Anchored in the theoretical frameworks of the Upper Echelons Theory, Resource-Based View (RBV), and Dynamic Capabilities Theory, the study presents a conceptual framework highlighting the interplay between internal capabilities and external pressures. The paper emphasises the pivotal role of leadership in driving resilience and innovation, cost management in optimising resources, supply chain innovations in enhancing adaptability, and digital transformation in fostering strategic agility. By addressing gaps in the literature and contextualising findings within Malaysia's socio-economic landscape, this paper provides actionable insights for SME leaders and policymakers. It advocates for future empirical research to validate the framework and explore the synergistic effects of these factors, offering practical strategies for SMEs to navigate disruption and achieve long-term competitiveness.

Keywords: SME, Strategic Decision, Leadership, Cost Management, Supply Chain, Digitalisation

Introduction

In the contemporary business landscape, characterized by rapid technological advancements, globalization, and evolving market dynamics, Small and Medium Enterprises (SMEs) play a pivotal role in economic development. In Malaysia, SMEs account for approximately 98.5% of total business establishments, significantly contributing to the nation's Gross Domestic Product (GDP) and employment rates (Lim & Teoh, 2021). However, the disruptive era, marked by the advent of Industry 4.0 technologies and digital transformation, presents both opportunities and challenges for these enterprises. The COVID-19 pandemic further exacerbated these challenges, compelling SMEs to reassess their business models and accelerate digital adoption to ensure sustainability (Sharma et al., 2024).

This study is motivated by the pressing need to understand the evolving role of SMEs in Malaysia's dynamic economic landscape, where technological disruptions and global uncertainties demand more agile and data-driven strategies. A key rationale behind this research is to close the gap between emerging theoretical insights on digitalization and the practical constraints faced by SMEs, thereby clarifying how internal and external factors converge to shape strategic decision-making processes. By examining these factors in tandem, the study aims to uncover the ways in which SMEs respond to market changes and leverage digital technologies to remain competitive.

Malaysian SMEs face a myriad of issues that highlight the urgency of conducting studies on their strategic decision-making processes. One of the critical challenges is the low adoption of technology, which hampers productivity and widens the gap between Malaysian SMEs and their global counterparts (Business Today, 2024). Financial constraints further exacerbate these challenges, as many SMEs struggle to secure funding due to insufficient documentation and limited access to financing from traditional institutions (The Edge Malaysia, 2024). Rising logistics costs and fragmented supply chains are additional burdens, significantly affecting their competitiveness and operational efficiency (The Star Malaysia, 2024). These compounded issues underline the importance of strategic decision-making in enabling SMEs to adapt and thrive in an increasingly competitive and dynamic environment.

A myriad of internal and external factors influence strategic decision-making within SMEs. Internally, organisational readiness, leadership capabilities, and resource availability are critical determinants. Externally, market volatility, technological disruptions, and regulatory changes exert significant pressure on SMEs to adapt swiftly (Rehman et al., 2024). The integration of Industry 4.0 technologies, such as Big Data Analytics (BDA), the Internet of Things (IoT), and machine learning, has been identified as a catalyst for enhancing SMEs' international performance (Cheng et al., 2014). However, the adoption of these technologies necessitates substantial investment and a strategic shift, which can be daunting for resource-constrained SMEs.

The Malaysian government has prioritised digitalisation and the digital economy as key strategies to enable SMEs to adopt advanced technologies and remain competitive. However, many SMEs face significant challenges, including limited financial resources, which restrict their ability to invest in digital transformation (Remali et al., 2020). Inadequate technological infrastructure further impedes their capacity to integrate digital tools and processes effectively. A shortage of skilled personnel adds another layer of difficulty, leaving

SMEs unable to fully capitalise on digital opportunities (Remali et al., 2020). Additionally, Malaysia's unique business environment, characterised by cultural and economic diversity, creates further complexities that influence the strategic decision-making processes of SMEs (Lim & Teoh, 2021).

The significance of this study lies in its potential to offer new insights into the strategic imperatives that drive SME growth and resilience in Malaysia's disruptive landscape. By illuminating how leadership qualities, resource allocation, and technological investments intersect with market pressures, the research findings can inform policymaking, guide resource distribution, and support capability-building initiatives. These insights are particularly valuable for government agencies, financial institutions, and business development organisations seeking to enhance the competitiveness and sustainability of SMEs.

The disruptive era demands a paradigm shift in the strategic thinking of SME owners and top managers. Leadership must adopt agile, innovative, and forward-thinking strategies to ensure organisational resilience and competitiveness. Recent studies underscore the importance of strategic planning and management in enhancing SME business success in Malaysia (Cheng et al., 2014). However, the extent to which internal and external pressures influence SME decision-making remains underexplored.

This concept paper seeks to explore the critical factors influencing strategic decision-making in Malaysian SMEs during this disruptive era. By examining the interplay between internal capabilities and external pressures, the paper aims to provide insights into how SMEs navigate the complexities of digital transformation. Understanding these dynamics is crucial for formulating strategies that not only enhance competitiveness but also ensure long-term sustainability in an ever-evolving business environment.

Literature Review

Strategic decision-making in SMEs is a critical component for ensuring business sustainability and performance. Unlike large organisations, SMEs often face unique challenges and opportunities in their decision-making processes due to their size, resource constraints, and market dynamics. SMEs are integral to Malaysia's economy, contributing significantly to employment, innovation, and economic growth. They represent approximately 97.3% of businesses in the country and play a vital role in driving industrial development and exports (Ruan et al., 2021; Hami et al., 2018). SMEs foster innovation through diverse products and services, micro foreign direct investment (FDI), and global linkages, with a culture of innovation positively influencing performance (Ramdan et al., 2022). However, Malaysian SMEs face notable challenges, including resource constraints such as limited technological capabilities, insufficient skilled labour, and low research and development (R&D) investment (Saleh & Ndubisi, 2006; Musa & Chinniah, 2016). Additionally, high levels of bureaucracy, financial barriers, and the low adoption of sustainable manufacturing practices further impede their growth (Musa & Chinniah, 2016; Hami et al., 2018).

Opportunities for Malaysian SMEs lie in digital transformation and enhanced policy support. Expanding into global markets is positively correlated with improved performance,

though SMEs often struggle with global competition and economic volatility (Chelliah et al., 2010; Muhammad et al., 2009). Digital technologies, such as online marketplaces, present a transformative opportunity for SMEs to gain a competitive edge and enhance innovation through data-driven approaches (Dass & Johar, 2022). Tailored government policies and incentives, including those addressing sustainability and immigrant-owned SMEs, are vital for overcoming structural barriers and enhancing SMEs' contributions to the economy (Ruan et al., 2021; Chin & Lim, 2018). By leveraging these opportunities, Malaysian SMEs can improve their competitiveness, sustainability, and resilience in the global market. Thus, strategic decision-making is a critical process in SMEs, especially in the disruptive era characterised by rapid technological advancements, globalisation, and market volatility.

Theoretical Foundation for Strategic Decision-Making

Strategic decision-making is supported by several key theories that provide a robust framework for understanding the proposed factors:

The Upper Echelons Theory

The theory introduced by Hambrick and Mason (1984) posits that organisational characteristics, experiences, and values of top executives significantly influence organisational outcomes where in SMEs, decision-making is often centralised, and the personal attributes of owner-managers play a pivotal role in shaping strategic directions. Recent studies have expanded this theory by examining how affective states and cognitive processes of leaders impact strategic decision-making. For instance, Cristofaro et al. (2023) highlight that emotions and cognition jointly influence how top managers interpret situations and make decisions, thereby affecting organisational performance.

Further research underscores the importance of leadership diversity in enhancing decision-making quality. Motloug and Lew (2023) explore how various factors drive indecision among strategic leaders, revealing that organisational, interpersonal, and personal elements collectively influence decision-making processes. Additionally, Achbah (2024) investigates the impact of manager characteristics on restructuring decisions in SMEs, finding that managers with longer tenure and higher education levels are more inclined toward private restructuring methods. These insights align with the Upper Echelons Theory, emphasising that the personal attributes of SME leaders are crucial in navigating complex strategic decisions, ultimately shaping organisational outcomes.

Resource-Based View

The Resource-Based View (RBV), articulated by Barney (1991), asserts that a firm's sustained competitive advantage stems from its ability to manage and deploy valuable, rare, inimitable, and non-substitutable resources effectively. In the context of SMEs, which often operate under resource constraints, strategic resource allocation becomes crucial for optimising operations and maintaining competitiveness. Cost management strategies, such as activity-based costing and lean management, exemplify the application of RBV in SMEs by enabling the identification of cost drivers and promoting resource efficiency (Remali et al., 2020). Effective cost management not only allows SMEs to sustain profitability in challenging markets but also provides the flexibility to invest in growth-oriented initiatives, such as technological adoption and innovation, which are critical for long-term sustainability (Ates & Bititci, 2009).

RBV also underscores the strategic importance of supply chain management as a dynamic capability that enables SMEs to reconfigure internal and external resources to adapt to market demands (Teece et al., 1997). Integrating digital tools like real-time data analytics and predictive systems allows SMEs to enhance supply chain visibility, reduce operational risks, and improve overall efficiency (OECD, 2021). This alignment of supply chain management with RBV demonstrates how SMEs can leverage their resource-based competencies to build resilience against external disruptions while enhancing customer satisfaction. Furthermore, RBV highlights the significance of firm-specific knowledge and skills within SMEs to maintain competitive advantages in resource-limited environments, emphasising the critical need for strategic resource planning in fostering both short-term efficiency and long-term growth.

Dynamic Capabilities Theory

The theory introduced by Teece et al. (1997) emphasises an organisation's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. For SMEs, which often operate with limited resources, developing dynamic capabilities is crucial to sustaining competitiveness. Digitalisation plays a pivotal role in this context, enabling SMEs to adapt to market shifts and technological advancements. By adopting digital technologies, SMEs can enhance their sensing and seizing capabilities, allowing them to identify and capitalise on emerging opportunities. This digital transformation facilitates the reconfiguration of business processes, leading to improved operational efficiency and innovation. For instance, a study by Amaya et al. (2024) found that dynamic capabilities positively influence the digitalisation levels of SMEs, highlighting the importance of these capabilities in technological adoption.

Moreover, the alignment of digital strategies with dynamic capabilities is essential for SMEs to achieve a competitive advantage. Supply chain innovations, such as the integration of digital tools and data analytics, enable SMEs to respond swiftly to disruptions and changing customer demands. This agility is a manifestation of dynamic capabilities, as firms can reconfigure their resources and processes effectively. Research by Saputra et al. (2024) indicates that digitalisation mediates the relationship between dynamic capabilities and competitive advantage in SMEs, underscoring the strategic importance of digital transformation. Dynamic capabilities also extend beyond technology to include leadership and organisational processes that promote flexibility and innovation. For example, agile leadership is crucial for SMEs to reconfigure existing capabilities and develop new competencies, especially in the face of economic uncertainties and technological disruptions (Teece, 2020). Therefore, by fostering dynamic capabilities through digitalisation and innovative supply chain practices, SMEs can enhance their resilience and adaptability in volatile business environments.

Factors Contribute to Strategic Decision-Making

Therefore, four primary factors influencing strategic decision-making—leadership, cost management, supply chain management, and digitalisation—are grounded in theoretical frameworks that establish their relevance and interconnectedness. Several key factors, including leadership, cost management strategies, supply chain management, and digitalisation, influence strategic decision-making in SMEs. These elements play a crucial role

in shaping the strategic direction and operational effectiveness of small and medium-sized enterprises.

Leadership

Leadership is a critical determinant in shaping the strategic direction and overall performance of SMEs, as leaders are often the primary decision-makers driving organizational outcomes. Grounded in the Upper Echelons Theory, the values, experiences, and decision-making styles of SME leaders play a pivotal role in determining how they perceive and respond to opportunities and challenges in their operating environment. Effective leaders possess the ability to align their personal vision with the organization's strategic objectives, fostering a culture of innovation and resilience. They often leverage their personal networks and industry connections to identify market opportunities, gather critical information, and navigate uncertainties, which directly influences the quality and speed of their decision-making processes (Huang, 2009).

The characteristics of top management, such as their professional experience, risk tolerance, and leadership style, significantly impact the strategic decisions they make (Papadakis et al., 1998). For instance, transformational leaders, known for their visionary thinking and ability to motivate teams, are more likely to drive strategic innovation and adapt to market disruptions. Conversely, leaders with a risk-averse approach may prioritize stability and cost-saving measures over growth-oriented strategies. In SMEs, where resources are often limited, the leadership's ability to effectively allocate these resources and develop adaptive strategies is critical for sustaining competitive advantage. Moreover, the centralized decision-making structure commonly found in SMEs further amplifies the influence of leadership, as the personal traits of leaders often shape the organization's long-term strategic direction. Thus, leadership not only guides the strategic trajectory of SMEs but also determines their ability to thrive amidst the complexities of a dynamic business environment.

For example, transformational leadership, characterised by vision, innovation, and motivation, has been associated with superior decision-making outcomes (Hassan et al., 2020). In technology-based SMEs, transformational leadership is associated with improved business performance. Key dimensions like enthusiastic optimism, idealized influence, and individual consideration are particularly impactful (Arshad et al., 2016). Effective leadership fosters organisational agility, enabling SMEs to adapt to market disruptions and technological advancements. In the Malaysian context, where SMEs rely heavily on owner-managers, leadership capabilities are critical for driving innovation and achieving strategic goals (Lim et al., 2021).

Cost Management

The Resource-Based View emphasises the importance of efficient resource management as a driver of competitive advantage. Cost management strategies, such as Activity-Based Costing (ABC) and lean management, provide SMEs with the financial insights necessary to make informed decisions and maintain operational efficiency. Cost management is a vital component of strategic decision-making. Effective cost management strategies can involve trade-offs, such as balancing cost with innovation capability or risk management with flexibility (Von Massow & Canbolat, 2014). These strategies are crucial for maintaining competitiveness and ensuring financial sustainability.

Remali et al. (2020) emphasize the significant positive relationship between strategic management accounting practices and decision-making processes in Malaysian SMEs. These practices, such as activity-based costing and budgeting, enable SMEs to identify cost drivers, optimize resource allocation, and improve operational efficiency. Effective cost management strategies are particularly crucial for SMEs, which often face resource constraints and operate in highly competitive markets. By implementing robust cost management frameworks, SMEs can strategically allocate resources to high-impact areas, such as innovation, digital transformation, and market expansion. This not only enhances financial stability but also empowers SMEs to respond more effectively to market volatility and economic disruptions.

Moreover, cost management strategies help SMEs strike a balance between short-term financial sustainability and long-term growth objectives. For instance, SMEs that adopt lean management principles can reduce waste, streamline processes, and free up resources for strategic investments. These practices create opportunities for innovation, allowing SMEs to develop new products, explore emerging markets, and adopt advanced technologies. In the context of Malaysian SMEs, which are often characterized by limited access to financial capital, the ability to manage costs strategically is a key determinant of competitive advantage. Thus, effective cost management not only sustains profitability but also positions SMEs as agile and resilient players in a rapidly evolving business environment.

Supply Chain Management (SCM)

SCM is vital for ensuring operational efficiency and responsiveness in SMEs. The Dynamic Capabilities Theory posits that supply chain optimisation is a strategic enabler for adapting to environmental uncertainties. SCM is a cornerstone of strategic decision-making for SMEs, as it directly influences their ability to maintain operational efficiency and competitiveness in dynamic markets. Decisions related to supply chain structure and supplier selection are particularly critical, as they determine the reliability, cost-effectiveness, and flexibility of the supply chain, all of which significantly impact overall business performance (Von Massow & Canbolat, 2014). Effective supply chain strategies can enhance resource utilization and improve responsiveness to market demands, positioning SMEs to meet customer expectations and navigate external disruptions.

The integration of supply chain management with other core business functions, such as marketing, finance, and operations, can further amplify its impact. This cross-functional alignment enables SMEs to leverage supply chain decisions for improved strategic outcomes, such as better market positioning and enhanced brand reputation (Bell & Chen, 2015). For instance, aligning marketing campaigns with supply chain capabilities ensures that product availability and delivery timelines meet customer expectations, thereby boosting customer satisfaction and loyalty.

Moreover, modern SCM practices emphasize the importance of supply chain finance and collaborative efforts, which include digitalization, real-time information sharing, and strategic partnerships. Digital tools, such as predictive analytics and blockchain technology, allow SMEs to improve visibility across their supply chains, optimize inventory levels, and mitigate risks associated with demand fluctuations (Zaman et al., 2023). Collaboration with suppliers and other stakeholders facilitates better resource coordination, cost reduction, and innovation within the supply chain. For SMEs, these advancements in SCM are not just

operational necessities but also strategic enablers that drive long-term growth and sustainability in a competitive business environment.

Malaysian SMEs often face challenges such as fragmented supplier networks and limited technological integration (Sued, 2020). However, the adoption of digital tools like real-time tracking and predictive analytics enhances supply chain visibility, enabling SMEs to mitigate risks and align their operations with strategic objectives (Ivanov & Dolgui, 2020). Effective SCM practices also improve customer satisfaction and cost efficiency, contributing to overall business resilience.

Digitalisation

Digitalisation is one of the most transformative factors influencing strategic decision-making in SMEs. The TOE Framework explains how technological, organisational, and environmental factors drive digital adoption. Digital tools such as Big Data Analytics (BDA), Artificial Intelligence (AI), and cloud computing enable SMEs to analyse real-time data, predict trends, and make proactive decisions. Digitalization is increasingly recognized as a critical driver of strategic transformation for SMEs, enabling them to navigate disruptions and remain competitive in a fast-evolving business landscape. The level of digital maturity within an organization significantly influences its strategic management processes, shaping how decisions are made, and resources are allocated (Červinka, 2023).

Beyond operational efficiency, digital transformation opens new pathways for innovation and growth. SMEs that embrace digitalization can develop innovative products and services tailored to emerging customer needs while enhancing their ability to scale operations. For example, e-commerce platforms and digital marketing tools enable SMEs to access global markets, expanding their reach and customer base. Furthermore, digitalization fosters collaboration by enabling seamless communication and data sharing across supply chain partners and internal departments, enhancing organizational agility and decision-making accuracy.

However, achieving digital maturity requires overcoming significant challenges, particularly for SMEs operating in resource-constrained environments. Limited financial resources, inadequate infrastructure, and a lack of technical expertise often hinder SMEs from fully embracing digital transformation. Despite these barriers, digitalization remains a cornerstone for SMEs seeking to achieve long-term sustainability and competitiveness in an increasingly digital economy. By integrating digital tools into their strategic decision-making processes, SMEs can enhance their operational efficiency, innovation capacity, and market adaptability. Sagala and Óri (2024) emphasise that digital transformation must align with organisational strategies to achieve long-term success. Despite the Malaysian government's efforts to promote digital adoption, barriers such as high implementation costs and limited technical expertise remain significant challenges for SMEs (Lim et al., 2021). Nevertheless, SMEs that successfully embrace digitalisation improve their operational efficiency, agility, and competitiveness.

Hence, the proposed factors—leadership, cost management strategies, supply chain management, and digitalisation—are interconnected and collectively influence strategic decision-making in SMEs. Leadership drives the adoption of cost management practices and

digital tools, which enhance supply chain efficiency and overall organisational performance. The integration of these factors aligns with the Dynamic Capabilities Theory, emphasising the importance of leveraging internal and external competencies to sustain competitiveness in a disruptive environment. The literature demonstrates that leadership, cost management strategies, supply chain management, and digitalisation are critical factors influencing strategic decision-making in SMEs. Supported by the Upper Echelons Theory, Resource-Based View, Dynamic Capabilities Theory, and TOE Framework, these factors collectively enable SMEs to navigate the complexities of the disruptive era. However, further research is required to explore their combined impact and provide actionable insights for SMEs in Malaysia.

Although existing studies provide valuable insights into individual factors influencing decision-making, there is limited research on how these factors interact in the SME context, particularly in Malaysia. Further exploration is needed to understand the synergistic effects of leadership, cost management, supply chain management, and digitalisation on strategic decision-making. This gap provides a compelling direction for future research.

The conceptual framework proposed below serves as the foundation for understanding the relationships among the key factors influencing strategic decision-making in SMEs. Drawing from the RBV, Dynamic Capabilities Theory, and Upper Echelons Theory, this framework integrates four critical factors: leadership, cost management strategies, supply chain management, and digitalisation. These factors are interconnected and collectively shape the strategic decisions made by SMEs in dynamic and resource-constrained environments.

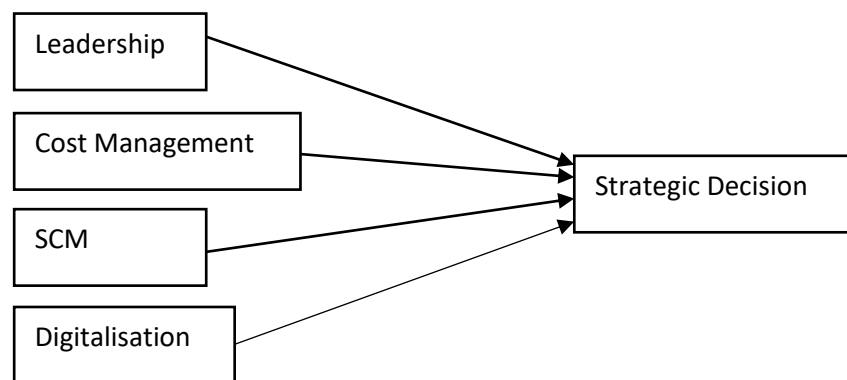


Figure 1: Proposed framework

The proposals are guided by theoretical insights and practical needs, aiming to fill gaps in the existing literature and provide actionable recommendations for SME managers and policymakers.

Hence it is proposed that:

Proposition 1: Leadership significantly influence the strategic decision-making processes of SMEs. (Theoretical Basis: Upper Echelons Theory)

Proposition 2: Effective cost management strategies are positively associated with SMEs' strategic decision-making. (Theoretical Basis: RBV)

Proposition 3: Supply chain enhances SMEs' strategic decision-making. (Theoretical Basis: Dynamic Capabilities Theory)

Proposition 4: SMEs that adopt advanced digital technologies demonstrate superior strategic agility and decision-making effectiveness. (Theoretical Basis: Dynamic Capabilities Theory)

These propositions lay a foundation for future empirical studies to investigate the interrelationships between critical organisational factors and their impact on SME strategic decision-making. By testing these propositions, researchers can contribute to understanding how SMEs can enhance their resilience, adaptability, and competitiveness in a disruptive business environment.

Contributions of the Study

This concept paper contributes significantly to both theoretical and practical domains, providing a nuanced understanding of strategic decision-making in SMEs during the disruptive era. Theoretically, the study advances the application of established frameworks, including the Upper Echelons Theory, RBV, and Dynamic Capabilities Theory, in the context of SMEs. By integrating leadership, cost management strategies, supply chain management, and digitalisation into a unified conceptual framework, the paper underscores the interconnectedness of these factors in shaping strategic decision-making processes. Furthermore, the focus on Malaysian SMEs enriches the literature by addressing the unique socio-economic and cultural influences that affect decision-making within this regional context.

By examining the interplay between internal capabilities and external pressures, this concept paper provides a clearer understanding of the strategic pathways through which SMEs can leverage digital transformation for long-term success. The study also contributes to the literature by integrating theory with empirical insights specific to the Malaysian context, thereby offering a framework for future research on SME strategic decision-making. Moreover, its practical recommendations have the potential to guide SME owners, policymakers, and other stakeholders in formulating robust strategies that not only enhance competitiveness but also ensure sustainability in an ever-evolving business environment. Ultimately, this research underscores the multifaceted nature of SME strategic decision-making in Malaysia's disruptive era. Understanding these dynamics is crucial for formulating strategies that address present challenges and anticipate future disruptions, ensuring that SMEs remain robust engines of economic growth.

Practically, this paper offers actionable insights for SME leaders, policymakers, and stakeholders. SME leaders can leverage the findings to refine their decision-making processes by prioritising leadership development, resource optimisation, and digital transformation initiatives. Policymakers can utilise the proposed framework to design targeted interventions, such as digital adoption grants, training programs, and supply chain support systems, to strengthen the resilience and competitiveness of SMEs. Additionally, the study highlights the role of digital tools in enhancing agility and operational efficiency, providing SMEs with strategic pathways to adapt to technological and market disruptions. By bridging theoretical

insights with practical applications, this paper serves as a foundation for fostering innovation, resilience, and growth in the SME sector.

Recommendations for Future Studies

Future research should build on this conceptual paper by empirically testing the proposed propositions to validate the relationships among the identified factors. Methodologies such as surveys, interviews, and case studies could be employed to gather insights from SME leaders, enabling a deeper understanding of their decision-making processes. Comparative studies across different regions and industries would further enhance the generalizability of the framework, highlighting context-specific nuances. Additionally, researchers could expand the scope by incorporating other variables, such as innovation capacity, employee engagement, and external market dynamics, to develop a more comprehensive model of SME strategic decision-making.

Longitudinal studies would also be valuable in examining how SMEs adapt their strategic decision-making over time, particularly in response to prolonged disruptions such as economic crises or pandemics. Finally, technology-specific research is recommended to explore the role of emerging technologies, such as blockchain, machine learning, or augmented reality, in driving strategic agility and operational excellence. These efforts would not only refine the conceptual framework but also provide actionable insights for practitioners and policymakers aiming to foster sustainable growth in the SME sector.

Conclusion

In the contemporary business environment, SMEs face unprecedented challenges due to rapid technological advancements, globalisation, and market volatility. This concept paper identifies leadership, cost management strategies, supply chain management, and digitalisation as critical factors influencing strategic decision-making in SMEs. Grounded in the Upper Echelons Theory, Resource-Based View, and Dynamic Capabilities Theory, the study demonstrates how these elements interact to shape organisational resilience and competitiveness. By providing a comprehensive conceptual framework, the paper offers both theoretical insights and practical guidance for navigating the complexities of the disruptive era.

This study makes notable contributions by addressing gaps in the existing literature and presenting a region-specific perspective on SME decision-making in Malaysia. It emphasises the importance of aligning internal capabilities, such as leadership and cost management, with external enablers like digital transformation and supply chain innovations. The integration of these elements is critical for SMEs seeking to sustain performance and adapt to dynamic business environments. While the study lays a solid foundation for future research, it also highlights the need for empirical validation to strengthen its propositions and ensure broader applicability.

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