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Barriers to Retail Innovation: Evidence from Malaysian Retail SMEs

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Abstract

Innovation is the key to success for SMEs in various sectors. However, it is acknowledged that retailing is less innovative than other sectors within high-income nations. Although data has revealed the dominance of Malaysian retailing SMEs over others in terms of their contribution towards country's GDP, hence the performance of Malaysian retailing SMEs is still behind than retail SMEs of other developed countries. This paper argues that barriers to innovation are the major obstacles to achieve superior performance for Malaysian retail SMEs. Thus, the aim of this paper is to investigate the possible barriers to retail innovation. A simple survey was conducted among 230 retailers in the Selangor state of Malaysia to identify the most critical barriers to retail innovation. The descriptive analysis revealed that cost factors (high innovation cost, unavailability of finance, excessive perceived economic risks) are the major barriers to retail innovation. This study has significant implications as it provides useful insights regarding the most critical barriers to innovation in the retail sector. The Malaysian government can assist retailers in overcoming barriers to innovation through various financial assistance and training programs to face uncertain economic situations and to innovate more effectively. A detailed investigation is further recommended to the other states as well to assess all possible barriers to retail innovation among Malaysian SMEs.

Keywords: Small & Medium Enterprises (SMEs), Innovation, Retail industry, Malaysian SMEs, Cost factors.

1.0   Introduction

Innovation is the act of doing something different. It can do so in the process of production or service. Retailing is viewed less innovative relative to other service sectors such as engineering or knowledge-intensive business services (Reynolds & Hristov, 2009; Miles, 2004; Pavitt, 1984). The data bases of various economies have supported this proposition. For instance, Community Innovation Survey revealed that European retail firms were less innovative than other sectors (Reynolds & Hristov, 2009;Parvan 2007; Eurostat 2007). The retailers are less intended to do or create new things that fall under the category of innovation (Reynolds & Hristov, 2009). It is widely accepted that innovation leads to the superior

performance and competitive advantage for the firms. Therefore, it is vital to understand the barriers influencing willingness and attitude towards innovation. The focus of this paper is to investigate all possible barriers impacting attitude and willingness to innovate in Malaysian retail sector and to suggest ways to reduce them. The act of innovation is challenging particularly during the current uncertain economic conditions when firms avoid paying attention to innovation (Reynolds & Hristov, 2009). However, the previous studies have reported the importance of innovation during the recession (Meyers 2009; Leadbeater & Meadway, 2008). Thus, barriers to innovation are more studied in the context of retail firms in Western countries (Reynolds & Hristov, 2009). Unfortunately, very little is known regarding barriers to innovation in Malaysian retail sector. Also, most of the previous studies have used qualitative interviews or case study method to explore innovation and to understand values, beliefs and their behaviours in various contexts (Reynolds & Hristov, 2009; Hristov & Reynolds, 2005; Adams, 2004; Bryman, 2004; Boiral, 2003; Calori et al., 1992).

2. Research Problem

Innovation is seen very less in retail sector relative to other sectors of business. For instance, a report by OECD (2005) has revealed that less than 40% wholesale and retail firms engage themselves in innovation. Similarly, Reynolds & Hristov (2009) stated that the retailers report less innovation because the way they engage in innovation is less tangible as conventional R&D. There are many factors that differentiate the retail firms from other sectors, for example, less adoption of innovation and less role of technological innovation in retailing as compared to other sectors (Reynolds & Hristov, 2009). Therefore, it is very important to understand the barriers that cause less innovation in the retail sector. Reynolds & Hristov (2009) investigated cost factors and market factors as major barriers to innovation in UK retail industries and also recommended to re-investigate the impact of market factors and cost factors on retail innovation in other contexts as well for future studies. Although there is an evidence of research regarding barriers to retailing in the context of Western countries such as the UK but no study has been conducted specifically to investigate the potential barriers to innovation in Malaysian retail industry.

3.   Research Question, Objective and Significance

The main question of this research is, "what are the major barriers to innovation perceived by the Malaysian retailers?"While, the main objective of this research is to investigate the major barriers to innovation among the Malaysian retailers. This research will be very useful for researchers and Malaysian government to understand the major barriers to innovation in Malaysian retail SMEs. By knowing the influential factors, the government can develop significant programs to reduce such barriers. And researchers can further conduct research in this regard to help governmental institutions. Thus, this research will provide useful insights regarding barriers to innovation in Malaysian sector and will

add to the knowledge of interested parties.

3.0 Literature Review

3.1 Meaning of Innovation

Innovation is closely linked to the objective of creating differentiation by increasing the monopolistic power of firms (Porter, 1980; Schumpeter, 1934). According to OECD (2005), innovation involves the implementation of new or improved products, services, processes, organization methods and marketing methods. The innovation is a process that covers production system design, product design and processes of product introduction (Johanssen, 2008).The terms "innovation" indicates the implementation of an improved or new process, product (good or service), marketing method, organizational method, or external relations (OECD & Eurostat, 2005).

3.2 Importance of Innovation

Innovation plays a pivotal role in business growth, entering and capturing new markets, expanding existing market share and in achieving competitive advantage (Boachie-Mensah & Acquah, 2015).   Due to increased globalization, companies started to understand the importance of innovation because such intense global competition has caused technological changes that have added value to the existing products and services (Gunday, Ulusoy, Kilic and Alpkan, 2011). Innovation can be considered as a corporate strategy because it produces effective products and services, enables the company to perform better in the market, builds company's positive image and reputation, and leads to competitive advantage (Boachie-Mensah & Acquah, 2015). The business environment is characterized by the disruptive and rapid changes, international competition, and different customers' needs; therefore, organizations have to explore new ways of producing services and products and acquire new technological capabilities to achieve profits in the long run (Vanhaverbeke & Peeters, 2005). Innovation which is able to meet customers' needs and introduces new processes became a critical issue for the firms. Innovation has been associated with establishing a sustainable market through the introduction of new products and processes (Carayannis& Gonzalez, 2003). In other words, it would be better to say that company's become more competitive with innovation (Boachie-Mensah & Acquah, 2015; DeJong & Vermuelen, 2006). Innovation is essential for the development of economies, expanding and sustaining the superior performance of the organizations, in achieving competitiveness and in creating a good quality of life by improving the standard of livings (Gopalakrishnan & Damanpour, 1997). Resource based view (RBV) and Shared Value Theory (SVT) has been widely used to describe the importance of innovation for firm's superior performance (Al-Ansari et al., 2013; Dangelo, 2012;Gunday et al., 2011).

3.3 Innovative Performance

According to Weerawardena et al. (2006), innovation is crucial to secure the sustainable competitive advantage in the market place (Damanpour, 1991: Parnaby, 1991). Similarly, Lokshin et al. (2009) considered the importance of creativity and innovation for businesses to be competitive in the market. When any organization aims to pursue innovation, then it has to develop its definition of innovation (Chen & Huang, 2009). Innovation can be defined as a process of generating new and creative ideas for usefulness (Ryan, 2002). A successful organization focusing on innovation is actually looking for big achievements through the quality of new ideas and effectiveness of the ideas implementations. The definition of innovative performance comprises the combinations of above independent parameters (for example, quality of new ideas and effective implementation of creative ideas) (Halim et al., 2014). In the scenario of Malaysia, the economic and social developments depend on the growth of industries, therefore, the innovative is imperative (Zeng, Xie, & Tam, 2010). Now a days the businesses are focusing more towards innovation for success in the long term rather than just focusing on cost reduction techniques (Halim et al., 2014). The organization must have the tendency to support novelty, new ideas, creative processes and experimentation that may lead to new services, products, technological processes and the pursuit of creative and new solutions to problems (Madhousi et al., 2011; Certo et al., 2009). The Malaysian government has envisaged to transform Malaysia from a knowledge-based economy to innovation-led economy by flourishing innovation in all business activities. This can be seen from the increasing number of innovative performance in the country because of the innovation concept is an important agenda in Malaysian Government Transformation Program (Halim et al., 2014).

3.4 SMEs and Innovation

Halim et al. (2014) and Lim (2012) stated that Malaysian economy constitutes a large number of SME businesses that is also evident in the Tenth Malaysia Plan which reported that SMEs consist of 99.2 % or 518,996 of total business establishments in Malaysia and large establishments are only 0.8 % or 4,136 (EPU, 2010). Nevertheless, the contributions of SMEs are still low relative to SMEs of other developed countries. For example, the contribution of Malaysian SMEs is only 33% and 59% towards country's GDP and employment. On the other hand, developed or high-income nations contribute more such as Japan, Germany, South Korea contribute more than 50% and 75% towards country's GDP and employment (SME Annual Report, 2012/2013; Aris, 2007). This scenario happened may be because of high competition in the industry that compels the firms to differentiate their services and products relative to their competitors. Therefore, the SMEs need to offer innovative products due to intense competition (Halim et al., 2014; Aho et al., 2012). The SMEs will survive only when they will offer the most appealing services or products and will get a bigger share of the market as well. On the other hand, SMEs that would not be able to capture the market needs will suffer very badly and will lose their businesses. SMEs have been recognized as a

backbone of economies of all nations (Halim et al., 2014) and SMEs innovative capabilities are needed to be enhanced in order to strengthen their competitiveness and performance(Sajilan et al., 2016;Tehseen&Sajilan, 2016a). Innovations lead to competitive advantage through unique, new and different products (Bessant, 2002). This is why Malaysian government wants to move the country into the innovation-led economy by nurturing the innovativeness among Malaysian SMEs.

The creativity is crucial to encourage innovative activities and SMEs have to develop a supportive culture to facilitate the innovation (Shafirad & Atei, 2012). In an innovative organization, entrepreneurs will be motivated to do new things in different and unique ways. This will make entrepreneurs more innovative by equipping with right types of skills, knowledge and abilities to effectively generate and implement new ideas. Thus, a supportive work environment can flourish innovation within the organization (Kaasa & Vadi, 2008). SMEs must explore opportunities to create or develop new services and products which will enable them to survive in the market (Fauzi et al., 2010; Wan Khairuzzaman & Abdmajid, 2007).

3.5 Importance of Retailing

Retailing starts as a local activity (Severin et al., 2001). It consists of a transaction in which the buyers want to consume a product (Liao et al., 2008). The new entrants and big retailers took away the opportunities from small and local retailers in sub-urban areas (Hassan, Sade, & Rahman, 2013; Gonzalez-Benito, 2005; Hare, 2003). The modern retailers offer diverse products, price, brands and quality (Burt, 2000). New concepts of retailing actually enhance the competitiveness of industry (Hassan, Sade, & Rahman, 2013; Arnold and Luthra, 2000). Today retail environment is becoming more fragmented and diverse with an overload of alternatives, opportunities and information (Liao et al., 2008). Retailing is a dynamic and highly diverse sector in which consumers do not perceive retailers in isolation (Swoboda et al., 2007; Jones et al., 2005). The Retailer is the one who provides most of the basic necessities to consumers. In Malaysia, Weld Supermarket was introduced as the first modern retail format in 1963 followed by other modern retailers (Kaliappan et al., 2009). In 1993, Makro was introduced as the first hypermarket in Malaysia (Lee, 2004). Service delivery, price driven and time savings are the key components of traditional retailing (Sparks and Findlay, 2000). Supermarkets and hypermarkets have replaced the traditional and local grocery retail shops (Hassan, Sade, & Rahman, 2013; Hassan and Rahman, 2012; Chabaud and Codron, 2005). The supermarkets and hypermarkets have dramatically altered both the regulatory policy and market structure (Gonzalez-Benito et al., 2005). The modern display format, greater floor space, and selling in different varieties and huge quantities have added value to the business of hypermarkets (Hassan, Sade, & Rahman, 2013; Business Monitor International, 2007). However, the small markets have very few international retailers (Myers and Alexander, 2007).

In today's intense market competition, retail stores face a big challenge of survival and being competitive relative to their competitors. Retailers will be unable to get the sustainable competitive

advantage until they will provide unique, different and new products and services. Because of uncertain market demands, intense competition and sophistication of customers, innovation has become vital for the profitability and growth of retailers (Vel et al., 2010). In the current retailing scenario, retail identity (branding) and retail physicality (more than one location of operations of retailers) are the main sources of retail innovation. In general, the new entrants who just copy the existing models rather than doing innovation actually cannot survive in the long run. Differentiation or unique and new products or services are the main characteristics of innovation in which the retailers have to come up with a different, unique and new product or service. Now a day the customers want different and new products. The retailers who fail to meet the demands of customers actually have to end up with their businesses. Thus, it is essential for retailers to continue to innovate their products and services (Vel et al., 2010).

3.6 History of Retailing in Malaysia

There were minor activities of trading in Malaysia in the beginning of the seventh century (Mui*et al.*, 2003). Peddlers and hawkers were more in modern areas. Malaysia was rich in natural resources and many foreign traders were attracted here and took over Malaysian major trading hubs, such as Malacca. Due to the rapid development of rubber and tin industries, it was essential to expand country's transportation. Therefore, resource-based towns were linked with ports which lead to urbanization. In many urban areas, the permanent retail outlets became a most appropriate idea. Chinese dominated most of the retail outlets that were and are still more effective today (Nair et al., 2014). After British period, in 1957, the European style outlets were introduced in Malaysia (Choo, 2010). The small-scale retail establishments such as peddlers and hawkers while large scale establishments (such as shopping centres, departmental stores, hypermarkets and super markets) exist side by side in Malaysia which is a unique characteristic of its retailing industry (Mui*et al.*, 2003). According to the claim by the Malaysia Retailer-Chain Association (MRCA), there are more than 200 retail chain stores in this country which comprise at least 6500 outlets in total (Tong *et al.*, 2012). Retail is considered as the most consumer-centric industry because it covers a wide range of businesses (Nair et al., 2014; Hassan, Sade & Rahman, 2013; Macdonald, 1994). However, during the last years, an extreme transformation was seen in this industry that leads to the lesser trips of consumers as well as spending fewer amounts at old shops because they were more appealed by the concepts of modern retailing. The small local players were threatened by the massive retail players who took away their prospects (Nair et al., 2014; Hassan, Sade, & Rahman, 2013; Morganosky, 1997). Malaysian retail industry contributes to nation's income and creates huge employment opportunities (Nair et al., 2014; Mui et al., 2003).

3.7 Role of Retail Innovation

According to Brown (1990), history of retailing industry revealed that retailers were reluctant for

being revolutionalised. However, the retailers who do not implement innovative strategies usually stuck between niche players and large retailers (Gagnon & Chu, 2005). Similarly, if the companies will not adapt themselves according to the customer needs and market conditions, will not be able to survive for a long time period (Ahlert et al., 2006). According to Vel et al. (2010), the existing studies brought three theories on retail innovation, for example, the wheel of retailing, the retail accordion and the retail lifecycle (Brown, 1990). The first theory, "wheel of retailing" suggests that development of retail stores takes place from low cost and operations of low margin to new retail forms. The second theory "retail accordion" points out that evolution in retailing takes place as a shift from specialist stores towards offering of more and more diversified product. On the other hand, the third theory "the retail lifecycle" describes four stages through which retailers pass through, i.e. birth, growth, maturity, and decline. There would be a positive impact of innovation on market share and sales but would decline throughout the next stages and would lead towards new retail forms. Such retailing formats can't be achieved without a continuous innovation (Reynolds et al., 2007).

The latest literature suggests that there are three ways in which innovation by retailers can emerge in terms of formats, i.e, from consumers changing demands, changing to take benefits of core competencies or through impacts over the supply chain (Ahlert et al., 2006). Moreover, this innovation not only results into new formats but cause increase in sales and market dominance (Ahlert et al., 2006) and with more fragmentation, stores adjust their strategies of positioning and change their image to remain competitive" (Grewal & Levy, 2007). The IBM Institute of Business Value stated two approaches of competitive differentiation namely "bell curves" and "well curves". Bell curves describe those retailers who don't target any particular market and, therefore, don't fulfil the needs of any one group. On the other hand, well curves which distinguish retailers with "high personal value" goods, from retailers with "low personal value" goods. According to this theory, when the retail market moves to the "well curve", those in the middle will lose as they don't serve one specific market (IBM Institute of Business Value, 2004). Therefore, there is indeed a true need for differentiation for the survival and growth of retailing (Vel et al., 2010).

The study regarding innovation in retail sector is limited as compared to manufacturing sector (Reynolds et al., 2007; Hristov& Reynolds, 2005; Tether, 2005; Miles, 2000). For instance, according to Reynolds et al. (2007) database of the largest business article contains around 31,000 articles related to innovation, among them 136 deal with the issues of service innovation and only 12 scholarly articles address issues of retail innovation. The service innovation is being neglected and usually, from the study of manufacturing firms, we have developed our understanding regarding innovation which mainly focuses on radical and technical innovations (Reynolds et al., 2007). Whereas, service innovation is different from manufacturing sector because during periods of stability it tends to be continuous rather than following a series of changes (Tether, 2005). Several models have been developed by different researchers to

characterize the change in the retail sector over long time periods. For instance, "The wheel of retailing" by (McNair, 1958), the 'retail accordion' by Hollander, 1966 and the concept of the 'big middle' by Levy et al. (2005). Among them, the concept of "big middle" reveals the importance of innovation. This concept is based on the concept of product lifecycle which was proposed by Levitt (1965) in marketing. The concept of product lifecycle was then developed within the context of retail in the 1970s (Davidson, Bates & Bass, 1976; Davidson & Johnson, 1981). Recently, researchers came up with the concept of "Big Middle" (Levy et al., 2005). This concept has combined the elements of product lifecycle such as birth, economies of scale and death along with the format innovation together with non-price and relative price factors. According to Levy et al. (2005), the retailers generally exist among one of four segments, i.e innovative, big middle, low price and in trouble. Retailers that continue follow innovative strategies always target quality-conscious markets and seek premium prices and high profits. Low-price retailers attract price-conscious markets and seek fewer profits. Big Middle retailers thrive succeed well because of their value offerings. On the other hand, "in trouble" is usually not able to deliver high levels of value as compared to their competitors.

Figure 1: The Concept of "Big-Middle"
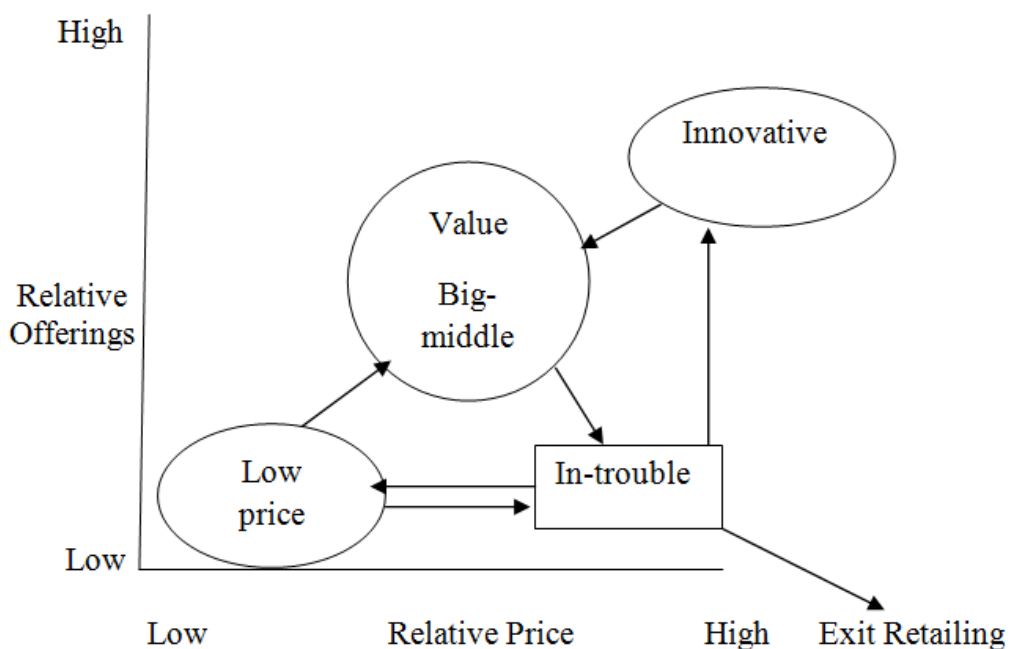
Source: (Levy et al., 2005)

If retailers achieve economies of scale then such low price and innovative retailers move into the "big middle" category. But if retailers are not able to keep and sustain a correct balance between price and non-price factors for their customers then such retailers fell into the "in trouble" segment. Big companies

like Target and Wal-Mart are very successful and dominant within the 'big middle'; on the other hand, retailers of conventional department stores such as Sears and K-Mart fall in the segment of 'in trouble' (Reynolds et al., 2007).

3.8 Barriers to Innovation in Retailing

Barriers mean the obstacles or difficulties that companies face while implementing the innovation process. Barriers can be of various types, such as internal barriers (e.g. lack of skills, knowledge, abilities) and external barriers such as (market forces and government regulations). Recent studies have explored barriers to innovation in SMEs context. For instance, McAdam, McConvery, and Armstrong (2004) concluded that organizational cultures and structures are the major perceived barriers to innovation. They suggested that SMEs with good connections to funding, education institutions, local industry clusters and with less hierarchical structures get opportunities of innovation. Similarly, Larsen and Lewis (2007) identified three sets of barriers to innovation within SMEs. These were:

(i)   Marketing skills that include lack of commercial skills to make full use of and derive benefit from a technological innovation.

(ii)   Financial issues that includes liquidity problems and poor capitalization.

(iii)   Personal and management characteristics that include low management expertise and low levels of trust or confidence.

The previous studies have also linked barriers to innovation with firms' nature such as risk avoidance, insufficient funding, dedicating insufficient time and employing wrong measures of innovation (IBM 2006). Oke (2004) have also highlighted several factors impacting innovation among service SMEs that include a lack of the correct and clear measure of innovation and inabilities to protect service innovations. In the context of retail SMEs, Hogarth-Scott and Parkinson (1994) have discussed the barriers and focused more on the use of technology by improving firms' internal capabilities to absorb innovation. Similarly, based on a qualitative research, Reynolds and Hristov (2009) concluded that current economic conditions threat the innovation process in retailing because of their impact on market and cost factors which are the key barriers to innovation in the retail sector. Reynolds and Hristov (2009) have identified four categories of factors that can create potential barriers to innovation in retailing. The four categories of factors are as below:

(1)   Cost Factors

The cost factors contribute significantly as barriers to innovation in retailing. According to Reynolds and Hristov (2009), the cost factors include four components which as highly perceived economic risks, cost of finance, availability of finance and direct innovation cost. The uncertain economic conditions impact on the SMEs performances and may act as a major barrier to innovation as well.

Similarly, because of the huge cost of finance and insufficient funds, the retail SMEs keep themselves away from innovation processes. The retailers generally perceive that direct innovation cost is very high; therefore, they look for alternative strategies for innovation.

(2)   Market Factors

The market factors are also an important source of barriers to innovation. Reynolds and Hristov (2009) stated that if the market is dominated by the existing firms, then such firms threat the survival and strategies of new entrants. The existing firms have already big market share, therefore, other firms might perceive risk in doing innovation due to their low market share. Similarly, if the demands of innovative products and services are uncertain, then firms usually perceive the failure of innovation processes.

Figure 2: Conceptual Model
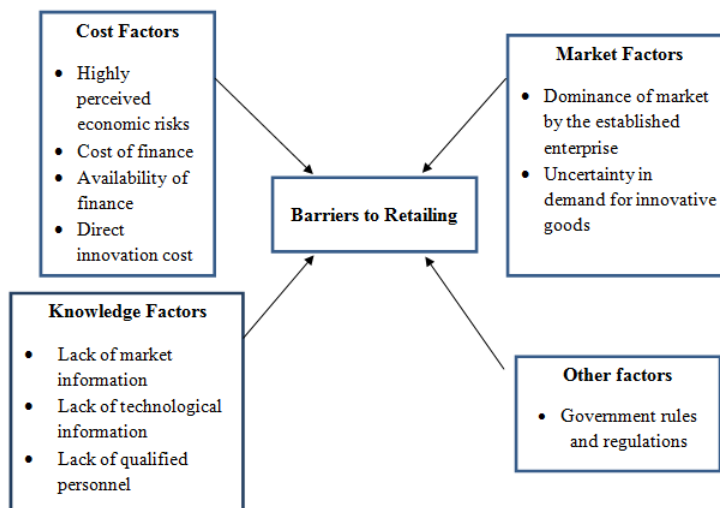
Source: Reynolds & Hristov (2009)

(3)   Knowledge factors

Knowledge factors are the other category of barriers to innovation. In order to implement any process, there might be sufficient knowledge regarding various issues. Reynolds and Hristov (2009) have described three types of knowledge factors that can act as a barrier to innovation in retailing. These include lack of market information, lack of technological information and lack of qualified personnel. If the firms have no information regarding market trends and technologies then it would be impossible to implement the successful innovative strategies. Similarly, qualified employees better know about different issues and are capable of solving problems. Thus, if a firm has less qualified employees then they would not understand the importance and process of innovation.

(4)   Government Factors

According to Reynolds and Hristov (2009), the government rules and regulations impact on the innovation process in retailing. For instance, if the government have strict policies, rules and regulations on firms businesses then they might ignore the innovation in their businesses because of unfavourable government rules and policies.

4. Methodology

It was a quantitative and cross-sectional study in which data was collected at one point in time. A structured questionnaire was distributed among 230 retailers in the Selangor state of Malaysia. More specifically, data was collected from retailers of various products from the areas of Taipan USJ 9 business center, USJ 10 and Mid-valley. The questionnaire contained two sections. The first section was related to respondents' demographic information and second described four barriers to innovation, namely, (i) Cost factors (highly perceived economic risks, Cost of finance, availability of finance and direct innovation cost); (ii) Knowledge factors (lack of market information, lack of technological information, lack of qualified personnel); (iii) Market factors (dominance of market by the established enterprise, uncertainty in demand for innovative goods); and (iv) Other factors (government rules and regulations).

4.1   Data Analysis and Results

4.1.1 Demographic Profile

Table 3 illustrates the profile of respondents. The respondents consisted of 43.5% males and 56.5 % females. There are 21.2 % wholesalers and 78.3% retailers. Most of the respondents are in the age group of between 41-50 years (52.5%). The respondents include 34.8% Malays, 39.13% Chinese and 26.1% Indians. Among them 30.43% are Muslim, 21.2% are Hindus, 34.8% are Buddhist and 13.04 % are Christians. The majority of respondents are married (56.5%). Most of them have diploma in education (52.17 %). 65.22% firms are of age between 3-5 years. 87% firms have 5-30 employees and 83% firms have annual sales turnover of RM 300,000 to less than RM 3million.

Table 1: The Profile of Respondents

Characteristics	Frequency	%
Gender		
Male	100	43.5
Female	130	56.5
Age		
31-40	120	52.2
41-50	80	34.8
51-60	30	13.0
Race		
Malay	80	34.80
Chinese	90	39.13

Indian	60	26.10
Religious Background		
Muslim	70	30.43
Hindu	50	21.20
Buddhist	80	34.80
Christian	30	13.04
Marital Status		
Single	50	21.20
Married	130	56.50
Divorced	40	17.40
Widowed	10	4.35
Highest Education		
Diploma	120	52.17
Bachelor degree	70	30.43
Master degree	30	13.04
PhD	10	4.35
Firm age		
3-5 years	150	65.22
6-10 years	50	21.20
11-20 years	30	13.04
Number of employees		
5-30	200	87.00
30-75	30	13.04
Annual Sales Turnover		
RM 300,000 to less than RM 3million	190	83.00
RM 3 million to not exceeding RM 20 million	40	17.40
Business Category		
Wholesale	50	21.2
Retail	180	78.3

Source: Fieldwork (2015)

4.1.2 Descriptive Analysis of Responses

The questionnaire consists of four categories of factors in the second part. A nominal scale "yes" and "No" was used to determine the most significant barriers among four categories. The four categories included Cost factors, market factors, knowledge factors and other factors. There are four items to determine cost factors which are high perceive economic risks, the high cost of finance, insufficient availability of finance and high direct innovation cost. There are two items under market factors which are dominancy of established firms in the market and uncertainty in the demand for innovative goods. On the other hand, there are three items under the category of knowledge factors which are the lack of market information, lack of technological information and lack of qualified personnel. Likewise, there is only one item under the category of other factors which is unfavourable government rules and regulations. All items were adopted from the study of Reynolds and Hristov (2009). The respondents were asked to give their answers in "yes" or "no" to the questions.

Table 2: Descriptive analysis of the responses

Factors	Indicators of Factors	Positive Responses	Frequency	%	Negative Responses	Frequency	%
Cost Factors	Highly perceive economic risks.	Yes	220	96	No	10	4.35
	The cost of finance is very high.	Yes	195	85	No	35	15.22
	Insufficient availability of finance.	Yes	180	78.3	No	50	21.2
	Direct innovation cost is high.	Yes	200	87	No	30	13.04
Market Factors	Established enterprises are dominant in the market.	Yes	170	74	No	60	26.1
	Uncertainty in demand for innovative goods	Yes	160	70	No	70	30.43
Knowledge Factors	Lack of market information	Yes	150	65.2	No	80	34.8
	Lack of technological information	Yes	130	57	No	100	43.5
	Lack of qualified personnel	Yes	170	74	No	60	26.1
Other factors	Unfavourable Government rules and regulations	Yes	160	70	No	70	30.43

Source: Fieldwork (2015)

The table shows the frequency of positive and negative responses. The analysis revealed that 96% respondents perceived high economic risks and only 10% respondents didn't perceive economic conditions

as barriers to innovation. 85% and 78.3% respondents perceived the high cost of finance and its insufficient availability respectively. Similarly, 87% respondents perceived that direct cost of innovation is high. On the other hand, 35% and 50% respondents didn't perceive the high cost of finance and its insufficiency as a potential barrier. In the same way, only 30% respondents didn't perceive that direct cost of innovation is high. Similarly, 74% and 70% retailers perceived that existing firms are dominant in market and uncertainty in the demand for the innovative products and services respectively. On the other hand, 65% and 57% respondents perceived a lack of market information and lack of technological information as barriers respectively. 74% respondents perceived that lack of qualified personnel is the main barrier among other knowledge factors. Likewise, 70% respondents perceived unfavourable governmental rules and regulations as the barrier to innovation in retailing.

5. Discussion, Conclusion, and Further Recommendations

The results have shown valuable information. For instance, the demographic profile has revealed there might be more females (56%) as compared to males (43%) in Malaysian retail sector. Most of the retailers are of age between 31years to 40 years. Chinese and Buddhist are dominant in the retail sector. Most of the respondents are married and have diploma education. Most of the retailers are involve in small businesses with annual sales turnover of RM 300,000 to less than RM 3million and having 3 to 5 employees only. The density of retailers is high as compared to wholesalers. The descriptive analysis of responses has revealed that majority of retailers perceived cost factors as the main barrier to innovation in retailing. Among cost factors, nearly all retailers perceived high economic risks as a key cost factor. The second main factor is a direct cost of innovation. Similarly, the cost of finance and availability of finance are the third and fourth key cost factors. The results also revealed that among market factors the dominancy of existing firms in the market is perceived as a key barrier by retailers, among knowledge factors the lack of qualified personnel is perceived as main barrier. Most of the respondents perceive unfavourable governmental rules as the barrier in the ways of innovation as well.

The present study attempted to make few contributions. For example, the results have provided the evidence regarding cost factors as major barriers. Thus, policy makers should develop specific policies that can minimize the cost barriers. This can be possible through various training programs to improve the skills and abilities of retailers to act successfully during uncertain economic situations, to manage the cost of innovation, to arrange finance for innovation through networks. The study has also improved the current knowledge of researchers by providing empirical evidence regarding the most critical barrier to innovation in retailing. This can be useful to initiate a series of researches on the topic of barriers to innovation in various other sectors as well.

Although the results have shown that cost factors are perceived as major barriers by the retailers to innovation. But the results are limited to the Selangor state of Malaysia only. Thus, there are few

limitations of this study as well. For example, (i) nominal scale that was used to get responses is less reliable as compared to 5-point or 7-point Likert scale; (ii) the results may not be applicable to other states of Malaysia because sampling belongs to one state of Malaysia only; (iii) the data was collected only from Malaysians, although foreign retailers also play a pivotal role in country's economy but were not included in this study.

The limitation of this study can be overcome by the future studies. This study recommends continuing research on innovation and its barriers across various sectors of businesses. The data is needed to be collected from all states of Malaysia to get know about the most critical barriers to innovation. A longitudinal study should be done to see the changes in trends from time to time. The future studies should collect data by using 5 points Likert scale or 7 points Likert scale. Amos-SEM or PLS-SEM should be used in future studies to explore the most influential barriers and to get more reliable and valid results. A comparative study can also be done by investigating the barriers across various sectors and industries within Malaysia. The future studies should include foreign owners as respondents because their businesses also have great influence on the Malaysian economy. Moreover, since some studies have conceptualized the potential impacts of cultural orientations on entrepreneurial capabilities (Tehseen et al., 2015; Sajilan & Tehseen., 2015). Thus, the further studies should investigate barriers to innovations with respect to cultural orientations under the context of Malaysian wholesale and retail SMEs. Moreover, recognizing the importance of network competence in achieving SMEs business success (Tehseen & Sajilan, 2016b), the further studies should examine the impact of network competence in removing the barriers for innovations under the context of Malaysian SMEs.

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