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The Mediating Role of Business Strategies between Management Control Systems Package and Firms Stability: Evidence from SMEs in Malaysia

Muhammad Haseeb [1,*], Marcin Lis [2], Ilham Haouas [3] and Leonardus WW Mihardjo [4]

[1] Taylor's Business School, Taylor's University Lakeside Campus, 1 Jalan Taylors, 47500 Subang Jaya, Selangor, Malaysia
[2] Faculty of Applied Science Cieplka 1c, WSB University, 41-300 Dąbrowa Górnicza, Poland
[3] College of Business, Abu Dhabi University, P.O.box: 59911, Abu Dhabi, UAE
[4] Doctor of Research in Management Program, Bina Nusantara University, Jalan Hang Lekir I no. 6, Senayan, 10270 Jakarta, Indonesia
* Correspondence: muhammad.haseeb@taylors.edu.my; Tel.: +60-172957409

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Abstract: The aim of the current study was to ascertain the influence of a management control systems (MCS) package on a firm's sustainability with the help of mediating variables such as differentiation and cost leadership strategy in Malaysian small and medium enterprises (SMEs). Data were collected from managers working in Malaysian SMEs. A total of 384 questionnaires was finally used for analysis using SmartPLS 3.8.2. Area cluster sampling was used for data collection, and seven out of sixteen clusters were selected randomly. These included Selangor, Johor, Kuala Lumpur, Sabah, Penang, Sarawak, and Perak because these seven states cover 73.9% of total SMEs. Structural equation modeling (SEM) was used to test the hypotheses. Confirmatory factor analysis (CFA) was also used to examine the reliability and validity, and structural model assessment was used to test the relationship between variables. Findings revealed that an MCS package had a positive influence on a firm's sustainability, cost leadership, and differentiation strategy. Moreover, cost leadership and differentiation strategy have a significant and positive influence on a firm's sustainability. In addition, cost leadership strategies and differentiation strategies significantly mediate between the MCS package and a firm's sustainability. This research assesses the influence of the MCS package through cost leadership and differentiation strategy on a firm's sustainability of Malaysian SMEs. It helps top management to focus on the MCS package and business strategies in attaining a firm's long-term sustainability. Finally, research recommendations discuss that the present study helps future researchers and academicians.

Keywords: MCS package; cost leadership strategy; differentiation strategy; firm sustainability

1. Introduction

Small and medium enterprises (SMEs) play an important part in growth of every economy. The SME sector is considered as the backbone of Asian economies [1,2]. In Malaysia, 98.5% of organizations are SMEs and this sector contributed to 36.6% of the gross domestic product in 2016 [3]. The performance of SMEs is shown in Figure 1. Literature reveals that SMEs play a significant role, but researchers ignore this in management accounting [4]. Research in the field of SMEs has increased, but still lacks a rational research body and results are fragmented [5]. Prior researchers concluded that only a few studies have attempted to summarize as well as map the area of SMEs with existing knowledge [6]. In this study, the researchers consider management control in the area of SMEs.

A few studies use performance measurement systems (PMS) in the area of SMEs [1,7]. Moreover, some studies determined the influence of management control systems (MCSs) in isolation in the context of SMEs and revealed that the research findings are fragmented [8–10]. MCSs in isolation have widely been used in large organizations and less attention has been paid in respect to small organizations [11,12]. MCSs are considered an important and essential part in supporting the improvement of management effectiveness in SMEs [6,13]. SMEs may receive an advantage by using sophisticated MCS [1]. Literature reveals that prior researchers have focused on MCSs in isolation in developed nations but scant attention has been given to MCS package to determine business success or sustainability in developing nations [14–17]. The findings of these studies do not give the same results to developing nations since system theory concludes that various nations have different business systems and the results of developed nations cannot be applied to emerging nations without further validation [18]. A recent study recommended that an MCS package is required to determine the business success of organizations in emerging economies [19], yet less attention has been paid in the area of MCS packages in terms of SMEs; therefore this study will focus on precisely that [20].

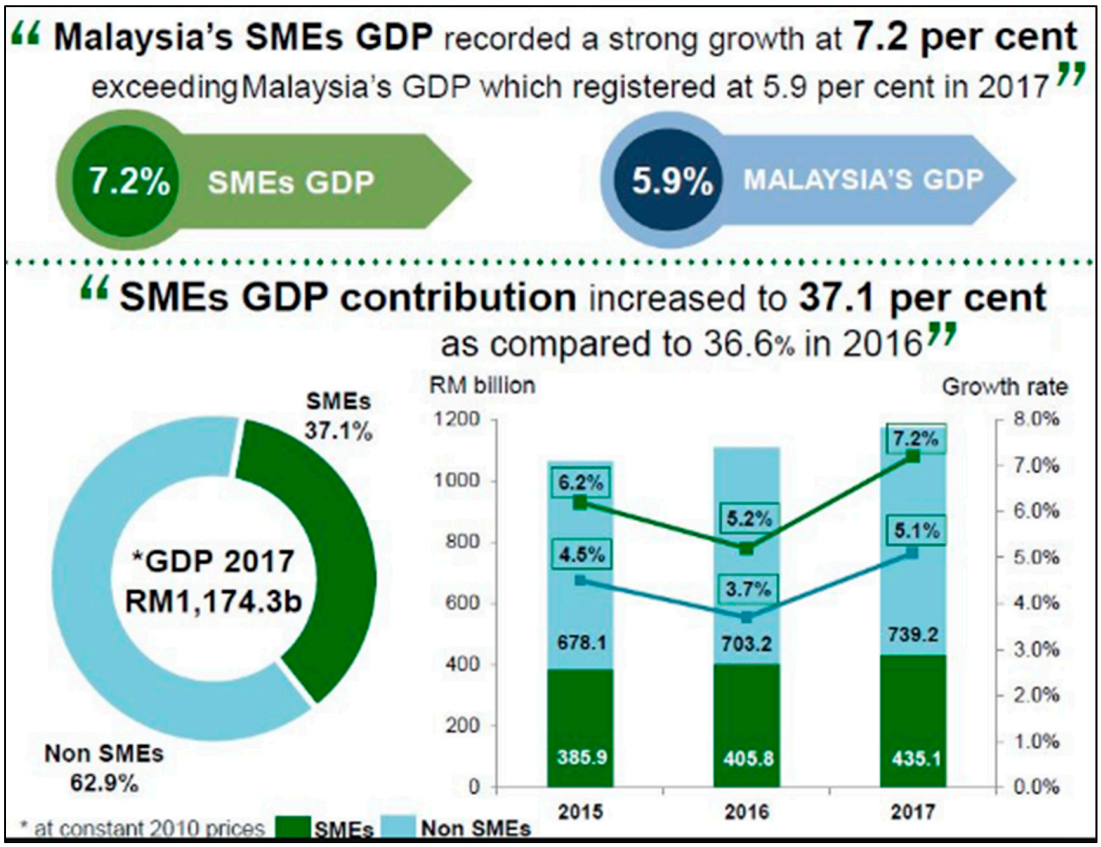

Figure 1. Malaysian small and medium enterprise (SME) performance in 2017. GDP = gross domestic product. Source: Statistics [21].

In the modern marketplace and surroundings, survival, growth, constancy, and sustainability are required to maintain businesses [16,22]. Organizations have attempted to generate, implement, utilize, sustain, and develop their precious strategies as well as techniques for achieving competitive advantage [16,23]. Excellent information and resources can facilitate organizations to achieve a sustainable advantage [19,24]. There is a need to focus on strategic management accounting (SMA) to improve organization performance and increase sustainable advantage [19,25]. An MCS is a strategic management technique that facilitates organizations to perform well in the existing market [19]. Organizations with a well-organized MCS can successfully regulate themselves to respond to upcoming conditions and circumstances [16]. Therefore, organizations that focus on MCS packages fulfill the

customer and market necessities, attain sustainable advantages, competencies, and enhance business performance [19,26–28].

Barney and Arikan [29] reveal that the resource-based view (RBV) theory ignores both cost leadership and differentiation strategy in measuring long-term sustained competitive advantage. Organizations that desire to attain sustained competitive advantage should pay attention to business strategies like differentiation and cost leadership strategies as these facilitate organizations to receive benefits in the existing market and attain sustained advantages [30,31]. Malaysian SMEs face issues about MCSs and business strategies that have a significant influence on a successful business [32,33]. This is pioneer research that determines a firm's sustainability through MCS packages, cost leadership, and differentiation strategy. This research has developed a theoretical model by using the RBV theory.

Additionally, motivation of this study is based on the literature gap. In rare cases, previous studies have considered the influence of MCS package on a firm's sustainability. Yet most of the studies have paid less attention to examining the influence of an MCS package with business strategies. Therefore, the current research fills this gap: business strategies including cost leadership strategies as well as differentiation strategies are used as mediating variables between MCS packages and a firm's sustainability with help of the RBV theory, something which has not been considered in recent studies.

2. Literature Review and Hypothesis Development

SMEs have been widely acknowledged as the springboard for sustaining economic growth [34,35] since they make significant contributions to economic growth [36]. SMEs are expected to play the role of entrepreneurial improvement. Consequently, they serve as a promoter of economic delivery as well as national development. Numerous micro and other smaller businesses have also included them in an unorganized way of business [37,38]. In the industrial growth of a country, the significance of this SME sector cannot be neglected.

The SME industry is the most important industry in any country [39–42]. This industry has significant importance for the economy of every country. It has a significant role in economic development and gross domestic product [43–47]. Therefore, SMEs are the major element of the economy. It has a positive effect on economic growth and increases the gross domestic product.

SMEs located in Malaysia are struggling with different problems related to technology as well as performance [48–51]. Due to performance problems, these SMEs are powerless to achieve performance in an effective way, which influences the overall performance of SMEs. Reduction in performance of the SME industry negatively affects the influence of SMEs in the economic growth of the country since SMEs are the backbone of the economy in numerous countries. Mostly Malaysian SMEs have made important contributions to the economy [52,53], as shown in Figure 2. Thus, it is significant to present numerous strategies or models for sustainable business performance. Performance is one of the most complex procedures, thus, it needs a complete strategy to be handled properly.

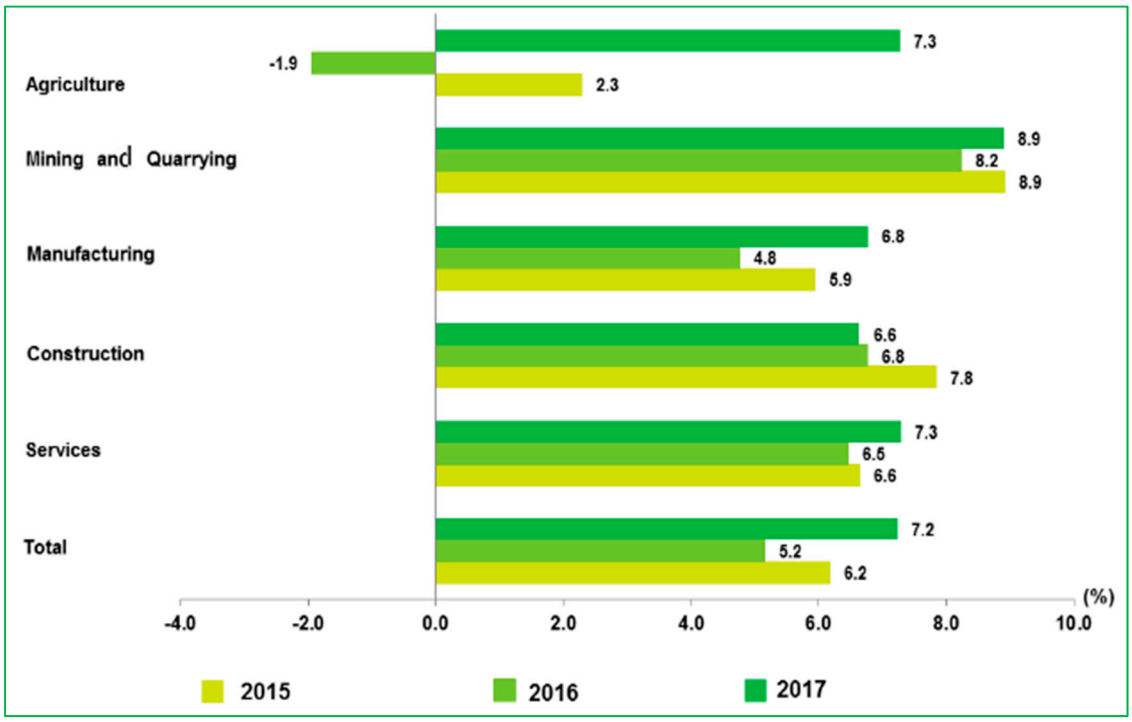

Figure 2. Growth of SMEs GDP by type of economic activity for 2015–2017. Source: Statistics [54].

Performance is one of the most important elements of a sustainable business [55–58]. A sustainable business has the important role of increasing profit and achieving the ultimate objective. Sustainable performance also has a significant role in the business of SMEs [59–62]. The present environment of changing and competitive businesses has widely stressed that measuring firm performance is vital while assessing successful organizational strategies [63]. It is not possible to improve a business unit without first calculating its existing situation. Nonetheless, regardless of the extensive studies carried out in previous literature about firm performance, no worldwide consensus has been carried out by scholars on the way it should be defined. To shed light on this important term, the studies of Antony and Bhattacharyya [64,65] designated firm performance as the measure applied for the assessment of an organization to advance value as well as deliver it to its clients (external and internal), which leads to customer satisfaction, and customer satisfaction makes a significant contribution in performance [66–70]. According to Olusola [71], performance is the capability to measure the level of achievement of a business organization.

Devi and Kamyabi [72] described that performance is the dimension of financial capability of an organization such as profit level, investment level with sales growth. Performance is the consequence of adapting the right management procedure. Devi and Kamyabi [72] also postulated that firm performance can be measured with the help of various criteria, including effectiveness, growth, efficiency, and productivity. Organization effectiveness can be used to evaluate operation, finance, and behavioral levels, and Gharakhani and Mousakhani [73] explained that performance functions as the capability of a firm to create a satisfactory outcome. Therefore, firm performance is a vital issue in business actions, and requires adequate planning and commitment.

According to previous studies, firm performance can be evaluated with the help of financial and nonfinancial measures. As stated earlier, the dynamic business environment with a multifaceted marketplace has required firms to go outside the traditional measurement classification which has only one measurement and a narrow emphasis on being capable of measuring all the operational features and market issues. Consequently, numerous researchers are assessing the current measures alongside designing new ones. Consistent with that, Johannessen and Olsen [74] have studied the literature assessing the effectiveness of financial measures in determining firm performance. Grounded on that,

numerous limitations have been acknowledged. First of all, financial measures of firm performance are vulnerable to the technique of variance and might be deceptive since they may be affected by industry-related elements. On the other hand, because of the likelihood of management of financial measures, they do not signify real firm performance. Thirdly, financial measures can only influence previous performance, and may be confused while applying this to forecast future performance. Fourth, financial measures of firm performance appear to be stable and do not imitate new goals sine they cannot recognize the present issues associated with firm performance. Lastly, financial measures of firm performance lack strategic attention and instead focus on short-term financial measures which results in a wide gap between developed strategies as well as their implementation.

2.1. MCS as a Package (MCSP)

The MCS is a significant element of SMEs; it facilitates in measuring organization performance and sustained competitive advantage [16,19]. The MCS is defined as "a formal, informal based routine, and the procedures that the firm's management considered in the decision making to sustain patterns in the firm's activities" [75]. An MCS package consists of five controls—planning, cultural, cybernetic, rewards and compensation, and administrative [20]. It is not easy to build an MCS because various factors effect this system, as is shown in Figure 3. The idea of MCS package has existed for roughly four decades [76], and the literature frequently refers to the MCS package in determining business success [19,77]. Despite this, some studies empirically study the MCS package [26,78]. A researcher revealed that firms carry out their activities in a highly competitive market and face various issues about the MCS package that reduces business performance [19].

Much like SMEs and large organizations, planning controls consist of two dimensions— short-term and long-term [19]. Literature reveals that the planning control helps in directing workers behavior, and is significant in examining business performance [19,20]. Furthermore, researchers have concluded that the planning control cannot be ignored in examining business performance [19,79]. The cultural control consists of clans culture, value-based culture, and symbol-based culture [19,20]. The cybernetic control facilitates in achieving long-term business success [19,32]. The rewards and compensation control refers to a system that motivates individuals as well as a groups of workers in increasing overall performance [80]. According to Rehman and Mohamed [27], the rewards and compensation control consists of intrinsic and extrinsic rewards. Literature has elucidated that there is a need to focus on both extrinsic and intrinsic rewards to enhance workers' and firm's performance [19]. The administrative control refers to a system that firms use to direction management behavior in achieving particular goals [81].

The RBV theory identifies that a firm's sustainability or success is primarily determined by its internal resources. The firm resources are categorized as assets or capabilities. Resources are the key to the success of organizations [29]. The assets of the organization can be tangible or intangible. On the other hand, capabilities are only based on intangible accumulated skills as well as valuable knowledge. Furthermore, capital equipment, knowledge, and skills of employees, brand names, and a firm's reputation, are the resources of a firm. According to the instructions of the RBV, these resources are essential to achieve success in a business, which in turn leads to a firm's sustainability.

The RBV identifies that the key factors in determining the sustainable competitive advantage for an organization are its resources. Organizations need to generate, implement, utilize, sustain, and develop their strategies to achieve a competitive advantage [16,23], which is based on resources. These rare, valuable, as well as intangible strategic resources are the engine for attaining and maintaining a competitive advantage that leads to a firm's sustainability. Due to these unique resources, a firm becomes proficient enough for creating and delivering innovative as well as high-quality products and services. Further, the RBV emphases the match between organizational capabilities as well as opportunities those are accessible. This clarifies that failure for blind imitation of a firm's strategies becomes true when there is a mismatch between organizational capabilities and available opportunities.

Figure 3. Factors affecting management control system (MCS). Source: Lundell and Forzelius [82].

The framework of the current study is well supported by the RBV (Figure 4). In line with the RBV, a well-managed MCS helps to generate competitive advantage and increases the firm's sustainability. As revealed by previous studies, the MCS is one of the most important elements in the SME business and positively effects organization performance and competitive advantage [16,19].

Business strategies (cost leadership, differentiation strategy) can be significantly attained by incorporating all levels of control in an MCS [83]. Furthermore, the MCS is a facilitating system in the implementation of business strategies, that is employed to support workers involved in the management process to accomplish organizational goals [84]. MCS has a significant influence on business strategies and vice versa [85]. Until now, various studies have examined the influence of business strategy on MCS, and less attention has been paid to see the influence of the MCS on business strategies [86,87]. However, this study examines the influence of the MCS package on business strategies (cost leadership and differentiation strategy). This research proposes the following hypotheses:

H1: MCS package has a positive influence on a firm's sustainability.

H2: MCS package has a positive influence on differentiation strategy.

H3: MCS package has a positive influence on cost leadership strategy.

2.2. Business Strategies

Business strategy is an important resource for an organization in attaining sustainable competitive advantage. These business strategies play a key role in any business activity [88–92]. A study revealed that providing valuable resources required to build capabilities that enhance a firm's performance is the way to ensure a sustainable advantage [93]. The existing literature between MCS and business strategies is limited, which provides substantial evidence that additional studies are needed [87,94]. The research confirmation on the association between MCS and the business strategies are fragmented,

and sometimes conflict as a business strategy because it is operationalized differently as well as calculated in various ways in contingency studies [25,95]. There is a relationship between MCS and business strategies [96–98] which positively affect business sustainability and increase firm performance. Business strategies consist of three dimensions—cost leadership, focus, and differentiation strategy [99]. Cost leadership and differentiation strategy are the most dominant strategies used in MCS research [95]. Even though broad focus strategy is a part of Porter strategy typology, the study concludes that focus strategy is not explicitly a firm's strategy [95]. Literature reveals that business strategy plays a significantly vital role in determining sustained business performance [100,101]. Sirmon and Hitt [30] recommended that business strategy can explain the association between resources and sustained business performance. This research proposes the following hypotheses:

H4: Differentiation strategy has a positive influence on a firm's sustainability.

H5: Cost leadership strategy has a positive influence on a firm's sustainability.

2.3. MCS Package, Business Strategies, and Firm Sustainability

A few past studies elucidated that MCS has significantly and positively influenced firms' sustainability [16,102]. On the other hand, there are a few studies which revealed that MCS has a significant and weaker association with business sustained performance [103]. Therefore, the above-mentioned studies demonstrate that findings between MCS and a firm's sustainability in terms of performance are inconclusive; so, there is a need to further investigate this relationship with the help of another variable. In this study, business strategies were used as a mediating variable between the MCS package and firm's sustainability. This research also proposes the following hypotheses:

H6: Differentiation strategy significantly mediates between MCS package and the firm's sustainability.

H7: Cost leadership significantly mediates between MCS package and the firm's sustainability.

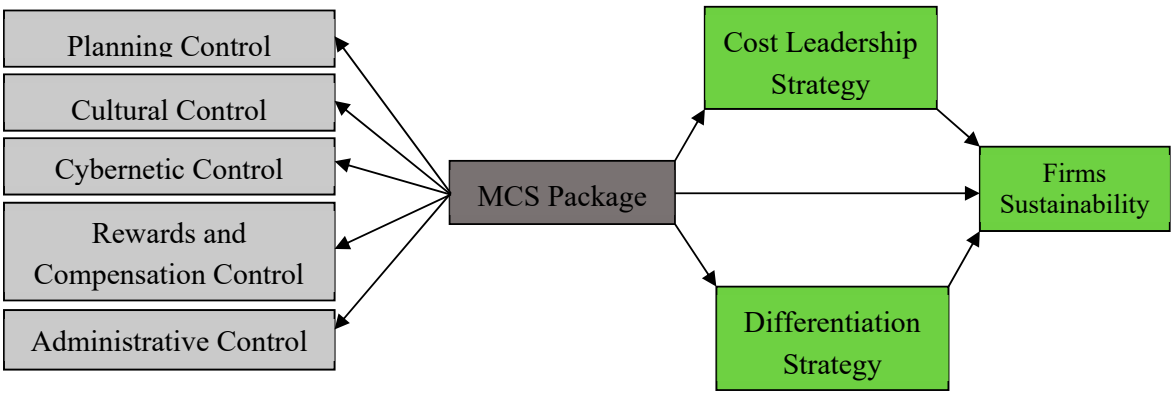

Figure 4. Theoretical framework.

3. Methodology

The research methodology is considered as the most important portion of any research in examining research objectives [19]. Moreover, researchers pay much attention to the research methodology, since it examines the aim of any research [19]. Researchers conclude that there is a need to decide an appropriate analysis technique according to the research problem [19]. Therefore, in this research to see the nature, problem, and research objectives, the authors employed a cross-sectional design and quantitative technique in collecting data.

3.1. Research Questionnaire

The theoretical framework of the present study consists of four constructs; all the constructs were measured with the help of various items that were adapted from earlier studies since the validity and

reliability of items have been well established. The authors used the five point Likert scale which has a range from 1 (strongly disagree) to 5 (strongly agree). The cultural control consists of 16 items adapted from Sampe [104]. The planning control consists of 13 items, rewards and compensation consists of 6 items, and cybernetic control consists of 8 items adapted from Hanzlick and Brühl [105]. The administrative control consists of 9 items adapted from Ramamurthy [106]; the differentiation strategy includes 4 items, cost leadership strategy includes of 6 items adapted from Narver and Slater [107], and a firm's sustainability consists of 4 items adapted from [16].

3.2. Population and Sampling

This study chose managers for data collection from SMEs in Malaysia. According to the Malaysian public wesbite, ther are 907,065 SMEs in Malaysia [3]. SMEs are categorized into five major categories which includes construction, agriculture, services, manufacturing, and mining and quarrying. A total of 800 questionnaires was circulated to the managers of SMEs. Area cluster sampling is more suitable for those studies that have a population spread in a wide geographical area [108]; therefore in this research, area cluster sampling was used since the number of SMEs in Malaysia is spread in a wide range. For cluster sampling, a few steps should be followed: first make clusters and then randomly select a few of the significant clusters as recommended [108]. Clusters were made on the basis of states, and one state equals one cluster. There is a total of 16 states in Malaysia, as shown in Table 1, and every state is considered as one cluster. Seven clusters were randomly selected—Selangor, Johor, Kuala Lumpur, Sabah, Penang, Sarawak, and Perak—because these seven states cover 73.9% of SMEs. There are a few advantages of the area cluster sampling technique [108]. For instance, this technique minimizes the cost of data collection as it covers a major portion of a population. Second, this technique is the most appropriate when the population is spread in a wide area. Third, it covers the benefits of simple random and stratified random sampling.

Table 1. SMEs in Malaysian states.

States	%Age	States	%Age	States	%Age	States	%Age
Selangor	19.8	Penang	7.4	Kelantan	5.1	Terengganu	3.2
Kuala Lumpur	14.7	Sarawak	6.7	Pahang	4.1	Perlis	0.8
Johor	10.8	Sabah	6.2	Negeri Sembilan	3.6	Labuan	0.3
Perak	8.3	Kedah	5.4	Malacca	3.5	Putrajaya	0.1

3.3. Sample Size

According to the study of Comrey and Lee [109], sample size lower than 50 is deemed as weaker, within 51 to 100 is considered as weak, between 100 to 200 is deemed as adequate sample size, within 201 to 300 is considered as good, 301 to 500 is deemed as very good, higher than 500 is as considered very good, and more than 1000 is considered as excellent. Total of 800 questionnaires was distributed to managers of SMEs, and out of 800 questionnaires, only 408 questionnaires returned, and 24 questionnaires excluded because of misleading and missing questionnaires. Therefore, a total of 384 questionnaires were used for final analysis.

3.4. Statistical Analysis Results

The current research used partial least square scanning electron microscopy (PLS-SEM) to examine the theoretical model because literature elucidated that the PLS technique is more capable of handling simple and complex models [110,111]. Additionally, PLS-SEM is more significant in its estimation to establish construct validities than covariance-based scanning electron microscopy (CB-SEM) [111]. There is a need to run measurements and a structural model.

3.4.1. Measurement Model (Outer Model)

A measurement model was used to examine the reliability and validity. Convergent and discriminant validity was also computed to estimate the outer or measurement model [112]. To examine the reliability, factor loading of all the items was examined. Composite reliability and Cronbach's alpha were considered above 0.7 for all constructs. The average variance extracted was used to examine convergent validity. Average variance extracted (AVE) above 0.5 for all constructs confirms the convergent validity. For the current study, all things meet the standard criterion as recognized by various prior researchers (Figure 5; Tables 2 and 3).

Convergent Validity

Convergent validity refers to a situation where items of all variables efficiently reflect their related factors [113]. Three things should be calculated in determining convergent validity—average variance extracted (AVE), composite reliability (CR), and factor loadings [111]. Factor loadings of every item must be greater than 0.50, and all the items that have factor loadings lesser than 0.50 must be removed [114].

Table 2. Convergent validity.

First-Order Constructs	Second-Order Constructs	Items	Factor Loadings	AVE	CR	R^2	Cronbach's Alpha
Planning		PC1	0.808	0.628	0.922		0.901
		PC11	0.789				
		PC13	0.793				
		PC3	0.806				
		PC5	0.85				
		PC6	0.799				
		PC8	0.694				
Cultural		CC1	0.808	0.613	0.904		0.873
		CC11	0.813				
		CC15	0.691				
		CC3	0.85				
		CC5	0.823				
		CC7	0.7				
Cybernetic		CBC1	0.747	0.554	0.896		0.866
		CBC2	0.84				
		CBC3	0.85				
		CBC4	0.673				
		CBC5	0.739				
		CBC6	0.692				
		CBC7	0.645				
Rewards and Compensation		RC1	0.653	0.596	0.853		0.767
		RC3	0.855				
		RC4	0.862				
		RC6	0.694				
Administrative		ADC1	0.846	0.704	0.922		0.893
		ADC2	0.895				
		ADC5	0.895				
		ADC6	0.785				
		ADC8	0.764				
	MCS package	Planning	0.808	0.631	0.894		0.943
		Cultural	0.852				
		Cybernetic	0.851				
		Rewards and Compensation	0.743				
		Administrative	0.708				

Table 2. *Cont.*

First-Order Constructs	Second-Order Constructs	Items	Factor Loadings	AVE	CR	R^2	Cronbach's Alpha
Cost Leadership		CL1	0.824	0.708	0.906	0.091	0.862
		CL2	0.842				
		CL4	0.854				
		CL5	0.845				
Differentiation Strategy		DF1	0.918	0.509	0.799	0.017	0.764
		DF2	0.521				
		DF3	0.684				
		DF4	0.674				
Firms Sustainability		FS1	0.866	0.634	0.896	0.482	0.858
		FS2	0.711				
		FS3	0.811				
		FS4	0.83				
		FS5	0.754				

Meanwhile, a researcher revealed that the values of AVE, CR, and factor loadings must be greater than 0.50, 0.80, and 0.50, respectively [115]. Cronbach's alpha must be higher than 0.6 [116]. Hence, Table 2 fulfills the requirements as mentioned above.

Discriminant Validity

Discriminant validity was computed by performing two methods: first, the square roots of the constructs' AVE were taken and later this square root was compared with the correlations of other constructs of a theoretical framework; second, the AVE was compared with the squared correlations [117,118]. In this study, the first method was followed to determine to discriminate validity. According to Fornell and Larcker [117], diagonal values of all the variables should be higher than others in similar rows and columns. Therefore, Table 3 shows that this research fulfills the criterion of discriminant validity.

Table 3. Discriminant validity.

Variables	MCSP	CL	DF	FS
Management control system package (MCSP)	**0.794**			
Cost leadership (CL)	0.302	**0.841**		
Differentiation strategy (DS)	0.130	0.482	**0.714**	
Firm stability (FS)	0.482	0.453	0.546	**0.796**

3.4.2. The Structural Model and Hypotheses Testing

After computing the measurement model, the next stage is to calculate the previously developed hypotheses by running a PLS algorithm and bootstrapping technique in SmartPLS 3.2.8. In the structural model assessment, the path coefficient and t-value were considered. The minimum level of t-value 1.96 was considered. Relationship having a t-value equal to or above 1.96 were considered as supported, however, the hypotheses relationship having a t-value below 1.96 was considered as not supported. Beta value was considered to examine the direction of the relationship. As shown in Figure 6 and Table 4, a total of seven hypotheses includes five direct and two indirect/mediating hypotheses.

MCSP, management control system package; CL= cost leadership; DF = differentiation strategy; FS = firm sustainability.

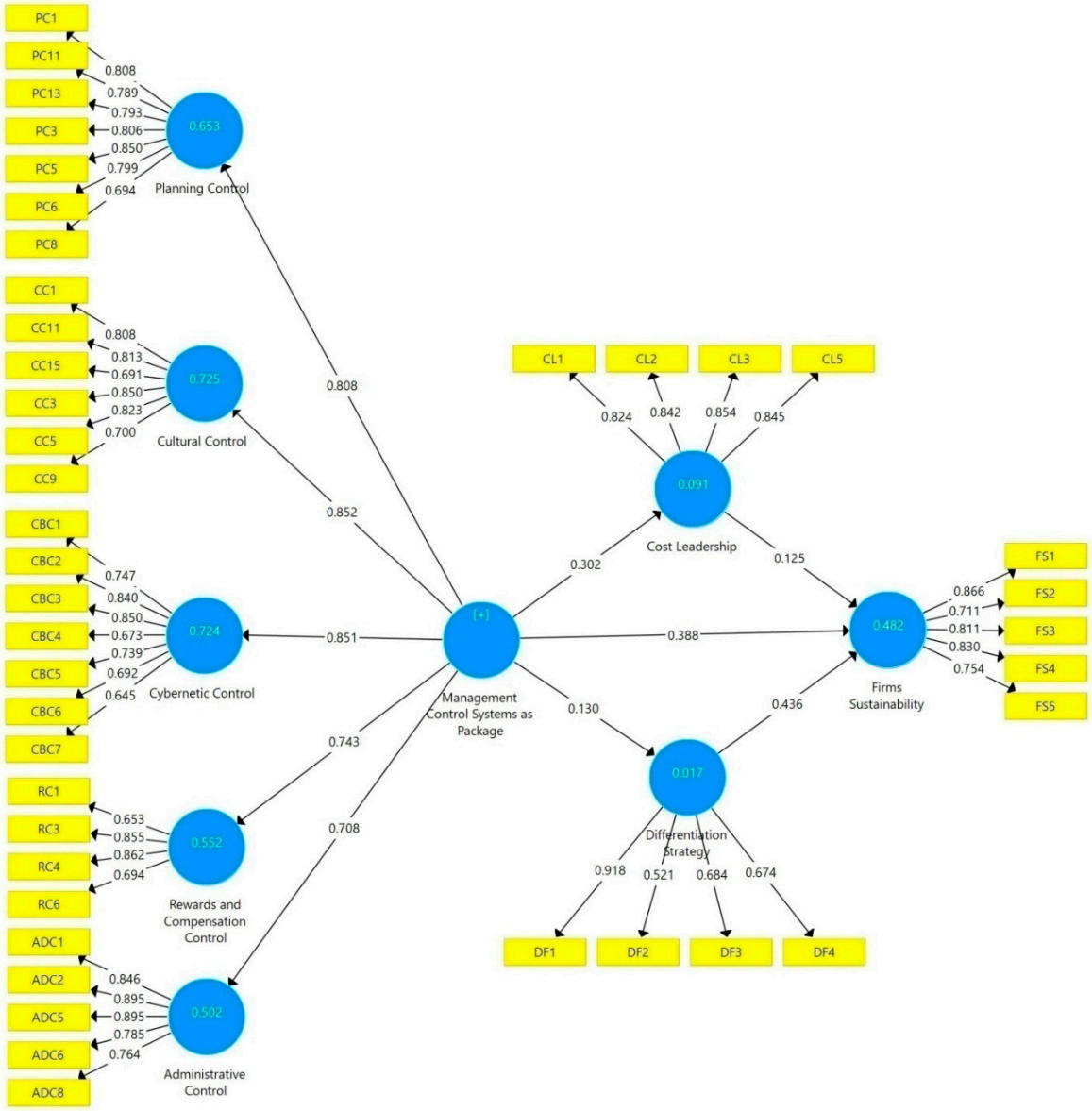

Figure 5. Measurement model.

Table 4. Hypotheses testing (direct).

Hypotheses	Paths	Original Sample	Sample Mean	Std. Dev.	t-Values	*p*-Values	Results
H1	MCSP –> FS	0.388	0.384	0.040	9.718	0.000	Accepted
H2	MCSP –> DF	0.130	0.134	0.064	2.025	0.021	Accepted
H3	MCSP –> CL	0.302	0.301	0.061	4.975	0.000	Accepted
H4	DF –> FS	0.436	0.442	0.062	7.078	0.000	Accepted
H5	CL –> FS	0.125	0.127	0.058	2.149	0.016	Accepted

Table 4 demonstrates that all hypotheses support direct and indirect effect. For instance, MCS package has a significantly positive influence on a firm's sustainability as beta = 0.388, t-value = 9.718, and *p*-value < 0.05; H1 is supported. The MCS package has an increasing influence on differentiation strategy as beta = 0.130, t-value = 2.025, and *p*-value < 0.05; this supports H2. The MCS package has significantly and positively influenced cost leadership as beta = 0.302, t-value = 4.975, and *p*-value < 0.05; this supports H3. Differentiation strategy significantly enhanced a firm's sustainability and

supports H4 as beta = 0.436, t-value = 7.078, and *p*-value < 0.05. Cost leadership has also significantly improved a firm's sustainability as beta = 0.125, t-value = 2.149, and *p*-value < 0.05; this supports H5.

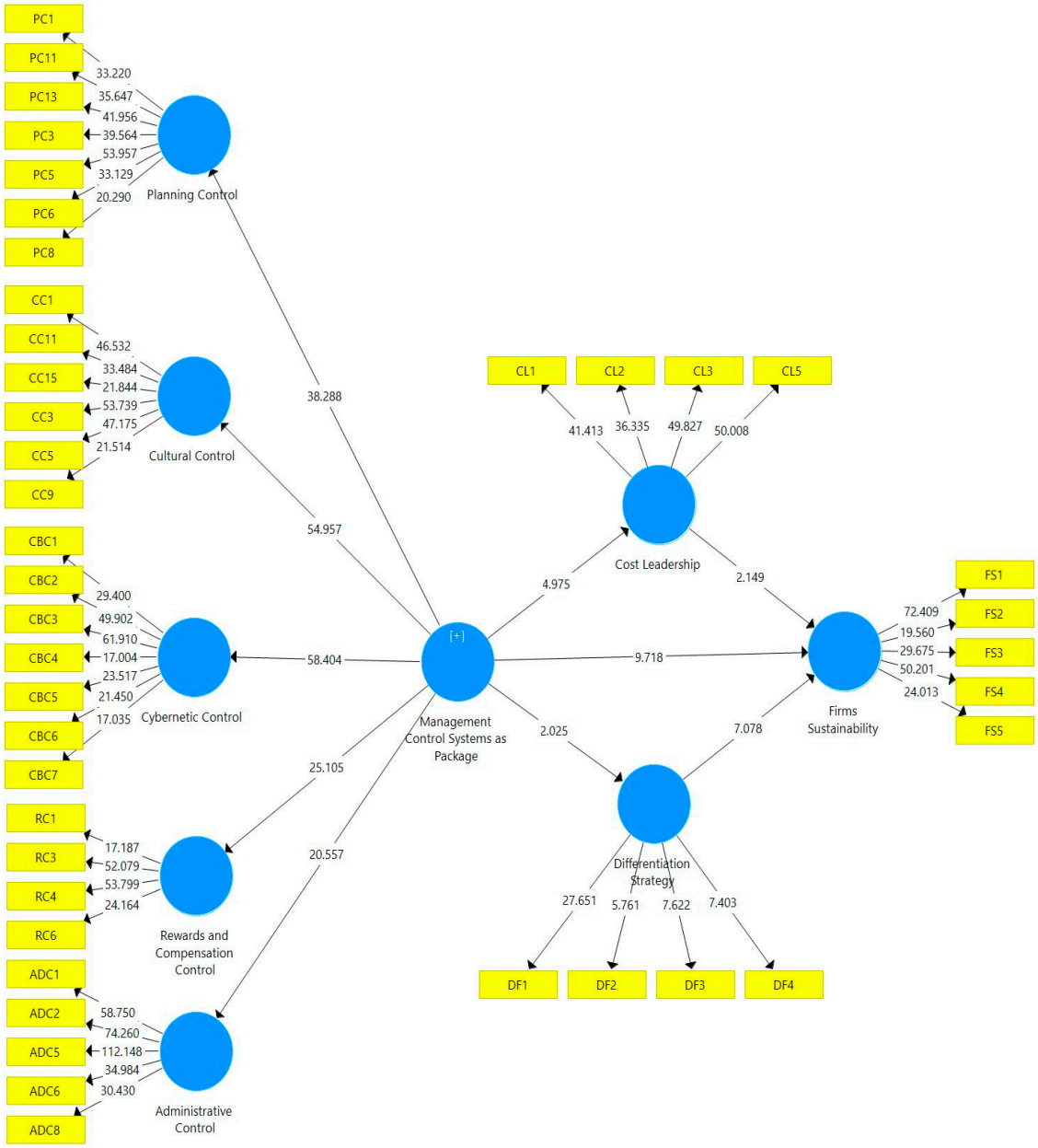

Figure 6. Structural model.

3.5. Mediation Analysis (Indirect Relationship)

According to Memon and Cheah [119], the major consideration of mediation depends on a situation that there must be a significant association between exogenous constructs and an endogenous construct with the help of a mediator. In this study, the authors follow the approach of Preacher and Hayes [120,121] for mediating analysis. Extensively, a bias-corrected bootstrapping approach is considered as a significant method to identify the mediation [119]. This study follows the bootstrapping technique since past researchers argue that the bootstrapping method is better than Baron and Kenny's [122] conventional approach [123,124].

Table 5 demonstrates the following results. Differentiation strategy significantly mediates between MCS package and a firm's sustainability as beta = 0.057, t-value = 1.891, and *p*-value < 0.05. Thus, H6

is supported. Cost leadership significantly mediates between MCS package and a firm's sustainability as beta = 0.038, t-value = 1.962, and p-value < 0.05; H7 is supported.

Table 5. Hypotheses testing indirect).

Hypotheses	Paths	Original Sample	Sample Mean	Std. Dev.	t-Values	p-Values	Results
H6	MCSP-> DF-> FS	0.057	0.059	0.030	1.891	0.029	Accepted
H7	MCSP-> CL-> FS	0.038	0.038	0.019	1.962	0.025	Accepted

3.6. The Predictive Relevance of the Theoretical Model

This research has computed R^2 and Q^2 to determine the predictive relevance of the theoretical model. R^2 means the variance is explained by all exogenous variables. Table 5 demonstrates that cost leadership, differentiation, and the firm's sustainability are explained due to their exogenous variables 9.1%, 1.7%, and 48.2%, respectively. According to Cohen [125], R^2 between 0.02 and 013 is deemed as weak, between 0.13 and 0.26 is deemed as moderated, and higher than 0.26 is deemed as substantial. In the current research, cost leadership and differentiation strategy R^2 is deemed as weak, and the firm's sustainability R^2 is substantial. Cross-validated redundancy (Q^2) has been computed in SmartPLS 3.2.8 by using the blindfolding technique. The literature concludes that Q^2 values should be higher than zero, as recommended [126].

Table 6 elucidates that the above-mentioned criterion for Q^2 is met. Q^2 of cost leadership, differentiation strategy, and the firm's sustainability are 0.060, 0.002, and 0.273, respectively.

Table 6. The predictive relevance of study model and cross-validated redundancy.

Total	R^2	SSO	SSE	Q^2(= 1–SSE/SSO)
Cost leadership	0.091	1536.000	1443.221	0.060
Differentiation strategy	0.017	1536.000	1532.626	0.002
Firm sustainability	0.482	1920.000	1396.124	0.273

4. Discussion

The aim of this study was to examine the impact of MCS package on a firm's sustainability with the mediating role of cost leadership strategies and differentiation strategy in Malaysian SMEs. The findings elucidate that MCS package has a significant impact on the firm's sustainability. The results are matched with [127] that MCS significantly enhances sustained competitive advantage and attains enhanced performance. Additionally, these results are also supported by previous studies as the MCS helps with the implementation of business strategies that are employed to support workers involved in various processes of management to accomplish organizational goals [84], and it shows significant influence on business strategies [85].

Moreover, the MCS package has a significant impact on both differentiation and cost leadership strategies, and supports H2 and H3. This study is significant because it highlights the impact of the MCS package on business strategies. These results are consistent with the literature. It has been revealed by various studies that MCS is a significant element of the SME business, which facilitates sustained competitive advantage [16,19] that can be attained through differentiation strategy and cost leadership strategy. MCS also plays a significant role in differentiation strategy and cost leadership strategy because it is based on various procedures that the firm's management consider in the decision-making process to sustain patterns in the firm's activities [75]. It shows a positive effect on differentiation strategy and cost leadership strategy because it consists of the five controls of planning, cultural, cybernetic, rewards and compensation, and administrative [20].

Meanwhile, differentiation and cost leadership strategies have a significant impact on a firm's sustainability and support H4 and H5. Literature reveals that business strategy is important in

measuring sustained business performance [100,101]. Moreover, the differentiation strategy and cost leadership strategy significantly mediate between MCS package and firm's sustainability. Hence, H6 and H7 are supported. This is a pioneer study that examines the mediating effect of business strategies (differentiation and cost leadership) between the MCS package and the firm's sustainability. This study used the RBV theory to design a theoretical model. Therefore, the findings of the current research align with the RBV, and firms' resources significantly improve their sustainability.

5. Conclusions

This study reveals that the MCS package has a significant positive effect on a firm's sustainability, cost leadership, and differentiation strategy. It also found that cost leadership as well as differentiation strategies have a significant positive effect on a firm's sustainability. Moreover, cost leadership strategies and differentiation strategies significantly mediate the relationship between the MCS package and a firm's sustainability. This research assesses MCS package effect through cost leadership and differentiation strategy on a firm's sustainability of Malaysian SMEs. These results make quite a significant theoretical and practical contribution, and are highlighted below.

5.1. Theoretical Contribution

This research has made a few of the theoretical implications that follow: This research contributes to the body of literature by determining a firm's sustainability with the help of MCS package because this is a pioneer study which foresees the influence of the MCS package on a firm's sustainability. Moreover, researchers from the reviewed literature have paid less attention to the influence of MCS package with business strategies and this study fills that gap. In addition, both business strategies such as cost leadership strategy and differentiation strategy have been used as mediating variables between the MCS package and a firm's sustainability with the help of the RBV theory; this method has been ignored in prior studies. Furthermore, the RBV theory ignores business strategies, and this study has used business strategies that give good results in terms of enhancement of a firm's sustainability.

5.2. Practical Contribution

The findings of this research provide some practical contributions to SME management. This research recommends that top management in SMEs pay more attention to the MCS package in determining a firm's sustainability. MCS package is considered as the most important asset for firms that covers the five controls of planning, cultural, cybernetic, rewards and compensations, and administrative control. Thus, it plays a valuable role in organizational success and long-term sustainability in the existing market. The current research highlights the importance of MCS package. This research also practically contributes in terms of giving evidence to top management that business strategies play a crucial role in attaining sustained competitive advantage. This study highlights that top management can achieve superior performance by reducing their production cost and get an advantage in terms of product differentiation. Furthermore, the current research highlights that business strategies provide some fruitful results as business strategies strengthen the association between MCS package and a firm's sustainability.

6. Future Directions

As discussed earlier, the majority of the studies have conducted MCS levels of control, and in developed countries, researchers have ignored or paid less attention to MCS package. Therefore, in the future, researchers can see the competitive advantage of the MCS package for the future of the developing economies. Moreover, there is a need to add some mediating constructs like entrepreneurial competencies between MCS package and firm's sustainability in developed and developing nations. In addition, future research on MCS package should develop a framework by using resource orchestration theory to determine business performance.

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