



Factors Influencing the Success of Small Enterprises Incentral Bangkok

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Abstract

The important and objectives of this study is to (1) to develop paradigms of small enterprises' success or failure as measured by selected key performance indicators (KPIs); (2) to further identify and enhance our knowledge of what makes small enterprises successful; and (3) to apply second generation Structural Equation Modeling causal path analysis (Partial Least Squares) to modeling small enterprise performance.

Benefits of the study provided most useful to the management styles aspect for small enterprises. In this study, four main criteria were used in selecting businesses and respondents for inclusion: (1) all were small business enterprises in the central Bangkok districts of Bangsue and Phayathai; (2) all business owners were either sole proprietors or partnerships; (3) all had been established for minimum of three years; and (4) a sample size of 200 respondents was employees of these small enterprises selected from the total number.

The literature reviewed for this research covers the historical development of management theory and focuses on market orientation studies by Deshpande (1999), business process and strategic intelligence by Jaworski & Kohli (1993), Narver & Slater (1990) and the Perception and Preference Inventory Manual by Kostick (1977).

The methodology of this dissertation, as a study taking into accounts both qualitative and quantitative data, has discovered innovative issues in management styles through the use of conventional empirical techniques. A rigorous methodology was employed ensure reliable and valid results. The pre-test stage began with brainstorming and personal interview sessions with potential respondents to develop a questionnaire for use in the final stages of data-gathering. A total of 200 employees were asked to complete the questionnaire as well as to participate in personal interviews. The raw data obtained from this field survey was analyzed using the statistical methods of exploratory factor analysis (EFA), confirmatory factor analysis (CFA), multiple regression and Partial Least Squares (PLS) to obtain the final results. Qualitative data obtained from the field survey was considered along with the statistical results in the final discussion of this dissertation.

Results of the study provided the main constructs (independent variables) of this research consist of market orientation, management styles preference, business process and strategic intelligence. The causal path findings of this dissertation serve to clarify the relationships between each construct, in addition to identifying the construct which contributes most to the success of small business enterprises. The results highlight the importance of management styles in successful business performance of small enterprises, which has implications for business planning and human resource management, thus this dissertation offers a method for determining the key contribution to the success of small enterprises and also to a better understanding of good business practices.

Keywords: success of small enterprises, key factors of success, characterize of entrepreneur

Introduction

Small Enterprises has been part of Thailand economic activities. There have been success and unsuccessful small enterprises in the local market. The important of having small

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enterprises remain as part the backbone of the country, studying on key factor(s) which contribute to the success of small enterprises should be of benefit to the current and new entrepreneurs or “Tao Kae” for local market.

Research Objectives

This study has three main objectives designed to contribute to the emerging body of experimental literature on the relationship between effectiveness of management styles and business performance namely:

1. To develop paradigms of the success or failure for small enterprises through selected key performance indicators (KPIs);
2. To identify and enhance knowledge of what makes small enterprises successful; and
3. To apply second generation Structural Equation Model causal path analysis (Partial Least Squares) to modeling small enterprise performance.

Research Hypotheses

The hypotheses of this study are as follows:

1. Market Orientation (MO) is one of the highest contributive factors in the success of small enterprises according to Deshpande, (1999), Jaworski & Kohli, (1993); and Narver & Slater, (1990).

H1 Market Orientation (MO) associates positively with financial performance.

H2 Market Orientation (MO) associates negatively with business process.

H3 Market Orientation (MO) associates positively with strategic intelligence.

H4 Market Orientation (MO) associates negatively with management styles preference.

2. Management Styles Preference or traits are one of the highest contributive factors in the success of small enterprises according to the Preference and Perception Inventory (PAPI) by Kostick, (1977).

H5 Management Styles Preference (MS) or traits associate positively with financial performance.

H6 Management Styles Preference (MS) or traits associate negatively with market orientation.



H7 Management Styles Preference (MS) or traits associate negatively with business process.

3. Business Process (BP) is one of the highest contributive factors in the success of small enterprises according to Jaworski, Sahay & Kohli, (2000)

H8 Business Process (BP) associates positively with financial performance.

H9 Business Process (BP) associates negatively with management styles preference.

H10 Business Process (BP) associates positively with strategic intelligence.

4. Strategic intelligence (ST) is one of the highest contributive factors in the success of small enterprises according to Slater & Narver, (1995) and Jaworski & Kohli, (1990).

H11 Strategic intelligence (ST) associates positively with financial performance.

H12 Strategic intelligence (ST) associates negatively with market orientation.

H13 Strategic intelligence (ST) associates negatively with management styles preference.

Literature Review

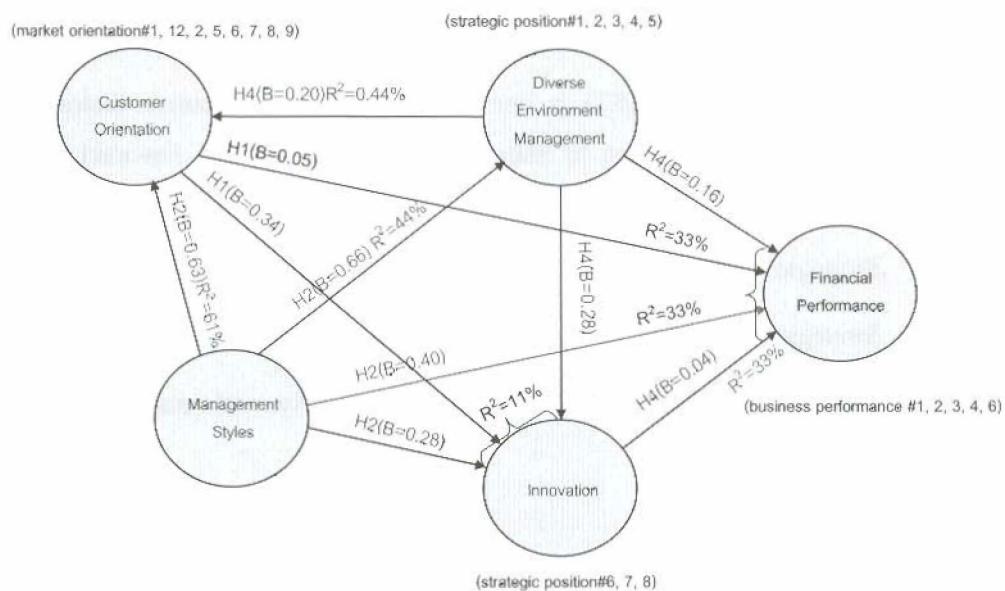
The literature reviewed for this dissertation covers the historical development of management theory and focuses on market orientation studies by Deshpande (1999), business process and strategic intelligence by Jaworski & Kohli (1993), Narver & Slater (1990) and the Perception and Preference Inventory Manual by Kostick (1977).

Literature review discovered essentially discusses each key constructs which also hypotheses of the study based on these scholars. Studies by Deshpande (1993, 1999), Jaworski & Kohli (1993) and Narver & Slater (1990, 1995), Kostick (1977) support the rationale for using several factors as explanatory roles in this study."



Methodology

Personal interviews with sample groups of 200 employees conducted as part of qualitative process. The questionnaire was the methodological tool. Statistical method including of exploratory, multiple regression, equation modeling and partial least square as part of quantitative.



How can entrepreneurs or any small enterprise owners improve business performance and increase their shop's value? This is a key question that most performance attempts to focuses academic research as an answer. Whilst there is no absolute answer, this study does offer several important insights for owners of small enterprises seeking to improve their business performance.

This study provides entrepreneurs or business owners with evidence that management style is the most important determinant in small enterprises performance across the several small industry sectors, and that positive business performance also leads to the development of increased business opportunities. Hence, entrepreneurs in small enterprises should not overlook the importance of their own management style and characteristics. It has discovered innovative issues in management style. Its main focus was to investigate the expectations of employers from an employee viewpoint. The study was conducted among a group of small enterprises in the central district of Bangkok.



This study also identified a number of characteristics of entrepreneurs that influence business performance. Entrepreneurs or employers can take specific action to expedite the attainment of the categories and types of Kostick's characteristics inventory which resulted in high factor loadings including: 1) "Energy Output" 2) "Work Adjustment" and 3) "Leadership".

The main conclusion of this study is that management style i.e., characteristics and traits as an individual based on Kostick's Perception and Preference Inventory, is the significant contributor to the success of small business enterprises. The implication is that entrepreneurs or employers must assume responsibility to recognize, address, and correct their own characteristics and personal traits.

The final outcome acknowledged significant characteristics of leader(s) or entrepreneur(s). The three characteristics with the highest factor scores from exploratory factor analysis and multiple regression were; "Energy Output", "Work Adjustment" and "Leadership". These three characteristics are components of the seven major areas of Kostick's inventory. These three main characteristics were identified during personal interviews, and further supported by statistical analysis. According to Kostick, the key areas can be also considered as differences in job requirements for administrators as opposed to industrial personnel. These three areas can also apply to managerial levels and above.

Entrepreneurs or employers must understand the importance of each characteristic in relation to their business performance and to the goals of the company. The above statements are drawn directly from the preference and perception inventory, which describes "Energy Output" characteristics or traits in terms of operational definitions. "Energy Output" includes 1) the need to personally finish a task, 2) role of a hard, intense worker, and 3) the need to achieve.

The operational definitions for "Work Adjustment" characteristics or traits, drawn directly from the inventory, include 1) theoretical type, 2) interest in working with details, and 3) organized type. The operational definitions of "Leadership" characteristics or traits include 1) leadership role, 2) The need to control others, and 3) ease in decision-making.

Key Findings

1. Market orientation is found to influence financial performance of small enterprises, as long as financial performance is measured subjectively or objectively as key performance indicators.
2. The relationship between the market orientation and strategic intelligence of entrepreneurs can influence each other as supported by Deshpande and Farley (1996).



The relationship between market orientation and management style of entrepreneurs can have a positive and significant influence on each other. Of all the constructs it is management style that has the greatest influence on the financial performance of small enterprises. Characteristics or traits have significant positive effects on business performance.

Management style and market orientation of entrepreneurs can have a strong influence on each other.

3. Strategic intelligence is found to influence the financial performance of small enterprises. However, the effect of management style on business performance is stronger.

4. The relationship between strategic intelligence and market orientation of entrepreneurs can have a positive and significant influence on each other.

5. Strategic intelligence and management style have a positive relationship and influence individual entrepreneurs.

6. There is no significant relationship between business process to market orientation, management style and strategic intelligence.

7. Business process on its own does not seem to be a necessary condition for organizational survival.

8. The strength of the relationship between market orientation, management style and strategic intelligence in small enterprises.

9. Business process is weaker than other constructs of the entrepreneurship structure.

10. Management style is the only construct which contributes and influences directly the financial performance of small enterprises.

Further analysis of the statistical results revealed that the greatest contributor to the success of small enterprises are the characteristics of business owners or entrepreneurs. This preference study concludes that business owners or entrepreneurs must have certain characteristics which benefit small enterprises, and that these characteristics apply both scientifically and psychologically. From the data obtained from group respondents, the researcher concludes that the 3 key areas which are necessary for a winning management style are 1) energy output; 2) work adjustment and 3) leadership skills.

The characteristics of individual business owners or entrepreneurs are the key factor in the success of small business enterprises. Market orientation, business process and strategic intelligence are only part of the formula for success. The results of this study



highlight how important it is to have the right characteristics and to understand the needs of the employees and others in the team, before considering the business environment, including knowledge of marketing orientation, business process and strategic intelligence. Entrepreneurs or employers must be aware that these areas can not be implemented without having the appropriate individual characteristics. Thus, in order to rapidly exploit opportunities arising from variability in the entrepreneurship, economic, and financial environment it is important for entrepreneurs or employers to implement and maintain desirable characteristics at all times.

Contributions to this study include:

1) Management styles modeling including market orientation, business process, management styles preference or a characteristics of business owner(s) and entrepreneur(s) based on the Perception and Preference Inventory's scale (PAPI) and strategic intelligence as factors or constructs of business performance structure and the effective management styles model;

2) Key Performance Indicators of small business enterprises. The key performance indicators used to measure business performance;

3) Role of each construct. The main constructs are the independent variables and key performance indicators or KPIs which are the dependent variables of the study. The relation and level of significance of each are identified by using exploratory factor analysis and multiple regressions;

4) Partial least squares (PLS) is conducted as a confirmatory statistic tool on the final results. The final model of this study defines the construct(s) which contribute most on the summaries associated with the success of business performance, providing the significance level of each construct. The final model with the key performance indicators (KPIs) concludes the main contribution to the study.

This study presented the efforts to bring together four important research streams: market orientation, management styles preference, business process and strategic intelligence. The four streams were considered as factors contributing to the success of small enterprise. This is a piece which identified the highest factor influencing success of small enterprises in Bangkok by focusing on 200 employees.

This study makes contributions to a body of knowledge in several areas. This is the first piece of research to study the relationship between market orientation, management styles preference, business process and strategic intelligence in a small enterprises in the Bangkok metropolis. The findings from this study confirm that individual characteristics or



traits of entrepreneurs are the most important determinant of a business organization and its performance in the small enterprises sector.

Other contribution is that this is the only study to date which focuses on employee's viewpoint evidence of the link between employers and their employees. The key performance indicators were both objective and subjective business performance factors. The researcher extends previous findings, mostly limited to employer's viewpoint and conducted in different areas of Thailand. Specifically the researcher finds that when the focus is on employees, knowledge and awareness of their business performance measurement was both subjective and objective. It's also involves forging a link between management style and the business performance of small enterprises. Scholars such as Levitt (1960); Kotler (1977); Drucker (2000); Porter (2007); and Cohen (2008) argue that the individual characteristic of entrepreneurs explains the superior performance of firms and why some firms survive and others perish. The findings of the study contradict that position. Previous empirical management research for small enterprises in different countries relied on market orientation and strategic intelligence. The researcher found no significant difference in the in-depth knowledge of market orientation, strategic intelligence and business process. There is no significant evidence that these factors directly contribute to company survival.

This study found that management style or the characteristics of an individual to be the construct contributes most to business success. By identifying and developing desirable characteristics, entrepreneurs should be able to work hard to foster a strong corporate climate. According to Kostick (1977) characteristics or traits of an individual should influence both self-perception and preference selection, most notably: 1) improve as a leader and quick decision-maker; 2) support others with consistency, control and influence others positively; 3) gain control of the environment; 4) gain information and time; 5) reduce one's personal exposure to risk; 6) develop significant attention to management functions, such as leadership, control, autonomy and delegation.

Future entrepreneurs in the market should pay close attention to their own self-perception or indicated preference, particularly to their own employees, staff, prospective customers and competitors, in order to increase a firm efficiency. Entrepreneurs who focus on themselves are able to identify alternatives and plan further out into the future with their visions. This study finds that this leads to improved performance, compared to less forward thinking individuals.

Management style is the foundation for how an individual handles the mechanism, the mind set or the way of thinking. Kostick's inventory can be used to predict an individual's impact on the organization or enterprise. This final conclusion of this study can



be summarized that the characteristics of individuals have direct influence and impact on human behavior. Desirable traits and characteristics can be developed to improve management in terms of functions such as leadership skills, control, autonomy and delegation (Kostick, 1977).

Entrepreneurs in small enterprises should recognize the impact of personal characteristics on their ability to manage a small team of employees, or risk losing competitive advantage over larger competitors with strong foundations and stable management teams. In general terms, small, family run businesses with minimal structure and strategic outlook are at a greater risk of failure if they are unable to make an efficient use of assets, measured by the ratio, sales divided by total assets, with the self perception and preference indicated characteristics.



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