Causal Relationships of Influencing Factors on the Performance of Small and Medium Enterprises (SMEs) in Thailand

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Abstract

This research aimed to examine the causal relationships among factors influencing the performance of small and medium-sized enterprises (SMEs) in Thailand. The sample comprised 300 entrepreneurs or executives of SMEs in Thailand, selected via multistage random sampling. The data collection tool was a questionnaire. Descriptive statistics and structural equation modeling were used for data analysis. The research results concluded that the developed causal relationship model was in good agreement with the empirical data, with the statistical values of χ^2 = 5.396, df = 4, p = .249, χ^2/df = 1.349, GFI = .995, and RMSEA = .034. The results of the influence analysis indicated that transformational leadership, strategic management, and organizational innovation had statistically significant direct positive effects on performance. In addition, it was found that transformational leadership could indirectly influence performance, with strategic management and organizational innovation acting as mediating variables. These findings highlight the crucial role of leaders in driving change, with effective leadership providing an essential foundation for developing strategic management processes and building a culture of innovation, both of which are key drivers of enhanced SME performance.

Keywords: transformational leadership, strategic management, organizational innovation, performance

Introduction

In the current decade, Thailand is facing unprecedented challenges and structural economic changes amid a highly uncertain global environment. This includes the COVID–19 pandemic disrupting global supply chains, trade tensions, inflation driving up production costs, and geopolitical conflicts. These factors have created enormous pressure, necessitating an urgent shift in Thailand's development paradigm and strategies to maintain its competitiveness on the global stage. However, amid this crisis, significant opportunities remain, particularly in the agricultural and food export sectors, as well as in its position as an attractive destination for foreign direct investment (FDI), which supports the country's business and industrial sectors in continuing to grow (Tanthikun, 2023).

One of the most important engines driving Thailand's economy is small and medium–sized enterprises (SMEs). As of 2023, there were more than 3.1 million SMEs, generating over 12.83 million jobs and contributing 35 percent of the country's gross domestic product (GDP) (Office of Small and Medium Enterprises Promotion, 2023). SMEs are not only independent business units but also play a vital role in the supply chain for large companies, both domestically and internationally (Federation of Thai Industries, 2023). Therefore, the sustainable growth of SMEs is crucial to the country's overall economic stability and provides a solid foundation for long–term competitiveness.

Recognizing this importance, both the public and private sectors have continuously established policies and strategies to promote SMEs. The Federation of Thai Industries (FTI) has initiated the "ONE FTI" policy (2022–2024 agenda), which aims to elevate Thai SMEs to "Smart SMEs" through the Go Digital, Go innovation, and Go Global approaches, along with implementing concrete support programs (Federation of Thai Industries, 2023). Meanwhile, the government has developed the 5th SME Promotion Plan (2023–2027), a national master plan that covers all aspects of promotion strategies, from startup support to access to funding to regulatory reform to facilitate business operations (Office of Small and Medium Enterprises Promotion, 2023; Public Relations Department, 2023).

Despite efforts across sectors, many Thai SMEs still face challenges in improving their performance. Numerous studies suggest that business success or failure does not depend solely on external factors; instead, internal factors play a crucial role in shaping their trajectory and survival (Kero & Bogale, 2023; Schilke et al., 2018). Based on a comprehensive literature review,

researchers identified three key internal factors widely recognized as strongly influencing organizational performance: strategic management, organizational innovation, and transformational leadership.

Strategic management is a systematic process of setting direction, analyzing the environment, and implementing strategies to create and maintain competitive advantage (Wheelen et al., 2018). For SMEs with limited resources, a straightforward strategic management process enables efficient resource allocation and timely responses to market changes, directly impacting their performance in both financial and non–financial dimensions (Schaltegger et al., 2022).

Organizational innovation is another important driver in the era of the knowledge–based economy. It is not limited to creating new products but also covers the development of work processes, marketing, and organizational structure (OECD & Eurostat, 2018). Many studies confirm that SMEs capable of continuous innovation tend to perform better, be more flexible, and create greater value in their products and services than stagnant organizations (Al–Surmi et al., 2020).

Transformational leadership is a leadership style recognized as highly effective in guiding organizations through periods of uncertainty. Leaders serve to inspire, stimulate intellectually, and foster positive change (Bass & Riggio, 2006). In the context of SMEs, where leaders play a close role with their employees, transformational leadership is crucial for creating a shared vision, driving strategy implementation, and fostering a culture of innovation, ultimately improving overall performance (Siangchokyoo et al., 2020).

A review of the literature found that many studies examine the relationship between these factors and SME performance, including research on the influence of strategic management (Tikare & Yadaganti, 2023), Innovation (Ayinaddis, 2023), and transformational leadership (Afsar et al., 2019). However, significant research gaps remain.
Very few studies, particularly in the Thai context, have integrated these three factors into a causal model. Most research focuses on analyzing the direct effects of independent variables on the dependent variable but lacks an in–depth understanding of how these factors mediate one another. For example, transformational leadership may not directly impact performance; rather, it may drive strategic management processes toward success or foster a culture conducive to innovation. These complex relationships have yet to be systematically examined in Thai SMEs.

Therefore, the creation and testing of a structural equation model (SEM) that integrates all three variables to explain the performance of SMEs in Thailand is an attempt to fill this knowledge gap, which will provide a more comprehensive and more precise understanding of the causal

mechanisms leading to the success of SMEs in the current Thai socio-economic context. Given the reasons and importance outlined above, the researcher is interested in conducting a study on the topic "Causal Relationships of Factors Influencing the Performance of Small and Medium Enterprises in Thailand." The research aims to create new academic knowledge and provide practical guidelines for SME entrepreneurs and related agencies, helping them set policies and measures that promote the sustainable growth of Thai SMEs.

Research Objectives

1. To study the level of strategic management, organizational innovation, transformational leadership, and the performance of SMEs in Thailand.

2. To study the direct and indirect influences of strategic management, organizational innovation, and transformational leadership on the performance of SMEs in Thailand.

3. To develop and examine the consistency of a causal relationship model of factors influencing SME performance in Thailand with empirical data.

Literature Review

For this research, titled "Causal Relationships of Factors Affecting the Performance of Small and Medium Enterprises in Thailand," the researcher reviewed relevant literature, concepts, theories, and research to serve as a basis for defining the research conceptual framework and formulating hypotheses. The key points are as follows:

Performance Concept

Organizational performance is a measure of success in achieving established goals and objectives. Performance measurement today has evolved from a solely financial focus to a more comprehensive approach that provides a comprehensive picture of an organization's sustainable success. A widely accepted concept is the Balanced Scorecard by Kaplan and Norton (1996), which proposes measuring performance across four balanced perspectives:

Financial Perspective is an indicator that reflects the final results of operations that stakeholders, especially shareholders, care about, such as return on investment (ROI), net profit, revenue growth, and cash flow, which indicate the profitability and financial stability of the organization.

Customer Perspective is a measure from the customer's perspective and is a key factor in long-term success. Indicators include customer satisfaction, customer retention, new customer acquisition, market share, and brand image.

The Internal Business Process Perspective measures the efficiency and effectiveness of key business processes within an organization, which directly impact customer value creation and the achievement of financial goals. Indicators include product or service quality, production or service cycle time, unit cost, and continuous process improvement.

The Learning and Growth Perspective focuses on the fundamental factors that drive future organizational growth, including employee skills and capabilities, information systems, and an organizational culture conducive to change and innovation. Indicators include retention rates for potential employees, employee satisfaction levels, and the number of innovations generated.

For SMEs, multidimensional performance measurement is crucial because it helps entrepreneurs avoid overlooking non-financial factors that underpin sustainable competitive advantage (Saunila, 2020). This research, therefore, synthesizes SME performance indicators covering all four dimensions.

Strategic Management Concepts

Strategic management comprises the executive responsibilities and decisions that determine an organization's long-term performance (Wheelen et al., 2018). It is a systematic process that involves environmental analysis, strategy formulation, strategy implementation, and strategy evaluation and control. The goal is to create and maintain a competitive advantage.

Kero and Bogale's (2023) Resource-Based View (RBV) is among the leading theories used to explain the relationship between strategic management and performance. This theory proposes that an organization's sustainable competitive advantage arises from possessing and utilizing resources that are valuable, rare, inimitable, and non-substitutable. The strategic management process is therefore a key mechanism that enables organizations to identify, develop, and allocate these resources effectively to create strategies that are different and superior to competitors.

Numerous studies support a positive relationship between strategic management and SME performance (Tikare & Yadaganti, 2023; Schaltegger et al., 2022), finding that SMEs with a formal strategic planning process, regular environmental analysis, and rigorous strategy implementation tend to perform better in both financial and marketing terms than those without strategic planning.

Organizational Innovation Concept

Organizational innovation refers to the introduction of new or significantly improved products (goods or services), processes, marketing approaches, or organizational practices in business, workplace organization, or external relations (OECD & Eurostat, 2018). Innovation is central to growth and competitiveness in the knowledge–based economy.

Schilke et al.'s (2018) theory of dynamic capabilities posits that, in a rapidly changing environment, an organization's success depends not only on its available resources but also on its ability to integrate, create, and adapt its internal and external resources and capabilities to cope with change. "Innovation" is considered one of the most important dynamic capabilities, enabling an organization to innovate and adapt quickly to the situation.

Empirical research consistently confirms a positive relationship between Innovation and SME performance. Al–Surmi et al.'s (2020) meta–analysis found a significant positive relationship between innovation and SME performance, particularly for product and process innovations, which enable SMEs to differentiate themselves, increase revenue, reduce costs, and better meet customer needs.

Transformational Leadership Concept

Transformational leadership is a concept developed by Bass (1985) that describes how leaders create positive change in their followers by elevating followers' consciousness, beliefs, and values to align with the organization's vision and goals. Transformational leaders inspire and motivate followers to exceed their own expectations. Transformational leadership consists of four key components (The Four I's) (Bass & Riggio, 2006):

1. Idealized Influence: Leaders set a positive example, exhibiting high morals and ethics, instilling faith, respect, and trust in their followers.

2. Inspirational Motivation: Leaders communicate a clear and exciting vision, create challenges, and demonstrate confidence that the team can achieve higher goals.

3. Intellectual Stimulation: Leaders encourage followers to think outside the box, question assumptions, and approach problems with new perspectives to find creative solutions.

4. Individualized Consideration: Leaders act as coaches and mentors, providing support, listening, and attentiveness to each employee's developmental needs.

Related Research and Relationships Between Variables

Previous literature has demonstrated the complex interrelationships between the variables studied in this study, as follows:

Transformational Leadership and Strategic Management: Transformational leaders play a crucial role in driving the strategic management process, from creating a vision (strategy formulation) to communicating and gaining buy–in (strategy implementation) to stimulating review and improvement (strategy evaluation) (Lumumba, 2021). Visionary leaders can provide clear strategic direction and build shared commitment among the organization's people.

Transformational leadership and organizational Innovation: The relationship between these two variables has been confirmed by numerous studies (Afsar et al., 2019). Transformational leaders directly promote innovation through intellectual stimulation and by creating a psychologically safe environment that encourages employees to experiment and take risks with new ideas.

Strategic Management, Organizational Innovation, and Performance: Strategic management directs and allocates resources, whereas innovation creates new value. When an organization has a clear strategy for promoting innovation and can drive it into reality, It leads to improved performance, both in terms of creating competitive advantage and business growth (Hervas–Oliver et al., 2020).

From the above theories and research, it is indicated that transformational leadership is likely to act as an antecedent variable influencing strategic management and organizational innovation, which acts as a mediator variable and ultimately affects the performance of SMEs.

Research Conceptual Framework and Hypotheses

Based on the literature review, the researcher synthesized and developed a conceptual research framework as shown in the figure. The research hypotheses were then formulated for testing as follows:

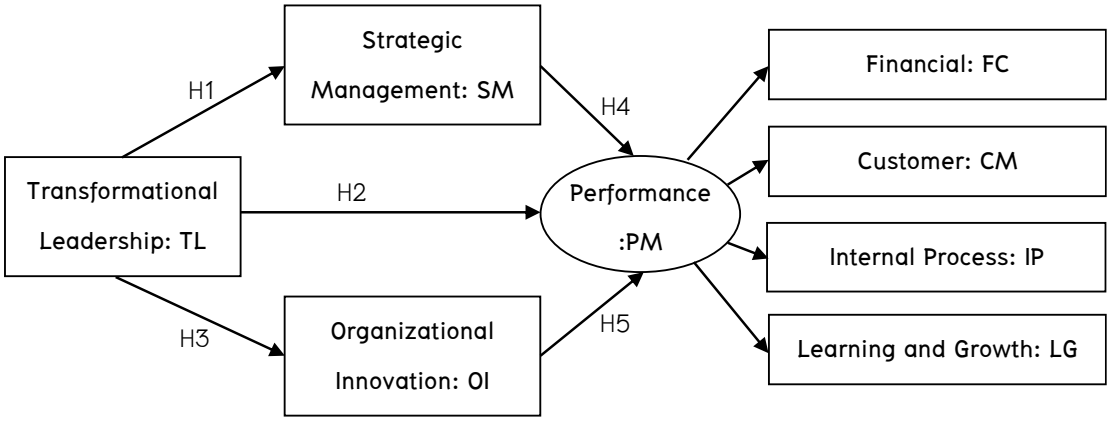


Figure 1 Conceptual Research Framework

Research Hypotheses

H1: Transformational leadership has a positive direct influence on strategic management.

H2: Transformational leadership has a positive direct influence on performance.

H3: Transformational leadership has a positive direct influence on organizational Innovation.

H4: Strategic management has a positive direct influence on performance.

H5: Organizational Innovation has a positive direct influence on performance.

H6: Strategic management mediates the relationship between transformational leadership and performance.

H7: Organizational Innovation mediates the relationship between transformational leadership and performance.

Research Methodology

This research employed a quantitative, correlational approach to investigate the causal relationship between strategic management, organizational innovation, transformational leadership, and SME performance. A questionnaire was used as the primary data collection tool for the sample.

The population and sample for this research comprised 3,255,957 small and medium–sized enterprises in Thailand (Office of Small and Medium Enterprises Promotion, 2023). The sample size was determined using the appropriate criteria for structural equation modeling (SEM) analysis, following the recommendations of Hair et al. (2022), which stipulate that the sample size should be at least 10–20 units per observed variable. In this research, seven observable variables were specified; therefore, a sample of 300 participants (>140) was obtained using multistage

sampling, detailed as follows: Stage 1: Regional Selection; three regions were randomly selected from Thailand's five regions. Stage 2: Provincial Selection. Two provinces with a high density of SMEs were randomly selected from each region, resulting in a total of six provinces. Stage 3: SME Listing, a list of registered SMEs was obtained from the provincial offices of the Office of Small and Medium Enterprises Promotion. Stage 4: Final Sampling. Simple random sampling was used to select 50 SMEs from each of the six provinces, achieving the target sample size of 300.

Ethical considerations were strictly observed throughout the research process. All participants were informed of the study's objectives and procedures. Participation was voluntary, and informed consent was obtained prior to data collection. Anonymity and confidentiality of all respondents and their organizations were guaranteed, and the data were used solely for academic purposes.

The research instrument was a questionnaire developed by the researcher, informed by a review of the literature and related research. It was divided into five parts as follows: Part 1: general information about the respondents and the organization; Part 2: strategic management scale; Part 3: organizational innovation scale; Part 4: transformational leadership scale; and Part 5: SME performance scale.

The questionnaire was examined for content validity by five experts. The Index of Item Objective Congruence (IOC) of all questions in the questionnaire was greater than 0.60. The questionnaire was then administered to 30 SME entrepreneurs who were not in the sample group to assess reliability using Cronbach's alpha (Hair et al., 2019). The internal consistency of the entire questionnaire was 0.87. The reliability of the questionnaire used to measure all four variables, including (1) Transformational Leadership (TL), (2) Strategic Management (SM), and (3) Organizational Innovation (OI), and (4) SME business performance was greater than 0.75 (α > 0.70), which passed the criteria for being able to be used for actual data collection.

Data were analyzed using descriptive statistics, including frequencies, percentages, means, and standard deviations, to characterize the sample as a whole and the distribution of each variable. Inferential statistics were used to investigate causal relationships, employing structural equation modeling (SEM) to assess the fit of the theoretical model to the empirical data.

Model Fit Criteria: To assess the model's fit to the empirical data, multiple Goodness–of–Fit Indices were used in combination. The acceptance criteria included (1) the Chi–square (χ^2) value should be statistically insignificant (p–value > .05), (2) the Relative Chi–square (χ^2/df) value

should be less than 3.0, (3) the Goodness of Fit Index (GFI) should be greater than .90, and (4) the Root Mean Square Error of Approximation (RMSEA) value should be less than .07 (Hair et al., 2019; Kline, 2016).

Research Results

1. The demographic profile of the 300 respondents was as follows: The majority were female (67.0%), with the largest age group being 50–59 years (27.8%). Regarding job position, half were business owners (50.4%), while the remainder held executive positions. The businesses were predominantly in the service sector (42.5%), and most qualified as micro or small enterprises with 1–10 employees (44.5%). A significant portion of businesses were well established, having been in operation for 3–5 years (81.5%).

2. The analysis of the levels of strategic management, organizational innovation, transformational leadership, and business performance (Table 1) found that the mean values of all variables used in the study were at a high level. The variable with the highest mean value was transformational leadership (TL), with a mean value of 4.01 (M = 4.01, SD = 0.42). This reflects that the sample group perceived the organization as having leaders who can inspire and drive change outstandingly. In addition, the lowest standard deviation across all variables indicates that the sample group exhibits high consensus on this issue. Next was strategic management (SM), with an average value of 3.83 (M = 3.83, SD = 0.69), and organizational Innovation (OI), with a similar mean value of 3.80 (M = 3.80, SD = 0.67). This indicates that, from the perspective of the sample group, the organization plans and manages strategies and promotes innovation at a high level.

For business performance (PM), although it had the lowest mean in the group (M = 3.74, SD = 0.79), it was still rated at a high level. However, this variable had the highest standard deviation (SD = 0.79), indicating that the sample group's perception of business performance was the most heterogeneous and dispersed among the variables, suggesting different perspectives among SMEs regarding the organization's success.

Table 1 Means, standard deviations, and levels of variables used in the study.

Variables	Mean (M)	Standard Deviation (SD)	Level
Transformational Leadership (TL)	4.01	0.42	High
Strategic Management (SM)	3.83	0.69	High
Organizational Innovation. (OI)	3.80	0.67	High
Performance (PM)	3.74	0.79	High

3. The results of the analysis of the fit of the model with the empirical data (Figure 2 and Table 2) found that the developed causal relationship model was consistent with the empirical data after adjusting the model with the chi-square statistic (χ^2) = 5.396, degrees of freedom (df) = 4, probability (p) = .249, chi-square relative (χ^2/df) = 1.349, Goodness of Fit Index (GFI) = .995, and Root Mean Square Error of Approximation (RMSEA) = .034.

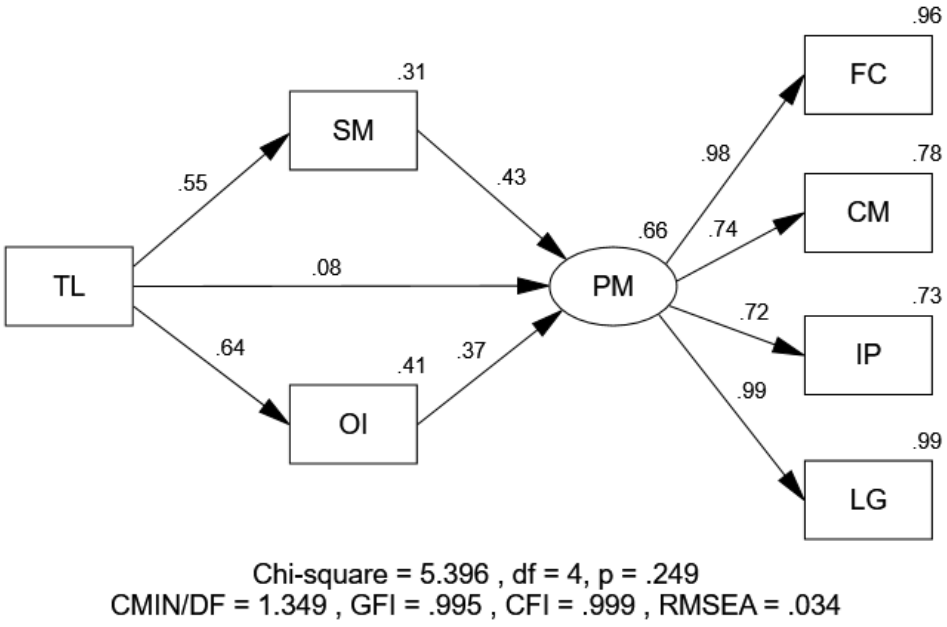


Figure 2: Statistical values from the model fit analysis with empirical data.

Table 2 Statistics of the consistency of the hypothetical model with respect to the criteria.

Evaluating the Data–Model Fit	Criteria	Results
1) Chi-square: χ^2	–	5.396
2) Chi-square Probability Value: p	> 0.05	0.249
3) Relative Chi-square: χ^2/df	< 3	1.349
4) Goodness of Fit Index: GFI	> 0.90	0.995
5) Root Mean Square Error of Approximation: RMSEA	< 0.08	0.034

4. Results of the analysis of the influence between the variables in the model and hypothesis testing are summarized as follows:

The data in Figure 2 and Table 2 show that the standardized path coefficient (β) examination confirms the significance of the hypothesized relationships within the model. The analysis reveals that the direct and indirect influences between transformational leadership (TL), strategic management (SM), and organizational Innovation (OI) on business performance (PM) are statistically significant, as follows:

1) Transformational leadership (TL) has a positive direct influence on strategic management (H1: β = 0.55, p < .01), business performance (H2: β = 0.08, p < .05), and organizational Innovation (H3: β = 0.64, p < .01). Furthermore, from the significance test of indirect effects using Bootstrapping method, the indirect effect of TL on PM via SM is statistically significant (H6: β = 0.24, p < .01), thus the hypothesis H6 is accepted, and the indirect effect of TL on PM via OI is statistically significant (H7: β = 0.24, p < .01), thus the hypothesis H7 is accepted.

2) Strategic management (SM) has a positive direct influence on business performance (H4: β = 0.43, p < .01).

3) Organizational Innovation has a positive direct influence on business performance (H5: β = 0.37, p < .01).

Data from Figure 2 also show that the combined influence of transformational leadership, strategic management, and organizational innovation predicts business performance, as indicated by the predictive coefficient (R^2) in this model, which accounts for 66% of the variance (R^2 = 0.66).

Important statistical values from the analysis to test the hypothesis are shown in Tables 3 and 4.

Table 3 Results of research hypothesis testing

Hypotheses	b	*SE*	β	*t–stat*	Results
H1: TL ⟶ SM	.918	.073	.55	12.542**	Supported
H2: TL ⟶ PM	.171	.083	.08	2.061*	Supported
H3: TL ⟶ OI	1.026	.064	.64	16.079**	Supported
H4: SM ⟶ PM	.559	.072	43	7.762**	Supported
H5: OI ⟶ PM	.498	.080	.37	6.250**	Supported

**Statistical significance at the .05 level (p < .05), **Statistical significance at the .01 level (p < .01).*

Table 4 The significance test of indirect effects using the Bootstrapping method

Hypotheses	Estimate	Lower CI (2.5%)	Upper CI (97.5%)	p-value
H6: TL⟶ SM ⟶ PM	0.237**	0.152	0.341	.002
H7: TL⟶ OI ⟶ PM	0.237**	0.188	0.355	.001

***Statistical significance at the .01 level (p < .01).*

Discussion

The results of this study significantly confirmed the consistency of the developed causal relationship model with empirical data. All seven research hypotheses were supported. The results can be discussed in accordance with the research objectives as follows.

1 . From the study of the levels of variables, it was found that entrepreneurs and executives of SMEs in Thailand perceived their organizations to have the highest level of transformational leadership (TL) (M = 4.01) and had the highest consensus (SD = 0.42), reflecting that strong leadership is a highlight and an important foundation of Thai SMEs. Meanwhile, strategic management (SM) and organizational innovation (OI), although at a high level, exhibited greater variation in practice, indicating the challenge of translating the leadership vision into a tangible process. Notably, performance (PM) had the highest standard deviation (SD = 0.79), indicating substantial variation in organizational success. This variability is the key gap that the causal model of this research aims to explain.

2. When studying the influence between variables to explain the variance, the results confirmed the role of transformational leadership (TL) as an antecedent factor with a positive direct influence on strategic management (H1: β = .55), organizational Innovation (H3: β = .64), and performance (H2: β = .08). This finding is consistent with the idea of Bass and Riggio (2006) that transformational leaders can inspire and motivate organizational change, especially the most decisive influence on organizational innovation, and supports the research of Afsar et al. (2019), and that intellectual stimulation of leaders is an important mechanism to promote an innovative culture. Most importantly, the research addresses its primary objective by finding that transformational leadership significantly influences performance through mediating variables, with strategic management (SM) and organizational Innovation (OI) acting as complementary mediators.

In the strategic management influence path (H6), the findings are consistent with Kero and Bogale's (2023) resource-based view that states that effective strategic management processes are a resource that creates competitive advantage, and Tikare and Yadaganti's (2023) study that

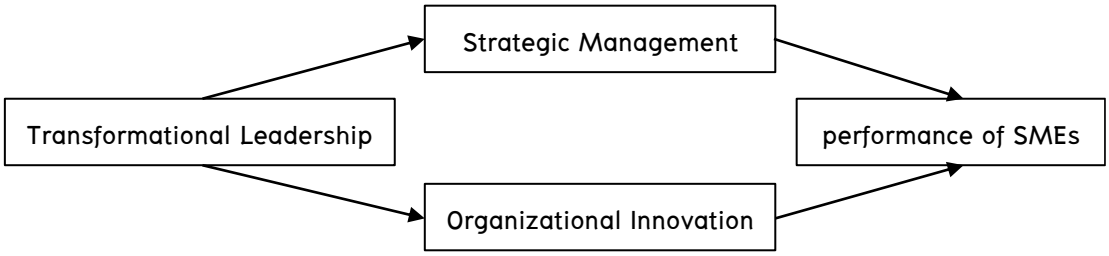
asserts that transformational leadership does not directly influence success, but serves to create a good “strategic management process,” which in turn leads to superior performance.

In the influence path through organizational Innovation (H7), the findings support Schilke. et al.’s (2018) dynamic capabilities theory, which states that in volatile environments, innovation capability is central to organizational adaptability and success, and is consistent with Al–Surmi et al.’s (2020) study, which states that transformational leaders act to create and nurture “innovation capability,” a key mechanism leading to sustainable performance enhancement.

In summary, this research not only confirms the influence of each factor but also provides a clearer picture of the complex causal mechanisms within Thai SMEs, indicating that transformational leadership serves as the “foundation” that ignites and drives two key mechanisms: strategic management and organizational innovation, which together serve to translate leaders’ visions into tangible performance.

New Knowledge from Research

The most significant new knowledge gained from this research is the identification of causal mechanisms that drive the performance of Thai SMEs. This suggests that transformational leadership does not directly influence final success; instead, it plays a crucial role in developing and driving two key internal organizational mechanisms: strategic management and organizational innovation. These two mechanisms are the proper drivers of sustainable performance.



Transformational leadership serves to create vision, inspire, and energize an organization. However, this energy must be channeled through the proper mechanisms to produce results, including:

1. Strategic Management: Leaders use their leadership to drive strategic analytical thinking, establish clear direction, systematic planning, and efficient resource allocation. This mechanism acts as the "brain" that translates abstract visions into tangible, actionable "roadmaps."

2. Organizational Innovation: Leaders use intellectual stimulation and inspiration to nurture a culture of creativity, the courage to experiment, and the flexibility to adapt. This mechanism acts as the "heart" that generates the power of change, enabling the organization to be vibrant and continuously create new value.

Therefore, the performance of SMEs is not solely determined by the leader's ability to create and integrate the work of the organization's "brain" and "heart." Organizations with sound strategies but lacking innovation may become rigid and unable to move forward. Conversely, organizations with creative ideas but lacking clear strategic direction may become disorganized and fail to produce tangible results. Sustainable success is the result of having both a clear direction (from the brain) and a creative drive (from the heart).

Conclusion

This study developed and validated a causal model that explains the factors influencing the performance of Small and Medium Enterprises (SMEs) in Thailand. The research revealed that the model is highly consistent with empirical data.

The most significant finding is that transformational leadership does not directly influence SME performance. Instead, its impact is indirect, channeled through two critical intermediary mechanisms: strategic management and organizational innovation. Transformational leadership serves as the foundational driver of these two processes.

The study conceptualizes strategic management as the "brain" of the organization, providing clear direction and systematic planning. Organizational innovation is likened to the "heart," generating the creative energy and adaptability needed for change. Therefore, sustainable success for SMEs is achieved when leaders can effectively create, develop, and integrate both the strategic "brain" and the innovative "heart" in a balanced manner.

Limitations of the Study

Despite its valuable insights, this study's limitations should be acknowledged. The generalizability of the findings is constrained by a sample size of 300, which represents a small fraction of Thailand's diverse SME population, and by the cross-sectional research design, which

captures a static snapshot of relationships at a single point in time. Furthermore, the reliance on self-report questionnaires introduces the possibility of response bias. Lastly, the model focuses on three internal factors, thereby excluding potentially influential variables such as digital transformation, organizational culture, and external market conditions that also affect SME performance.

Suggestion

Suggestion from Research

For SME Entrepreneurs and Executives: To enhance performance, SMEs should not focus on leadership in isolation. They must prioritize the integrated development of three key areas:

Cultivating transformational leadership skills to inspire vision and motivate teams. Establishing concrete strategic management systems to translate that vision into actionable plans and efficient resource allocation.

Actively promoting a culture of innovation to ensure adaptability and the continuous creation of value.

For Government Agencies and Supporting Bodies: Policies and support programs for SMEs should be adjusted to prioritize the development of these high-level, integrated capabilities. Curricula and training should be designed to build skills in transformational leadership, strategic planning, and innovation management simultaneously, thereby creating a more sustainable competitive advantage for Thai SMEs.

Suggestion for Next Research

Methodological Expansion: Future research should employ qualitative methods, such as in-depth case studies, to explore the contextual processes and the nuanced ways in which these mechanisms function across different SME environments.

Inclusion of New Variables: Further studies could expand the model by investigating other influential factors relevant to the current business landscape, such as digital transformation, organizational culture, or specific learning capabilities.

Broader Research Scope: To enrich and validate the findings, researchers should conduct comparative studies across various industries and longitudinal studies that track how these causal relationships evolve. Furthermore, given that the sample size of 300, while sufficient for the statistical model, represents a small fraction of all SMEs in Thailand, future research should aim for

a larger and more proportionally representative sample to enhance the generalizability of the findings.

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