

SUCCESS FACTORS OF SMALL AND MEDIUM ENTERPRISES IN SAKON NAKHON PROVINCE, THAILAND

Narumon Klangpangrut* , Phurichchaya Taeporamaysamai
and Jarita Hintao****

** Graduate Student of Kasetsart University, Thailand
E-Mail: narumon.kla@ku.th*

***Department of Business Management, Faculty of Liberal Arts and Management Science,
Kasetsart University, Thailand
E-Mail: ornuma.t@ku.ac.th, Jarita.hi@ku.th*

ABSTRACT

The purposes of this research were 1) to study the internal factors, which included Man, Money, Material, Management, and Machine, 2) to study the external factors, which included the bargaining power from material's sellers or suppliers, bargaining power from purchasers, the drives from new rivals entering into the market, the drives from substitution goods, the drives occurred within the industries influencing the competitive strategies, 3) to study the competitive strategies, which included, leadership on low cost, difference making and influenced marketing through the success of Small and Medium Enterprises in Sakon Nakhon province. This research was carried out by the quantitative research method. The population was 2,329 entrepreneurs of Small and Medium Enterprises registered in the Office of Commercial Affairs Sakon Nakhon. The sample group was 350 persons. The instrument used was a questionnaire for data collection. The reliability was examined by using the Cronbach's alpha coefficient. The statistics used for data collection included Frequency, Percentage, Standard Deviation, and Pearson's correlation coefficient analysis.

The research result revealed that the internal factor of Material affected the competitive strategy on low cost, the internal factor of Material affected the competitive strategy on differentiation, and the internal factor of Material affected the competitive strategy on niche market. However, the external factor, which included the bargaining power from purchasers and the drives from substitution goods affected the competitive strategies of leadership on low cost, the external factors of bargaining power from purchasers and drives from new rivals entering into the market affected the competitive strategy of differentiation , and the external factor of bargaining power from material's sellers or suppliers, and the bargaining power from purchasers affected the competitive strategy of niche market. Furthermore, the competitive strategy of leadership on low cost and differentiation, niche market affected the success of Small and Medium Enterprises in Sakon Nakhon province, Thailand.

Keywords–Internal Factors, External Factors, Competitive Strategy, Firm Success

INTRODUCTION

Background

Small and Medium Enterprises or “SME” is considered as a crucial mechanism for economic development all over the world. In Thailand, SME is regarded as a blood vessel to drive the domestic economy for the growth tremendously. The SME performance is not complicated when comparing to a big size enterprises that makes the SME enterprises have the flexibility through its management and can adapt itself to general situations quickly. Furthermore, with SME roles, which are essential to the economic system in several aspects such as employment benefits, work creation, origin of new entrepreneurs, income making, etc,. Nevertheless, the problems in SME system of Thailand are still found in terms of lacking the competitive development through turnover, marketing, management system, fund resources, products and services development, as well as personnel skills development, especially during the time of economic crisis or in the age of rapid change at this present time, which affect the SME performance increasingly. If entrepreneurs cannot adjust themselves to be concordant with the changing era, their enterprises might not be able to be competitive “Coordinating Office of

SME Development Project” is a project set established in 2014 under the supervision of the “National Research of Thailand” and the “Thailand Research Fund” to support and improve the SME competitive capacity through research contributions, including the development of SME production and service effectiveness in order to meet the standard together with quality and safety, to improve the innovative concepts to create the novel things for products and respond the consumers’ various needs in order for increasing the entrepreneurs’ capacity and make incomes to the Small and Micro Community Enterprise better. [3]

The research aimed at 1) studying the internal factors affecting the competitive strategies, 2) studying the external factors affecting the competitive strategies, 3) studying the competitive strategies affecting the success of Small and Medium Enterprises in Sakon Nakhon province. The article started from reviewing the concepts relating to the management, business pressure, strategic management, and business success, in order to determine the conceptual framework and identify the hypothesis further, then the research methodology, data analysis, and research result were described, after that it was the conclusion and discussion, and finally it was the recommendation for the further researches.

LITERATURE REVIEW

Internal Factors

Freeman (1992)[4] gives the definition of management as a planning process of organization management, leadership, and work control of the organization’s members, as well as the resources use, in order to achieve the goals of organizations. While Bartol and Martin (1997)[5] defines the management as a process which helps the goals of an organization achieve success through planning, organizational management, leadership, and mentoring. Whereas Newman and Charles (1964)[6] indicate that management is a social process which consists of the activity sets which will lead to the success according to goals and activities, and it is usually involved with connection and relations. For Drucker (1998)[7], the management means arts of work to achieve the goals with others mutually, or working successfully by using others as the performers. With this mentioned organization, the personal resources are considered as the main of that organization to mutually work. These people are the ones who use other material resources, machines, equipment, materials, funds, including various information to produce the products and services for distribution then respond the satisfaction for the society. Moreover, Aram Siripan (2534 cited in Penchan Tattiwimonkhajorn, 2009)[8] is a model of creating the conceptual framework to the research by proposing that the crucial management factors consist of 1) Man, 2) Money, 3) Material, 4) Management, and 5) Machine. This research study aimed to investigate such relationships.

External Factors

Porter (1980 cited in Kreufa Purate, 2016)[9] indicates that the environment of business operation is concerned as a crucial factor which has to be considered for planning the company strategies. The strategic plan cannot be successful without analyzing the environments of competitive seriousness and industrial seriousness. On the other hand, the targeted market by analyzing all 5 effects will help access the structure of main trends and all actions affecting the capability to make profits in the industry, or the targeted market helps acknowledge the strengths and weakness relating to the industry, otherwise the rivals will see the conditions of trends and threats in the industry, and acknowledge that the industry will be up or down as a theory of all 5 effects as follows: 1) the bargaining power from the material sellers or suppliers, 2) bargaining power from the purchasers, 3) drives from the new rivals entering into the market, 4) drives occurred within the industry, and 5.) drives from substitution products.

Competitive Strategy

Porter (2008 cited in Santanee Oonjitti, 2015)[10] gives the definition of the general strategies used in the generic competitive strategy as 3 aspects, which include, 1) Cost Leadership Strategy; the strategy of total cost leadership. The objectives of the business selected in this strategy include the effort to win the rival by doing every

ways to produce the products which have lower costs than the rivals. This strategy has the remarkable advantage, which is, the entrepreneurs can set the price lower than the rival's. If the rival set the price as equal as the entrepreneur's then the entrepreneurs will get higher profit than the rival, 2) Differentiation Strategy; the business which uses this strategy has to find out the difference through product, which is, the product will not be the same as any other products in the market. On the other hand, it should have new innovations to propose that makes the product look more outstanding than the rival's in the market. The resources of difference are from speed, reliability, service, design, features of products and services, technology, corporate personality and relationship with customers, quality, efficiency, innovation, and customers response, 3) Focus market or niche Strategy; the entrepreneurs have to select only potential markets which can make high profit, required by certain needs which have never been responded sufficiently from other producers. Furthermore, niche markets can be used as a base of marketing expansion in the future. When having limited its certain scope, the entrepreneur will focus on the certain products produced for distributing in this market specifically. Importantly, the products have to be more outstanding than the rival's in a certain way in order that they will become unique that can build loyalty and bind customers' mind. The key to reach success from this strategy is that if the rival emphasizes all kinds of market within the industry as a whole, it seems to be really difficult for the rival to be able to respond the real needs of the customers who have various parts of market required. Robbins and Coulter (2012) [11] meaning that the strategic management is the Group's decisions and actions in order to indicate the results of the implementation of the Agency's long-term. Bateman and Snell (1999) [12] Provides that meaning. Strategic management is a process involving leaders from all parts of the organization on strategy and compliance strategy.

Firm Success

Foley and Green (1989) [13] said that firm success is considered by the business growth or the business profits or by comparing between the contributions and set goals, satisfaction with the work, and the success of invention or products launch. According to Mosley et al. (1996) [14], the firm success has to be able to use the resources in the ways which can make all missions be finished concordant with the goals (be efficient) by using the least cost (be effective). Frese (2000 cited in Prayat Saelim, 2004) [15] indicates that the firm success can be measured from 1) individuality; the entrepreneurs determine success by themselves. Financial opinion is usually used as the business reflection, also the satisfaction from the business incomes, 2) economic success; this is considered by the financial information, increasing or decreasing numbers of customers or profits and circulation through the last 1-2 years, 3) the involved in business, customers, and employees in terms of recognition of success toward the business by using the questionnaires, 4) observation of interviewers; this is considered by the scores divided into 5 sub-levels to assess the firm success.

CONCEPTUAL MODEL AND HYPOTHESES

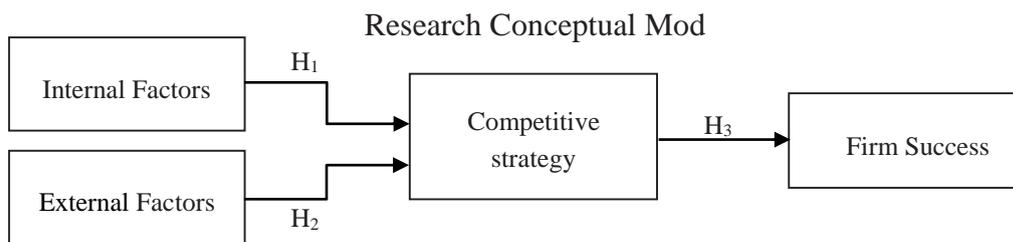
From the reviews of the literature, the conceptual model of this research study was presented in Figure 1. It describes factor of Success Factors of Small and Medium Enterprises in Sakon Nakhon Province, Thailand. The conceptual model has been tested on the basis of the bodies of literature including of Success Factors of Small and Medium Enterprises as well as the researcher's own context about the relationship among variables. Base on the reviews of the literature of the constructs with the conceptualization of the relationships among variables, the hypotheses suggested by the conceptual framework can be laid out as follows:

H1: Internal factors have a significant positive influence on the competitive strategies of small and medium sized businesses. Sakon Nakhon, Thailand

H2: External factors have a positive influence on the competitive strategy of small and medium businesses in Sakon Nakhon Province, Thailand.

H3: Competitive strategies have a significant positive influence on the success of small and medium businesses in Sakon Nakhon Province, Thailand.

Figure 1



This research study aimed to Study about the success factors of small and medium enterprises in Sakon Nakhon Province, Thailand. The research study was a quantitative research method. The population of this research was 2,329 small and medium business executives registered in Sakon Nakhon Province. [1] The samples of 350 respondents [2]. Questionnaire was developed and checked for content validity and reliability. Correlation Analysis and Multiple Regression Analysis were employed to analyze the data. Questionnaire was developed and Cronbach alpha was used for reliability of measurement. Reliability scale of Cronbach alpha is higher than 0.6 (Hair et al, 2010)[16] as show in table 1. Multiple Regression Analysis were employed to assess all hypothesizes.

Table 1
Cronbach’s Alpha Coefficient of Variables

Variables	Cronbach’s Alpha
Internal Factors	0.922
External Factors	0.892
Competitive strategy	0.853
Firm Success	0.916

RESULTS

The research results were analyzed by using the statistical package for social science. The research finding and the hypotheses testing in this research study were presented as follows.

Classified by gender, it was found that the majority of respondents were female, 62.0%, with an average age of 41-49 years, 32.0% and most of the education level were 45.1% with a bachelor's degree and 62.6% were married status as stated in Table2.

The data were categorized by the age of business, it was found that most of the business ages in Sakon Nakhon province were between 6-10 years (28%), and most of the businesses were a service type (40.3%), and most of the business investment were between 500,001 - 1,000,000 baht (31.4%) according to the Table 3.

For the descriptive statistics, the data were analyzed by using the Mean and Standard Deviation. According to the Mean, the scores of SME business were divided into various aspects as follows: personal factor, the Mean was equal to 4.38, the financial aspect, the Mean was 4.30, the resources or materials, the Mean was 4.34, the management, the Mean was 4.30, and tools and equipment, mean was 4.38, respectively. Regarding the external factors, the external competition within the same industry, the Mean was equal to 4.32, the bargaining power from material sellers, the mean was equal to 4.19, the bargaining power from purchasers, the Mean was 4.09, the drives from new rivals entering into the market, the Mean was 4.12, the drives from substitution products, mean was 4.16. To describe about the details of reliability scores, competitive strategy, leadership on low cost, mean were equal to 4.11, the differentiation strategy, the mean was equal to 4.13, and the niche market, mean was 4.22, respectively. In addition, mean of firm success was at 3.71.

Table 2
General information of respondents

n = 350

Demographic Information		Numbers of Respondents (NR)	Percentage of NR to Number of TR*
Gender	Male	133	38.0%
	Female	217	62.0 %
Age	Under 30 Years	51	14.6 %
	31-40 Years	86	24.6 %
	41-49 Years	112	32.0 %
	50 Years or Above	101	28.9 %
Education	Primary School	17	4.9 %
	Secondary School	33	9.4 %
	High School	46	13.1 %
	Diploma	47	13.4 %
	Bachelor's Degree	158	45.1 %
	Master Degree or Above	49	14.0 %
Marital Status	Single	98	28.0 %
	Married	219	62.6 %
	Divorce	33	9.4 %

* TR denotes total respondents.

Table 3
Characteristics of Business

n = 350

Characteristics of Business		Numbers of Respondents (NR)	Percentage of NR to Number of TR*
Age of the Business	1-5 years	87	24.9 %
	6-10 years	98	28.0 %
	11-15 years	71	20.3 %
	15 years or more	94	26.9 %
Type of Business	Product manufacturing	59	16.9 %
	service	141	40.3 %
	Consumption	62	17.7 %
	other	88	25.1 %
Investment of the Business	Less than 500,000 baht	79	22.6 %
	500,001 - 1,000,000 baht	110	31.4 %
	1,000,001 - 5,000,000 baht	71	20.3 %
	5,000,001 - 10,000,000 baht	45	12.9 %
	10,000,000 baht or more	45	12.9 %

* TR denotes total respondents.

For inferential statistics, the analysis of the correlation coefficient between the two independent variables was explored. Pearson's Product-Moment Correlation was used to determine the relationship of the independent variables. The objective was to find the magnitude of correlation among the variables and to test for Multicollinearity. Thus, correlation analysis between the independent variables was shown in Table 4.

Table 4
Correlation Analysis between Independent Variables

	IF1	IF2	IF3	IF4	IF5	EF1	EF2	EF3	EF4	EF5	STA1	STA2	STA3	SUC
Mean	4.38	4.30	4.32	4.30	4.38	4.32	4.19	4.09	4.12	4.16	4.11	4.13	4.22	3.71
S.D.	0.50	0.50	0.50	0.48	0.54	0.98	0.53	0.64	0.53	0.51	0.52	0.55	0.55	0.78
IF1	1													
IF2	.53**	1												
IF3	.51**	.54**	1											
IF4	.40**	.46**	.58**	1										
IF5	.52**	.54**	.59**	.63**	1									
EF1	.26**	.28**	.34**	.28**	.35**	1								
EF2	.19**	.34**	.40**	.25**	.34**	.52**	1							
EF3	.19**	.21**	.29**	.17**	.30**	.42**	.42**	1						
EF4	.30**	.23**	.29**	.17**	.30**	.33**	.43**	.50**	1					
EF5	.29**	.17**	.33**	.15**	.27**	.32**	.34**	.42**	.54**	1				
STA1	.28**	.29**	.34**	.33**	.38**	.26**	.30**	.39**	.36**	.45**	1			
STA2	.35**	.37**	.40**	.36**	.51**	.33**	.34**	.40**	.39**	.34**	.54**	1		
STA3	.33**	.36**	.41**	.41**	.48**	.32**	.40**	.45**	.37**	.35**	.41**	.64**	1	
SUC	.17**	.25**	.31**	.26**	.29**	.29**	.32**	.27**	.31**	.33**	.39**	.50**	.46**	1

Table 4 shows the correlation analysis which can explain the relationship between the initial variables. It is found that the initial variables have all the associated relationships which Hair et al. (2010) [12] explained that the association between the initial variables should not More than 0.80, which if over 0.80 Multicollinearity. From this research, it was found that the relationship between the initial variables had the highest value of 0.64, which is less than 0.80. Multicollinearity.

The results of the hypothesis testing on the success factors of Small and Medium Enterprises in Sakon Nakhon Province, Thailand, are shown in Table 5.

The symbols used to represent the predictors stated as follows:

- IF1 represents the internal factor of man
- IF2 represents the factor of money
- IF3 represents internal factors in materials
- IF4 represents internal factors in management
- IF5 represents internal factors in machine
- EF1 represents the external factor of drives occurred within the industry
- EF2 represents the external factor ofthe bargaining power from the material sellers or suppliers
- EF3 represents the external factor of bargaining power from the purchasers
- EF4 represents the external factor ofdrives from the new rivals entering into the market
- EF5 represents the external factor of drives from substitution products
- STA1 represents the Cost Leadership Strategy
- STA2 represents the Differentiation Strategy
- STA3 represents the Focus market or niche Strategy
- SUC represents success in small and medium enterprises

Table 5
Research Results from Hypotheses Testing

Variable	Dependent Variable							
	STA ₁		STA ₂		STA ₃		SUC	
	β	Sig.	β	Sig.	β	Sig.	β	Sig.
IF1	.063	.315	.066	.254	.047	.421		
IF2	.039	.542	.073	.226	.075	.217		
IF3	.119	.082	.104	.103	.121	.060		
IF4	.096	.151	.018	.768	.124	.049		
IF5	.194	.007	.361	.000	.264	.000		
EF1	.018	.754	.118	.041	.040	.476		
EF2	.083	.158	.091	.122	.202	.001		
EF3	.189	.001	.181	.002	.253	.000		
EF4	.060	.323	.167	.007	.085	.158		
EF5	.299	.000	.107	.065	.110	.051		
STA₁							.150	.005
STA₂							.274	.000
STA₃							.228	.000

P < 0.05*, P < 0.01**

The research equation to predict the success factors of Small and Medium Enterprises in Sakon Nakhon Province, Thailand.

$$\begin{aligned}
 STA_1 &= .194 IF5 + .189 EF3 + .299 EF5 \\
 STA_2 &= .361 IF5 + .118 EF1 + .181 EF3 + .167 EF4 \\
 STA_3 &= .124 IF4 + .264 IF5 + .202 EF2 + .253 EF3 \\
 SUC &= .150 STA_1 + .274 STA_2 + .228 STA_3
 \end{aligned}$$

Concerning the internal factors affecting the competitive strategy in terms of leadership of low cost, the Machine (Sig. = .007), therefore the hypothesis was accepted, by (β = .194), the Machine had the relationship and the relationship was positive toward the differentiation strategy (Sig. = .000), therefore the hypothesis was accepted, by (β = .361), the Management and Machine had the relationship and the relationship was positive toward the niche market strategy (Sig. = .049), therefore the hypothesis was accepted, by (β = .124) and (Sig. = .000), therefore the hypothesis was accepted, by (β = .264), respectively. For the external factors, there was the relationship and the relationship was positive toward the competitive strategy of leadership on low cost. The bargaining power from purchasers affected the competitive strategy of leadership on low cost (Sig. = .001), therefore the hypothesis was accepted, by (β = .189), and the drives from substitution products affected the competitive strategy of leadership on low cost (Sig. = .000), therefore the hypothesis was accepted, by (β = .299). Next, the external factors had the relationship and the relationship was positive toward the differentiation strategy. It was found that the competition within the same industry affected the differentiation strategy (Sig. = .041), therefore the hypothesis was accepted, by (β = .118), and bargaining power from purchasers affected the competitive strategy of differentiation strategy (Sig. = .002), therefore the hypothesis was accepted, by (β = .181), and the drives from new rivals entering into the market affected the leadership on differentiation strategy (Sig. = .007), therefore the hypothesis was accepted, by (β = .167). According to the external factors had the relationship and the relationship was positive toward niche market strategy, it was found that bargaining power from material sellers affected the niche market strategy (Sig. = .001), therefore the hypothesis was accepted, by (β = .202), and the bargaining power from purchasers (EF3) affected the niche market strategy (Sig. = .000), therefore the hypothesis was accepted, by (β = .253), and the competitive strategy of leadership on low cost had the relationship and the relationship was positive toward the SME business. It was found that the competitive strategy of leadership on low cost affected the success of SME business (Sig. = 0.005), therefore the hypothesis was accepted, by (β = .150). Next, the differentiation strategy had the relationship and the relationship was positive toward the success of SME business, it was found that the differentiation strategy affected the success of the SME business (Sig. = 0.000), therefore the hypothesis was accepted, by (β = .274). Finally, the niche market strategy had the relationship

and the relationship was positive toward the success of SME business, it was found that the niche market strategy affected the success of SME business (Sig. = 0.000), therefore the hypothesis was accepted, by ($\beta = .228$).

In conclusion, the hypothesis test of internal factors and external factors had the positive influence toward the competitive strategy, and the competitive strategy had the positive relationship with the factor of success toward the SME business in Sakon Nakhon province, Thailand. Hence, it is recommended that the SME business should more emphasize the competitive strategies in order to increase the success through business.

CONCLUSIONS

The purposes of this research were to study the factor of SME success in Sakon Nakhon province, Thailand. The research result revealed that the competitive strategies influenced the factor of SME success. Hence, these are the guidelines for SME business in Thailand: Firstly, the leadership on low cost; for increasing the success to the business in Thailand, the success of low cost will enhance the reduced price and increase the customers to the business, secondly, differentiation strategy; Today, the more the difference of products are, the more the customers turn to be interested in. This really influences the success of SME business in Sakon province, Thailand. Thirdly, niche market; this is because when the business focuses on the niche market, that consumers group will be more interested in. However, there are still other factors which are expected to enhance the SME business to achieve the success that have to do the research further.

REFERENCES

- [1] Commercial Office of SakonNakhon province. (2018).
- [2] T. (1973), "Statistics an introduction analysis. 2nd ed." New York: Harper & Row.
- [3] Office of the Small and Medium Industry Development Program (SME). (2018). "Project Coordinator. Source and Online Priority", Source.
- [4] Freeman, R. E. (1992), "Management. 5th ed." New Jersey: Practice – Hall.
- [5] Bartol, K. M., and Martin, D. C. (1997), "Management. (2nd ed.)". New York: McGraw - Hill.
- [6] Newman, W. H., and Charles, B. S. (1964), "The Process of Management". New Jersey: Prentice Hall.
- [7] Drucker, F. Peter. (1998), "Knowledge – Worker Productivity" : The Biggest Challenge.
- [8] Aram Siriphan. (1991). quoted PhenchanTantimakkhon. (2009). "Success Factors of Small and Medium Businesses: Case Studies Phasi Charoen area Bangkok. "Independent research, Master of Business Administration degree".
- [9] Porter, M.E. (1980). "Competitive Strategy: Techniques for Analyzing Industries and Competitors. New York: The Free Press."
- [10] Michael E. Porter. (2008). "The Five Competitive Forces That Shape Strategy" .Harvard.
- [11] Robbins, S. P. and Coulter, M. (2012). "Management. (7th ed.)" New York : Pearson Education.
- [12] Bateman, T. S., and Snell, S. A. (1999). "Management: Building Competitive Advantage (4th ed.)".Boston: Irwin McGraw-Hill.
- [13] Foley, P., and Green, H. (1989). "What is success. Small Business Success. London: Chapman."
- [14] Mosley, D.C., Pietri, P.H. and Megginson, L.C. (1996). "Management leadership in action." (5th ed.)New York: Harper.)
- [15] Economical Sae Lim. (2004). "Factors related to the success of being a small and medium business entrepreneur (SMEs) in Thonburi area. Thesis MBA (General Management). Bangkok."
- [16] Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E. (2010). "Multivariate data analysis. 7th ed." Prentice Hall, Upper Saddle River, New Jersey.