

Influence Factors Affecting Management Of Small Enterprises In Northeast Thailand

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ABSTRACT

Small enterprises are key goals to stabilizing the economy of a developing country; however, entrepreneurs still lack business administration experience. In this paper, we will give a view of the influence factor of small enterprises that entrepreneurship must be concerned with before they decide to set up a small business. For this research, we collected and analyzed data using both qualitative and quantitative methods. We conducted in-depth interviews with 45 entrepreneurs in northeast Thailand and analyzed the data collected by doing a content analysis. We also provide 400 questionnaires to entrepreneurs in 10 provinces in northeastern Thailand, and then we used factor analysis and multiple regression to analyze the data collected. From this analysis, we found seven factors that influence small enterprises: (1) knowledge and skills, (2) performance, (3) technology, (4) owner attitude, (5) motivation, (6) finances and capital, and (7) creativity. The total variance was 56.013%, and a Kaiser-Myyer-Olkin (KMO) score of = 0.909 was obtained from this study.

Keywords: Small Enterprises, Management, Northeast Thailand, Influence Factor.

INTRODUCTION

*G*lobal competition puts pressure on all firms in an industry to be more productive. Over the past two decades, business environments have been seen as no longer stable and predictable because of economic globalization, market maturity, technological changes, the need to respond to customers' increasing demands, and fiercer competition (Espino-Rodriguez & Padron-Robaina, 2004). Globalization has led to profound changes in how business activities are conducted; the growing use of networks and alliances by firms from advanced industrial countries is changing the industry. This process, dubbed alliance capitalism, represents a new phase in the evolution of the market economies (Narula & Dunning, 1998). Several fundamental changes in the global economic landscape are regarded as inevitable, and the economic map of the world will change more radically in the next twenty years than it has in the past twenty. Notwithstanding its rapid growth since 1979, China's economy has begun to acquire bulk only in the past few years. Major countries such as India, Brazil, and Mexico have embraced economic reform and have begun the process of global integration within the past ten years only. As these economies continue to gather momentum, they increasingly will become major contributors to the creation of new wealth on the planet (Gupta & Govindarajan, 2004: 11).

Small industry in rural areas has encouraged economic growth in the past century, and many developing countries have been transformed. No longer relying on an agricultural economy, they have become industrialized. Developed rural communities now generate the lion's share of tax revenues. Even for poorer, more backward communities that receive fiscal subsidies, incremental financial resources depend largely on the efforts of the community government and its subordinate economic entities (Khamanarong, 2002). The development of small enterprises is a core government policy concern if it hopes to raise economic growth; many countries try to aid small enterprise through micro-enterprise development programs, enabling them to become efficient (Shaw, 2004; Baron & Shane, 2005).

Small enterprises contribute greatly to local economies. Thus, small enterprises are an opportunity for people who have low social capital to develop their potential in business, thereby reducing unemployment and poverty. Successful small enterprises in developing countries such as India and Sri Lanka are dependent on other factors besides capital; these factors include ability, knowledge, and skills—including responsibility (Richard, 2001). In addition, the potential for entrepreneurship is important because quality products will be attractive to the customer and to entrepreneurs who are interested in outsourcing some part of their production to small enterprises (Sakolnakorn et al., 2008). Thus, the efficiency of the decision-making process of small enterprises' owners is important (Ekamen, 2005).

Management personnel in small enterprises may feel as if they are obligated to address every performance flaw and assign an appropriate punishment to meet the offense; management may focus solely on the problem employees at the expense of the good performers in the group, and monitoring problem employees may consume too much of a manager's time, not allowing the opportunity to focus on other duties (Guffey & Helms, 2001; Shoz, 2001; Falcone, 2000; Bernadi, 1997). In addition, management of small enterprises requires management with skillful workers who produce goods and products based on market demand with local material resources (Enyinna, 1995)

In Thailand, rural development began in 1961 with the first National Economic and Social Development Plan. The third plan was concerned with rural industrial development. As regionalization of industrial growth occurred, the manufacturing sector emerged, but after the fourth plan was put into effect, things were not significantly different from what they had been after the end of the third plan. Several explanations can be offered for encouraging industry to decentralize. First, Bangkok faced the problem of pollution and heavy traffic; thus, industries needed to move to other regions, but outer areas were not developed. Therefore, it was important to develop an infrastructure to encourage competitiveness among other regions. Second, regionalization created incentives and benefits for industrial distribution: natural resources, land prices, and advantages in costs of labor. These concepts motivated industries to move their factories to rural areas. Thus, industries spreading out to rural areas were one part of the policy to develop the social and economic well-being of the population (Panpiemras, 1998).

Intensive, small enterprise in Thailand was a concern in government policy at the time of the third National Economic and Social Development Plan (1972–1976). This was a period during which domestic industrial development grew rapidly, and industries expanded to many regions in Thailand. Therefore, many regions such as the northeast transformed from the simple cultivation of agricultural products to the import of consumer products in the period of the fourth to fifth National Economic and Social Development Plan (1977–1986). The government advocated the growing economy in cities—especially Bangkok, the heart of Thailand's economy—to rural areas in an effort to solve the problem of crowded factories (Khamanarong, 1999). To define small enterprises in this paper, a small enterprise is a business with five or fewer employees, one that requires 100,000 Bath (US \$25,000) or less in start-up capital, and one that does not have access to the commercial banking sector. Most small enterprises are sole proprietorships that create employment for the owner and often family members, and they are based on the personal initiative of the operator. Some grow into larger businesses, employing other members of the community. Small enterprises can deal in repair services, cleaning services, specialty foods, jewelry, arts and crafts, gifts, clothing and textiles, computer technology, childcare, or environmental products and services (Department of Industrial Promotion, 2001)

However, small businesses face a problem with sales functions, which influences their cash flow balance. For some, sales are high, while in others, they drop significantly. Business owner–managers need to balance the cash inflow and outflow so that there are always enough funds to meet day-to-day expenses. More importantly, small businesses fail to respond quickly to the changes in customers' values and expectations, putting the business at a disadvantage. In many cases, small businesses are not able to adapt themselves to the rapid changes in technology and in the market. Small businesses are faced with the ever-present risk of competition. For many reasons, such as weak capital structure, low marketing channels, low market share, and the like, these small businesses tend to encounter more competition than larger businesses do. Rapid changes in technology can affect the small businesses dramatically. Another disadvantage for the owner of a small business is the acceptance of full responsibility for the whole business. Small businesses are more susceptible to problems of financial losses than are large businesses and

corporations. Mistakes in making strategic decisions will potentially impose much higher costs to the small business operating in the wrong market or investing money in the production of a product that is in the declining stage of its product life cycle, which can lead to a great deal of financial loss (Analoui & Karami, 2003: 29). Generally, disadvantages can either be minimized or converted to opportunities if the business owner–manager thinks strategically and considers the company’s strengths, weakness, opportunities, and threats when developing the business plan.

Small enterprises in Thailand still have limitations on marketing management, financial loans, human resource management, technology, turnover rates of employees, knowledge of management, knowledge of how to acquire to government promotion, and data and information (OSMEP, 2006). There is an apparent inability of rural people spontaneously to establish their own businesses because they lack management and technical skills, financial knowledge, and the expertise to leap from farmer to small businessperson (Rigg, 2003: 230). So, in this paper, we will give a view of the influential factors affecting small enterprises that entrepreneurs must concern themselves with before making the decision to set up a small business. This paper is relevant to people in developing countries with small enterprises such as those in Vietnam, India, Sri Lanka, Cambodia, and all of developing countries around the world.

RESEARCH METHODOLOGY

In this paper, we collected and analyzed data using both qualitative and quantitative methods. We did in-depth interviews for 30 minutes with 45 entrepreneurs who have opened small enterprises in two provinces of northeast Thailand. We used content analysis to synthesize all data gathered from the interviews. Results showed ten factors that affect to the small enterprises management: knowledge and skills, performance, technology, owner attitude, time, motivation, location, financial and capital, creativity, and administration.

Factors and variables drawn from interviews were compiled in a questionnaire that was provided to 32 entrepreneurs to test its reliability. A reliability analysis resulted in an Alpha Coefficient of $\alpha = 0.801$. In addition, we also provided 400 questionnaires to entrepreneurs in 10 provinces in northeastern Thailand. Data were analyzed by factor analysis and multiple regression.

RESULTS

A factor analysis of 10 factors was found to be significant for small enterprises: knowledge and skills (variance = 3.157), performance (variance = 4.757), technology (variance = 3.693), owner attitude (variance = 3.943), time (variance = 4.118), motivation (variance = 5.278), location (variance = 3.026), financial and capital (variance = 2.912), creativity (variance = 16.873), and administration (variance = 8.256). The total variance explained was 56.013%, and a Kaiser-Myyer-Olkin (KMO) score of = 0.909 was obtained. Then, the researchers took these ten factors and analyzed them by the multiple regression to study the influence factor affecting small enterprises, as shown in Table 1.

Table 1: Multiple regression used to study the influence factor affecting small enterprises

Variables	Non-Standardized Coefficient		Beta	t	Prob
	B	SE(b)			
(Constant)	0.311	0.363		0.932	.352
X1	0.129	0.050	.114	2.513*	.012
X2	0.351	0.059	.286	5.340*	.000
X3	0.166	0.056	.134	2.813*	.005
X4	0.130	0.049	.136	2.394*	.017
X5	0.001	0.041	.016	0.372	.710
X6	0.121	0.045	.123	2.556*	.011
X7	0.003	0.032	.053	1.156	.248
X8	0.162	0.044	.167	3.430*	.0001
X9	0.138	0.046	.153	2.441*	.015
X10	0.005	0.041	.066	1.239	.216

R = 0.579 R Square = 0.335 Adjusted R square = 0.323

* prob 0.05

Table 1 shows that seven factors influence small enterprises: knowledge and skills (X1), performance (X2), technology (X3), owner attitude (X4), motivation (X7), financial and capital (X9), and creativity (X9). We found three additional factors that have an effect on small enterprises: time (X5), location (X7), and administration (X10). The seven keys factors and significant points, which entrepreneurs consider in management, were as follows:

1. Knowledge and skills: Entrepreneurship with higher education are likely have improved managerial skills and a better understanding of market opportunities and an increase in the return from self-employment (Rizov & Swinnen, 2004). Therefore, entrepreneurial human capital refers to the skills and knowledge acquired by an entrepreneur. Human capital determines the ability of a business owner not only to recognize an economic opportunity but also to exploit it efficiently by setting up a venture. The importance of human capital has been acknowledged as one of the main factors influencing the setup and growth of successful enterprises in remote and lagging areas in any industrial sector. The central tenet of the strategic human resource model is that a firm's competitive behavior is a function of the decisions and actions of its upper echelon and board of directors. We postulate that the decisions and actions of the upper echelon are largely a function of its members' human capital, their social capital with one another, and their motivation to deploy their human and social capital toward the planning and execution of the firm's competitive moves. Organizations endowed with high levels of human and social capital in their upper echelon and board of directors are likely to benefit from their valuable knowledge, unique skill sets, and more sophisticated decision-making capabilities.
2. Performance: Our analysis suggests that the following attributes support good performance: (i) effective work processes and allowing claims to be processed quickly, accurately, and efficiently helps the firm to identify and deal with downward changes and fraud promptly, (ii) a productive work environment ensures maximum productivity, and (iii) good business planning and management includes planning and management of all aspects of the administration, including business processes, organizational structure, IT systems, resource planning, physical office environment, planning for changes, and business improvement.
3. Technology: Technology is one issue that benefits the small enterprise. Kiyota and Okazaki (2005) suggest that a technology acquisition policy contributes to improving a firm's performance, and the firms with acquired technologies succeed in capital accumulation much faster than firms without such technologies do during regulated periods. These results imply that in technology acquisition licensing, the government screens a firm's application based on (i) the industry to which the firm belongs and (ii) its past experience of technology acquisition. Furthermore, part of the investment-enhancing effect of technology acquisition in the regulated period might be due to first-mover advantage or rent based on restricted access to foreign technologies, as the benefits of technology acquisition have disappeared since deregulation.
4. Owner attitude: Most people have a very positive attitude toward entrepreneurship. Most people form their attitudes toward entrepreneurship based on feelings and emotions. From the perspective of education, it would be better if people had a positive attitude toward entrepreneurship based on knowledge rather than emotions.
5. Motivation: From our study, the motivation factors is a sense of personal achievement in areas such as income, quality of life, work completed, and accuracy of work.
6. Financial and capital: Many business owners believe that finances are the most important factor for determining success. However, this study shows that if a business does not have competency—especially capital—the small business cannot succeed. The business investment depends on the type of business. Some businesses require a lot of capital, and some small businesses do not require much money to set up.
7. Creativity: Creativity refers to the production of novel and useful ideas concerning products, services, work methods, processes, and procedures by an individual or a small group of individuals working together (Amabile, 1988). Creativity is conceptually different from, but related to, innovation because creativity focuses on idea production, whereas innovation emphasizes implementation of creative ideas. Creativity often serves as a starting point for innovation (Oldham & Cummings, 1996).

Entrepreneurs must begin a small business with a creative idea that is different from others. The entrepreneur's success depends on providing unique products or services to a niche market. However, entrepreneurs should look often to market research and consumer behavior to become more knowledgeable and to improve their businesses and products. It would be interesting to explore whether creativity has any negative consequences on the entrepreneurial process. For example, is imagination always desirable throughout the entire entrepreneurial process?

Can an extremely strong drive to achieve high levels of creativity become an impediment in the pursuit of profitability and new venture success?

DISCUSSION AND CONCLUSIONS

This study indicated that the success of small enterprises depends on the following factors: knowledge and skills, performance, technology, owner attitude, motivation, finances and capital, and creativity. This paper offered a view of influential factors affecting small enterprises as a way to help practitioners choose and analyze factors and attributes concerning their businesses. Using these factors for consideration, practitioners can make better decisions and obtain better results from their small businesses.

This study discovered that the management of enterprises helps entrepreneurs survive in the global market. However, it does not guarantee that the small enterprises will survive; rather, the results of this research simply present some devices that entrepreneurs should use in management. Much depends on managerial efficiency in the business administration. If entrepreneurs want to survive in the age of globalization in the current industrial climate, they must adopt management techniques suitable for each situation.

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