

BUSINESS ENVIRONMENTAL FACTORS INFLUENCING THE SUCCESS OF SMALL AND MEDIUM ENTERPRISES (SMES) IN MUANG DISTRICT LAMPANG PROVINCE

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ABSTRACT

The research objectives were to study: 1) business environment factors of SMEs in Muang District, Lampang Province; 2) the success of SMEs in Mueang District, Lampang Province; and 3) business environment factors that influence the success of SMEs. The population was SMEs in Mueang District, Lampang Province, that registered with the Department of Business Development. The sample size was determined by the criteria of Krejcie and Morgan at the level of 95% confidence and 5% error. It was 317 SMEs that were selected by stratified and quota sampling. A questionnaire was used as a tool for collecting data from informants who were entrepreneurs. Data were analyzed using frequency, percentage, mean, standard deviation, correlation analysis, and stepwise multiple regression analysis. The results found that: 1) the business environment factors had the mean at a high level, 2) the success of their SMEs had the mean at a high level, and 3) the business environment factors influenced the success of their SMEs.

Keywords: business environment, business success, small and medium enterprises

INTRODUCTION

Small and medium enterprises (SMEs) are a source of employment for workers to generate income for the public, include linking with large businesses and other manufacturing sectors. It is an essential mechanism for driving the Thai economy to expand and grow steadily, wealth fully, and sustainably and is the key to national reform by Thailand's 20-year strategy. SMEs entrepreneurs are crucial for the economy, both in terms of economic growth and to reduce inequality. Especially in an era of innovative development in which entrepreneurs have the opportunity to develop products and services leap forward to meet the needs of consumers (ISMED, 2018).

During the Twelfth National Economic and Social Development Plan, the government realized the importance of small and medium enterprises by having policies to promote and push for SMEs to have more potential. It is focusing on developing the entrepreneurs' capabilities to be flexible, able to adjust and conduct business amid various trade protection policies and measures, supporting the expansion of the market with more brands, products, and marketing channels of their own, as well as developing the industries and services to enter the center of manufacturing, services, and digital

industries (NESDP, 2017). According to the data of Gross Domestic Product (GDP) in 2018, its growth was 15,452,882 million baht, which increased from the previous year by 919,407 million baht. In this amount, it is the GDP of small and medium enterprises (SMEs) was 6,551,718 million baht by accounted for 42.4% of the country's GDP. It is expanded by 5.1%, which accelerated from 2017, which grew by 4.9%. When It is considered the GDP's value according to the size of the enterprise, it was shown that 1) Small Enterprises (SE), had a GDP's value of 4,637,330 million baht or representing 5.6%, with growth rate from 2017 was 30.0%; 2) Medium Enterprises (ME), had a GDP's value of 1,914,388 million baht or representing 12.4%, with growth rates from 2017 was 3.9% (OSMEP, 2018).

At the end of 2018, the number of enterprises in the country totaled 2,773,625, classified as 2,765,986 SMEs. The growth rate was 1.07% compared to small and medium enterprises in the past year, which accounted for 99.72 percent of the total number of enterprises in the country. The employment in small and medium enterprises found that in 2015, there were 10,749,735 persons employed in small and medium enterprises (SMEs) or 80.44% of the total employment. The proportion of exports of SMEs to total exports was 29.7% by SMEs

still have the highest export value to ASEAN countries. (ISMED, 2018) However, according to the survey and tracking the small and medium business groups of government agencies by SMEs Development and Consultant found that small and medium enterprises in 100 businesses will be less than 5% successful. The rest will eventually abandon the business with a working period of not more than 1-2 years (DBD, 2017). Most successful SMEs will have unique characteristics that are factors for success. Therefore, in order for businesses of small and medium enterprises that are the core of the business system and the Thai economy to be able to stand up in the current economic slowdown. The small and medium enterprises entrepreneurs must adapt to managing and marketing to maintain a successful business.

The Department of Industrial Promotion has collected data from a research study over the past ten years, found that the overall problems faced by SMEs throughout the past are related to the business environment, both external environment and internal environment of the business itself. It is consisted of problems of marketing, seeking funding sources, labor, production technology, accessing government promotion, and management (ISMED, 2017).

In Lampang Province, many small and medium enterprises have a problem in the lack of support from the government and have some limitations that are obstacles to develop in many areas. As a result, they cannot develop their business to a higher level. Also, in public sector administration in promoting SMEs. It found that there are still problems in the management that is not yet systematic, lack of coordination, lack of follow-up and evaluation that connects the whole system in the manufacturing, trade, and service sector (Office of Lampang Provincial Industry, 2017).

Based on the above reasons, the researcher is interested in studying how successful small and medium business enterprises should look like and what business environment factors influence the success of small and medium enterprises. The population was small and medium enterprises in Mueang District, Lampang Province, that registered with the Department of Business Development, Lampang Province. The findings will be useful knowledge for improvement and development of the approach to enhance the small and medium enterprises in Muang District, Lampang Province, and the other regions in Thailand.

RESEARCH OBJECTIVES

1. To study the business environmental factors of small and medium enterprises in Muang District, Lampang Province.

2. To study the success of small and medium enterprises in Mueang District, Lampang Province

3. To study the business environmental factors that influence the success of small and medium enterprises.

RESEARCH SCOPE

The research population was small and medium enterprises in Muang District, Lampang Province. The research variable consists of the success of small and medium enterprises, the external environment, and the internal environment.

CONCEPTUAL FRAMEWORK

This study examined the business environment factors affecting the success of

small and medium enterprises. The variables were defined as follows:

1. Independent Variables were business environment factors that divided into two factors were as follow: 1) Internal Environment Factors consist of four aspects, namely, 1) Personnel, 2) Finance, 3) Marketing, and 4) Management; 2) External Environment Factors consist of five aspects, namely, 1) Customers, 2) Competition, 3) Economic, 4) Society and Culture, 5) Politics and Laws, and 6) Technology. (Boonbongkarn, 2013)

2. Dependent Variable is the Success of Small and Medium Enterprises. It consists of four aspects, namely, 1) Financial Feasibility, 2) Responding to Customer Needs, 3) Creating Quality Products and Services, 4) Promotion of Innovation and Creativity, and 5) Obtaining a Commitment from Employees. (Fried & Tauer, 2009; 2015)

The conceptual research framework was shown in Fig. 1.

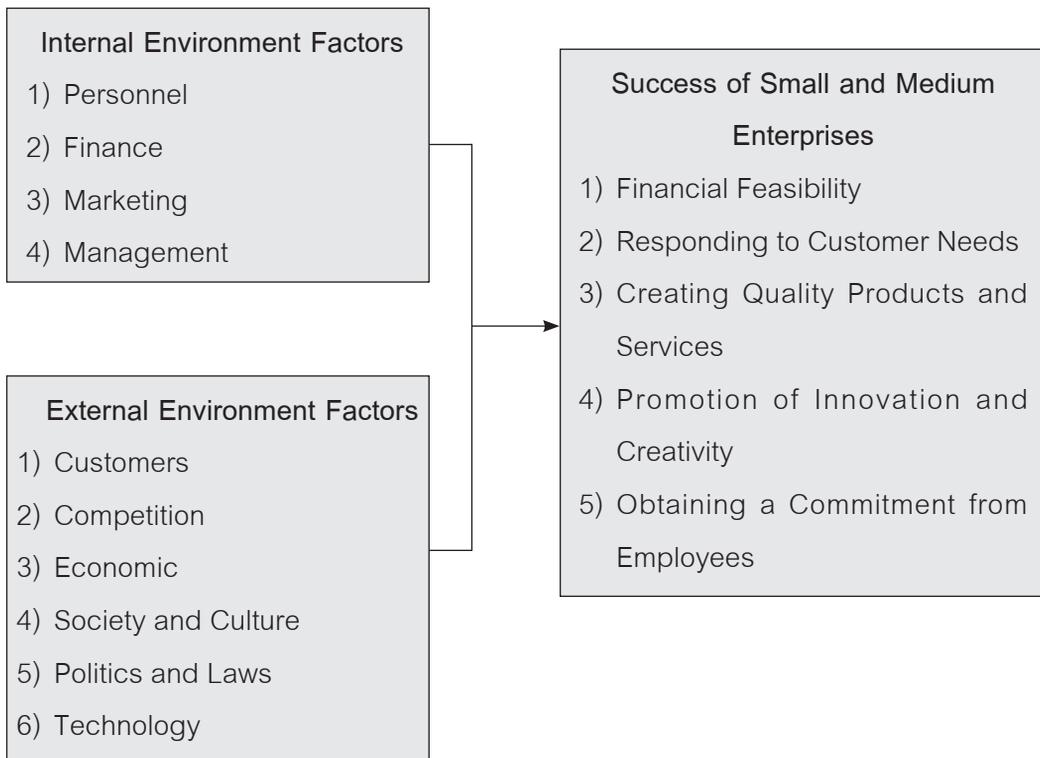


Fig. 1 The conceptual research framework

METHODOLOGY

The unit of analysis is a small and medium enterprise. The population was 1,852 SMEs in Mueang District, Lampang Province, that registered with the Department of Business Development (DBD, 2016). The sample was determined by the criteria of Krejcie and Morgan (1970) at the level of 95% confidence and 5% error. It was 317 SMEs that were selected by stratified and quota sampling. They consisted of SMEs in three business groups were as follows: 1) 90 enterprises in the manufacturing business group, 2) 210 enterprises in the dealing

business group, and 3) 17 enterprises in the service business group.

The tool used to collect data from informants who were entrepreneurs was the questionnaire that was divided into five parts as follows: 1) questions to collect the general information of respondents, namely, gender, age, education, and marital status; 2) questions to collect their business characteristic information, namely, business model, number of employees, business operation period, and registered capital; 3) questions to collect their internal environment factors, 4) questions to collect their external

environment factors; 5) questions to collect their success of small and medium enterprises.

Five experts examined the quality of the questionnaire on content validity. The Index of item-objective congruence (IOC) for all questions was higher than .60. Then, the questionnaire was revised according to the expert's suggestions and tested with thirty, non-sample SMEs to determine its reliability using Cronbach's alpha coefficient method (Cronbach, 1990). The reliability of the questionnaire was .95.

Data were analyzed using frequency, percentage, mean, standard deviation, correlation analysis, and stepwise multiple regression analysis.

RESEARCH RESULTS

1. Most respondents were males (59.94%), aged between 41-50 years old (48.90%), married (82.02%), and who graduated with below bachelor's degree (47.32%).

2. Most of their business characteristics were a partnership limited (67.82%), their employees less than 20 (66.25%), their business duration was 11–15 years (41.64%), and their registered capital less than 5 million baht (86.75%)

3. The mean of their business environment factors, both internal and

external factors were found at a high level. Descriptive statistics are shown as follows:

3.1 The mean of internal environment factors was found at a high level ($M = 4.12$, $SD = .59$). The aspect with the highest mean was management ($M = 4.33$, $SD = .80$, highest level), followed by personnel aspect ($M = 4.29$, $SD = .56$, highest level), marketing aspect ($M = 4.23$, $SD = .64$, highest level), and finance aspect ($M = 3.52$, $SD = .91$, high level), respectively.

3.2 The mean of external environment factors was found at a high level ($M = 3.86$, $SD = .54$). The aspect with the highest mean was customers ($M = 4.37$, $SD = .79$, highest level), followed by society and culture aspect ($M = 4.15$, $SD = .75$, high level), competition aspect ($M = 4.03$, $SD = .83$, high level), technology aspect ($M = 3.70$, $SD = .85$, high level), economic aspect ($M = 3.55$, $SD = .66$, high level), and politics and law aspect ($M = 3.30$, $SD = 0.75$, moderate level), respectively.

4. The mean of the success of their SMEs was found at a high level ($M = 3.96$, $SD = .47$). The aspect with the highest mean was the aspect of creating quality products and services ($M = 4.33$, $SD = .66$, highest level), followed by financial feasibility aspect ($M = 4.26$, $SD = .75$, highest level), the aspect of responding to customer needs ($M = 4.16$, $SD = .62$, high level), the aspect

of obtaining a commitment from employees (M = 4.10, SD = .72, high level), and the aspect of innovation and creativity promotion (M = 3.89, SD = .70, high level), respectively.

5. The business environment factors, both internal environment factors and

external environment factors were related to the success of their SMEs, with a statistically significant level of .01, and correlation coefficients (r) were .690 ($r=.690, p<.01$), and .557 ($r=.557, p<.01$), respectively, as shown in Table 1.

Table 1 The Relationship between Business Environment Factors and the Success of Small and Medium enterprises

The Success of Small and Medium Enterprises (SSME)	
Internal Environment Factors (IEF)	.690**
External Environment Factors (EEF)	.557**

** $p<.01$

6. The influence of business environment factors on the success of small and medium enterprises, as shown in Table 2 and Table 3.

Data in Table 2 shows that internal environment factors (IEF) and external environment factors (EEF) had a positive influence on the success of small and medium enterprises (SSME) and could jointly predict 59.9% of SSME ($R^2 = .559$), with a

statistical significance level of .01. The predictive equation in terms of the standard score was $SSME = 0.569IEF + 0.374EEF$. It indicates that both predictive variables could jointly predict the SSME, with predictive weight values (regression coefficient) and statistical significance level were as follows: 1) Internal environment factors ($\beta = .569, p<.01$), and 2) External environment factors ($\beta = .374, p<.01$).

Table 2 The Influence of Business Environment Factors on the Success of Small and Medium Enterprises

Independent Variable: Business Environment actors	Model 1			Model 2		
	<i>B</i>	<i>SE B</i>	β	<i>B</i>	<i>SE B</i>	β
Internal Environment Factors (IEF)	.600	.036	.690**	.496	.033	.569**
External Environment Factors (EEF)				.327	.033	.374**
R^2		.474			.599	
R^2 change					.126	
<i>F</i> for change in R^2					98.918**	

Dependent Variable: the Success of Small and Medium Enterprises (SSME)

* $p < .05$, ** $p < .01$

Table 3 The Influence of Business Environment Factors on the Success of Small and Medium Enterprises

Independent Variable: business environment factors	Model 3			Model 4		
	<i>B</i>	<i>SE B</i>	β	<i>B</i>	<i>SE B</i>	β
Marketing (MK)	.304	.041	.382**	.285	.040	.358**
Political and Legal (PL)	.221	.020	.371**	.188	.020	.317**
Management (MA)	.253	.032	.398**	.217	.032	.341**
Competition (CP)				.106	.022	.175**
R^2		.683			.704	
R^2 change		.062			.022	
<i>F</i> for change in R^2		61.419**			23.288**	

Dependent Variable: the Success of Small and Medium Enterprises (SSME)

* $p < .05$, ** $p < .01$

Data in Table 3 shows that four factors of the business environment factors include marketing (MK), politics and law (PL), management (MA), and competition (CP) had a positive influence on the success of small and medium enterprises (SSME). It could jointly predict 70.4% of SSME ($R^2 = .704$) with a statistical significance level of .01. The predictive equation in terms of the standard score was $SSME = 0.358MK + 0.317PL + .0.341MA + 0.175CP$. It indicates that four predictive variables could jointly predict the SSME, with predictive weight values (regression coefficient) and statistical significance level were as follows: 1) Marketing ($\beta = .358, p < .01$), 2) Politics and Law ($\beta = .317, p < .01$). 3) Management ($\beta = .341, p < .01$), and 4) Competition ($\beta = .175, p < .01$).

CONCLUSION AND DISCUSSION

The research findings were as follows:

1. The business environment factors of their SMEs had the mean at a high level. The mean of internal environment factors higher than external environment factors. It is in line with the study of Wangbenmadh and Binduhrem (2014) who studied the factors that were essential to SMEs' business operations in Hat Yai District, Songkhla Province. It was found that internal environment factors were essential to SMEs'

business operations at the highest level by personnel factor was an aspect that the highest mean, external factors were essential to SMEs' business operations at a high level by technology factor was an aspect that the highest mean. Also, it is in line with the study of Jongwutiwes, Singhalert, and Passago (2010) who studied the factors that affected the success of the operation of community business in Mueang District, Roi-ed Province. It was found that the business environment factors that were important to the community business in the first three were production management, marketing management, and financial and investment management.

2. The success of their SMEs had the mean at a high level. The aspect of creating quality products and services was an aspect that the highest mean. Because of the excellent quality of products and services are what both manufacturers and consumers want, the quality of products and services that meet the standards will allow the business to retain old customers and impress new customers (DIP, 2018). It is in line with the research of Daengpudda (2011) who studied the success of Ban Had Mamung community enterprises in Khon Kaen Province. It was revealed that the most critical factor for the success of their community enterprises was the quality of the standardized products.

3. The business environment factors of their SMEs, both the internal environment factors and the external environment factors were positively correlated to the success of their SMEs. Because businesses will be successful, they must have a sound management system, focus on meeting the needs of customers, and develop various systems for creating products and services to quality standardized by promoting innovation and creativity while using technology to develop more effective marketing systems. Also, they must have a personnel development system for employees to adhere to the company or organization and work efficiently. It is in line with the study of Tungnarumit (2015) who studied factors were related to the success of SMEs in Prachuap Khiri Khan province. It was found that: 1) the organization's internal environment factors were positively related to the success of their SMEs at a high level, and 2) the organization's external environment factors were positively related to the success of SMEs at a low level.

4. The business environment factors of their SMEs, both the internal environment factors and external environment factors, had positively influenced the success of their SMEs. Factors that influenced the success of SMEs included marketing, politics and laws, management, and competition.

Because of a sound management system, a good marketing system, and appropriate government policies and regulations will allow businesses to increase their competitiveness of business operations both at the local and global levels. It is in line with the study of many researchers who studied the success factors of SMEs, which found that the success of SMEs depends on many factors that include sound management system, domestic and international marketing system, (Daengpudda, 2011; Wangbenmadh & Binduhrem, 2014) innovation development to increase competitiveness, as well as laws and policies of government sector (Panpetch, 2016; Phatcharasanee, 2017; Thienphut, 2008).

SUGGESTIONS

1. Suggestions for applying research results to be useful

Based on the results that analyze the business environment factors influenced the success of SMEs in Muang District, Lampang Province, it was concluded that the business environment factors both the internal environment factors and the external environment factors positively influenced the success of their SMEs. Notably, factors that have significant effects on the success of their SMEs include marketing, politics and law, management, and competition. Therefore, in order for SMEs in Mueang

District, Lampang Province have continually developed its potential, which will lead to the success of their businesses. The researcher has recommended guidelines for governments and relevant agencies to develop policies and practices as follows:

1.1 Policy suggestions

1.1.1 Government agencies involved in the SMEs' development should develop policies and laws that facilitate and promote the business operations of SMEs.

1.1.2 Government and private sector as well as higher education institutions in the province. Especially, universities in the area where SMEs located should have a role in developing knowledge, skills, and abilities in business management, developing marketing channels, and improving the competitiveness of SMEs.

1.2 Practice suggestions

1.2.1 SMEs should create or update the quality of products and services.

Especially, bringing innovation such as product design and modern industrial technology to be used in developing products that meet the needs of customers.

1.2.2 SMEs should use information technology systems for management, not just for modernization, but as essential tools for managing and marketing strategies.

1.2.3 SMEs should seek new markets by creating a joint trade or joint venture with SMEs or businesses in other groups.

2. Suggestions for further research

The researchers should study other factors that contribute to the success of SMEs, maybe studying in some business or career groups in order to know causal factors or in-depth information, which will be useful in the development of the success of those business groups.

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