

# The Management Success Model in the Operations of Small and Medium Enterprises in Chiang Mai Province

Jermkhuan Ratchusanti<sup>1</sup>  
and Kamolthip Khamjai<sup>2</sup>

Chiang Mai Rajabhat University, Thailand

<sup>1</sup>jermkhuan\_r@hotmail.com

<sup>2</sup>kthip2512@hotmail.com

**Abstract** - This research is objected to study the management success model in the operations of small and medium enterprises in Chiang Mai province. This is the mixed research with 347 samples. The research tools are questionnaires, the in-depth interview, the descriptive research, and the structural equation modeling (SEM) It was found that the relationship of Entrepreneurship (ENT), Strategy 7S's Model (STR) and Balanced Score Card (BLA) to the management success model relied on the empirical data from the evaluation as  $\chi^2 = 17.086$ ,  $df = 11$ ,  $\chi^2/df = 1.553$ ,  $GFI = 0.988$ ,  $CFI = 0.796$ ,  $RMSEA = 0.040$ ,  $NFI = 0.989$ . The management success model consisted of ENT in the leadership to design the entrepreneur strategy for strategic management, structure, system and shared value together BSC for the internal process, and learning and development.

**Keywords** - Small and Medium Enterprises, The Management Success Model

## I. INTRODUCTION

Small and medium- sized enterprises are the flexible enterprises which can adapt themselves for the current situation in the country. They are the main function of the economy, society, and nation. Even though they uses less amount of investment compared with the large enterprises, they can generate the employment and they can save the foreign currency from importing the product and

service and link with another production sector such as the agricultural sector. SMEs are the main engines of the economic growth and in this current condition with the aggressive competition there are always not only the start up but also withdrawn businesses. During the critical economic situation, some of SMEs can adapt and resolute in this event well [1].

The context of SMEs for both in Thailand and in the foreign countries showed many success factors; however, there is no evident to thoroughly clarify which factors can concern with the success of SMEs or what factors can relate and affect to the success of SMEs especially in Chiang Mai. In order to find out the concept to develop SMEs sustainably, the research is objected to study the relationship structural equation about entrepreneurship, Strategy 7S's, and balanced Scorecard and to find out the management success model of SMEs in Chiang Mai Province.

## II. LITERATURE REVIEW

In the literature review about the success of SMEs [2]. Studied the factors of the Entrepreneurs and the competitive strategy. It was found that Entrepreneurs related to the competitive strategy and the sustainable organization success [3]. The study of the relationship of Entrepreneurs and the balanced score card can help to set up the strategy and could achieve the organization's goal. Additionally, it could be developed from the results of the balanced scorecard to extend and improve the operating efficiency affecting the

organization's success.

Moreover, Lertpachin and Wingwon [4], studied the effect of entrepreneurs and the strategic management against the success of SMEs in the north of Thailand. It was found that entrepreneurs directly influenced on the strategic determination and success of SMEs. Sulasame [5] studied the point of view of the entrepreneurs to the success in the E-commerce business in Thailand. It was found that entrepreneurship represented in the positive relationship to the success in the E-commerce competition. From this information, entrepreneurship, Strategy 7S's, and balanced Scorecard had been studied only on each sections without integrating all components clarifying tangibly. The study directly reviewed only in the overview of SMEs, so the gap from the academic view was improper and not related to develop and apply for SMEs in the context of Chiang Mai Province. Additionally, the researcher tried to find out other factors to verify the theories for example the Resources-Based View (RBV), which is the related theory to link variables into the entrepreneurship, Strategy 7S's, and balanced Scorecard which affects the success of SMES in Chiang Mai. These results could apply the assumptions to build up and perform with SMEs in the future.

### **III. METHODOLOGY**

This research is conducted in the mixed research methods and the data was collected as follows:

1. Population and Sample of this research is the 14,348 SMEs in Chiang Mai [6], which registered with the Department of Business Development in Chiang Mai. Moreover, the sample size is done by the auto format table of Krejcie and Morgan with 374 SMEs.

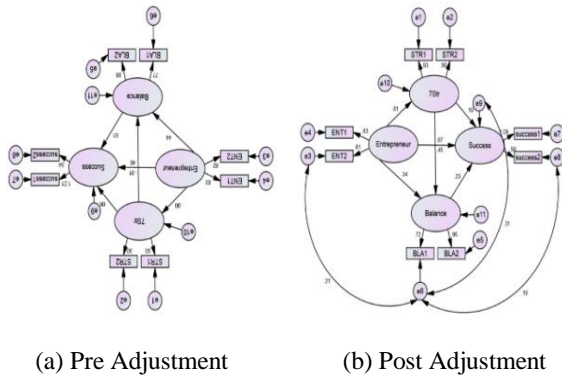
2. The research instruments are the questionnaire including general information, the measuring instrument including Entrepreneurship, Strategy 7S's, balanced Scorecard, and the management success with 7-level Likert Scale and the in-depth interview

with the semi structural interviewing technique.

3. This research was analyzed by using the descriptive statistics method and the structural equation modeling method to investigate the appropriate of measuring scale by presenting such the statistics estimating models as Chi-square, Degree of freedom, CMIN, GFI, RMSEA, and NFI.

### **IV. RESULTS OF THE RESEARCH**

The overall of the entrepreneurship is in the high level and the average mean is about 5.70. The Entrepreneurship to the other operational factors from most to least is about focusing on the setting mutual goal, performing the good role model and the working success, presenting the business vision, and emphasizing on communication from high to low and being able to accept the employee's suggestion to the management level with the average means as 5.97, 5.94, and 9.94. The overall of Strategy 7S's is in the high level and the average mean is about 5.60; moreover, the other operational factors from most to least are the team management in order to work together effectively, the performance of working people's participation, and the emphasis on building the organization culture in order to create strength with the average means as 5.85, 5.76, and 5.74 respectively. Additionally, the overall of the Balance Scorecard is in the high level and the average mean is about 5.58; furthermore, the other operational factors from most to least are the working spirit of employees, the well-supported employees in the working aspects, and the employees' major skills and capacities with the average means as 5.94, 5.93, and 5.86 consecutively. However, the overall of the Management Success in the growth aspect for SMEs in the previous year is nearly high with the average means as 4.60. The variable – measuring equation This part is shown about the variable – measuring equation by using the statistics of Standard Regression Weight, Standard Error, p-value, and SMC ( $R^2$ ) against the studied variables of Entrepreneurship, Strategy 7S's, Balanced Scorecard and the Management Success.



**Fig. 1** The Statistics of the Consistency for the Management Success Model of SMEs

**TABLE I**  
THE STATISTICS OF THE CONSISTENCY FOR THE MANAGEMENT SUCCESS MODEL OF SMES

Statistics	Pre-adjustment	Post-adjustment
Chi-square	70.220	17.086
Chi-square/df	5.016	1.553
df	14.000	11.000
P	0.000	0.105
GFI	0.952	0.988
CFI	0.964	0.996
RMSEA	0.108	0.04
NFI	0.956	0.989
results	unacceptable	acceptable

Source: Calculation

From Fig. (a) and (b) after adjusting the model, there is the overall of proportion of Chi-square to the degree of freedom ( $\chi^2/df$ ) as 1.553, p-value (0.105), GFI (0.988), CFI (0.996), RMSEA (0.04), and NFI (0.989). When compared with the consideration criteria, the model can perform the consistency of the Model Fit with the theoretical model. Thus, it is concluded that the SMEs's management success model performing the consistency to the theoretical model is typically acceptable.

**TABLE II**  
THE HYPOTHESIS TESTING RESULTS

	Coef.	P	Result
H1: Entrepreneurship affects Strategy 7S	0.820	***	Supported
H2: Entrepreneurship affects Balance Scorecard	0.417	***	Supported
H3: Strategy 7S affects Success	0.172	***	Supported
H4: Balance Scorecard affects Success	0.179	***	Supported
H5: Entrepreneurship affects Success	0.063	0.504	Unsupported

Source: Calculation

Note: If t-tast  $\geq 1.96$ , hypothesis has statistical significance in 0.05\*\* level. If t-tast  $\geq 2.59$ , hypothesis has statistical significance in 0.10\*\*\* level.

## V. CONCLUSIONS

The analysis of the variables by the structural equation modeling (SEM) was found about the Entrepreneurship related to the Strategy 7S's shown that Entrepreneurship is the operational process for SMEs which are ready to change for the globalized environment [7]. Performing the proactive working procedure, the risk management, creative thinking, SMEs must set up the strategies to motivate the organization with the integration of the Entrepreneurship and the management process in order to generate the new approach for developing the product and service. Aragon-Correa [8] gave the high level for 4 sub factors of the Strategy 7S which are teamwork and awareness of working together; especially building the working participation with the concerning staff, establishing the strong organizational culture, and performing the organization's main capability for increasing the working efficiency. Moreover, this can enlarge the SWOT analysis to build up the business strategy [9].

The Strategy 7S's related to the Balance Scorecard was shown that the factors of Structure, Strategy, System, Style, Staff, Skill and Shared Value were the crucial factors enforcing the organization to allocate the resource and capacity in order to achieve the management success of SMEs. According to

Poonakittikasem [10], this study was about the important factors for the private hospital business for enhancing the sustainable working operation. It was shown that the Strategy 7S's for the health care business should improve the strategy, system, and style for increasing the potentiality and competitive capacity so as to develop the market, product quality and financial aspect since the analyzed result was high. However, the sub factors of the Balance Scorecard are about the employee's working spirit, well-supported aspect, skill and major capacity, accurately and fast-received information, repeated customers, more customers' satisfaction, the increase of new customers, the decrease of operating cost, the efficiency of exchanging or communicating information, and the profitability. These can refer from the research that the major factors to make the Balance Scorecard successful are that the organization must: 1) provide the comprehensible objective, 2) clearly support or make the certain commitment with the owner or the executives, 3) issue the aim for the evaluation system, 4) system support the Balance Scorecard system from staffs [11], and 5) well cooperate among the departments [12].

The Balance Scorecard related to the success showed the indicator evaluation in 4 aspects by Garrison and Noreen [13]. It was shown that the organization should importantly present in 1) Financial aspect, 2) Customer aspect, 3) Internal Business Process, and 4) Learning and Growth. When compared by The Balance Scorecard, the successfully operating outcome was shown in the growth in the increase of the market share in the high level of the entrepreneur. It could relate to the needs of customers differently [14] and focus on the responsibility of skilled employees [15].

The Entrepreneurship related to the Success showed that the Entrepreneurship aspects in leadership, the risk confrontation, the strategic decision, the business perception and opportunity affecting the success in SMEs. While the study of Stevenson and Jarillo [16] showed the Entrepreneurship performing the risk decision, the innovation, the change of the market need,

it can enhance the organization's economic compensation including the competitive advantage as well as the financial reimbursement. Moreover, Jeamjit [17] confirmed that The Entrepreneurship actually affected the business turnover of SMEs.

The Entrepreneurship related to the Balance Scorecard revealed that the Entrepreneurship aspects in leadership, the risk confrontation, and the business opportunity are the skills and performances involving with the long term business capability. The organization needed to create the future value of investment to the stakeholders such as customers, suppliers, staffs, procedure, information technology, and innovation, but the Entrepreneurship of SMEs which was differently presented depended on the types of business. The indicators of Balance Scorecard should be different. According to the study of Chanchai [18], it was said that the evaluation and business performance in each business would rely on each aspect of the Balance Scorecard differently in each business. Therefore, the Entrepreneurship must understand the management functions of SMEs such as finance, customers, internal process, and learning and growth.

The Strategy 7S's related to the Success represented that when the business preferred the sustainable success and return, the entrepreneur needed to well perform the strategic management by finding out the major factors to make the organization successful and later set up the organization trend [19]. Referring to Watchinda [20] it was mentioned about how much internal efficiency the organization should achieve and mentioned that the business efficiency did not depend on only the organization structure but it ensued the relationship of the Strategy 7S's.

## **VI. RECOMMENDATIONS**

The suggestion on this research in this time is revealed that SMEs can apply the management success model for performing the organization's circumstances, and it should be concerned with such factors as well-performed

leadership, the strategic decision. The sudden change of organization should be aware by enhancing the clear structure, the competitive advantage strategy in order to generate the shared value and the learning and growth.

The future study should compare the results of SMEs within other provinces in order to differentiate the operation and accidentally find the further new outcomes.

## REFERENCES

**(Arranged in the order of citation in the same fashion as the case of Footnotes.)**

- [1] Mackenzie, K. (1991). "Holomic Processes for Ensuring Competitiveness Making Organizations Competitive". Ines Kilmann and Associates (editor) California: Jossey Bass.
- [2] Duarte, N.J.R. and de Sousa Diniz, F.J.L. (2010). "The role of firms and entrepreneurship on local development". Romanian Journal of Regional Science, 5(1), pp. 54-69.
- [3] Gumbus and Lussier (2006). "Entrepreneurs Use a Blanced Scorecard to Translate Strategy into Performance Measures". Journal of Small Business Management, 44(3), pp. 407-425.
- [4] Lertpachin, C. and Wingwon, B. (2011). "The effects of entrepreneurs and strategic management toward the business success of SMEs in northern region of Thailand". African Journal of Marketing Management, 3(12), pp. 312-323.
- [5] Sukasame, N. (2005). "E-Service Quality: A Paradigm for Competitive Success of E-Commerce Entrepreneurs". The Ninth Pacific Asia Conference on Information Systems (PACIS-2005).
- [6] Commercial Office Chiangmai Province. (2014). "SME entrepreneurs in Chiang Mai". <[http://www.tisccm.moc.go.th\\_](http://www.tisccm.moc.go.th_)>. Accessed 1 July 2014.
- [7] Wingwon, B. (2012). "Effects of entrepreneurship, organization capability, strategic decision making and innovation toward the competitive advantage of SMEs Enterprises". Journal of Management and Sustainability, 2(1), pp. 137-150.
- [8] Aragon-Correa, J.A. (1998). "Strategic proactivity and firm approach to the natural environment". Academy of Management Journal, 41(5), pp.556-567.
- [9] LimThaChin, T. (2015). "Thajean Chomjun Restaurant Interview". Accessed 23 July 2015.
- [10] Punnakiket, K.P. and Tanangprasert, P. (2010). "Quality management in hospitals". Chulalongkorn Journal, 22(87), pp. 38-50.
- [11] Tenhunen, J., Rantanen, H., and Ukko, J. (2001). "SME-oriented implementation of a performance measurement system". Proceedings of the 13<sup>th</sup> International Society for Professional Innovation Management Conference.
- [12] Fernandez, I.B. and et. al. (2004). "Knowledge management: Challenges, Solution, and technologies". New Jersey: Pearson Education.
- [13] Garrison, R.H. and Noreen, E.W. (2003). "Managerial Accounting". New Jersey: Prentice-Hall.
- [14] Pongpakdee, W. (2015). "Banana Tree Interview". Accessed 16 July 2015.
- [15] Nananthikul, N. (2015). "Jenny Shop, Interview". Accessed 22 July 2015.
- [16] Stevenson, H.H. and Jarillo, J.C.A. (1990). "Paradigm of entrepreneurship: Entrepreneurial management". Strategic Management Journal, 11(5), pp. 17-27.
- [17] Jiamjittong, W. (2010). "Factors affecting entrepreneurship performance of small and medium enterprises". Doctor of Public Administration thesis, Bangkok: National Institute of Development.
- [18] Chandrachai, C. (2007). "Development of a comparative industry database for empowerment". Competition of Electrical and Electronic Industry, Bangkok: National Research Council of Thailand.
- [19] Suksriwong, S. (2007). "Management: From an executive perspective (3<sup>rd</sup> Ed)". Bangkok: GP Printing, Cyberprint.
- [20] Watjinda, A. (2007). "Human resources development". Journal of Damrongnoh, 6(22), pp. 17-23.