Effect of Entrepreneurial Characteristics on the Business Success of Small and Medium Enterprises in Songkhla

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Abstract

The purpose of this study is to investigate the effect of entrepreneurial characteristics on business success of small and medium enterprises (SMEs) in Songkhla. Thus, the research is conducted with 234 SMEs entrepreneurs who joined the New Entrepreneur Creation (NEC) Program. Descriptive statistics and multiple regression model are applied to analyze data. The entrepreneurial characteristics mean scores are rated as high level, the average mean score \( \bar{X} = 3.84 \), in honesty aspect, self awareness, endeavor to business, network building ability, searching for opportunity and information, and having creativity \( \bar{X} \geq 3.84 \). According to the regression analysis result, having creativity, self-confidence, belief in luck, network building ability, business knowledge and experience can predict the success of SMEs accounting for 54.30% by using adjusted \( R^2 \). Finally, this study presents the implications (the limitations of this study, and suggestions for future research).

Keywords: Entrepreneurial Characteristic, Small and Medium Enterprises

Background

New Entrepreneurs Creation (NEC) program is a government-supported program, aims to support new and existing potential entrepreneurs so that they can create new and sustainable business. This program also stimulates new graduates, unemployed persons and qualified employed workers to own their business, pushes new enterprises, strengthens enterprises during business start-up period of 1-3 years. NEC cooperates with the Department of Industrial Promotion, Office of Small and Medium Enterprises Support, Office of the Higher Education Commission:(OHEC), and both private and public educational institutes. The most important process of the program is to select participants who are intended and
ready to be entrepreneurs in order to reduce failure rate in doing business. In 2002, Songkhla province has started NEC program which 1,500 entrepreneurs participated in the program (Department of Industrial Promotion, 2009:1). New entrepreneurs creation program promotes the necessary support and infrastructure for the new company to start up in which it contributes to national wealth. The five main characteristics of successful entrepreneurs are (1) achieving success, (2) critical thinking, (3) being friendly, (4) having good communication skill, and (5) having technical knowledge (Kamonkan Theptaranonth. 2005: 48). This is consistent with previous study by Pitchayaporn Pumpaisanchai (2006: 36-37) who found SMEs entrepreneurs in Chaing Mai had ten characteristics of entrepreneur as (1) opportunity seeking, (2) persistence, (3) commitment, engagement, and responsibility in job, (4) demanding quality and efficiency (5) risk taking, (6) clear goal setting, (7) systematic planning and monitoring, (8) information seeking (9) network building and (10) self confidence. It was shown that successful entrepreneurs had to seek for opportunity and new knowledge, applied experiences in business, persisted, endeavoured, and used their ability for doing business.

Given the above scenario, the relevant and interesting issues for researcher are to consider the entrepreneurial characteristics, would be factors to ensure the success of SMEs, particularly, in developing entrepreneurial competencies in the NEC program.

Methodology

Samples of 234 SMEs’s entrepreneurs in three business sectors, manufacturing, retailers, and service in Songkhla, who joined New Entrepreneur Creation Program during 2006-2009. The appropriate sample size is based on the work of Yamane (Yamane, 1973: 725). The questionnaires were distributed by postal mail and personal delivery. The measurement scales were adapted from Kamonkan Theptaranonth’s study (2005: 126) and Prayad Sae-Lim’s study (2004: 66). The nine characteristics were self awareness, having knowledge and experience, having creativity, honesty, abilities of building networks, self-confidence, seeking for opportunity and information, endeavour to do business, and belief in luck, respectively. Five – point likert scale anchored by lowest, low, moderate, high and highest. A total of 234 sets of questionnaires were received during February – March, 2011. The data are analyzed by applying statistical program, descriptive analysis was used to measure means and standard deviation, and multiple regression was utilised to determine
whether the explanatory variables in term of entrepreneurial characteristics significantly affected business success of SMEs in Songkhla.

Results

Table 1 shows the summary of mean value and standard deviation of all the variables. As can be seen from the table that the mean score values of all characteristics are rated in the high level.

Table 1: Descriptive Statistics on Entrepreneurial Characteristics

<table>
<thead>
<tr>
<th>Variables</th>
<th>$\bar{X}$</th>
<th>S.D.</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honesty</td>
<td>3.97</td>
<td>.51</td>
<td>High</td>
</tr>
<tr>
<td>Self Awareness</td>
<td>3.90</td>
<td>.50</td>
<td>High</td>
</tr>
<tr>
<td>Endeavour to Business</td>
<td>3.88</td>
<td>.47</td>
<td>High</td>
</tr>
<tr>
<td>Network Building Ability</td>
<td>3.86</td>
<td>.47</td>
<td>High</td>
</tr>
<tr>
<td>Searching for opportunity and information</td>
<td>3.84</td>
<td>.48</td>
<td>High</td>
</tr>
<tr>
<td>Having Creativity</td>
<td>3.84</td>
<td>.50</td>
<td>High</td>
</tr>
<tr>
<td>Self Confidence</td>
<td>3.81</td>
<td>.50</td>
<td>High</td>
</tr>
<tr>
<td>Business Knowledge and Experience</td>
<td>3.79</td>
<td>.52</td>
<td>High</td>
</tr>
<tr>
<td>Belief in Luck</td>
<td>3.69</td>
<td>.60</td>
<td>High</td>
</tr>
<tr>
<td>Overall</td>
<td>3.84</td>
<td>.39</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 2: Multiple Regression between Entrepreneurial Characteristic and Success of SMEs

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Standard Error</th>
<th>Beta</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.110</td>
<td>.221</td>
<td></td>
<td>.412</td>
<td></td>
</tr>
<tr>
<td>1. Having creativity</td>
<td>.258</td>
<td>.076</td>
<td>.248</td>
<td>3.399***</td>
</tr>
<tr>
<td>2. Self Confidence</td>
<td>.235</td>
<td>.069</td>
<td>.228</td>
<td>3.387***</td>
</tr>
<tr>
<td>3. Belief in Luck</td>
<td>.137</td>
<td>.042</td>
<td>.157</td>
<td>3.280***</td>
</tr>
<tr>
<td>4. Network Building Ability</td>
<td>.172</td>
<td>.070</td>
<td>.157</td>
<td>2.454**</td>
</tr>
<tr>
<td>5. Business Knowledge and Experience</td>
<td>.142</td>
<td>.072</td>
<td>.143</td>
<td>1.972*</td>
</tr>
</tbody>
</table>

*** significant level of .001  
** significant level of .01  
* significant level of .05

$R = .743$  
$R^2 = .553$  
Adjusted $R^2 = .543$  
$F = 3.887*$

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Discussion

The result indicates that SME entrepreneurs perceives that all characteristic as self-awareness, having knowledge and experiences on the running business, having creativity, honesty, abilities of building networks, self-confidence, seeking for opportunities and information, endeavour to do business, and belief in luck are important (the mean scores have high value $\bar{X} = 3.84$). The individual entrepreneur’s characteristics were important for leading into business expansion, and also became the high indicator for success. According to Kanyawat (2009: 91-92), who studied the entrepreneurial orientation, human capital, adversity quotient and business success of OTOP non-food herbal entrepreneurs (3-5 star products), it was found that the most outstanding entrepreneurs’ personality was being assertive. Individual working and making up a decision on a tight situation was quite high. Secondly, being successful in business was a person who loved challenging and intended to do improvement. Being consistent and self-learning, confident for all kinds of problems, and learning from mistakes were found that entrepreneurs had those characteristics quite high.

The main focus of this study is to access whether the entrepreneurial characteristics affect the success of the SMEs. The result shows that being creative, self-confident, believing in luck, building networks, and having knowledge and experiences on business were predicted at 54.30% (adjusted $R^2 = .543$), statically significant at .05. That was related to Kamonkan Theptaranonth’s research (2005: 105), who studied the relationships among leadership, intrinsic motivation, characteristics of entrepreneurs and business success of small and medium enterprises. The study was found that entrepreneur’s characteristics, leadership, and inside motivations could predict the success of at 32.00%, statically significant at .05. Wanna Chayawattana (2001: 82-83), who studied the relations of entrepreneurial orientation, human capital and success of small business entrepreneur in metal and plastic mould industry in Bangkok and Metropolitan Area, indicated that consistency and self-learning and getting experiences in administration could predict the success of at 45.10%, significant at .05.

Implications

In this study we found entrepreneur’s characteristics as creativeness, self-confidence, belief in luck, building up networks, and having knowledge and experiences affected business affected the success of SME business in Songkhla Province. Therefore, the New Entrepreneurs Creation (NEC) should use these 5 entrepreneur’s characteristics and develop
the curriculum the New Entrepreneurs Creation’s training program in order to create and support the successful entrepreneurs.

**Suggestions for Further Study**

1. The research should focus more on the success of the SMEs on the same business due to the need for improvement in the same kind of entrepreneurs.

2. This study was a quantitatively conducted by using questionnaires only for the entrepreneurs. The qualitative study should be conducted through in-depth interviews in order for more useful data.

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