



Investigation and Prioritizing the Key Factors of Success in Small and Medium Size Enterprises

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Abstract

The main question in this research is that is it possible to prioritize the key success factors of small enterprises and use it as the road map for assisting managers to solve problems in these enterprises? Research method was descriptive which regarding nature is applicable and regarding methodology is a survey. The study population is active chocolate and sweet industries in Tabriz and the suburb. The total number of members in a population were 104 participants using Cochran formula and simple random sampling, 82 questionnaires were analyzed. To collect data from two separate questionnaires were used which had 54 questions. Validity of the questionnaire was confirmed by content validity and its reliability was confirmed by Cronbach's Alpha. For the analysis of data obtained from the sample, multiple linear regression analyses and Friedman test were used. The results showed that the key success factors have a positive impact on organizational performance. Among the success factors, customer focus with impact coefficient of 3.37 has the maximum effect and focusing components on the resources and focus on competitors with impact coefficient of 0.321 and 0.301 have a positive impact on organizational performance. The results showed that the main key success factors in prioritizing are not equal and the Friedman test, the order of the factors is: 1. Focus on customers, 2. Focus on company resources and 3. Focus on competition.

Keywords: Success key factors, small and medium size enterprises.

Introduction

According to experts, small and medium industries have different characteristics, such as number of employees less than two hundred and fifty, annual turnover less than one hundred thousand dollars and independent management in case of important decisions; there is no external control over them. Note that there are many advantages and disadvantages in entering this section. Personal benefits for entering into small industries, include engaging in a challenging situation, psychological satisfaction, being his own boss, job security, increasing employment opportunities for family, and increasing income taxes. Moreover, disadvantages and risks also exist in small and medium industries, including reduced sales, intense competition, increasing responsibilities, financial losses, employee communications, regulations and red tape and threat of bankruptcy¹.

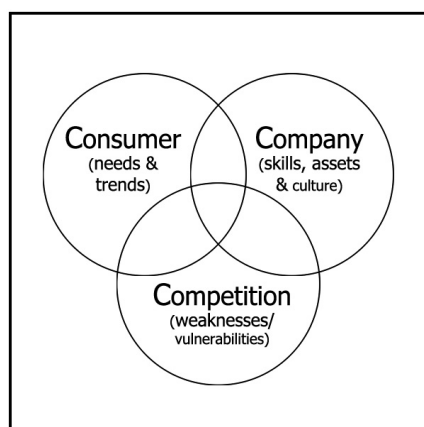
Small industries have an important role in economies of all countries. Small organizations will comprise more than 90 percent of the economy in many countries. The number of small industrial units accounts 90 to 95 percent of total industrial units². Small and medium businesses are factor economic and social development³. And is considered as the pillars of the economy of each country and will play a very important role nits economy growth⁴. According to the United Nations Industrial Development Organization reports has been released in Europe in 2003 these industries accounted for 99 percent of

economic activity in Europe and Europe Nation which is composed of 25 countries. There are 23 million small and medium businesses which have created 75 million jobs⁵. Also, small and medium industries devoted 99 percent of economic activity in Japan, China, and Hong Kong⁶. In Iran small and medium businesses covers 90 percent of economical agents and obviously has large share of the country's economic growth⁷. The vulnerability of these units is very high, so that the rate of failures in these organizations is catastrophic. 20% of these industries go bankrupt industry in the first year and 66% after 7 years⁸. Studies showed that almost half of small businesses goes to be bankrupt in the first five years⁹.

Key Factors Affecting the Success of Small and Medium Enterprises: Key factors for success as a top-down approach are adopted and used methodology for strategic planning; because several factors are identified and can significantly show the information required for the organization's top management. In addition, if you can determine the key success factors and they are controllable, the management can take concrete steps to improve their potentialities¹⁰. Based on the key success factors approach, any organization requires capabilities and competencies for success and pre-eminency which constitutes basic structure for the organization's success. Key factors of success include resources, skills and attributes of organizations in the industry that are necessary for success in the market. They are for no doubt important factors for determining strategies for

any organization. In key success factors literature, many definitions have been offered. Bruno and Leidecker expressed the key success factors including: characteristics, conditions or variables which if managed properly, can have a significant impact on the competitive position of the organization's success¹¹. Also, Pinto and Slevin consider key success factors, factors that significantly improve the chances of creating the project¹². In the field of strategic management definition of key success factors are more comprehensive and represent an ideal link between environmental conditions and the characteristics of the business¹³. Key success factors are the constraints that the organization needs to focus in order to compete successfully. Identifying key success factors ensures the necessary attention to the areas that will contribute to the success of the organization¹⁴. Identifying key success factors is essential for the achievement of goals of any organization or Project. A Company may use this technique as a tool to determine the critical elements of success.

3C model "Kenichi Ohmae" considered key factors influencing success of small and medium industries consisting of three elements: the customer, the competition, and the company resources for the organization. Symbolic gestures of the model are presented in this figure:



3C's Framework
 (By : Ohmae Kenichi)

Customer (Consumer): customers are people or actions that consume the product or the results of a performance or they need and benefit from it¹⁵.

Company resources: in order to remain competitive, organizations must be able to identify their main strengths and advantages and so by focusing on main strengths, ensure their survival. Here the focus is on the organization's resources¹⁶.

Competition: In this section, focus is on the present conditions of competition of the industry and competitors; the main factors of success or failure in competition must be identified in order to overcome competitors by enhancing them. Competitiveness is a process in which an element or an independent unit attempts to be better or higher than others in terms of performance, the element can be an individual, a company or a country¹⁷.

Methodology

Research method is descriptive which in terms of purpose is practical and in terms of methodology is a survey. Research population is small and medium active chocolate and sweet industries in Tabriz city and its suburbs which according to the latest available statistics show consist of 104 units. A sample of 82 cases is estimated sample have been selected by simple random sampling. Statistical characteristics of the respondents are reflected in table 1.

The data required are gathered by two questionnaires comprised of 54 questions. The first questionnaire included questions is related to key success factors in small industries and second questionnaire is related to the performance of small active companies in the industry. Both questionnaires used Likert 5 scale range.

Information obtained from the first questionnaires is related to key success factors in small and medium industries and covers three dimensions of customers, competition and organizational resources. Also information obtained from the second questionnaires is related to the performance and success rates of case studied evaluates four perspectives including financial, processes, customer and growth. The validity of the first questionnaire is confirmed by professors and experts specializing in this field. The reliability of the questionnaire, measured by Cronbach's alpha, was calculated 83 which have a high reliability and therefore might enjoy well reliability.

Table-1
Characteristics of the respondents

Position					Experience					Education Degree					Gender		Characteristics of the respondents
Others	Production Manager	Sale Manager	factory Manager	Managing Director	Over 7	7-5	5-3	-13	Less than 1	Above BA	BA	undergraduate	Diploma	Under Diploma	Female	Male	
0	5	15	24	35	49	18	10	5	0	0	15	6	38	23	3	79	Frequency
0	6/1	22/0	29/3	42/7	59/8	22/0	12/2	6/1	0	0	18/3	7/3	46/3	28/0	3/7	96/3	Percentage

Results and Discussion

Regarding the investigations conducted on average and standard deviation of the variables focusing on organization's resources, customer and competition along with their dimensions it is determined that the average of variable focusing on resources and competition is low and among them the only average of the variable focusing on the customer is high. In our study it was found that in chocolate and sweet industries in Tabriz city and suburbs the focus mostly is on customers and these companies partly disregard focusing on organization's resources and competition and utilize them less as the key success factors. Given the above data, educational degree of managers and decision makers in the industry is low in Tabriz sweet and chocolate industry. It can be inferred from sub-licensed employees (81.7 percent). The information in this table also showed that activists of industry have levels of service and high levels of experience, as most of them (81.8 percent) are more than 5 years of experience in the industry. Using the Pearson correlation test the results of the correlation between variables and parameters associated with each of them is evaluated. Pearson correlation test results in tables 2, 3 and 4 focuses on three dimensions of organizational performance including customers, organization's resources and competition.

Table-2
Correlation analysis of organizational performance by focusing on organizational resources

Sig	R Square	r	N	Variable
0/000	0/186	0/431	82	Focus on Organization's Resources
				Organizational Performance

Table-3
Correlation analysis of organizational performance by focusing on customers

Sig	R Square	r	N	Variable
0/000	0/374	0/612	82	Focus on Customers
				Organizational Performance

Table-4
Correlation analysis of organizational performance by focusing on competition

Sig	R Square	r	N	Variable
0/002	0.11	0.332	82	Focus on Competition
				Organizational Performance

The observed R (0.05) showed a significant correlation between three variables focusing on customers, organization's resources and competition. Also, according to the above information showed the highest correlation or relationship is between customer variable and organizational performance.

Table 5 summarizes the intensity of the relationship between independent and dependent variable of the model, linear multiple correlation coefficient between the observed values and predictive values of the dependent variable. Large value indicates a strong relationship. The values of determination are the square of the multiple correlation coefficients. According to the table, the regression coefficient is 0.76, which represents about 76 percent of the variation in the organizational performance along with independent variables defined in the model is defined.

Table-5
Summary of regression

Multiple Determination Ratio SD	Modified Multiple Determination Ratio	Multiple Determination Ratio	Multiple Correlation Ratio	Model
0/1989	0/741	0/76	0/872	1

Regression analysis of ANOVA table statistically evaluates the acceptability. Unlike the summary table model of the results, these tests showed no relationship intensity. ANOVA results are reported in table 6. Regression row shows information about the changes predicted by the model and the remaining rows show the information about the changes unpredicted by the model. According to the table F statistic significance is less than 0.05 of which confirms changes shown by the model do not occur accidentally.

After validation of the overall ANOVA model the coefficients for each variable must be estimated. Coefficients estimated by the regression model separately for each variable are presented in table 7. The column significance (Sig) in Table 7 determined that the independent variables, "focusing on organization's resources", "customer focus" and "competition" has a significant role on organizational performance. In other words, the calculated Beta coefficients column "customer focus", "focus on organization's resources" and "focus on the competition" respectively with ratio of 0.37, 0.32 and 0.30 play the most important role in the validity of this process of the model, since they have the most effect on the dependent variable.

Table-6
ANOVA results

Significance Level	Statistics (F)	Square Average	Freedom Level (df)	Total Square	Model	
0/000	38/84	1/53	3	6/15	Regression	1
		0/04	78	1/94	Remaining	
			81	8/09	Total	

Table-7
Regression coefficients for each variable in separation

Linear Statistics				Standardized Ratios	Non- Standardized Ratios		Model
VIF	Variation Range	(Sig)	t	Beta	SD	B	
		601/0	526/0		272/0	143/0	Fixed Amount
073/1	932/0	000/0	88/4	321/0	046/0	226/0	Focus on Organization's Resources
055/1	948/0	000/0	15/5	37/0	04/0	246/0	Focus on Customers
030/1	97/0	000/0	53/4	301/0	042/0	212/0	Focus on Competition

Conclusion

Focusing on the customer is able to predict the success of small industries .Due to B levels for the variable equals 0.37 .The significance level has statistically validated of 0.95, it can be argued that this hypothesis is not rejected and in fact focusing on customers has a significant positive impact on sweets and chocolate industry's success.

Focusing on company's resources are able to predict the success of small-scale industry. Due to B levels for the variable equals 0.321 .The significance level has statistically validated of 0.95; it can be argued that this hypothesis is not rejected. And in fact focusing on organization's resources has a significant positive impact on sweets and chocolate industry's success.

Focusing on the competition is able to predict the success of small industries. Due to B levels for the variable equals 0.301 .The significance level has statistically validated of 95/0, it can be argued that this hypothesis is not rejected, and in fact focusing on competition has a significant positive impact on sweets and chocolate industry's success.

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