

KEY SUCCESS FACTORS FOR SMALL AND MEDIUM ENTERPRISES IN BORDER TRADE AREA BETWEEN CAMBODIA AND THAILAND

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Abstract

This research aimed to study internal factors and external factors affecting the success of SMEs and to identify the key success of Small and Medium Enterprises (SMEs) in border trade area to the Cambodia. Questionnaires were collected from 370 SMEs in Oddar Meanchey province, Cambodia. Data analysis and statistics used in the analysis for quantitative approach and descriptive statistics employed are frequency and percentage, means and standard deviation. It was found that SMEs owners in Oddar Meanchey province, Cambodia are mostly male and age from 41-50 years old. Most of them are business owners, hired more than 50 staffs, organization work as private business and trading sectors. SMEs entrepreneurs agree that the internal factors are composed of leadership and management, time management, work values, inception, capital while external factors of social economic, policy, infrastructure, market factors as well as the element of the successes on overall of the business, stability and reputation, the good health, mental health and brain, investment and profit affect the success of SMEs at the high level. It should be important on key success of operation of SMEs in border trade area between Cambodia -Thailand and while the second most important factor was an opportunity to expand their business to Vietnam, Laos as well as to other Asian countries which is an economic and society gateway and also high potential to become an important border trade area as a trading hub since many roads and transportation networks were extended to ASEAN Economic Community (AEC) in 2015.

Keywords: Key Success Factors (KSFS), SMEs, Border Trade Area.



Statement of the Problem

Since Small and Medium Enterprises (SMEs) contribute to economic growth, develop social infrastructure, create employment opportunities and help in regional and local development of an economic (Scupola, 2001). Despite the importance of the SMEs sector in term of economic and social growth, Cambodian SMEs entrepreneurs are confronted with increasing challenges resulting from East Asian regionalism, especially fierce competition from stronger industries of other ASEAN member countries, china, Japan, and South Korea. Prior research revealed that Cambodian entrepreneurs face many challenges in the Socio- Cultural Background of an Entrepreneur on the business, characteristics of SMEs and Enterprise performance, regulation framework and legal supports on SMEs, and SMEs access to financial support. Among the 25 Provinces, Oddar Meanchey Province, which is a province of the Kingdom of Cambodia, is located in northern Cambodia and its long northern boundary demarcates part of Cambodia international border with Buriram, Surin and Sisaket province of Thailand. Oddar Meanchey has great potential for business development from the private sector at both domestic and international level. As stated above, we should consider, analyze, research and study more about the key success factors of SMEs. The researcher was interested to Small and Medium Enterprises in Oddar Meanchey province, Cambodia. In addition, it's necessary to apply the study result as the new knowledge of the SMEs entrepreneurs in order to create the balance of life and work, the happiness, progress and success in their businesses as well as in order to build a foundation for Cambodia SME enterprises, government and academics discussion.

Research Objectives

The research consists of following objectives:

1. To study internal and external factors affecting the success of SMEs in Oddar Meanchey province, Cambodia.
2. To identify the key success factors for Small and Medium Enterprises in the area of factors.

The scope of study

We limit the scope of the study by using sampling and data collection from Cambodian SMEs entrepreneurs in Oddar Meanchey province of Cambodia only.

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Materials and Methods

1. Literature Reviews

1.1 Review on business start-up

It not surprising that great number of the literature on start-up relates to entrepreneurship defined by Low and McMillan (1988, p.141) as the “creation of new enterprise”. This definition reflects a growing awareness that entrepreneurship is a “process of becoming

rather than state of being“ (Bygrave, 1989, p.21). This means starting a business is not an event but a process to evolve and come to fruition. Entrepreneurial research has developed along two main lines: (1) the personal characteristics or traits of the entrepreneur; and (2) the influence of social, cultural, political and economic contextual factors.

1.2 The concept of the SMEs' success

The entrepreneurial success leads to the economic growth, the higher rate of employment in labor market and is also beneficial to the overall economy and society of the country. As the business environment nowadays is complex and rapidly changed, the business should be flexible and responsive to the clients' requirements. Hence the entrepreneurs should have the appropriate qualifications to run under the uncertainty, be able to cope with the problem and survival along with progress. The ability to achieve business goals and satisfied results is business achievement. There are many measurements to scale the success in business such as Productivity, profit, number of customers, satisfactory of customers, internal procedure of the business, the learning of growth and the learning of innovation. Additionally, there is the measurement that scales the success from the entrepreneurs themselves (Frese, 2000). The entrepreneurs play an important role in the modern business, especially in the capitalism that the individual has the freedom to run the business. Each year, there are many entrepreneurs that start their business, but it doesn't mean that every business operation always succeed.

Frese (2000) suggested that the business achievement can be measured in 4 aspects:

- 1) Individual: the entrepreneurs prescribe their own success by using the reflection from business and income satisfaction.
- 2) The level of economic success: examine from the financial information, numbers of increasing and decreasing customers, profits and sales from the latest 1-2 years.
- 3) People involved in the business: examine from the customers and workers in the aspect of the realization in success, measure by using questionnaire
- 4) Interviewer: the interviewer observes and examines the level of success that is divided into 5 levels.

1.3 Conceptual Framework

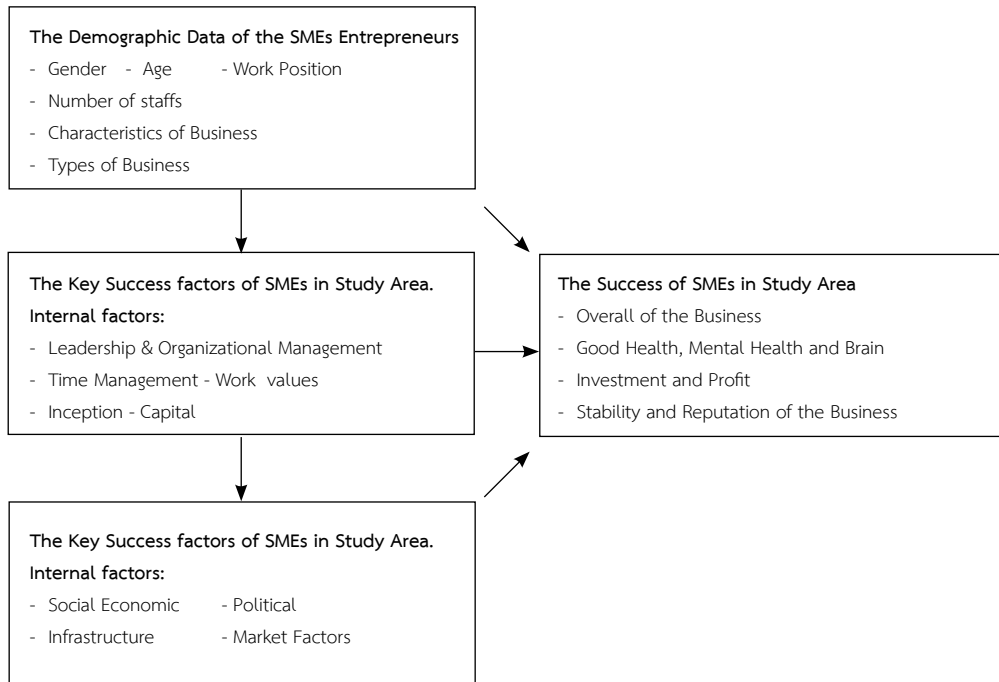


Figure 1: The Conceptual Framework

Research Methodology

1. Research instruments

1.1 Questionnaires are divided into 3 parts. Part 1: questionnaire about the demographic data of the SMEs entrepreneurs, including gender, age, work position, numbers of staffs in the organization, characteristic in business and type of the business, checked by Close-ended response questions. Part 2: key success factors that affecting the success of the SMEs. We create this questionnaire by integrating the concept and theory of many academics and the related studies to research about the internal factors which include the leadership and organization management, inception, capital as well as external factors which include social economic, policies and market factors, checked by Close-ended response questions. Part 3: The questionnaire about the success of SMEs. We create this questionnaire from the concept of the career success including overall of the business, good health, mental health and brain, investment and profit, stability and reputation of the business, checked by Close-ended response questions. Part 2 and part 3 used rating scale scoring the questions. The scales measure from 1 to 5 scores level:

- 5 points means highest
- 4 points means high
- 3 points means average
- 2 points means low
- 1 point mean lowest

1.2 The interpretation of the average scores of the affecting level of the success of SMEs for part 1-3 of the questionnaire:

- 4.21 - 5.00 mean highest success
- 3.41 - 4.20 mean high success
- 2.61 - 3.40 mean average success
- 1.81 - 2.60 mean low success
- 1.00 - 1.80 mean lowest success

1.3 The experts examined the conformation and suitability of the examination of Item Objective Congruence: IOC, it was found that the 25 questions have the value from 0.80 - 1.00.

1.4 The reliability Coefficient score is .8125 which meant that it is reliable and can be used in this study.

Data Collection Duration

From 1st September 2014 until 31st March 2015

Sampling Area

We conducted this research project in Oddar Meanchey province as it is long northern boundary demarcates part of Cambodia international border with Buriram, Surin and Sisaket province of Thailand.

Sampling and Data Collection

The research study, we collected the 4912 SMEs entrepreneurs within five districts in Oddar Meanchey province (Source: Economic census Cambodia 2011 by National Institute of Statistics, Ministry of Planning, Cambodia). Data collection made by our local staffs and the sampling size of this study is calculated using the Yamane's formatted table at the confidence level of 95% (Yamane, 1973). As a result we get total 370 entrepreneurs size by using the Simple Random Sampling.

Data Analysis

Data analysis and statistics used in this analysis for quantitative approach, descriptive statistics employed here is frequency and percentage, Means and Standard Deviation.

Results

SMEs in Oddar Meanchey province, Cambodia are mostly Male 271 (73.20 %) and Age of entrepreneur; it was found that the majority was 41-50 years old which accounted 145 (39.20 %). Most of the respondents are 148 business owners (42.70 %), 150 organizations have more than 50 staffs (42.70 %), 198 organization work as private business (53.50 %) and 229 organizations are in trading sector (61.90 %).



The Internal factors that affecting the success of SMEs

Table 2 The average standard deviation and the affecting level of the success of SMEs

The Internal factors that affect the success of SMEs	Mean	S.D	Level of affecting	Ranking
Capital affect the success of SMEs	4.02	0.73	High	1
Leadership and Organization Management affects the success of SMEs	3.92	0.66	High	2
Work values	3.85	0.62	High	3
Time Management	3.84	0.65	High	4
Inception affects the success of SMEs	3.66	3.73	High	5

In table 2, it was found that the capital affect the success of SMEs at the high level with the average of 4.02 (S.D. = 0.73). When examining by aspect, we found that leadership and organization management affect the success at the high level with the average of 3.92 (S.D. = 0.66). The work values affect the success at the high level with the average of 3.85 (S.D. = 0.62). The time management affect the success at the high level with the average of 3.84 (S.D. = 0.64). Lastly, the inception affect the success at the high level with the average of 3.66 (S.D. = 0.48), respectively.

The external factors that affecting the success of SMEs

Table 3 The average standard deviation and the affecting level of the success of SMEs

The external factors that affecting the success of SMEs	Mean	S.D	Level of affecting	Ranking
Market Factors	4.26	0.82	Highest	1
Political	4.15	0.78	High	2
Social Economic	4.06	0.82	High	3
Infrastructure	3.84	0.63	High	4

In table 3, it was found that the market factors that affecting the success of SMEs at highest level with the average of 4.26 (S.D. 0.86). When we examining by aspect, we found that firstly, the political affect the success of SMEs at the high level with the average of 4.15 (S.D. = 0.78) and the social economic affects the success of SMEs at high level with the average of 4.06 (S.D. = 0.82). Lastly, the infrastructure affect the success of SMEs at high level with the average of 3.84 (S.D. = 0.63), respectively.

The success of SMEs

Table 4 The average standard deviation and the affecting level of the success of SMEs

The element of the success of SMEs	Mean	S.D	Level of affecting	Ranking
Overall of the business affects the success	3.86	0.94	High	1
Stability and reputation of the business affects the success	3.70	0.52	High	2
Good health, mental health and brain affects the success	3.67	0.53	High	3
Investment and profit from the business affect the success	3.61	0.73	High	4

In table 4, it was found that the overall of the business affect the success of SMEs at high level with the average of 3.86 (S.D. = 0.94). When examining the element of the success of SMEs, we found that stability and reputation affect the success at the high level with the average of 3.70 (S.D. 0.52). Secondly, the good health, mental health and brain affect the success at the high level with the average of 3.67 (S.D. 0.53) and lastly, investment and profit affect the success at high level with the average of 3.61 (S.D. 0.73), respectively.

Discussion

This study gathered and analyzed the key success factors for Small and Medium Enterprises in border trade area between Cambodia and Thailand. This discussion has follows the findings in this research.

SMEs in border trade area between Cambodia and Thailand are of the opinion the internal factors which include capital, leadership and organization management, time management, work values, inception affect the success of SMEs at a high level. It is consistent with the concept of Rokeach (1977) who mentioned that the work values is what a person consider as the importance and the goal of life to follow within such the society with the same work values. Wollack (1971) also confirmed the work value is the attitude towards work derived from the personal, general attitude that each person consider as the importance that relates to his work. Therefore, each person's work values are different and also affect the work satisfaction. George & Jones (1999) asserted that the work value is the thing that a person gives the highest importance. Work Values is the personal belief about the expected work result, such as the convenient and safety life, success, self esteem and the social acceptance. For external factors which include social economic, political, infrastructure affect at a high level while market factors affect the success of SMEs at the highest level. The element of the success on overall of the business, stability and reputation, the good health, mental health and brain, investment and profit affect the success at high level.

Nowadays, the firm's internal factors composed of leadership and organizational management, inception, capital while external factors composed of social, economic, political, infrastructure. Market factors are start-up success factors for Thai entrepreneurs to invest in



Cambodia and focus on speed as stated by Bunchapattanasakda, Chanchai. and Waokachorn, Wanapa (2011) consecutively.

SMEs in border trade area, which have capital, investment and profit affects the successes in business are similarly to SMEs in Phnom Penh that several factors, and particularly examined the relationship between gender, age of owner, education, hours worked per week by the owner, similarity to previous work, business dependency, amount of personal funding invested by the owner, level of financing (both bank and other), use of technology, use of a business plan, age of business, operation location, business structure, number of full-time employees, open economic policy of the government, political stability and peaceful environment in the country, government assistance and sales performance of SMEs. The research concludes that the better sale performance of the SMEs is subject to the previous work experience of business owner, the age of business, the amount of bank financing, the amount of personal funding, the number of hours worked, the number of full-time employees, the age of business owner, the use of technology, and political stability in the country, Seang (2009). This finding supported research sarom (2012) who stated research on found that the SMEs entrepreneur who invest in border trade area still imports and exports goods with much lower value, such as forestry product, lumber, log, wooden furniture, charcoal, local agricultural products, weaving fabric, and long grain rice. Additionally, it clearly showed that business opportunities and profit-oriented activities were the most influencing factors, while the second most important factor was an opportunity to expand their business to Vietnam, Laos as well as to other Asian countries and China.

Conclusion

The internal factors composed of leadership and management, time management, work values, inception, capital while external factors of social economic, policy and infrastructure, market factors as well as the element of the successes on overall of the business, stability and reputation, the good health, mental health and brain, investment and profit are important on key success of operation of small and medium enterprise in border trade area between Cambodia-Thailand. And also there are many advantage of starting-up new business in all border trade area. Firstly, we are close neighboring country. Secondly, Cambodia government has still strongly for open country for foreigner investment and support by rule. It is good opportunities for partner of Thai entrepreneurs can start-up in trend-business, they will get less competitors and more change to grow and the last one is ASEAN Economic Community (AEC) is coming in 2015.

Recommendations

The research findings indicated that the main reasons for key success factors of SMEs in the area of factors of respondents are because market potential in region as follows:

1. Recommendation for Government

1.1 Cambodian government, they should implement some promoting program to encourage Cambodian's SMEs expand business to international trade such as create more coop-

erated programs, promote to holding conferences between two countries

1.2 The government should help Cambodian entrepreneurs have more understanding about Cambodia market as well as legal regulation guidance to access Indochina market and other Asian countries.

2. Recommendation for Future Study

In this study, the researcher is conducted only selected Cambodian small and medium enterprises (SMEs) operators who run the business in Oddar Meanchey province of Cambodia only for sample group. Although the researcher used only of the quantitative method to conduct this study, researcher can only conducted the through the questionnaire. Samples were 370 Cambodian SMEs operators interview due to the difficulty in accessing respondents. Consequently, recommendations for further research are as follows as a study to identify determinant of Successful of SMEs in Cambodia.

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