

Business Innovation Factors Affecting the Performance of Small and Medium Enterprises in Service Business Sectors in Bangkok and the Central Region of Thailand

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ABSTRACT

The purposes of this research were: 1) To study business innovation factors of small and medium enterprises (SMEs) in service business sectors, in Bangkok and the central region of Thailand. 2) To study the performance of SMEs service business sectors. 3) To study and forecast the business innovation factors that influence the performance of SMEs service business sectors. The samples used in this research consisted of 375 cases, which were selected by proportion sampling. The instrument for data collection was a questionnaire. The business innovation is an independent variable and the performance of SMEs is dependent variable. The statistics used for data analysis were Mean, Standard Deviation and Multiple Linear Regression analysis with a confidence level of 95 percent. From the research results, it was found that opinions on business innovations of SMEs, service business sector, in Bangkok and the central region of Thailand overall, were classified as the most in the following order: 1) information, 2) process, 3) planning, 4) personnel, and 5) leadership. The opinions on the performance of SMEs, service business sector, overall, were classified as the most in following order: 1) customer, 2) learning and development, 3) internal process and 4) finance. Results of the study confirmed that the organizational innovation had a direct influence on the performance of the organization when considering each aspect of its performance. It was also found that business innovation in leadership and people affected performance in learning and development at statistically significance level at .01.

KEYWORDS: Business Innovation, Business Performance, Small and Medium Enterprises

Introduction

At present, small and medium enterprises (SMEs) in Thailand still not very focused on innovation. As a result, many organizations do not focus on becoming business innovation organizations. Moreover, many businesses still have little knowledge about how to adjust their business strategies to become

innovative business may focus solely on technology innovation while others focus on technology innovation often ignored, for example, innovation in economics is the introduction of new ideas or the use of the existing in new ways. to bring economic benefits or doing something different from others by using various

changes (Change) that has happened to become an Opportunity and transfer to ideas that benefit oneself and society (Thienput, D., 2007).

Creating an innovative business is very important to business today because if an organization can't develop and change itself with new things, then it will be difficult to make that organization. Long-term success, especially from the success of a market-leading organization, is often driven by an innovative model in one way or another such as product innovation in working process, service management or marketing. Innovative business is a new concept of corporate management innovation. To modify organizational characteristics or change organizational behavior which is something that has never been modified before to respond or to the stimuli of a globalized context where knowledge and innovation are the main factors in adding value. Develop and produce good quality products and services to meet the needs and satisfaction of customers for the survival of the organization and the competitiveness of the organization in the global free trade market businesses in Thailand to be able to develop themselves into innovative businesses must start with business executives who are committed to promoting their business as an innovative business by highly innovative business which components were: Leadership, Planning, Information, People and Processes (Thienput, D., 2007 and Enterprise Innovation Center Spring Singapore, 2006)

Additionally, when innovations are put into practice, organizational performance must be measured. This will let the company know how successful it is now. How far are the company's

operations relative to its goals? The company's processes remain in control and are as efficient and effective as expected. In order to know what areas, the company has weaknesses or opportunities for development, several factors of the company are different. The company's desire to increase sales as well as growth benefit and market development understanding, the company's potential allows the company to develop in various areas for survival and operational stability performance measurements currently have a wide variety of measurement criteria. Some criteria are solely aimed at measuring financial performance. But for this research to be able to measure the overall performance. Organization assessment at present concept or methods that are widely used is the concept of Balanced Scorecard (BSC), which is a tool used to measure and assess organizational results from four perspectives: financial, customer, internal process, and learning and development (Kaplan, 1996) The researcher chose to study in Bangkok and the central region of Thailand because such areas are considered to be areas with readiness in various fields such as economy, society, culture, financial potential and growth business tourism of small and medium enterprises. Therefore, the researcher is interested in studying the factors of business innovation affecting the operations of small and medium enterprises, service business sector, in Bangkok and the central region of Thailand. By the results obtained from the research, It can be a guideline to develop the operational potential of SMEs to become innovative businesses that can grow which will create jobs, generate income and as a strategy for building the quality of operations of SMEs. Including,

it can strengthen the business and economy of the country as a whole.

Purposes

1. To study business innovation factors of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand.

2. To study the performance of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand.

3. To study and forecast business innovation factors that influence the performance of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand.

Literature Review

Kulratanavichitra, W. (2017) conducted a research study on Business innovation factors affecting operations the small and medium businesses (service sector). In her study found that the highly innovative organizations must include the following elements: leadership, planning, information, people and processes. Business innovations will affect operations in four areas: customers, finance, and internal processes learning and development.

Thongpuang, C and others (2018) conducted a research study on the causal relationship of business innovations affecting organizational effectiveness of small and medium-sized businesses. The results of the research found that business innovations in leadership, planning, information, people, processes and organizational effectiveness of small and medium businesses are interrelated.

Kaplan's Balanced Scorecard (BSC) (1996) was a concept developed as

a performance measurement tool that provided a clear, quick and logical picture of the future. In addition, this measurement tool allows activities to recognize the strengths and weaknesses of the entity at all times. Therefore, the business could be used as a warning signal in a timely manner to be used to create an organization that was ready to change This equilibrium performance measurement has divided the perspectives to be used to measure the performance into 4 perspectives, namely (Theeravanich, A, 2010).

1. Finance
2. Customer
3. Internal Process
4. Learning and development

Kulchittri, S. and Khasamart, S. (2022) conducted a research study on Innovation for small and medium business management for society in the digital economy era. The results of the study found that recognizing the importance of driving Thai SMEs to be able to grow and survive Emphasis is placed on creating an environment in which digital businesses are interconnected in order to generate income turnover within the country create opportunities for access to digital technology for small enterprises. Because it was a group of enterprises that were like the backbone of the country as well as preparing for business upgrading by applying digital technology to bring Thailand into the digital economy era.

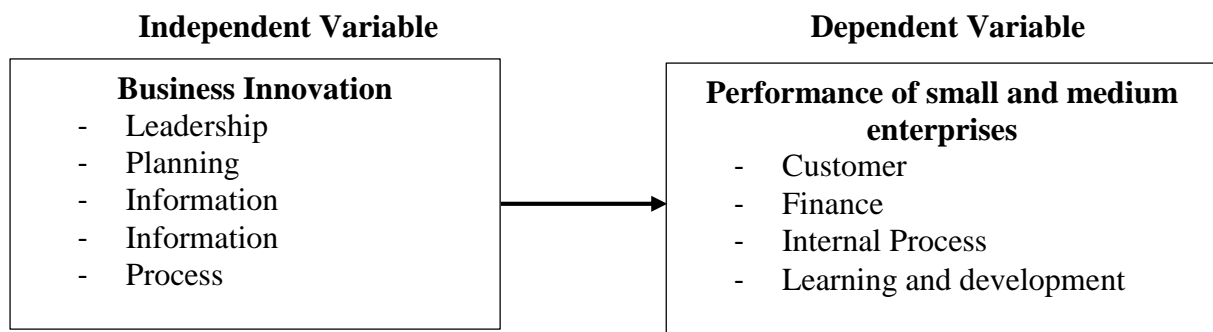


Figure 1: Research Framework

Hypotheses

1. Business innovation factors will affect the operations of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand.

2. Business innovation factors can predict the performance of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand.

District/Province	No of Sample
Bangkok	96
Samut Prakarn	54
Samut Sakhon	37
Ayutdhaya	37
Nakhon Pathom	39
Pathum Thani	54
Nonthaburi	38
Total	375

Methodology

- Population and Sample Group

The population of this study included SMEs of service business sector in Bangkok (1,521 cases) and provinces in the central region of Thailand that registered to Commercial offices, which are Samut Prakan Province (851 cases) Samut Sakhon (590 cases), Ayutdhaya (577 cases), Nakhon Pathom (620 cases), Pathum Thani (855 cases) and Nonthaburi (913 cases), totaling 5,927 cases (Office of Small and Medium Enterprises Promotion, 2022: online). Since the exact population is known, the sample size can be calculated using the Taro Yamane Formula with the exact population. The error level of 5% was used and the sample size to be used in this research was 375 cases.

- Collecting Data Method

The sampling method was a proportion sampling method.

- Research Tool

The research tool was a questionnaire which, before proceeding with the actual data collection, was tested for Reliability by finding the Cronbach's alpha coefficient) and the alpha Cronbach coefficient level in terms of business innovation was 0.803 and the alpha Cronbach coefficient level in the performance of small and medium enterprises was 0.887.

The score level in the questionnaire is a Rating Scale, with 5 scores according to the Likert Scale method as follows: -

Rating Score	Meaning Opinion Level
5	Most agree
4	Totally agree
3	Moderately Agree
2	A little agree
1	Least agree

Criteria of Mean score range and their meaning (Silcharu, T., 2009).

Mean Range	Opinion Level
4.21-5.00	Most agree
3.41-4.20	Totally agree
2.61-3.40	Moderately Agree
1.81-2.60	A little agree
1.00-1.80	Least agree

$$\text{Range} = \frac{\text{Max} - \text{Min}}{\text{No. of level} - 1} = \frac{5 - 1}{5 - 1} = 0.8$$

- Statistics for Data Analysis

1. Descriptive statistics were used Frequency, Percentage, Mean, and Standard Deviation (S.D.)

2. Inferential statistics was Multiple Regression Analysis for testing research hypothesis.

Research Result

General information of SMEs entrepreneurs (service business sector) in

Bangkok and the central region of Thailand were mostly male accounted for 84.32%, aged between 41-50 years, or 41.05%, most had a bachelor's degree accounted for 78.14% with a monthly income of more than 70,000 Baht or 67.20% and a period of business between 5-10 years or 67.80%

Opinions on business innovations of SMEs entrepreneurs (service business sector) In Bangkok and the central regions of Thailand, as a whole, it was classified as the most agree criterion ($\bar{X} = 4.56$). When considering each aspect in descending order of average values, it was found that the information aspect ($\bar{X} = 4.80$) was the most agree criterion followed by the process aspect ($\bar{X} = 4.72$) which was the most agree criterion, planning aspect ($\bar{X} = 4.53$) was the most agree criterion, people aspect ($\bar{X} = 4.31$) was the most agree criterion, and leadership aspect ($\bar{X} = 4.27$) was the most agree criterion, respectively, as detailed in Table 1

Table 1 Mean and standard deviation of SMEs entrepreneurs' opinions for business Innovation (service business sector) in Bangkok and the central region of Thailand as a whole

Business Innovation	Opinion Level			
	Mean (\bar{X})	Standard Deviation (S.D.)	Meaning	Ranking
Leading	4.27	0.61	Most agree	5
Planning	4.53	0.52	Most agree	3
Information	4.80	0.28	Most agree	1
People	4.31	0.64	Most agree	4
Process	4.72	0.45	Most agree	2
Total	4,56	0.18	Most agree	

Opinions on the performance of SMEs (service business sector) in Bangkok and the central region of Thailand as a whole was the most agree criterion ($\bar{X} = 4.57$). When considering

each aspect in descending order of average value, it was found that the customer side ($\bar{X} = 4.65$) was the most agree criterion followed by learning and development (\bar{X}

= 4.60), which was the most agree criterion, internal processes ($\bar{X} = 4.54$), it was the most agree criterion and finance ($\bar{X} = 4.44$) was classified as the most agree criterion, respectively, as detailed in Table 2.

$\bar{X} = 4.44$) was classified as the most agree criterion, respectively, as detailed in Table 2.

Table 2 Mean and standard deviation of SMEs entrepreneurs' opinions for performance (service business sector) in Bangkok and the central region of Thailand as a whole

Performance	Opinion Level			
	Mean (\bar{X})	Standard Deviation (S.D.)	Meaning	Ranking
Customer	4.65	0.48	Most agree	1
Internal Process	4.54	0.55	Most agree	3
Learning and Development	4.60	0.62	Most agree	2
Finance	4.44	0.67	Most agree	4
Total	4.57	0.28	Most agree	

Multiple regression analysis of business innovation factors affecting to performance. Of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand in 4 areas: customers, internal processes learning and development and

finance. The results revealed that business innovation factors affecting the performance of SMEs (service business sector) in Bangkok and the central region of Thailand only in terms of learning and development at the level of statistical significance of .01 as detailed in Table 3.

Table 3 Multiple regression analysis of business innovation factors affecting performance of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand in Learning and Development

Business Innovation	Unstandardized Coefficients		Standardized Coefficients	T	P - value
	B	Std. Error	Beta		
Constant	4.26	0.60		7.12	0.01
Leadership	0.17	0.07	0.12	3.21	0.02*
Planning	0.12	0.08	0.11	1.13	0.26.
Information	0.17	0.11	0.15	1.27	0.32
People	0.19	0.07	0.17	2.92	0.00**
Process	0.17	0.09	0.15	1.86	0.11

R = 0.41, R² = 0.07, Adj. R² = 0.06, SSE = 142.72, F = 4.68, P-Value = 0.00**

**Statistical significance level at .01 * Statistical significance level at.05

Table 3 show that only people and leadership factors affect small and medium

enterprises (service business sector) in Bangkok and the central region of

Thailand in learning and development at statistical significance level .01 and .05, respectively. In addition, the modified decision coefficient was 0.06 (Adj.R² = 0.06), indicating that people and leadership can predict the performance of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand in learning and development at 6% which can be written as a linear equation derived from a multiple regression analysis to predict the performance of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand in learning and development as following:

$$\text{Performance in learning and development} = 4.26 + 0.17 \text{ Leadership} + 0.19 \text{ People}$$

Conclusion and discussion

From the research results can be summarized and discussed as follows.

The SMEs entrepreneurs (service business sector) in Bangkok and the central region of Thailand were mostly male, aged between 41 - 50 years, a bachelor's degree, a monthly income of more than 70,000 Baht and a period of business between 5-10 years.

Opinions on business innovations of small and medium entrepreneurs (service business sector) in Bangkok and the central region of Thailand when considering each aspect in descending order of average value, it was found that the first order was information technology, which was the most agree criterion because the entrepreneurs of small and medium enterprises in today's era have begun to introduce various innovations. be applied to the management of to be more efficient that make organizations want to

transform their organization into an innovative business in line with the Office of Small and Medium Enterprises Promotion (2022: Website). Technological advances have resulted in innovation being developed rapidly and continuously. Its main purpose is to meet the changing needs and tastes of consumers. Lin and Chen (2007) have studied whether innovation leads to performance of SMEs in Taiwan or not. The result found that the progress of technology and information effected to increase more competition. It is also consistent with research by Karel H. and others (2013) which has conducted research on Innovation Management and Control in SMEs. The results showed that changing the organizational environment through the adoption of innovative management will provide a substantial competitive advantage to small and medium enterprises through the process of business control.

Opinions on the opinions on the performance of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand when considering each aspect in order of average from highest to lowest, it was found that the customer aspect was classified as the most agree criterion. Customer satisfaction is the most important index because if customers are satisfied with products and services. They will be loyal and come back to use the service again. Supattanachotipong, W. (2019) has conducted a study on service quality affecting the intention to reuse the service of Bank of Ayudhya customers. The results of the study found that satisfaction, service quality, and attitude could affect the reuse of current or future customers as same as Gonzalo Ruiz Diaz's research result (2017) the important

factor that made customers come back to buy again was customer satisfaction and customer loyalty, so customers were very important to the business performance.

From the results of the multiple regression analysis, it was found that business innovation factors affect the performance of small and medium enterprises (service business sector) in Bangkok and the central region of Thailand only learning and development, which will be consistent with the research of Kulratanawijitra, W. (2017) did the research on Business innovation factors affected the operations of small and medium businesses (service sector). The results showed that business innovations in leadership and people affected to performance in learning and development.

Recommendations

1. Recommendations from this research

From this research, the researcher would like to suggest things that would be useful to those involved as follows.

1) From the research results business innovation factors affecting the performance of small and medium enterprise (service business sector) in Bangkok and the central region of Thailand; especially in the part of multiple regression analysis, it can be seen that leadership and people affect the performance of small and medium

enterprises in terms of learning and development in the same direction. Therefore, a business to be successful must depend on the leadership of the business executives as one of the important factors. It also depends on how well the people have the knowledge base. Are you ready to learn and develop? If you are ready to learn a lot, it has the opportunity to help the performance of the business grow and progress as well.

2) Innovation must be developed all the time when new things or innovation are Introduced to use in the organization. The organization must have a human resource planning. Human resource development and training is required to the point and suitable for the position and work performed both present and, in the future, as well.

2. Recommendation for further research

1) Should conduct an in-depth research study for a specific service business group, the results of the study will be more clearly.

2) The same research study should be conducted but change the study population to other regions instead to see whether the research results are the same or different.

3) Should conduct a research study on Leadership influences on the success of an organization and its performance of small and medium businesses in Thailand.

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