

Effects of Entrepreneurship, Organization Capability, Strategic Decision Making and Innovation toward the Competitive Advantage of SMEs Enterprises

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Abstract

The effect of entrepreneurship, organization capability, the strategic decision making and the innovation toward the competitive advantage of SME's enterprise research was the quantitative research by using questionnaire as the research tools in collecting and compiling data from 596 small and medium business entrepreneurs in 4 provinces, i.e. Chiangrai, Chiangmai, Lamphun and Lampang province in Northern region. The data analysis was conducted by applying descriptive statistics of frequency, percentage and standard deviation and the inferential statistics with PLS Graph.

The research outcomes revealed that the gender of male and female of the sample groups were within similar ratio, with average age of 31-40 years old and 41-50 years old within the similar proportion of 26%, with approximately half were married, with educational level of lower than the secondary school or equivalent and followed by the bachelor degree, with single ownership and company limited as the most portions, with service business and followed by the commercial business, with business in Lampang province at the most, with the experience of 1-3 years, using private capital for business and with employees of less than 10 persons.

The opinions of entrepreneurship, organization capability, strategic decision making, innovation and the competitive advantage factors were all at high level.

The majority of variables were with positive relationship, the entrepreneurship factor had direct effect toward the strategic decision making factor and the organization capability. The organization capability factor had direct effect toward the strategic decision making factor and innovation. The strategic decision making factor had direct effect toward the innovation. Lasting the innovation factor had the most direct effect toward the organization capability.

Keywords: Organization capability, Strategic decision making, Innovation, Competitive advantage of SMEs enterprise

1. Introduction

Current rapid changes of business environment gathered with the existing knowledge based economy lead enterprises to confront with more stringent competition environment in the area of pricing, quality, time duration, innovation and product knowledge (Lorsuwanrat, 2010). These factors had directly forced small and medium enterprises to revise their strategies for business survival. sSMEs leaders have to be more focused on the importance of organization capability and the human resource management in order to promote higher staff value in the organization (Spieth, 2004) and to support the organization competitive advantage (Porter, 1998) by relying on human resources base, for instance the difference level of attitude, knowledge, skills, experience and creativity to achieve for the organizational benefits (Trautmann, Maher and Motley, 2007).

SMEs are the key resource consumption and sources of mega large employment distributed throughout the country since these enterprises were situated within the populated communities. (Minnitti and Bygrave, 1999) They generate revenue for the society by importing in foreign currencies from exporting goods to suppress importing goods which yielding a substantial amount of foreign currency surplus to the country each year. They are also the key players in straighten their entrepreneurial experiences with the newly established enterprises and small growing investors (Hisrich, Peters and Shepherd, 2010).

SMEs enterprises are also the key powerhouse of economic system in Thailand and at global level, from the number of enterprises and the employment rates throughout the country at the average rate of 77.60%. With the low capital investment and risks in establishing the business, they represent the large proportion among developing countries and with rapid growth in innovation development since innovation result on the higher organization operation efficiency (Chajnacki, 2007; Davis, 2005; Herrera, 2007; Tanriverdi and Zehir, 2006; Wu, 2004). In Taiwan for example, the number of SMEs represented 97.80% and the employment represented 76.90% of the country in year 2002. In South Korea, the number represented 99.70% and the employment represented 86.50% of the country in year 2002. In Japan, the number represented 99.80% and the employment represented 71.00% of the country in year 2001 (Ratanaprechavej, 2010). For Thailand the number represented 95.00% of the total business in the country (The Office of Small and Medium Enterprises Promotion, 2011). Hence, it can be explained that SMEs play key importance roles in generating employment, revenue incomes and as foundation for the extending and progressing into large enterprises thereafter. (Baron and Shane, 2008) In addition, they also create the new integrated business industry and the new entrepreneurs for Thai society (Zahra, Hayton, Neubaum and Craig, 2008). They create variety of product innovation and without monopoly condition and actually in the highly competitive market environment. It also integrates among all size enterprises within the country and abroad that activate the macro economic growth (Sethavanich, 2005).

With the above reasons, Thailand values the important of SMEs business development of both quantitative and qualitative aspects. However, it is noticeable that there were many SMEs established and closed down each year with the average of 20,000 SMEs closed down under various causes each year (The Office of Small and Medium Enterprises Promotion, 2011). The researches revealed that the outcomes of enterprises performance relied and linked to the entrepreneurs (Raymond and St-Pierre, 2003) and the outcomes of entrepreneurship driven power covered throughout the organization and not under the direct supervision (Welsh and White, 1981). It created the SMEs competitive advantage under the operation of entrepreneurs in creating the new real and competitive products in business (Schumpeter, 1760) with their strategic decision making.

Nevertheless, SME's enterprises in Thailand still face numerous constraints and issues, for instance the primitive production operation causing the production wastage, low productivity, non standard which lead to the low quality and low competitive products. Furthermore, the problem of government bureaucracy process which lead to the lack of independence and the coordination among the responsible government offices in promotion and developing SMEs businesses. The problem of marketing sector is not being able to compete with price and products' knowledge against the large enterprises with the major gap of difference in term of operation development and the difference of capability or the available of human resources, capital, equipment tools, knowledge and technology and research supports from the central government offices and universities. Lastly, there is also the lack of continuity in product innovation to generate product differentiation from others. (Rohitratana, 2006; Aharoni, 1994; Baumbach, 1998)

Therefore, the traditional proprietor style administration of SMEs enterprises would urgently required to revise and to improve since the organization success does not rely on sole proprietor of the organization (Casey, 1996). The effective management in the field of administration, finance, accounting, marketing and human resources are the core pillars of SMEs and its operation. Traditionally, it often initiated from the duplicate of their specialized area of entrepreneurs without bringing any new innovation to the entity. Hence, the new entrepreneurs must search, improve and add value to the business with the adding of appropriate machine tools or technology to improve production costs that lead to competitive advantage. Together with the current highly and borderless competitive environment, the new entered entrepreneurs are facing difficulty in operating their businesses.

Amidst the global recession era, there are still a sound portion of SMEs enterprises that are able to withstand this venerable environment (Mackenzie, 1991) which derive to the problem statement that what are those supporting factors for the SMEs operation and its sustainability. Currently, there are limited researches on factors or elements of appropriate entrepreneurship and on factors that effect toward the competitive advantages of SMEs businesses.

2. Research objectives

2.1 To study the level of importance of entrepreneurship, organization capability, strategic decision making and innovation which have affected toward the competitive advantage in competition of SMEs businesses,

2.2 To explain the effect of entrepreneurship, organization capability, strategic decision making and innovation variable factors toward the competitive advantage in competition of SMEs businesses.

3. Research scope

This research was at the organization level with focused on SMEs businesses analysis and the survey methodology to explain the effect of entrepreneurship, organization capability, strategic decision making and innovation as the

variable factors toward the competitive advantage in competition of SMEs businesses. It was the searching for the entrepreneurship factors and the effect toward the competitive advantage in completion of SMEs businesses. The research was carried out in survey format with 4 research aspects, i.e. (1) Subject Matters: To focus on the entrepreneurship, organization capability, strategic decision making, innovation and competitive advantage of SMEs enterprises (2) Duration: 5 months (May – September 2011) (3) Population: Entrepreneurs of small and medium business from 4 provinces in northern region and (4) Area: Chiangrai, Chiangmai, Lamphun and Lampang.

4. Literature review

The literature review on the entrepreneurship indicated the concept and framework of competitive advantage. The effect factors toward their business operation were able to summarize the review of relevant literatures into 5 variable factors as follows:

4.1 Entrepreneurship

For well established organization, entrepreneur is the risk taking individual and motivated to create innovation and to focus on proactive actions which are resulted in new products, new services or new process and in turn leading to business sustainability. The outcomes may be either monetary or non monetary rewards, e.g. social status, cooperative atmosphere and structural modification (Hough and Scheepers, 2008). Entrepreneurs are fully equipped with inspiration, motivation and owned destiny and applying innovation as the mechanism in guiding their business. They are the job and career creators to generate wealth in economic system including the risk taking manager and profit opportunist (Bosma, Praag and Wit, 2000). They are also socially recognized for their intellectual, determination and creative thinking to achieve their objectives of business growth (Zimmerer and Scarborough, 2002, p.4). The entrepreneurship effects toward organization performance, the financial performance outcomes (Michaels and Gow, 2008) and the competitive advantage within leadership trait as the associated factors (Ngugen, Neck and Ngugen, 2008).

Hence, entrepreneurs must have the leadership traits (Hough and Scheepers, 2008), e.g. vision, inspiration, determination, motivating skill on others and forward anticipation in order to achieve objective goals (Moorman and Holloran, 2006, p. 5) and business sustainability. Entrepreneurship effect the competitive advantage through the organization capability, strategic decision making and innovation applying to reach ultimate customers (Wickham, 2006). The competitive advantage can be measured in term of increased investment assets, lower production costs over competitors, higher sale volume than competitors and the positive cash flows (Michael and Gow, 2008) and the entrepreneurship factor effects toward the organization capability. (Zahra, Sapienza and Davidsson, 2006)

4.2 Organization capability

Under the current environment, another important task of organization leader is to build the organization to achieve efficiency in utilizing organizational core competency to differentiate from competitors with the ability to better utilize the core competency over other competitors. Another important aspect is the ability to effectively apply strategies. It is the effective way to build organization competitive advantage since it indicates the organization personnel capability and skill in accomplish the organization plan. It also illustrated the efficiency of the internal management system of the organization in building of their personnel capability. Hence, the recruitment process must be effective in selecting the appropriate personnel for the job position and be followed by appropriate job and skill development to achieve organization plan.

Another idea of Boyatzis (1982) described the core competency as the unique characters, for instance, inspiration, personal traits, social role or knowledge, etc. The application of core competency is used to identify personnel specification that organization needs in recruiting for the specific tasks and duties in the organization. The core competency can be classified in various formats. Cripe and Mansfield (2001) has classified it into 3 categories as follows (1) managing self, e.g. confidence and agility (2) managing others, e.g. leadership, communication and motivation in establishing relationship with customers and (3) managing business, e.g. prevention, correction, analysis, expert and creative thinking, etc.

Currently, the modern management values the importance of human resource management and innovation but more focus on the management of human resources by penetrate on the process over the value added from the human resources. Any organization with an effective human resource management would increase their competitive advantage. Norton and Kaplan (2004) introduced the concept of intangible asset as the capital to the organization, for instance the organization capital, information capital and human capital of applying innovation and taking strategic decision making drives organization (Dunning and Dunham, 2010) to achieve success, to coordinate organization

team members in endorsing changes and the organization capability effects toward the strategic decision making. (King, 2007)

4.3 Strategic decision making

Every organization must have strategic plan as the direction indicators in managing business to achieve goals that in line with the vision, mission and objectives of the organization. The strategic development in organization must be those which can be actually deployed as planned. Any organization with sound strategies and with effective deployment would yield sustainable competitive advantage to such organization (Covin and Slevin, 2001). However, the current revealed problems stated the strategic decision making personnel is lacking of skill and guideline in developing effective organization strategy (Kamjornnun, 2001).

As the strategic decision making is important, therefore prior to any implementation or deployment, the leader must derive at concrete conclusion, analyzing of all industrial related competitors, SWOT analysis and strategic planning to identify key customer groups with the aim to generate competitive advantage. It includes the developing of strategic decision making to support the efficiency and effectiveness of business operation (Roberts, Stevenson, Sahlman and Hamermesh, 2007) and its effect toward the competitive capability.

Strategy is the developed business plan for organization to achieve objectives and goals (Davis and Harveston, 2000; Mintzberg, Dura and Theortet, 1976) with commitment to utilize allocated resources for the targeted goals in the future (Drucker, 2000). On entrepreneurship related to strategic management, summarized as the entrepreneurship process involving the building and growth of organization by deploying strategy in business operation in the organization. The component of strategy covers over 4 aspects, i.e. (1) scope (2) resource utilization (3) competitive advantage and (4) the coordinating between the scope and the resource utilization within the organization to generate the competitive advantage (Schendel and Hofer, 1979). SMEs enterprises should avoid deploying large enterprise strategy due to the variation and complication of business environment (Covin and Slevin, 1989).

The strategic decision making is the action to position its business enterprise ahead of competitors (Miller, 1983), for example, as the first enterprise to introduce new innovative product or service to the market. Such entrepreneurial process, orientation and strategic management consist of (1) business expansion (2) innovation and (3) the win over competitors (Miller, 1987). Later, there were additional researches to support and accept these similar 3 factors of entrepreneurial strategic decision making concept (Covin and Slevin, 1989; Naman and Slevin, 1993). The future organization values the importance of variety of choices, knowledge and the continue improvement (Schumpeter, 1936) and innovation is the key economic improvement from the constructive development process in current market conditions (Chiamchitrong, 2010). The skill, knowledgeable and virtue entrepreneurs play important role in deciding vision, strategy and communicating throughout the organization (Lumpkin and Dess, 2001) and these are the utmost importance for current organization management. The strategic decision making has the objectives to direct organization to be able to (1) adjusting to the business environment (2) appropriate allocating of resources (3) adjusting with clear conceptual direction (4) motivating personnel to perceive the opportunities, threats, strength, weakness and operating direction and (5) opening opportunity for sharing resources. (Ahaja and Lampert, 2001) The process of strategic management consists of (1) Analyzing external environment for opportunities and threats and internal environment for strength and weakness (2) Deciding vision, mission and objectives of the organization (3) Analyzing and selecting strategies (4) Deploying the developed strategies (5) Monitoring and evaluating strategic outcomes under the success of the operation (Lumpkin and Dess, 2001).

Even though it is a sound strategic development to seek for opportunity and forward looking (Penrose, 1963), the deploying of strategy for business success is more important and complicated (Covin and Slevin, 2001). The implementing of strategy in business operation (Schendel and Hofer, 1979) for entrepreneurship covers 4 aspects, i.e. (1) Scope of strategy means the mixing of products and or markets (2) Deploying organization resources as the competitive mechanism and to generate sound core competency (3) Pairing the resource utilization and the organization scope for competitive advantage and (4) Integrating of scope and organization resource utilization to generate competitive advantage (Schendel and Hofer, 1979).

Therefore, it can be concluded that the strategic decision making of entrepreneurs is the important part of enterprises growth, as the entrepreneurs has created vision and imagination to link with the expanding opportunity of the organization by utilizing teamwork as the mechanism to generate value to the organization, and by applying strategy to support the improving of skill and core competency in the organization (Porter, 1998). Entrepreneurs must be proactive in seeking business opportunities and forward looking (Penrose, 1963), for example, the idea of introducing product or service before competitors, the anticipating to changes and the monitoring of environment (Lumpkin and Dess, 2001) and by utilizing organization capability in driving toward the strategic decision making. (Barringer and Bluedorn, 1999) It can be described as below hypothesis.

H1: Entrepreneurship had effect toward the organization capability.

H2: Entrepreneurship had effect toward the strategic decision making.

H3: Organization Capability had effect toward the strategic decision making.

4.4 Innovation

The organization innovation was well accepted as the key critical factor for modern organization as it increases the competitive advantage. The created innovation leads to the lower production cost of the organization, new beneficial knowledge, new products, new production process, new working technique and new working procedure which in turn would generate competitive advantage in the long run (Dunning and Dunham, 2010). Innovation factor generates value added to the organization through strategy, behavior, support and motivating activities under 5 principles, i.e. (1) customer satisfaction (internal and external), (2) best practices (3) teamwork (4) challenging spirit and (5) the effective communication in integrating derives to achieve objective goals. Innovation is also deployed to support the personnel continue learning and development (Senge, 1998) through activities and projects that focus on staff participation. Therefore, innovation is the important foundation to support and motivate creative thinking or value added initiatives (Nilsook, 2009) with the involved factors, i.e. entrepreneurship, leadership and management (Robbins, 1989, p. 302; Koontz and Heinz, 1988; Wheelen and Hunger (2006, p. 145).

For the organization context, there may be linkage of innovation with the capability and the business growth through the efficient development, productivity, quality, competitive advantage, organization capability and the strategic decision making (Cohen and Levinthal, 1990) in order to increase market share. Every organization can create innovation by applying invention or new idea to generate value added and utilize it for the benefit of the organization (Baregheh, Rowley and Sambrook, 2009). Decharin (2003) stated that innovation must be in line with clear direction and strategy in improving organization to innovative organization and with the clear determination and commitment of the leadership to motivate and create innovation within the organization (Chiamchitrong, 2010). In addition, the flexible organization at appropriate level is able to motivate the creating of innovation within organization. But under the same token, it must also be cautious on too vague structure of the organization. Once the structure is supported, there must be key personnel in charge of various disciplines and tasks within the innovation process, all the ways from the project owner to project supporters and internal team members must focus on the team efforts over individual success.

In addition to the team structure and individual tasks, the innovative organization must value the important of working environment by creating the organization culture to value the importance of innovation. The organization must also connect with the external organization as sometime the internal important innovation is not generated from inside the organization but from the integrating of external concepts with the internal sources. The innovation and the entrepreneurship have effect toward the competitive advantage, organization capability and the strategic decision making (Ejaz, 2010, p. 28) and it can be summarized as below hypothesis.

H4: Organization Capability had effect toward innovation.

H5: Strategic Decision Making had effect toward innovation.

4.5 Competitive advantage

Competitive advantage of business consists of (1) Low unit costs of production (2) Differentiation of product or service over competitor and (3) Ability to meet requirements in time (Porter, 1998) and including the specifying business structure and sound market positioning. The structure of business competition consists of (1) Treat of new entrants (2) Rivalry among existing firms (3) Threat of substitutions (4) Buyers bargaining power and (5) Suppliers bargaining power (Porter, 1998). These 5 factors are the industry indicators to be applied in constructing strategy for business success in the long run.

Organization to have sound competitive advantage must have innovation or differentiation over competitors and with high perceived customer value, i.e. worth, benefit and sentimental effect which other branded products or services can not meet. (Man, Lau and Chan, 2002, pp. 123-142) Therefore, in addition to the value of the products and services, the level of imitation ability also reflects the level of substitution (Barney, 1991) together with the incurred switching cost imposes on the customer of which may affect their emotional upset, additional cost of installation or charging fees, the financial risks and the social stakes.

Porter (1998) had valued the competitive advantage concept by focus on the strength development in micro level, i.e. at business level. The macro perspective covers economy, politics and law regulation must be stable and suitable to support the operation at business, enterprises and industry level. At the business or entrepreneur level, the competitive advantage is the capability to produce products and services with effectiveness and efficiency equal or better than

competitors. The key success indicators are profit outcomes, the production export ratio and the market share in global market or at regional market. (Chakravarthy, 1986). On the industry level, the competitive advantage is the capability of the enterprises within the country to achieve sustainable success when compare with the overseas competitors within the same industry. The key success indicators are profit outcomes, balance of trade of the country, prices and quality of products or services. (Dess and Robinson, 1984)

From the above definition of competitive advantage, it can be summarized that the new thought described the competitive advantage as the capability of the country to constructively support and maintain the long term economic values which can be at the international level of competition with the ability to produce products or services in respond to the requirements of world market and at country level. The competition which creates the satisfaction and the good life style for the population within the country by creating long term value added to the system. It relied on 3 important levels of (1) opportunity (2) capability and (3) strategy to guide to the competition at international level depending on the opportunity and the capability at such moment as per the following hypothesis.

H6: Innovation had effect toward the competitive advantage.

5. Research conceptual framework

From the literature reviews on 5 dimensions, i.e. entrepreneurship, organization capability, strategic decision making, innovation and competitive advantage of SMEs enterprises, researcher summarized research conceptual framework as follows:

Insert Figure 1 about here

6. Research methodology

Research methodology was conducted by survey SMEs businesses with over 5 years in business and were registered with the 4 Offices of Commercial Affairs, i.e. Lampang, Lamphun, Chiangmai and Chiangrai and with 596 SMEs. It was the quota sampling survey method in according to the population proportion of each province. The research tool was in questionnaire format with scale of 5 levels (Likert, 1970), classified into 5 groups in accordance with variables in conceptual framework which were entrepreneurship modified from Wickham (2006), organization capability modified from King (2007), strategic decision making modified from Charles and Paul (2003) (3) innovation modified from Ejaz (2010, p.28) and the competitive advantage which was described into 5 aspects , i.e. (1) increase of market share, (2) growth of company assets (3) competitive capability in general (4) lower cost of production than competitors and (5) product uniqueness as described by Porter (2008).

The data analysis method was split into 2 portions with descriptive statistics to illustrate the characters of sampling group and to indicate the level of importance of entrepreneurship, organization capability, strategic decision making and innovation had effected toward the competitive advantage of enterprises by applying measurement scale that average value of 1.00-1.50 represented the least, 1.51-2.50 represented the less, 2.51-3.50 represented the medium, 3.51-4.50 represented the more and over 4.50 represented the most (Best, 1973). The second portion was the inferential statistics to analyze the causal analysis with structural equation model of PLS-Graph (Chin, 2001) program and the factorial validity analysis as the extension of the causal analysis.

7. Outcomes of data analysis

Outcomes from Table 1 revealed the similar proportion of male and female in gender factor of sampling group, with majority between the age group of 31-40 years old and followed by 41-50 years representing 26%, with married marital status, with educational level below high school or equivalent and followed by bachelor degree, with sole ownership and company limited, with service business followed by the commercial business, with majority from Lampang province, with business experience of 1-3 years, with personal investment and last but not the least with the number of manpower less than 10 persons.

Insert Table 1 about here

From Table 2, respondents valued the importance of all factors at high. The detailed analysis of each factor revealed that the entrepreneurship valued the importance of the risk management at high level and followed by the operation able to achieve business objectives. The organization capability focused on the products and services with advance innovation at high level and followed by the products and services with high quality. For the strategic decision making focused on the respond measures against new creativity from competitors at high level and followed by information data for decision making. For innovation factor valued the importance of new products and continue products improvement at high level and followed by the develop products from knowledge base. Lastly, the competitive advantage focused on the competitive advantage in general at high level and followed by the lower cost of products over competitors.

Insert Table 2 about here

The loading value of majority over the criteria of 0.70 which illustrated the indicator of each construct able to measure own group with high LV relation value and with each construct has high CR value indicated that good construct reflect role of such indicator.

Insert Figure 2 about here

Figure 2 revealed that the majority of variables had positive relations with entrepreneurship factor had direct effected toward the strategic decision making with the co-efficient path value equal to 0.689, R^2 value = 0.822 and The entrepreneurship factor had direct effected toward the organization capability with the co-efficient path value equal to 0.789, R^2 value = 0.622. The organization capability had direct effected toward the strategic decision making with the co-efficient path value equal to 0.258, R^2 value = 0.822, The organization capability had direct effected toward the innovation with the co-efficient path value equal to 0.317, R^2 value = 0.820. The strategic decision making had direct effected toward the innovation with the co-efficient path value equal to 0.631, R^2 value = 0.820. Lastly, the innovation had direct effected toward the competitive advantage with the co-efficient path value equal to 0.854, R^2 value = 0.729.

Insert Table 3 about here

From Table 3, it revealed that entrepreneurship factor had indirect effect toward the competitive advantage and innovation but with the direct and overall effect toward the strategic decision making and had least direct and overall effect toward the organization capability. The organization capability had indirect effect toward the competitive advantage with the direct and indirect effect toward the innovation and the strategic decision making had indirect toward the competitive advantage but with direct effect toward innovation. Lastly, the innovation had direct toward the competitive advantage.

Insert Table 4 and 5 about here

8. Convergent validity of measurement

The convergent validity was the validity of measurement to indicate that each indicator able to measure within the same construct under the criteria that each indicator must have the loading value over 0.70 and with value of Cronbach's α higher than 0.70, with AVE value higher than 0.50 and with statistical significant loading. From Table 2 revealed that all loading value higher than 0.70 and with statistical significance ($|t| \geq 1.96$) included with all AVE value higher than 0.50 indicated the convergent validity of the measurement.

9. Discriminant validity of measurement

The discriminant validity was the validity of measurement to indicate that each construct able to measure own values and not to mix with other constructs which could be identified from the \sqrt{AVE} value by checking each column. Any construct measurement with \sqrt{AVE} value higher than the cross correlation value between the construct in the column with other constructs indicated such construct measurement had the discriminant validity of measurement with the composite reliability (CR) by CR must higher than 0.60. From Table 2 revealed that all \sqrt{AVE} values in the column higher than the cross correlation value in the same column indicated that such measurement had discriminant validity in all constructs and revealed that CR value higher than 0.60 and R^2 value higher than 0.20 indicated measurements had validity.

10. Conclusion

Research outcomes revealed the similar proportion of male and female sampling group, with the majority between the average age of 31-40 and 41-50 years old each representing approximately 26%, with approximately half with married marital status, with majority educational background of below high school or equivalent and followed by undergraduate degree, with majority business operation as sole ownership and followed by the company limited, with majority in service business followed by the commercial business, with majority business in Lampang province, with majority experience between 1-3 years, with majority as private investment and finally with majority less than 10 employees in organization.

The majority of respondents had expressed the variable of entrepreneurship, organizational capability, strategic decision making, innovation and competitive advantage at high level on all factors. Majority of variables had positive correlations with entrepreneurship factor had direct effected toward the strategic decision making and the organizational capability with the correlation path value equal to 0.689 at R^2 value = 0.822 and 0.789 at R^2 = 0.622. The organizational capability had direct effected toward the strategic decision making and innovation with the correlation path value equal to 0.258 at R^2 = 0.822 and 0.317 at R^2 = 0.820. The strategic decision making had direct effected toward

the innovation with the correlation path value equal to 0.631 at $R^2 = 0.820$. Finally, the innovation had direct effect toward the competitive advantage with the correlation path value equal to 0.854 at $R^2 = 0.729$.

11. Discussion

The majority of sample group operated as sole proprietor and company limited with the moderate investment fund which was inline with Hisrich, Peters and Shepherd (2010) stated that small enterprises was the experience training ground for the entrepreneurs, in particular for the new business or new investors from small business with small investment and progress to large business later. The majority was in service business with minimal investment in machines equipments and focused on the importance of service quality to build customer satisfaction. The majority utilized private investment for business operation and with less than 10 employees for flexibility in business operation and for easy and fast in decision making by the entrepreneurs.

The respondents had valued the importance of entrepreneurship, organizational capability, strategic decision making, innovation and competitive advantage variables at high level on all factors which was in line with concept of Miller (1983) stated that the business operation to be ahead of competitors, for instance to be the first enterprise to present new products or services. The new innovative products needed entrepreneurial orientation which consisted of (1) business drive with organizational capability (2) innovation application to increase the competitive advantage and (3) overcome competitors with strategic management. Later on, there were further researches to support the concept of strategic decision making of entrepreneurs which consisted of the same 3 factors (Covin and Slevin, 1989; Naman and Slevin, 1993) and valued the importance and on going variety of these factors in the future.

The outcomes of the research revealed that the entrepreneurship had direct effect toward the organizational capability which inline with the concept of Hough and Scheepers (2008) which concluded that the entrepreneur was the risk taking person to activate innovation and often taking proactive measures that resulted in new products or services generation leading to long term sustainable competitive advantage (Porter, 2008). The following outcomes might be the financial reward and also reaching the majority of customers (Wichham, 2006, Michaels and Gow, 2008). It also had direct effect toward the strategic decision making which inline with the concepts of Miller (1983); Covin and Slevin (2001); Schendel and Hofer (1979) which stated as the activity of any enterprise to be ahead of competitors and as the proactive movement of opportunity searching and forward looking (Penrose, 1963) with the idea of launching products or services ahead of competitors and anticipating external organizational environmental changes (Lumpkin and Dess, 2001).

Nevertheless, whenever the organizational capability was abandon and without any innovation, the business would not be able to maintain its sustainability which inline with the study of Casey (1996, p. 5) which summarized that the traditional family type management of the small and medium enterprises would need to urgently adjust and adapt to changes, in particular in the innovation aspect (Baregheh, Rowley and Sambrook, 2009).

Finally, innovation had direct effect toward the competitive advantage and inline with the study of Barney (1991) which concluded that the competitive advantage of any organization would need innovation or differentiation from competitors and perceived high customer value, i.e. money worth, physical benefits and sentimental value that could not be fulfilled by other competitors' products or services. Therefore, entrepreneur must valued the importance of all factors at variable level depending on the competitive environment of each location as appropriately analyzed by such entrepreneur.

12. Recommendations

12.1 Entrepreneurs should benchmark their businesses with relevant industry in other regions by focusing on the related variable successful factors as the best practice of owned business.

12.2 Since the competitive environment is increasingly severe and on prolong basis, the small and medium entrepreneurs must applied various strategies to enhance the competitive advantages of their businesses.

12.3 The limitation of this research was the magnitude of cooperation from involved entrepreneurs in completing the disseminated questionnaire. As most of the relevant entrepreneurs were heavily engaged with their daily routine business operations which led to the time available in completing the questionnaire.

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Table 1. General profile of questionnaire respondents and entrepreneurs (N=596)

Profile of questionnaire respondents		Number	Percentage
Gender	Male	25	41.95
	Female	346	58.05
Age	Under 20 years	7	1.17
	21-30 years	131	22.98
	31-40 years	196	32.89
	41-50 years	157	26.34
	51-60 years	75	12.58
	60 years and over	30	5.03
Marital Status	Single	184	30.87
	Married	369	61.91
	Divorced / Widowed	43	7.21
Highest Educational Level	Below high school level or equivalent	291	48.83
	High school level or equivalent	93	15.60
	Bachelor degree or equivalent	182	30.54
	Master degree or equivalent	23	3.86
	Doctoral degree	7	1.17
Type of Business	Sole Ownership	189	31.71
	Partnership (Limited/Ordinary)	162	27.18
	Company Limited	204	34.23
	Public Company	41	6.88
Nature of Business	Service Business	261	43.79
	Commercial Business	208	34.90
	Industrial Business	127	21.31
Province	Lampang	188	31.54
	Lamphun	161	27.01
	Chiangmai	126	21.14
	Chiangrai	121	20.31
Business Experience	Under 1 year	17	2.85
	1 – 3 years	250	41.95
	4 – 6 years	110	18.46
	7 - 10 years	164	27.52
	10 years and over	55	9.23
Source of Business Investment	Personal Investment	390	65.40
	Personal and Financial Institution Investment	142	23.8
	Personal and Non-financial Sources of Investment	64	10.77
Number of Employees	Employees not over 10 persons	330	55.37
	Employees between 10-20 persons	110	18.46
	Employees between 21-50 persons	57	9.56
	Employees between 51-100 persons	80	13.42
	Employees over 100 persons	19	3.19

Table 2. Means and standard deviation

Importance Factors	mean	S.D.	loadings	t-stat	CR	AVE
1. Entrepreneurship					.913	.682
1.1 Believe the operation able to achieve business objectives	3.965	.808	.8659	90.6604		
1.2 Focus on skills and area of responsibility	3.963	.803	.8202	52.5492		
1.3 Introduce new products or timely services within the past 3 years	3.821	.799	.9086	107.8907		
1.4 Have risk management	3.967	.801	.9086	107.8907		
2. Organization Capability					.878	.644
2.1. Produce products and services with advance innovation	4.010	.803	.7592	31.0711		
2.2 Produce products and services with high quality	3.983	.812	.7579	35.7508		
2.3. Produce products and services with added value (quality vs. price)	3.930	.792	.8290	67.9291		
2.4. Have good management	3.810	.799	.8600	73.3214		
3. Strategic Decision Making					.903	.642
3.1. Have informative data for decision making	4.045	.749	.8477	67.5655		
3.2. Have respond measures against new creativities from competitors	4.154	.729	.7684	38.1646		
3.3. Value the importance of competition by applying products differentiation	3.960	.817	.7684	38.1646		
3.4. Choose high risk high return business option	3.961	.774	.8477	67.5655		
3.5. Choose wait and observe option to avoid mistakes from wrong options	4.045	.749	.7844	49.3031		
3.6. Have economic condition analysis	3.810	.786	.7823	20.4165		
4. Innovation					.883	.656
4.1. Introduce new working process in the business operation	3.998	.807	.8227	52.5469		
4.2. Focus on new products and continue products improvement	4.079	.794	.8756	91.6400		
4.3. Develop products from knowledge base	4.045	.749	.7538	24.8276		
4.4 Apply technology for product differentiation	3.874	.824	.8677	96.1295		
5. Competitive Advantages					.910	.717
5.1. Growth of market shares	3.873	.789	.8195	44.6674		
5.2. Growth of assets within the past 3 years	3.814	.804	.8671	97.6473		
5.3. Competitive capability in general	4.156	.729	.8551	44.9679		
5.4. Lower cost of products over competitors	3.928	.760	.8445	49.4488		

Table 3. Effects of entrepreneurship, organization capability, strategic decision making and innovation toward competitive advantage of SMEs enterprises

Dependent variable	Rsqr	Effect	Independent variable			
			Entrepreneurship	Organization Capability	Strategic Decision Making	Innovation
Competitive Advantage	-	DE	0.000	0.000	0.000	0.854
		IE	0.695	0.410	0.539	0.000
		TE	0.695	0.410	0.539	0.854
Innovation	0.820	DE	0.000	0.317	0.631	N/A
		IE	0.813	0.163	0.000	N/A
		TE	0.813	0.480	0.631	N/A
Strategic Decision Making	0.822	DE	0.689	0.258	N/A	N/A
		IE	0.000	0.000	N/A	N/A
		TE	0.689	0.258	N/A	N/A
Organization Capability	0.622	DE	0.789	N/A	N/A	N/A
		IE	0.000	N/A	N/A	N/A
		TE	0.789	N/A	N/A	N/A

Remark: DE = direct effect, IE = Indirect effect, N/A = not applicable

Table 4. Outcomes of research hypothesis test

Hypothesis	Path Coefficient.	t-stat	conclusion
Entrepreneurship → Org Ability	0.789	68.9891	support
Entrepreneurship → Strategic Decision	0.689	28.9315	support
Org Ability → Strategic Decision	0.258	9.1953	support
Org Ability → Innovation	0.317	26.3191	support
Strategic Decision → Innovation	0.631	11.9099	support
Innovation → Competitive Advtg	0.854	90.6829	support

Remark: *** means $p \leq .01$, ** means $p \leq .05$, * means $p \leq .10$, t-stat ≥ 1.96

From Table 4, the outcomes of research supported all hypotheses with t-stat value ≥ 1.96 .

Table 5. Validity and reliability of measurement

Latent Variables	Latent Variable					R-Sq	Average Commuality	Average Redundancy
	Entrepreneurship	Strategic Decision	Org Ability	Innovation	Competitive Advtg			
Entrepreneurship	0.826					-	0.6817	-
Strategic Decision	0.893	0.801				0.8222	0.5423	0.4459
Org Ability	0.789	0.802	0.802			0.6219	0.6444	0.4007
Innovation	0.932	0.885	0.823	0.810		0.8196	0.6560	0.5377
Competitive Advtg	0.854	0.746	0.634	0.854	0.847	0.7295	0.7169	0.5230

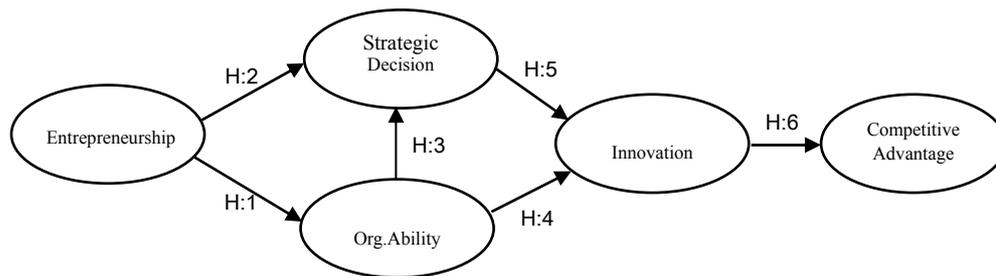


Figure 1. Research conceptual framework

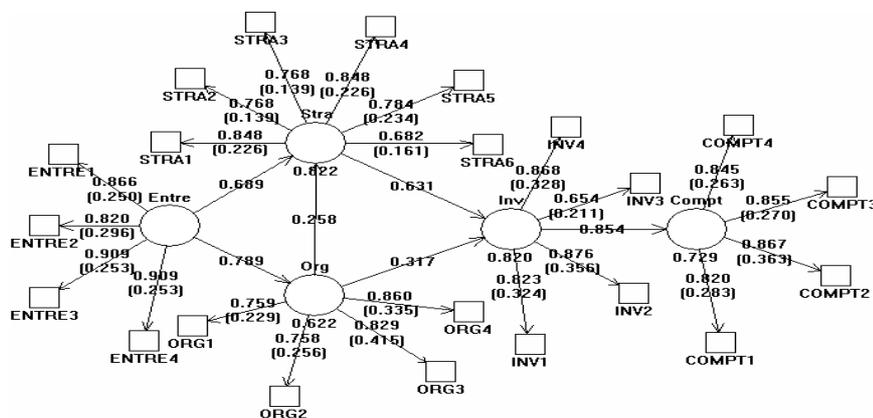


Figure 2. Structure equation model