Effects of Dynamic Environment to Business Performance of Small and Medium Enterprises in NakonChai Burin

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Abstract

The objective of this research is meant to examine and study the effect of the dynamic environment on business performance. Questionnaires were used to provide data from 400 samples of small and medium enterprises (SMEs) in the NakhonchaiBurin group consisting of Nakhon Ratchasima, Chaiyaphum, Buriram, and Surin. Random sample by using multi-stage sampling. First stage by dividing the provinces into smaller groups, second stage by used business segmentation, and proportional grouping. And the last stage by using simple random sampling. The data were analyzed by using multiple correlation analysis and multiple regression analysis. Results showed that a dynamic environment on marketing environment and competitive environment have positive effects on overall business performance. It was also found that the dynamic environment was able to explain the variable of business performance by 92.00%, and statistically significant at 0.05.

Keywords: Marketing Environment, Competitive Environment, Dynamic Environment,
               Business Performance

1. Introduction

Small and Medium Enterprises (SMEs) are a business that have a big role in overall Thai-economy by forming and spreading job opportunities to the local, and create more valuable product to the economic through production or processing of products and services from an already exited product and service, including creating more revenue from exporting the product by the distribution of small and medium enterprises throughout Thailand, especially in the North-east region of Thailand that made-up most of Thailand population and area. But the most occupation in the region are still a farmer, thus making an income and employment rate lower than another region. Therefore, North-east region is the suitable for supporting and encourage the business. Considered by the fact that most of small and medium enterprises is in the area of NakhonchaiBurin group consisting of Nakhon Ratchasima, Chaiyaphum, Buriram, and Surin. Business type can separate them into three consists of 1) profitable revenue (40% of all SMEs), 2) moderated revenue (30% of all SMEs) and 3) unprofitable revenue (30% of all SMEs). Form our in depth statistic there are 95% of small business that closing in the time span of 5 year, and there are more than 50% that stop operating in the first year of operate. From the previously discussion, we found that most of the issue originate

from ability to make positive revenue, and the business performance (Statistic from Economic intelligent center: SCBEIC, 2023).

Business performance is the result of proceeding in the business for the purpose of producing the product and services to meet the demand of customers in order to make a satisfying revenue for the enterprises by reaching objective efficiently with the proper method, preparing for the future change that might occur. Business performance can be distinguished into 2 categories Financial Performance and Non-Financial Performance (Elshaer & Augustyn, 2015). The best indicator of Business performance is 1) profit, the successful business is one that can find a new way to make a profit either by making more profit or cutting expenses while still retaining the quality of the product. 2) Demand of the customer, by prioritizing the demand of the customer and providing the product or service when they are needed immediately. 3) Quality of the product, in the business competition if the product or the service has lower quality while having lower cost, the customer still going to look for the superior quality product at a similar price to replace the lower quality product. 4) Encouraging innovation and creativity due to the demand of the customer that changes all the time, the business owner must be trying a new way to gain popularity of the product to compete with the other business. Therefore, the ability to adapt is significant in the business environment.

In an environment business that changing rapidly, the business owner needs to comprehend and accept the new environment, and the new environment is a significant factor in the dynamic of the innovation of the new product (Jiao *et al*., 2011). In order for the business to be ready for the business environment that changes rapidly and affects innovation. In a dynamic environment, the changes may occur differently at an uncertain rate and time depending on outside factors (Jiao *et al*., 2011) at the dramatic differences in the industry. Therefore, the more dynamic environment happened, the harder the operation of those involved, including those who have stakes in the company. Therefore, those involved must assess both current and future environments especially the changes in marketing and competition. Managers must react quickly to make strategic decisions and develop strategies. Creativity and innovation to be able to cope with changes from the external environment and it will enable businesses to survive and prosper in the new environment (D' Aveni, 2010). The dynamic environment will acts as an organizational strategy and uses innovative strategies to increase planning efficiency and increase the ability to respond to a more rapidly changing environment (Jiao *et al*., 2011).

Therefore, the researcher is interested in the effects of factors affecting business performance by relying on important factors such as the dynamic environment that organizations must adapt to the constantly changing environment and resulting in better business performance.

1.1 Research Objective

To study and examine the positive effects of dynamic environment on business performance of small and medium enterprises in NakonChai Burin.
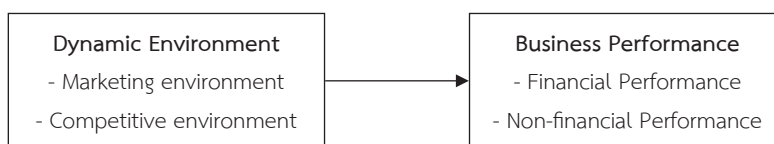
1.2 Conceptual Framework

Dynamic Environment	Business Performance
- Marketing environment	- Financial Performance
- Competitive environment	- Non-financial Performance

Figure 1 Conceptual Framework

1.3 Hypothesis

Dynamic environment has a positive effect on business performance on business performance of small and medium enterprises in NakonChai Burin

2. Methodology

To study the effects of the dynamic environment on the business performance of the small and medium enterprises of Nakhonchaiburin group. The following study methods were used.

2.1 Population and sample

The population used in this study was small and medium enterprises (SMEs). Nakhonchaiburin consisted of 200,237 registered SMEs in the area of Nakhon Ratchasima, Chaiyaphum, Buriram and Surin (Office of Small and Medium Enterprise Promotion, 2020). Sampling based on Taro Yamane's probability yields a sample size of 400 samples using multi-stage sampling. Starting from dividing SMEs into 4 provinces and divided by business type then perform a simple random sampling. Questionnaire was used to collect data. All 400 responses were sent back and had been review to be proper and complete, and will later be analyze.

2.2 Instruments

This research's questionnaire is divided into 3 parts, part 1 the general information of respondents, part 2 is information about dynamic environment and part 3 is information about business performance. Part 1 is a check list answer, part 2 and part 3 are multiple choice answers (Rating Scale) with 5 means highest, 4 means high, 3 means moderate, 2 means low, and 1 means lowest

The researcher tested the validity of the questionnaire by having 3 experts examine the questionnaire. The IOC value result was equal to 1.00 which in line with (Khattaya and Suvachittanont, 2011) that suggested that an IOC value greater than 0.6 is an acceptable level of precision and finding questionnaire reliability using alpha coefficients. The alpha coefficient result was 0.86 which in line with (Khattaya and Suvachittanont, 2011) that suggested that an acceptable level of alpha coefficient has to be greater than 0.70.

2.3 Data Analysis

For this research, the researcher used statistics mean, standard deviation, multiple correlation and multiple regression analysis to test the relationship and impact of dynamic environment on business performance. The equation can be written as follows:

Equation   BP   = $\beta_0 + \beta_1 MD + \beta_2 CD + \varepsilon$

BP   represents   average scores on overall business performance

MD	represents	average feedback score on dynamic environment in term of marketing environment
CD	represents	average feedback score on dynamic environment in term of competitive environment

3. Results and Discussion

3.1 Results

Table 1 frequency and percentage of gender, age, experience, and position of respondents

General Information	N	Percentage
Gender	400	100.00
Male	119	29.75
Female	281	70.25
Age	400	100.00
Under 30 years old	27	6.75
31-41 years old	111	27.75
41-50 years old	149	37.25
51-60 years old	101	25.25
Over 61 years old	12	3.00
Experience	400	100.00
Under 1 year	21	5.25
1-5 years	160	40.00
6-10 years	127	31.75
11-15 years	65	16.25
Over 16 years	27	6.75
Position	400	100.00
Business owner	160	40.00
Manager	90	22.50
Head of Department	62	15.50
Worker	88	22.00

From table 1, frequency and percentage of gender, age, experience, and position of respondents, shows that the majority of respondents were female, accounting for 70.25 percent, 37.25% were aged between 41-50 years, 40.00% had 1-5 years of experience and the position of business owner accounted for 40.00%.

Table 2 mean and standard deviation of the dynamic environment

Dynamic Environment	$\bar{x}$	S.D.	Interpretation	Order
Marketing environment	4.10	0.62	high	1
Competitive environment	3.99	0.52	high	2
Overall	4.04	0.51	high	

From table 2, mean and standard deviation of the dynamic environment, shows that small and medium enterprises have overall dynamic environment at a "high" level ($\bar{x}$ = 4.04, S.D. = 0.51). When examine each aspect, it was found that dynamic environment in term of marketing environment is the highest at a "high" level ($\bar{x}$ = 4.10, S.D. = 0.62), followed by competitive environment at a "high" level ($\bar{x}$ = 3.99, S.D. = 0.52) respectively.

Table 3 mean and standard deviation of business performance

Business Performance	$\bar{x}$	S.D.	Interpretation	Order
Financial Performance	3.45	0.61	high	1
Non-financial Performance	3.05	0.72	medium	2
Overall	3.25	0.61	medium	

From table 3, mean and standard deviation of business performance, shows that small and medium enterprises have overall business performance at a "medium" level ($\bar{x}$ = 3.25, S.D. = 0.61) which can sort opinions about the business performance from the most average to the least average as follows: financial performance ($\bar{x}$ = 3.45, S.D. = 0.61), followed by non-financial performance ($\bar{x}$ = 3.05, S.D. = 0.72) respectively.

Table 4 Analysis of the correlation of the dynamic environment with business performance

Variable	BP	MD	CD
BP	-	0.30*	0.20*
MD		-	0.58*
CD			-
$\bar{x}$	3.25	4.10	3.99
S.D.	0.61	0.62	0.52

* Statistically significant at the level 0.05

From table 4, it shows that the relative values of each variable are not very correlated so it does not cause multicollinearity problems. Therefore, all variables were suitable for multiple regression analysis (Black, 2006).

Table 5 testing the relationship of the dynamic environment regression coefficient with performance

Dynamic Environment	Business Performance (BP)			t	p-value
	Regression Coefficient	Standard Error of Mean	Beta		
Constant (a)	1.92	0.24		25.71	0.00
Marketing environment	0.72	0.13	0.28	9.69	0.00
Competitive environment	0.53	0.06	0.45	4.70	0.00
F = 200.17, P < 0.00, Adj R^2 = 0.88, R^2 = 0.92, R = 0.96					

From table 5, it shows that that can predict business performance include: marketing environment, and competitive environment with statistically significant (p-value < 0.05). The variables can explain the business performance at 92.00 (R^2 = 0.92). The forecasting equation can be written as follows:

Business Performance   =   1.922 + 0.722 (marketing environment)

                    + 0.530 (competitive environment)

3.2 Discussion

Dynamic environment has a positive effect on business performance, shows that a successful business will try to do everything it can to keep the business profitable. In order to make the business profitable throughout, business owners have to find ways to earn more income and reduce expenses as much as possible while the customers can still receive the same quality of goods and services. Profit is a widely used measure of business success and a business that is profitable over a certain period of time will be considered to have an impact on achieving its goals. Meeting customer needs by prioritizing on being sensitive to customer needs and being able to take action to meet customer needs in a timely manner. Producing goods and services that meet the standard, customers may not be able to tolerate receiving low-quality goods or services even at very low prices. In a highly competitive environment, customers can immediately abandon inferior goods and services and instead focus on other business that produce more superior quality goods and services that promoting innovation and creativity. As the tastes and preferences of customers are constantly changing, competitors will think of new ways to always beat competitors. Therefore, business needs to look for new ways to operate to increase their efficiency which consistent with the research of Ringov (2017) that study the relationship between dynamic capabilities and the performance of companies at different levels of the dynamic environment. The functionality of dynamic capabilities decreases as the dynamic environment increases, and dynamic capabilities will enable for increased performance when interacting with complex dynamic environments. And the research of Zhang & Liu (2012) that found that the dynamic environment as an explanatory variable has a significant positive impact on financial performance. The dynamic environment significantly adjusts the relationship between the resource allocation dimensions and financial performance with significantly different direction and level.

4. Conclusions

The dynamic environment variables consist of market environment and the competitive environment which have a positive influence on business performance. Therefore, SMEs want to have better business performance, SMEs should focus on adapting their business to keep up with changes in the environment, both the market environment and the competitive environment continuously at all times.

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