

# INTEGRATED PERSONAL DEVELOPMENT MODEL FOR SMEs' BUSINESS PERFORMANCE IN THAILAND

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## ABSTRACT

Personnel development in the workplace of small and medium sized enterprises (SMEs) will affect the business performance in the transition to the modern economy driven by innovation. The objective of this research is to find a suitable approach to develop excellent SMEs entrepreneurs with excellence, consisting of happy workplace, transformational leadership, learning organization, and organizational commitment. Questionnaires were used as a quantitative research tool to collect the data from 500 employees in SMEs in Nakhon Pathom Province, Thailand. Structural Equation Modeling (SEM) was used as analyzing statistics. The results found that the learning organization is most appropriate, which has direct and indirect effect on business performance. The mediating effect of organizational commitment on the relationship between learning organization and business performance was found. The results of this research will be beneficial to entrepreneurs, the government, and educational agencies to be used as a guideline to form the policy and conduct further research. It is the development of SMEs that currently have high business competition from both internal and external competitors due to the opening of free trade and economic driving with modern innovation.

**Keywords:** Happy Workplace, Transformational Leadership, Organizational Learning, Organizational Commitment, Business Performance

## INTRODUCTION

Nowadays, SMEs' business performance is widely studied worldwide as it is interesting issue in enhancing their efficiency (Kafetzopoulos et al., 2019; Bhatia and Awasthi, 2018). Especially Thai SMEs entrepreneurship now encounters the difficulties (Kruasom, 2017; Pattharabanjerd, 2017; Chantanee, 2016). The development of small and medium business enterprises (SMEs) to be intelligent entrepreneurs, also known as smart enterprise, means that entrepreneurs must be free from low income generation by aiming to be an entrepreneur who creates high added value (Maysin, 2016) based on the economy driven by innovative products and services. This economic reform approach has been changed from the original concept, "So much to do, so little gained" to the new concept, "So little to do, so much gained". It has also been altered from producing commodities to innovative products by focusing on driving the country with technology, creativity, and innovation to develop Thailand's economy that are expected to have higher growth in the future, called Thailand 4.0. (Kumpirarusk and Rohitratana, 2018)

At present, it is found that most SMEs entrepreneurs still lack the readiness in many areas, such as capital, technology, and quality labor, especially the problems of substandard workers who need skills in serious work, as shown in Table 1. Moreover, the business owners focus solely on their own interests (Bank of Thailand, 2018).

Table 1 Background problems on employees reported by SMEs entrepreneurs

Problematic skills	Percentage of SMEs facing the problem	Numbers of SMEs facing the problem
Life and Career Skills	44%	1,063
Learning and innovation skills	32%	773
Information Technology Skills	25%	604
Total Sample		2,416

Source: Bank of Thailand (2018)

Consequently, it causes the workers to be unhappy with the workplace, feel unconfident in the profession, often leave work, and have no commitment to the establishment. These problems will cause the SMEs entrepreneurs to be unable to create the added value for their business and have high production costs. Therefore, SMEs entrepreneurs must have high investment at all times (Maysin, 2016).

Guidelines for making SMEs entrepreneurs achieving business success are to create the value for operational staff by building happiness at workplace along with to develop specific knowledge of each employee by changing an establishment to be a learning organization. In addition, the organization leader or the business owner must change the management approach to see the benefits that should be given to the employees in the organization according to the concept of transformational leadership. This will generate to employees' love and commitment to the organization resulting in the successful organizational performance. It is consistent with the past research of Sirikutta (2013), it was found that creating a happy workplace environment, such as supporting the expression society and providing the chance to brainstorm caused the business organization to be successful. Furthermore, It conforms to the past research of Chatreewisit (2011), which states that human resource management was the heart of the management. If any organizations have an effective management system, it will result in the goal achievement.

This guideline is also in line with the 20-year long-term national strategic plan (2017-2036) which aims to building improve people's ability for enhancing Thai society to be the strong foundation of the country (Policy and Planning Bureau of the Ministry of Interior, 2016). Moreover, It is consistent with the 12<sup>th</sup> National Economic Development Plan in Strategy 1, building for Human Ability (Office of the National Economic and Social Development Board, Office of the Prime Minister, 2017, page 65) and Strategy 3, strengthening sustainably economic competitiveness (Office of the National Economic and Social Development Board, The Prime Minister's Office, 2017, page 82). The researcher, therefore, is interested in studying the model of "The business performance of SMEs for the development to an excellent entrepreneur" as a guideline for SMEs entrepreneurs to improve their organizations based on economic change and technological competition because resources play an important role in generating wealth economically and technologically.

As a result, this research aims to study the levels of happy workplace (HW), learning organization (LO), transformational leadership (TL), and organizational commitment (OC), and the SMEs' business performance (BP), and to study the mediating effect of OC on SMEs' BP. This research, moreover, purposes to fill the existing gap in the literatures that an integrated model examining the complex relationship among BP, OC, HW, LO, and TL is still missing, especially the context of SMEs in Thailand. As a result, this study intends to

create the model to be the guideline for SMEs entrepreneurs in Thailand and similar countries in conducting their business excellently and successfully.

## RESEARCH METHODOLOGY

The research was mixed between quantitative and qualitative method. This study was based on sequential explanatory research design. First, research problem was defined and then concepts and related research, as mentioned in literature review part, were studied. After that, the study was conduct consistent with research design by collecting data through a questionnaire as a quantitative research instrument with 500 employees of industrial factories in Nakhon Pathom province. Then, the data gathered were calculated as the appropriate size for statistical analysis of structural equation modeling (SEM) using LISREL (Angsuchoti et al., 2011).

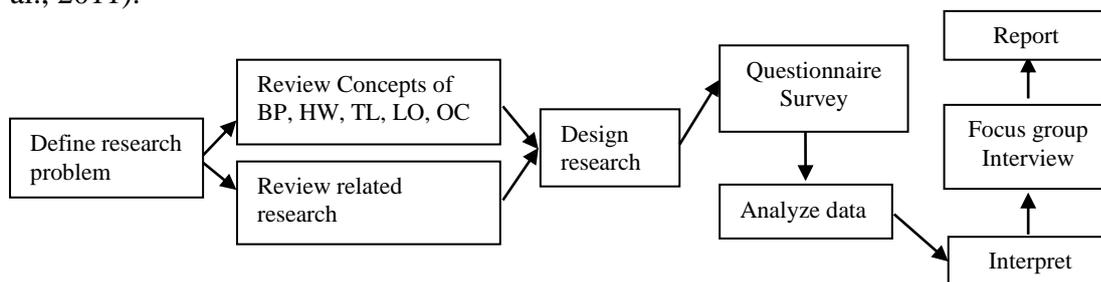


Figure 2 Research flow

For reliability test, firstly, the questionnaire examined by experts represented reliability with Cronbach’s Alpha Coefficient of greater than 0.7, indicating that this questionnaire has a high level of confidence (Vanichbuncha, 2010; Nunnally and Bernstein, 1994). Moreover, composite reliability, convergent validity, and discriminant validity were test using threshold of reliability: CR>.70; Convergent validity: AVE>.50; Discriminant validity: AVE>MSV (Fornell and Larcker, 1981). Then, second order confirmatory factor analysis: CFA<sup>2nd</sup> was tested, as shown in Table 4. After obtained results, six SMEs’ executives were invited to attend Focus group interview to discuss on the results. The content analysis was used to investigate interview results. Finally, the conclusion was reported. The research flow was shown in Figure 2.

Table 3 Reliability, convergent and discriminant validity

	CR	AVE	MSV	ASV
SMEs’ business performance (BP)	0.891	0.624	0.593	0.469
Happy workplace (HW)	0.803	0.577	0.533	0.446
Transformational Leadership (TL)	0.869	0.625	0.593	0.524
Learning organization (LO)	0.909	0.668	0.624	0.494
Organizational Commitment (CO)	0.827	0.620	0.578	0.447

Notes: Threshold of reliability: CR>.70; Convergent validity: AVE>.50; Discriminant validity: AVE>MSV. CR = composite reliability; AVE = average variance extracted; MSV = maximum shared variance; ASV = average shared variance.

Table 3 depicted Reliability, convergent and discriminant validity, including composite reliability (CR), average variance extracted (AVE), maximum shared variance (MSV), and average shared variance (ASV). All factors met the criteria of reliability

(CR>0.7), convergent reliability (AVE>0.5), and discriminant validity (MSV<AVE and ASV<AVE) (Fornell and Larcker, 1981).

## 4.2 Testing result of the causal relationship model

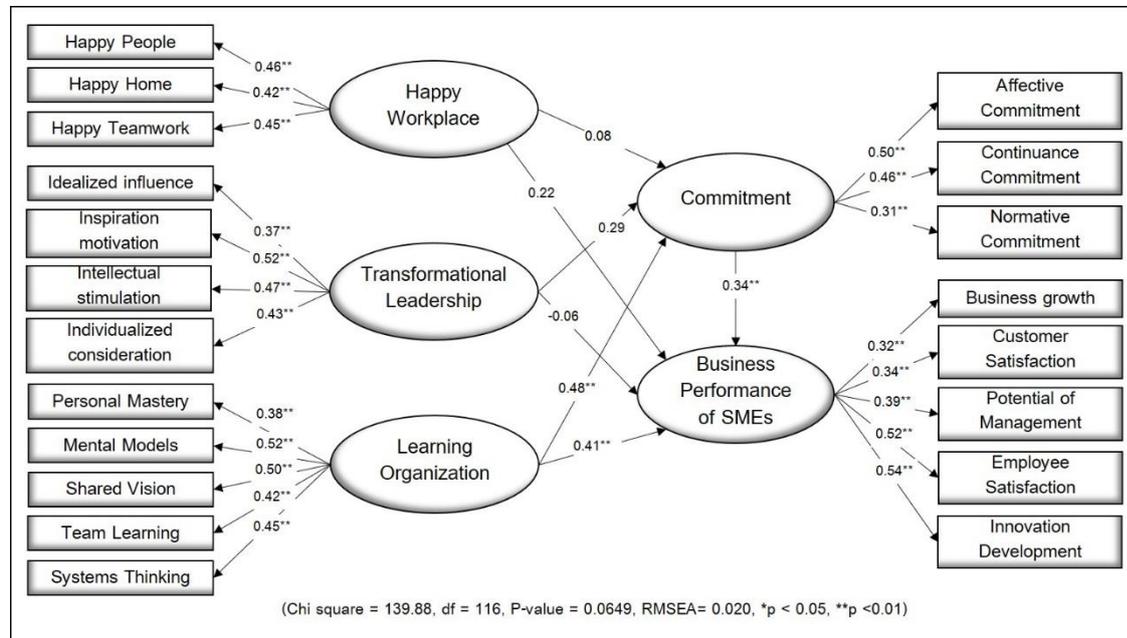


Figure 3 Results of Data Analysis

As shown in Figure 3, the testing result of the causal relationship model of factors affecting the business performance of SMEs was found that the model is consistent with empirical data. It represented the important statistical indicators, including Chi-square = 139.88, df = 116, P-value = 0.0649, RMSEA= 0.020, SRMR = 0.024, CFI = 1.00, GFI =0.97, AGFI = 0.95. Therefore, it was concluded that this model is identical suitable. The results found that the learning organization is most appropriate, which has direct and indirect effect on business performance. The mediating effect of organizational commitment on the relationship between learning organization and business performance was found.

## DISCUSSION

The results support the important role of learning organization for creating SMEs' business performance. The most significant aspect is mental models, shared vision, system thinking, team learning, and personal mastery, respectively. It depicts that business organizations must teach employees to think, analyze, distinguish work from personal matters, work with the suitable reasons, and update works perpetually. They have to build employees' understanding of the organization vision and motivate the employees to work in line with organization vision to move towards the success of the organization. They always need to teach employees the priorities of the work they do, the adaptation to new situations, and the work database management which can be a good way to make future decisions. They require in developing the staff to know how to work as a team, listen to others reasonably, and work with everyone in the organization willingly. Finally, they must provide training program to create knowledge and understanding in the operation, give an opportunity to make creative works that add value to the organization, and develop knowledge in working

for employees to have ability in the field they like. This study validates previous findings related to the positive relationship between learning organization and business performance (Rattanapreechawet, 2010; Noruzu et al., 2013, Kittikulchotwut, 2014).

### **Implications to practice**

The study is expect to bring benefits to business entrepreneurs who want to develop the organization to keep pace with the technological, economic and social changes as well as government agencies and scholars. The recommendations for applying research results to the related parties are as follows.

1. SMEs entrepreneurs can use this model as a guideline to develop the organization to be an innovative and successful organization sustainably.

2. Government agencies that have direct supervision duties, such as the Ministry of Industry are able to bring the research results to develop SMEs entrepreneurs so that the government sector can benefit the most and support the development of private sector sustainably. The government agencies, moreover, may use the research results as an example to formulate policies for other industries to be involved in preparing to enter the Thailand 4.0.

3. Scholars and interested parties can apply research results as guidelines in the study and conduct further research in other industries.

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