

DETERMINANTS OF SMES' PERFORMANCE: THE CASE OF KYAING TONG, EASTERN SHAN STATE, MYANMAR

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Abstract: *This research aims to investigate the correlation between entrepreneurial competencies, external factors, firm characteristics, location, market orientation and the performance of SMEs in the Kyaing Tong area, Myanmar. The target population is SME owners from that area who run their firms with less than 50 workers. 331 participants returned completed and usable questionnaires. A Pearson Correlation Coefficient analysis tool was employed to test the hypotheses. In this study, the researcher has found supports for most of the research hypotheses. The results indicate that organizing competencies, strategic competencies, commitment competencies, external factors, nature of firm, firm knowledge, location, customer orientation, competitor orientation, and inter-functional orientation play have a positive impact on the performance of these SMEs. No association, however, was found between opportunity competencies, relationship competencies, conceptual competencies, and size of firm and SMEs' performances.*

Keywords: *Entrepreneurial competencies, external factor, firm characteristics, location, market orientation, SMEs' performance*

1. Introduction

Measuring the performance of a firm has become imperative for every organization whether it is private, public, non-governmental, etc, to identify opportunities for improvement and constraints.

Measuring firm performance also provides information and means to achieve sustainable growth. Moreover, it drives a company to positive changes, all the more as the evaluation of firm performance is commonly implemented for the purpose of improvements.

Hundreds of factors may affect the performance of a firm. Well chosen strategies and effective implementation of these strategies influence firm performance.

The aim of this study is to explore some of the factors affecting a firm performance in the context of Kyaing Tong, Eastern Shan State, Myanmar. Specifically, it looks at entrepreneurial competencies, external factors, firm characteristics, location, and market orientation in the context of SMEs (micro and small firms) located in Kyaing Tong, in the Eastern Shan State in Myanmar (formerly known as Burma).

One of the most common ways of classifying SMEs is the number of staff employed by an enterprise. Generally, a firm operating with less than 10 workers can

be considered a micro enterprise. A small enterprise has a headcount between 11 and 50 employees.

According to the Industrial Enterprises Law 1990, in Myanmar, four criteria are applied: horse power, the number of employees, the amount of capital invested, and the production value per annum. This study only takes into account employees' headcount in classifying firm size because the horse power used, capital outlay, and production value per annum are inapplicable or unrealistic in today's business environment in Myanmar. Besides, there are very few firms operating with more than 50 employees in Kyaing Tong.

SMEs (micro and small enterprises) are widely acknowledged as contributors of economic growth in developed and developing countries, most notably as a source of employment creation and contribution to gross domestic product (GDP) (Snodgrass and Biggs, 1996). Schumacher (1973) claimed that micro and small enterprises play a crucial role in the economic growth and poverty reduction of all countries. Across the world, micro and small firms account for the highest percentage in terms of number. For instance, in the United States, SMEs (micro and small firms) provide employment for half of the private sector workforce. They contribute over 50 percent of the non-farm private GDP (US department of Commerce; Kobe, 2007). Nabil (2001) affirmed that MSEs from Taiwan accounted for over 90 percent and contributed more than 60 percent of total employment in 1993.

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SMEs (micro and small firms) in ASEAN also provide domestic employment to almost 70 percent (Thitapha, 2003). In Indonesia, micro firms which have less than 5 workers employ half of the Indonesian workforce and small firms which have less than 20 workers employ two-thirds of the workers (Berry, Rodriguez and Sandee, 2002). According to the Ministry of Industry, Myanmar, there were 33,863 registered small enterprises in Myanmar in 2004 which accounted for the largest percentage in terms of number (Mandal, 2007; and Kyaw, 2008). It should be noted that firms operating with less than 10 workers (micro or cottage industries) were exempted from registration at that time. Still, small business alone contributed around 80 percent of employment and 60 percent of the total output (Ministry of Industry, Myanmar, 2004; and Kyaw, 2008). According to Than (2007), SMEs in Myanmar play a vital role in the economy, accounting for nearly 90 percent of the industrial sector and over 90 percent of the manufacturing sector.

Myanmar is home to over 60 million. It is the second largest country in Southeast Asia after Indonesia. Although Myanmar is blessed with a variety of natural resources, it is the least developed country in the region with approximately 2.9 percent annual growth (Asia Development Bank, 2009).

The Shan State is a mountainous area and the largest State among the seven States and seven Divisions of Myanmar. The Shan State is divided into three sub-states namely Northern, Southern and Eastern State. Kyaing Tong is the main town of the Eastern Shan State. Although Kyaing Tong is an important town of Eastern Shan State, the town is poor (Myint, 2012). The majority of aborigines are farmers, gardeners and some of them micro and small business owners. Promoting the SMEs sector in Kyaing Tong is truly in need of assistance both locally and nationwide. This is one of the reasons motivating the researcher to conduct this study. There is a strong relation between the development of the country and the performance of SMEs (micro and small firms) since they offer employment, and contribute to the GDP and poverty reduction.

This article briefly reviews the relevant literature review and empirical studies first. It then considers the conceptual framework and research methodology and discusses the findings of this study. Finally, recommend-

ations and suggestions for future research are made.

2. Review of Literature

This section reviews the main concepts relevant to this study.

- *Firm Performance*

Porter (1980) defined firm performance as the above-average rate of return sustained over a period of years. Firm performance could mean the success level of the firm in the market within which it operates. It could also be described as the ability of the firm in creating commendable profit.

Whatever the definition adopted, as Trkman (2009) pointed out, regardless of the size of the firm, firm performance evaluation is very crucial to monitor the success or failure of the firm so as to take proper actions to ensure competitive advantage. By measuring firm performance, a company can identify its strengths and weaknesses. The reasons of firm performance measurement is to upgrade the extant performance in terms of seeking new opportunities internally or externally, redesigning better strategies or action plans, obtaining overall business performance and capabilities improvements, and acquiring sustainable growth in the long run.

The tools for measuring firm performance have always been controversial among researchers since there is the lack of universal tools for it. Some studies use growth of the firm to measure firm performance (Brush and Vanderwerf, 1992; Chandler and Hanks, 1993; Fombrun and Wally, 1989; and Tsai et al., 1991). They argued that measuring firm performance with its growth is more logical and accurate than any accounting or financial measurement. According to Wiklund (1999), firm performance consists in measuring the growth and financial performance of the organization. Considering only one measurement approach is inadequate for firm performance. Thus, there is a requisite to take account not only financial but also non-financial performance measurements (Venkatraman et al., 1986; and Panigyrakis et al., 2007). The researcher applies both growth and profitability in this current study.

- *Entrepreneurial Competencies*

As Hoffmann (1999) noticed, there are numerous definitions of entrepreneurial competencies. Bird (1995), for example, defined entrepreneurial competencies as

fundamental characteristics, namely traits, self-image, motives, social roles, skills and knowledge that drive the growth of the organization. This is in line with Kiggundu's (2002) definition of entrepreneurial competencies as "the total sum of entrepreneurs' attributes such as attitudes, beliefs, knowledge, skills, abilities, personality, expertise and behavioral tendencies needed for successful and sustaining entrepreneurship". Entrepreneurial competencies also involve self-image, motives, entrepreneurial traits, behavior, skills, attitude and knowledge (Boyatzis (1982). Baum et al. (2001) defined entrepreneurial competencies as "individual characteristics such as knowledge, skills, and/or abilities required to perform a specific job." Man and Lau (2005) argued that entrepreneurial competencies can basically be divided into two parts. The first part includes the elements relating to the entrepreneur's background such as traits, personality, attitudes, self image, and social roles. And the second part involves the components which can normally be learned from theory and practice like skills, experience and knowledge.

Entrepreneurial competencies can also be defined as the abilities of an entrepreneur to perform the successful entrepreneurship or business success. Iandoli (2007) defined entrepreneurial competencies as the capability of entrepreneurs to face effectively a critical situation by making sense of environmental constraints and by activating relational and internal specific resources.

Boyatzis (1982) argued that entrepreneurial competencies are strongly associated with managerial competencies. Competencies in this research are defined as the total capability of the entrepreneur to perform a job role successfully (Lau et al., 1998).

(Man and Lau, 2000) have classified entrepreneurial competencies into six major areas: opportunity competencies, organizing competencies, strategic competencies, relationship competencies, conceptual competencies and commitment competencies.

(i) *Opportunity Competencies*: One of the most distinguishing competencies for the entrepreneur. Seeking and taking action on opportunities is a critical competency for successful entrepreneurs (McClelland, 1987).

The ability to recognize and envision taking advantage of opportunities is really crucial for successful entrepreneurs (Chandler and Jansen, 1992). It includes two main parts which are spotting the opportunities and developing the opportunities.

(ii) *Relationship Competencies*: These competencies relate to communication skills and person-to-person and individual-to-group interactions. According to Man et al. (2002), this group of competencies consists of cooperation and trust building, using business networks effectively. Persuasive ability and interpersonal skills are key concepts (McClelland, 1987; and Lau et al., 2000). Research shows that the success of a small firm depends mainly on the networks of business (Ramsden and Bennett, 2005; Ritter and Gemunden, 2004). The effective usage of contacts and networks is also important for both inside and outside of the firm.

(iii) *Conceptual Competencies*: Involve abilities such as cognitive, analytical thinking, learning, decision making, problem solving, sustaining temporal tension, innovating, coping with uncertainty and risk (McClelland, 1987; Bird, 1995). Conceptual competencies can be defined as a high level of conceptual activities in relation to entrepreneur's behaviors such as a shorter-term perspective, resolving instant events, or requiring intuitive responses (Man et al., 2002).

(iv) *Organizing Competencies*: The concept of organizing competencies somehow overlaps with that of managerial competencies as both involve ability to lead, control, monitor, organize, and develop the external and internal resources to ensure the firm's capabilities (Boyatzis, 1982). McClelland (1987) argued that to be able to keep an efficient firm operating, monitoring should be a required competencies in managing various functional areas.

(v) *Strategic Competencies*: Setting a direction for the whole firm is the major responsibility for every entrepreneur or business owner. These competencies are imperative for entrepreneurs to be able to set objectives for their firms from a broader and long term perspective. Strategic competencies include setting a vision, mission, goals, objectives, and strategies. Implementation and evaluation are components of strategic competencies. These actions are generally taken and implemented by entrepreneurs, owner/managers for the

purpose of firm's sustainable growth (McClelland's, 1987).

(vi) *Commitment Competencies*: The basic characteristics of successful entrepreneurs are diligence, commitment, determination, dedication, initiative and proactive orientation (Chandler and Jansen, 1992; McClelland, 1987). As a whole, commitment competencies are the elements which force the entrepreneur to move ahead with the business.

- External Factors

Mohd (2005) defined external factors as the determinants which contribute to the success or failure of entrepreneurial firms or entrepreneurs themselves. Simply put, external environmental factors are the outside factors affecting the performance of the business enterprises. External factors have a strong impact on entrepreneurial competencies and performance (Arowomole, 2000; Kuratko and Hodgetts, 2004). The situations faced by entrepreneurs in any economy can generally be defined as the external environment (Aldrich et al., 1999). The survival and growth of a firm and the likelihood of additional venture start-ups rely on the external environment (Colvin and Slevin, 1989). The external environment has been widely recognized as a critical component contributing to a firm performance. The personality, attitudes and motivation of the entrepreneurs are also dependent on the environment (Gartner, 1985).

In a competitive and turbulent environment, external factors are commonly accepted as the determinants of firm performance and survival. Van de Ven (1993) suggested that every research in the field of entrepreneurship should take account of the external circumstances to be able to explain the entrepreneurial process in a more appropriate way. Kuratko and Hodgetts (2004) also argued that entrepreneurial decisions are primarily influenced in direct or indirect ways by external factors and consequently affect performance. According to Kader et al. (2009), it is unfeasible to fully cover the multiple dimensions of external factors in a single study. In order to ensure a fruitful outcome, it is really crucial to stick to a few dimensions such as the economic and environmental components rather than group everything into one single factor. Therefore, in this study, the researcher concentrates on the economic and environmental factors, which are only two of

the many external factors mentioned in previous studies.

- Firm characteristics

Firm characteristics are defined as firm personalities or attributes that tend to describe a firm or tell us about the firm. Three major areas, the nature of firm, firm knowledge, and firm size, represent firm characteristics (Lucky, 2011). As micro or small businesses owners are the heads of their particular enterprises, having a good understanding of the firm's nature, firm size and firm knowledge is very imperative for them to manage their firms effectively (Lucky and Minai, 2011). Nature of firm could mean type of firm (e.g. marketing firm, service, advertising firm, etc) or the business the firm is into (Lucky, 2012). As to firm knowledge, it can be defined as owner's adequate knowledge in terms of customers, suppliers, employees and other stakeholders of the firm in order to effectively manage the business (Lucky, 2012). Firm size as defined by Lucky (2012) means either small, medium, or large or the sector the firm belongs to or conducts its business. The most widely used measurement tool for firm size, number of workers, is applied to this present study. According to Kimberley (1967) and Child (1973), more than 80 percent of academic researchers used number of employees in measuring firm size.

Size affects a firm's marketing capabilities, attitudes, needs, practices etc which are important determinants of firms' performance and success (Dean et al., 2000). However, the association between firm size, which is one of the elements of firm's characteristics and entrepreneurial performance, is a debate in the field of research.

- Location

Orloff (2002) defined location as economic situation, density of entrepreneur's per capita, composition of local communities etc. Possibly the strategic location is the most important factor of entrepreneurship. Small business development of the business may involve availability of raw material, accessibility to business premises, good road network, busyness of the area of the business etc (Ilian and Yasuo, 2005; Kala et al., 2010; Yancy and Christian, 2010). Thus, location can be described as nearness and accessibility of the firm to raw materials, infrastructures,

business of the location and accessibility of location for the customers.

Kala et al., (2010) defined location as the choice of where a business is to be located (small, medium and large cities or urban or rural locations). Location has been widely recognized as an indispensable component in shaping and determining the success, failure and effectiveness of business activities and entrepreneurship (Lucky, 2011). Strategic location is very important for firms, policy makers and entrepreneurs or business owners due to the key role it plays in strengthening the effectiveness of the firms (Lucky and Minai, 2011). According to Greening, Barringer, and Macy (1996), although most studies neglect the important role of location, it is undoubtedly the crucial factor impacting firm performance.

- Market Orientation

Market orientation can generally be defined as an organizational culture that concentrates on the value creation for customers (Narver and Slater, 1990). Similarly, Deshpande and Webster (1989) defined market orientation as an organizational culture that practices a customer-based approach in planning. However, focusing only on customers may not be adequate, as it is also necessary to focus on rivals. Narver and Slater (1990) determined that competitor orientation and inter-functional coordination are essential as customer orientation. Inter-functional coordination is the effective and efficient collaboration across the entire organization to achieve the objectives. According to Soerensen (2009), market orientation elements (customer and competitor orientation) are not equally important for firms with different strategies in different business environment.

In this study, the researcher applied the concept of market orientation as defined by Narver and Slater (1990), containing three behavioral elements (customer orientation, competitor orientation and inter-functional orientation). A Market oriented firm can grab opportunities ahead of its competitors and hence build up customer loyalty which may have a positive impact on its performance by generating profitability and market share.

- Customer Orientation

Customer orientation is prioritizing the interest of customers first (Deshpande et al., 1993). Generally, firms having a customer orientation approach seem to process the

abilities of identifying, analyzing, understanding and answering customers' needs (Narver and Slater, 1990; Slater and Narver, 1994). According to Kohli and Jaworski (1990), the first priority of a firm is to identify the needs of its customers and fulfill them. Focusing on service delivery and spending time with the customers are the core task of customer oriented firms (Narver and Slater, 1994). Customer orientation method may provide a firm with information regarding customers by learning needs, perceptions and attitudes of target group.

- Competitor Orientation

Competitor orientation is another element included in market orientation. Narver and Slater (1990) defined competitor orientation as having an understanding of competitors' strengths and weaknesses and taking the appropriate actions to keep ahead of the competition. Competitor oriented firms can identify and understand strengths and weaknesses of existing or potential rivals in a short or Striving to gain competitive advantage is the goal of competitor oriented firms.

- Inter-Functional Coordination

Inter-functional coordination or orientation is one more component of market orientation. Inter-functional orientation is defined as the cooperation and collaboration between various departments in the organization to satisfy customers' needs. Sensitivity, responsiveness and integration between all functions are a must in inter-functional oriented firms (Shapiro, 1988). Inter-functional coordination is the coordination among all departments and the utilization of common resources in creating better values (Narver and Slater, 1990). Gatignon and Xuereb (1997) argued that inter-functional coordination improves the communication and the system of exchanging information between various departments.

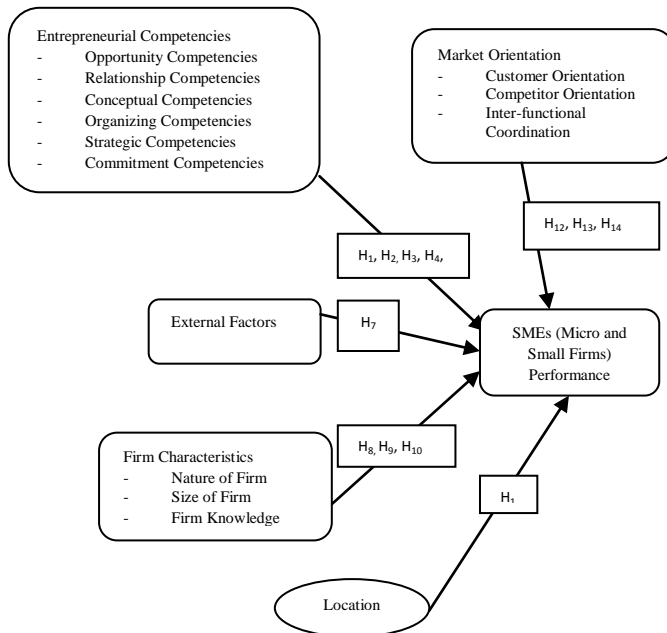
3. Conceptual Framework and Research Methodology

On the basis of the various concepts considered above, the following conceptual framework showing the relationship between independent variables and dependent variable was created.

Fourteen research hypotheses were developed to investigate the correlations among the various variables included in the

conceptual framework (see Annex One). They come under two main groups.

Figure 1: Conceptual framework



Source: created by author for this study.

Group 1 (H1-7) considers the relationship between entrepreneurial competencies and the various forms of competencies the former generate, which as we saw earlier and as shown in the conceptual framework include opportunity, organizing, strategic, relationship, conceptual, and commitment competencies.

Group 2 (H8-14) considers firm characteristic in terms of a firm's nature, size, knowledge, location, market orientation, and competitive orientation.

Descriptive research is used in this study. As the most popular method for generating primary data, a sample survey was conducted by distributing questionnaire. In addition, self-administered questionnaires with closed-ended questions were used to limit the alternative opinions of the respondents, were used to collect the primary data. The researcher applied a five-point Likert scale. The questionnaire comprises eight parts (general information, entrepreneurial competencies, external factor, firm characteristics, location, market orientation, firm performance and demographics).

The target population is SMEs (small or micro business) owners, who run their firms with less than 50 subordinates from Kyaing Tong area, Eastern Shan State, Myanmar.

Potential respondents were enlisted through Kyaing Tong state commercial directory. The researcher chose this target population because business owners have a leading role in ensuring the growth and profitability of their firms. The requirement was that their business had to be registered under the state government of Kyaing Tong.

400 questionnaires were distributed from May 27th, 2013 to June 20th, 2013. Only 331 were completed and usable.

This study applies non probability sampling and judgment sampling as a first step, with quota sampling as step two and convenience sampling as step three. Moreover, the Pearson Correlation was used to analyze the hypothesis testing.

4. Findings and Discussion

The data indicates that the majority of the respondents were aged between 31 and 40 (51% - 169) and most of them males (63.4% - 210), with the Shan ethnic group representing the largest group (47.7% - 158). Most respondents (48.9% - 162) hold a bachelor's degree.

The results of H1 testing show that opportunity competencies have no significant relationship with SMEs performances. The null hypothesis has failed to reject hypothesis one. This finding is inconsistent with the work of Sarwoko et al., (2013) who affirmed that entrepreneurial competencies significantly influence firm performance. SMEs' owners should develop the ability to identify business opportunities in their local environment. This unexpected result may be largely due to the town's location, as Kyaing Tong town is situated in an area remote from the main commercial centers.

There is no statistically significant relationship between SMEs performances and relationship competencies (H2). The null hypothesis failed to reject. This result does not match the findings of previous studies. For example, in their study, Sarwoko et al., (2013) determined that relationship competencies influence firm performance. SMEs' owners should have the ability to establish rapport and develop long-term relationship with others based on mutual trust. The absence of substitute products in the market may account for this result. Another factor is the low literacy rate in that area (52.2%) (Myanmar Peace Monitor)

<http://www.mmpeacemonitor.org/background/ethnic-grievances>, assessed on 23th July, (2013). This means that there might be differences when dealing with educated or uneducated customers.

There is also no significant relationship between SMEs performances and conceptual competencies (H3). The null hypothesis failed to reject. This finding is inconsistent with those of Sarwoko et al., (2013), Man et al. (2002) and Ahmad et al. (2010) who determined that conceptual competencies have a significant impact on business performance. SMEs owners, they argued, should have the ability to explore new ideas and understand their business implications. This inconsistent finding may be due to the industry selected as most prior studies concentrate on the manufacturing sector whereas this researcher focuses on a service industry. The conceptual competencies of the owners of manufacturing firms may vary from those in service firms.

With a Pearson Correlation coefficient of 0.466 at the significant level of 0.01, a significant relationship exists between SMEs' performances and organizing competencies (H4). This finding is consistent with the work of Sarwoko et al., (2013), Man et al. (2002) and Ahmad et al. (2010) who determined that organizing competencies play a vital role in enhancing firm performance.

As to H5, the Pearson Correlation (0.397) shows that strategic competencies have a weak positive relationship with SMEs' performances at the significant level of 0.01. This is in line with Kotey and Meredith's (1997) and Man et al.'s (2002) findings. The strategies owners and the performance outcomes of their businesses are empirically related.

There is a statistically significant relationship between commitment competencies and SMEs performances (H6); a very weak positive relationship (0.148) at the significant level of 0.01 as the Pearson Correlation's result shows. This finding matches previous research (e.g. Man et al., 2002).

There is also a statistically significant relationship between SMEs' performances and external factors (H7). As the Pearson Correlation's result shows, external factors have a moderate positive relationship (0.424) with SMEs performances at the significant level of 0.01. This is in line with Pelham &

Wilson (1996), Covin & Slevin (1990) and Kolvereid (1992) who have shown the external environments have an impact on firm performance and growth.

The results of H8 testing show a statistically significant relationship between SMEs performances and firm nature. As the Pearson Correlation indicates, firm nature has a moderate positive relationship (0.482) with SMEs' performances at the significant level of 0.01. Lucky and Minai's (2011) study also reached that same conclusion.

As to H9, no significant relationship exists between SMEs' performances and firm size. This means that the null hypothesis has failed to reject hypothesis nine. This finding, however, is inconsistent with Lucky and Minai's (2011) research, which determined that firm size significantly affects firm performance. Entrepreneurs/business owners should therefore give consideration to firm size as it would enhance their level of performance. One caveat, though, is that this research focuses on SMEs with less than 50 employees whereas prior studies looked at the whole SMEs industry. This gives less credence to the claim.

There is a statistically significant relationship between SMEs performance and firm knowledge (H10). As the Pearson Correlation shows, firm knowledge has a medium positive relationship (0.492) with SMEs' performances at a significant level of 0.01. This finding is in keeping with previous studies (e.g. Lucky and Minai, 2011). Firm knowledge significantly affects firm performance.

The results of H11 testing show a significant relationship between SMEs performances and location (H11); according to the Pearson Correlation, a moderate positive relationship (0.504) at a significant level of 0.01. This finding is in line with Orloff's (2002) research which determined that location shapes the performance of the firm as well as that of Greening et al., (1996) who asserted that it is imperative for SMEs' owners to consider size in order to attain higher performance.

With regard to H12, the Pearson Correlation shows that customer orientation has a moderate positive relationship (0.421) with SMEs performances at a significant level of 0.01. This is consistent with Pulendran et al. (2000) who determined that market oriented

firms are likely to have a better performance than firms that neglect market orientation concept.

There is a statistically significant relationship between significant relationship between SMEs performances and competitor orientation (H13). The Pearson Correlation shows that competitor orientation has a moderate positive relationship (0.449) with SMEs' performances at the significant level of 0.01. This finding is supported by Idar & Mahmood (2011) and Verhees & Meulenberg (2004).

Finally, there is also a statistically significant relationship between SMEs performances and inter-functional orientation (H14). The Pearson Correlation ((0.413) shows that inter-functional orientation has a medium positive relationship with SMEs' performances at the significant level of 0.01. This finding is in line with Bigne & Blesa (2003) who asserted that inter-functional orientation positively affects firm performance.

5. Conclusions and Recommendations

Most of the findings are in line with previous studies, e.g. Mamat and Ismail (2011), Sanchez (2012), and Minai and Lucky (2011). The Pearson's Correlation Coefficient analysis reveals that most of the significant levels are 0.000, which is less than 0.05 ($0.000 < 0.05$). And most of the null hypotheses (H4_o, H5_o, H6_o, H7_o, H8_o, H10_o, H11_o, H12_o, H13_o, and H14_o) are rejected, except four of them (H1_o, H2_o, H3_o, H9_o) which failed to reject. In addition, both primary and secondary data indicate that there exists an association between organizing competencies, strategic competencies, commitment competencies, external factors, firm nature, firm knowledge, location, customer orientation, competitor orientation, inter-functional orientation, and firm performance. However, no relationship exists between opportunity competencies, relationship competencies, conceptual competencies, size of firm and firm performance.

Location is the most important factor. It has the highest relationship with firm performance (the second highest correlation is between firm knowledge and firm performance). There is also no relationship between opportunity competencies and firm performance. This means that the opportunity

competencies of the owner of a firm do not have an impact on its performance.

Moreover, the statement "Seize high-quality business opportunities" has the highest average mean and "Perceive unmet consumer needs" a slightly lower average mean. SMEs' owners from Kyaing Tong should evaluate more frequently their customer needs so as to create a better customer satisfaction program. If they fail to find ways to satisfy them, customers will look for alternatives. Dissatisfied customers will only patronize these firms when they offer compelling sale. They may also complain more, have greater service demand and speak ill of the organization to others.

There is no correlation between relationship competencies and firm performance (H2). The statement "Developing long-term trusting relationships with others" has the highest average mean, and the statement "Communicate with others effectively" the lowest. Kyaing Tong SMEs' owners should take effective communication training programs in order to strengthen their relationship skills as good communication creates an image about an organization and helps to build a positive and long-lasting relationship with customers.

No correlation exists either between conceptual competencies and firm performance (H3). The statement "Look at old problems in new ways" has the highest average mean and the statement "Explore new ideas" the lowest. In respect to the latter, the researcher would like to suggest that Kyaing Tong SMEs' owners attend workshops to brace their creative thinking skills. Improving these skills will make their firms more innovative and place them ahead of competition.

Organizing competencies affect firm performance (H4). The statement "Motivate people" has the highest average mean and the statement "Coordinate tasks" shows the lowest. Kyaing Tong MEs' owners should therefore take management training program so as to use their resources in an effective and efficient way. This would help them avoid overlapping efforts. Moreover, it would also mitigate the unnecessary use of the firm's resources.

Strategic competencies also affect firm performance (H5). The statement "Determine strategic actions by weighing costs and

benefits” has the highest average mean and the statement “Evaluate results against strategic goals” the lowest. Kyaing Tong SMEs’ owners should monitor their day-to-day operations in order not to drift away from the objectives and strategic goals of the organization. In addition, they should evaluate their firms at least once per annum.

Another factor affecting firm performance is commitment competencies (H6). The statement “Commit to long-term business goals” has the highest average mean and the statement “Possess an extremely strong internal drive” the lowest. The researcher would therefore like to suggest that owners should take some intensive management trainings to promote their self-esteem and willpower. Since they are the brain of their respective firms, every single thing they do will affect the performance of their firms.

External factors significantly affect firm performance (H7). The statement “Supply contributes to my business performance” has the highest average mean and the statement “The availability of raw materials” the lowest. Kyaing Tong policy makers or local authorities should arrange for multi-modes of transport for local people and businesses so as to promote the availability of raw materials and attract more domestic and foreign investors to lessen the shortage of raw materials.

Firm nature is another factor significantly affecting SMEs’ performances (H8). The statement “I consider my product/service is big well accepted by the customers due to the quality” has the highest average mean, and the statement “I found my product/service strength is due to the pricing” the lowest. Kyaing Tong SMEs’ owners should consider alternative strategies such as, for instance, pricing strategy, low cost leadership strategy and cost reduction strategy to enhance firm performance.

Firm size does not affect a firm performance (H9). The statement “I have full control of my finance” has the highest average mean and the statement “I have full control of my employees” the lowest. Kyaing Tong SMEs’ owners should take human resource management training so as to improve their skills relating to assets management. Since human resource is the heart of all organizations, promoting this department will

contribute to the efficiency, effectiveness, and productivity of the firms.

Firm knowledge has an effect on firm performance (H10). The statement “I have adequate knowledge about my creditors/debtors” has the highest average mean and the statement “I have adequate knowledge to market my product” the lowest. The researcher would like to suggest that Kyaing Tong SMEs’ owners should take training in relation to market development or put Ansoff’s growth strategy into practice.

Firm knowledge has been shown to have an effect on firm performance (H11). The statement “The good road network is considered adequate” has the highest average mean and the statement “The electricity supply is constant to aid my business performance” the lowest. Kyaing Tong policy makers or local authorities should strive to have power 24 hours a day in order to promote the economic status of Kyaing Tong.

Customer orientation has an effect on firm performance (H12). The statement “We give close attention to after-sales service” has the highest average mean and the statement “We measure customer satisfaction systematically and frequently” the lowest. According to this finding, the researcher would like to suggest Kyaing Tong SMEs’ owners should measure their customer satisfaction regularly and effectively to be able to identify the needs of their customers.

Another factor that has an effect on firm performance is competitor orientation (H13). The statement “We rapidly respond to competitive actions that threaten us” has the highest average mean and the statement “Top management regularly discusses competitors’ strengths and strategies” the lowest. Kyaing Tong SMEs’ owners should conduct meetings regularly with all of their employees so as to discuss their competitors’ strengths and strategies.

Finally, inter-functional orientation has an effect on the firm performance (H14). The statement “Our managers understand how everyone in our business can contribute to creating customer value.” has the highest average mean and the statement “Our top managers from across the company regularly visit our current and prospective customers” the lowest. Kyaing Tong SMEs’ owners from should ask their managers to visit current and

prospective customers of the organizations to build mutual trust and long term relationship with them.

- *Recommendations for Future Studies*

This research only considered the relationship between entrepreneurial competencies, external factors, firm characteristics, location, market orientation, and firm performance and only looked at firms from service sector. Moreover, most of the firms that participated in this research have very few employees. Since there is an array of other factors or elements that contribute to boosting SMEs' performances, the following are suggestions for future research

In order to address the correlation between each variable, future studies should test the Mamat and Ismail's (2011) model as well as the models of Minai and Lucky (2011) and Man, Lau and Chan (2002), using samples from different industries and cultures.

This study only focuses on SMEs' owners and only on owners from Kyaing Tong. Thus, its results may not be generalized to owners from other areas even in Myanmar and elsewhere. Further research should enlarge the respondent group to other areas. Moreover, it also focuses only on SMEs with less than 50 employees. It would thus be helpful to see if the same results were attained with other target populations.

Finally, according to Sekaran et al., (2001), the more research findings can be generalized, the greater their usefulness and value. To be generalized the findings of one research must meet certain conditions. First of all, a huge sample size is requisite. Besides, if a similar study is to be conducted within a different setting, it should generate the same results. Moreover, different research methods and research designs should be used to see whether they produce the same results.

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Annex One

H1_a: There is a relationship between entrepreneurial competencies in terms of opportunity competencies and SMEs' performances.

H2_a: There is a relationship between entrepreneurial competencies in terms of relationship competencies and SMEs' performances.

H3_a: There is a relationship between entrepreneurial competencies in terms of conceptual competencies and SMEs' performances.

H4_a: There is a relationship between entrepreneurial competencies in terms of organizing competencies and SMEs' performances.

H5_a: There is a relationship between entrepreneurial competencies in terms of strategic competencies and SMEs' performances.

H6_a: There is a relationship between entrepreneurial competencies in terms of commitment competencies and SMEs' performances.

H7_a: External factor affects SMEs' performances.

H8_a: Firm characteristic in term of firm's nature is associated with SMEs' performances.

H9_a: Firm characteristic in terms of firm's size is associated with SMEs' performances.

H10_a: Firm characteristic in terms of firm knowledge is associated with SMEs' performances.

H11_a: Location influences SMEs' performances.

H12_a: There is a relationship between market orientation relative to customer orientation and SMEs' performances.

H13_a: There is an association between market orientation in terms of competitor orientation and SMEs' performances.

H14_a: There is a correlation between market orientation in terms of inter-functional orientation and SMEs' performances.