DE LA SALLE UNIVERSITY

Towards the Identification of Factors Related With Success in Small-Scale Industry Entrepreneurship in Thailand

A Dissertation Presented to
The Faculty of the College of Education
De La Salle University

In Partial Fulfillment
of the Requirements for the Degree of
Doctor of Management
Major in
Educational Management

Brother Vinai Viriyavidhayavongs

May 1990

THE DLSU-EAC LIBRARY

DISSERTATION ABSTRACT

STATEMENT OF THE PROBLEM

Main Problem

The study attempted to identify the factors which may be related with success in small-scale industry entrepreneurship in Thailand and to analyse their relationship with indicators of entrepreneurial success.

Sub-problems

Specifically, the study was designed to answer the following questions:

1. What is the profile of the entrepreneurs of small-scale business in terms of
   1.1 Their personality traits
   1.2 Personal and family-related factors
       1.2.1 Education
       1.2.2 Business experience
       1.2.3 Family background
       1.2.4 Family support

2. What are the perceptions of the entrepreneur respondents concerning the following business-related environmental factors surrounding their operations?

2.1 Business conditions

2.2 Competition

2.3 Government support

2.4 Location of their business

3. What is the profile of the small-scale industries included in the study in terms of

3.1 Returns on equity

3.2 Number of employees

3.3 Number of product lines

3.4 Number of outlets/branches

3.5 Rate of reinvestment

3.6 Annual net income

3.7 Value of net worth

3.8 Income tax

4. Is there a significant relationship between the set of independent variables: entrepreneurs' personality traits, personal and family-related factors, business-related environmental factors, and each of the following dependent variables

4.1 Returns on equity

4.2 Number of employees

4.3 Number of product lines

4.4 Number of outlets/branches

4.5 Rate of reinvestment

4.6 Annual net income

4.7 Value of net worth

4.8 Income tax

5. Which of the aforementioned independent variables are significant predictors of success in small-scale industry entrepreneurship in Thailand?

Procedures

The study used the descriptive-correlational method of research. It included the gathering and presentation of current information concerning entrepreneurship and small-scale industries. It also covered correlational analysis in determining whether or not a relationship existed between the independent variables: entrepreneurs' personality traits, personal and family-related factors, and business-related environmental factors and the dependent variables: returns on equity, number of employees, number of product lines, number of outlets/branches, rate of reinvestment, annual net income, value of net worth,

and amount of income tax paid.

From the population of 10,868 entrepreneurs of small-scale industries, a stratified random sample of 310 was selected at a level of significance of .05 and an error margin of .10 standard deviation. The sample consisted of 112 respondents who returned the completed survey forms. They were distributed as follow: 60 from manufacturing industries, 33 from service industries, and 19 from handicraft industries.

The data-gathering instruments consisted of one standardized questionnaire and two other questionnaires developed by the researcher. The standardized instrument was the Edward Personality Inventory Booklet (1966) by Allen L. Edward which was used to identify the personality traits of the entrepreneur respondents. The second questionnaire was designed to gather information concerning the personal and family-related factors which were hypothesized to be related with entrepreneurial success in small-scale industries. The third questionnaire identifies the indicators of success in small-scale industries.

Data Analysis

The entrepreneurs' personality traits, personal and family-related factors, business-related environmental factors, and indicators of success were presented in terms of frequencies and percentages. Multiple correlation and regression through stepwise regression were used to determine if there was a significant relationship between the personality trait factors, personal and family-related factors, environmental factors, and each of the indicators of success and to predict the indicators of entrepreneurial success in small-scale industries.

Findings

Following are the significant findings of the study:

1. Profile of Entrepreneur Respondents

1.1 Personality traits

Self-centeredness, motivation to succeed, ability to plan work efficiently, assuming responsibility, being a hard worker, and feeling superior were the dominant personality traits of the majority of the entrepreneur respondents.

1.2 Personal-related factors

1.2.1 Although some of the entrepreneurs had college education, almost half of them completed primary or secondary education only. The majority pursued college education which had nothing to do with business.

1.2.2 Almost half of the entrepreneurs were now

in business having operated their business for less than five years. The majority of them had previously been engaged in business enterprises which were related or exactly the same as their present business.

1.2.3. The fathers of the majority of the respondents were employees whose work had nothing to do with business management or operations. About one-third of the entrepreneurs whose fathers either owned or operated their own business started business lines which were completely different from those of their fathers.

1.2.4 Almost all of the entrepreneurs received high moral and financial support from their families.

2. Perceptions of entrepreneur respondents of environmental factors affecting their business.

2.1 As a whole, the respondents perceived the general business conditions of Thailand as favorable or conducive to their business.

2.2 Competition was perceived by the majority of the respondents as low.

2.3 Support from the government was perceived as low.

2.4 The business sites of the entrepreneurs were was described as accessible and slightly affected by floods.

3. Indicators of success in small-scale industries

3.1 The majority (61.8%) of the entrepreneurs had returns on equity ranging between 10% to 30%.

3.2 The majority (71.4%) of the small-scale business enterprises had 7 to 15 employees.

3.3 Less than half (36.6%) of the entrepreneurs concentrated on one product line only.

3.4 The majority (87.9%) of the small-scale businesses operated by the respondents had no other branches.

3.5 A little more than half of their businesses (50.8%) had rates of reinvestment ranging from 10% to 30%. The mean rate of reinvestment was 28.28% with a standard deviation of 25.18%

3.6 The majority of the small-scale business entrepreneurs could make, on the average about two million baht of sale revenue per annum. The mean sale revenue was 9.1 million baht with a standard deviation of 31.3 million baht.

3.7 The mean value of net worth was 2.9 million baht with a standard deviation of 6.1 million baht. 3.8 The amount of income tax paid greatly varied ranging from 100 baht to 7 million baht. The mean was 174 thousand baht with a standard deviation of 765 thousand baht.

4. Correlates of Success

The most notable personality trait of the entrepreneur respondents was their ability to make friends easily since it was significantly related with three indicators of success, namely; returns on equity (r=.35818, p=.0006), number of branches (r=.37688, p=.002) and the rate of reinvestment (r=.21245, p=.0245).

The next most predictive factor was an

environmental factor: business conditions. Business conditions was significantly related with value of net worth (r=.26671, p=.0179), and significantly related with number of branches (r=.37888, p=.002).

the other significant correlates of success were personality trait factors: being a hard worker which related with number of employees (r=.28928, p=.008), self-centeredness which was related with annual net sale (r=.46725, p=.000) and feeling superior related with amount of income tax (r=.22301, p=.0181).

Level of education was found significantly related with annual net sale (r = .46725, p = .000), while business experience was significantly related with value of net worth (r = .26671, p = .0179). Another environmental factor, government support, was significantly related with returns on equity (r=.35818, p=.006).

5. Prediction of indicators of success in small-scale industries.

Success in small-scale industries could be predicted with the use of the following regression

equations:

5.1 Net sale revenues

$$Y = - 358082.8339 X1 + 532659.84945 X2 - 1491770.237 X3 + 73742502.189$$

where X1 = self-centeredness
X2 = level of education
X3 = business location

5.2 Number of branches

$$Y = - .01881 X1 + .03906 X2 + .10348$$

where X1 = ability to make friends easily
X2 = business conditions

5.3 Returns on equity

$$Y = - .40848 X1 + 1.12695 X2 + 13.00027$$

where X1 = ability to make friends easily
X2 = government support

5.4 Number of employees

$Y = -.15629\ X1 + 24.88919$

where X1 = hard-working

5.5 Value of net worth

$Y = 34311.33306\ X1 + 184970.70265\ X2 + 5060160.623$

where X1 = business experience

X2 = business conditions

5.6 Amount of income tax

$Y = -\ 6839.22074\ X1 + 520228.44181$

where X1 = feeling superior

5.7 Rate of reinvestment

$Y = -\ .23178\ X1 + 36.88373$

where X1 = ability to make friends easily

8. Approximately 4.514% to 21.832% of the variance in the different measures of success in small-scale

ARELLANO EMILIO AGUINALDO - INFORMATION RESOURCE CENTER

entrepreneurship could be explained by the given predictors.

Conclusions

Based on the findings of the study, the following conclusions were drawn:

1. The respondents possessed personality traits which were significantly related with successful entrepreneurship of Small-Scale industries.
2. Personal-related and environmental factors such as business experience, business location, business conditions and family support were conducive to the growth of the business of the respondents. Government support, however, was lacking.
3. Success in small-scale industries was independent of the family-related factors: nature of business and job of the fathers and moral and financial supports of the family.
4. Since the predictors of success identified in the study could not fully account for the observed variance in the extent of entrepreneurial success of the respondents, there are other factors that can possibly explain why some entrepreneurs are more successful than the others.

Recommendations

Based on the findings and conclusions of the study, the following recommendations are given:

A. Recommendations for future entrepreneurs

1. The findings of the study showed that certain personality traits were significantly related with success in managing small-scale businesses. Thus, those who consider entering into small-scale industries should strengthen those traits in them if they already possess those traits, or develop those personality traits if they find themselves lacking in them. Those traits are the ability to make friends easily, self-centeredness, motivation to succeed, ability to plan work efficiently, assuming responsibility, being a hard worker, and feeling superior.

2. It seems that entrepreneurs of small-scale industries received very little government support. Since government support is significantly related with business success as shown by the study, small-scale entrepreneurs should associate more and develop a

closer relationship with government officials and authorities and seek more government support. There is also a need on the part of the government to extend greater assistance to small-scale entrepreneurs.

B. Recommendations for curriculum developers, teachers, and school administrators

Education was found to be positively and significantly related with business success in spite of the fact that most of the respondents received elementary and secondary education only and that the few who had college education took non-business related courses. Thus, there is a need to provide an elective course in business in the secondary level for those who want to go into business after high school. The government may also offer intensive non-formal courses in small-scale industry management especially for the out-of-school youth.

C. Recommendations for future studies and research

The following may be undertaken as offshoots of the present research:

1. An empirical validation of the indicators of success identified in the study;

2. A replication of the study which will focus solely on one type of small-scale industry so as to provide a more in-depth analysis of the correlates of success in small-scale industry entrepreneurship;

3. A study in the form of case analyses which will identify correlates of success and

4. Studies that will identify the factors of success which were not analyzed in the study.

TABLE OF CONTENTS

	Page
Title Page	I
Acknowledgments	II
Dissertation Abstract	III
List of Appendices	XXII
List of Tables	XXIV
List of Figures	XXVI
Chapter	
1. INTRODUCTION	1
Review of Related Literatures	5
Defimnthon of an Entrepreneur?	5
Characteristics of a Successful Entrepreneur	10
Background of Entrepreneurs	16
Types of Entrepreneurs	20
Factor which Motivate People to Become Entrepreneurs	23
Nature and Characteristic of a Small-Scale Industry	29
Types of Small-Scale Industries	38
Success and Failure Factors for Small-Scale Industries	52

Synthesis 63
Conceptual Framework 67
Definition of an Entrepreneur .. 67
Characteristics of Small-Scale Industries 67
Indicators of Success in Small-Scale Entrepreneurship 68
Correlates of Success in Small-Scale Business Entrepreneurship 70
Paradigm on the Study of Entrepreneurial Success in Small-Scale Industries ... 76
Statement of the Problem 77
Hypothesis 80
Scope and Limitation 81
Definition of Terms 83

2. METHOD 85
Research Method 85
Sampling Procedure 85
Data-Gathering Procedure 89
Instruments 90
Statistical Treatment and Analysis of data 100

3. PRESENTATION, ANALYSIS, AND INTERPRETATION OF DATA 102

Personality Traits of the Entrepreneur Respondents 102

Entrepreneur Personal and Family-Related Factors 113

Business Environment-Related Factors Perceived by the Entreneure as affecting their Business Operation 122

Profile of the REspondents Small-scale Industry 128

Correlates of

Returns on Equity 132

Number of Employees 133

Number of Product Lines 134

Number of Branches 135

Rate of Reinvestment 136

Annual Net Sale 137

Value of Net Worth 138

Income Tax 140

Summary 141

4. SUMMARY,CONCLUSIONS,AND RECOMMENDATIONS 144

Findings 147

Conclusions 155

Recommendations 157

Bibliography 160

Appendices 163

Curriculum Vitae 173

AKLATANG EMILIO AGUINALDO - INFORMATION RESOURCE CENTER
De La Salle University-Dasmariñas • Since 1977 • Dasmariñas, Cavite, Philippines

LIST OF APPENDICES

		Page
A	Letter to Successful Entrepreneurs	163
B	Questionnaire on Personal Related Factors	164
C	Questionnaire on Business Operation	171
D	Letter to Dr. Allen L. Edwards .	172

AKLATANG EMILIO AGUINALDO INFORMATION RESOURCE CENTER
De La Salle University-Dasmariñas • Since 1977 • Dasmariñas, Cavite, Philippines

LIST OF TABLES

Table		Page
1.1	Father's Principal Occupation : Entrepreneur compared with Business Leaders	19
1.2	Distribution of Registered Factories by Industries and Size of Employment, 1979	47
1.3	Distribution of Registered Factories by Region and Size of Employment, 1978	49
1.4	Gross Domestic Product by Economic Sector	51
1.5	Significance of Experience Versus Education	57
2.1	Frequency and Percentage Distribution of the Population of Small-Scale Establishments by Location and Number of Enterprises	87
2.2	Distribution of the Population and Sample of Entrepreneur Respondents Classified According to Type of Industries	89
2.3	Distribution of the Edward Personality Inventory Book III	96
2.4	Kuder-Richardson Formula 20 Internal Consistency Values for the EPI Scales	98
3.1	Frequency Distribution of the Entrepreneur Respondents in Terms of Personality Traits	111

DE LA SALLE UNIVERSITY

3.2 Percentage Distribution of the Entrepreneur Respondents in Terms of Personality Traits percent 101

3.3 Distribution of Entrepreneur Respondents in Terms of Selected Personal and Family-Related Factors 118

3.4 Entrepreneur Respondents Perceptions of the Conduciveness of Environmental Factors to their Business 127

3.5 Summary of Descriptive Measures of the Indicators of Success 131

3.6 Correlation Coefficients Between Personality Traits, Personal and Family-Related Factors, Environmental Factors and Each Indicator of Entrepreneurial Success 142

LIST OF FIGURES

Figure		Page
1.	Coopeer's Paradigm on the Factors that Influence Entrepreneurs's Decision	27
2.	Paradigm on the Study of Entrepreneurial Success in Small-Scale Industries	78

AKLATANG EMILIO AGUINALDO - INFORMATION RESOURCE CENTER
De La Salle University-Dasmariñas • Since 1977 • Dasmariñas, Cavite, Philippines