

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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