UNIVERSITI PUTRA MALAYSIA

DEVELOPMENT OF A PERFORMANCE ANALYSIS MODEL FOR SMALL AND MEDIUM ENTERPRISES IN IRAN

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FK 2012 24
DEVELOPMENT OF A PERFORMANCE ANALYSIS MODEL
FOR SMALL AND MEDIUM ENTERPRISES IN IRAN

By

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Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Fulfillment of the Requirements for the Degree of Doctor of Philosophy

January 2012
Abstract of thesis presented to the senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Doctor of Philosophy

DEVELOPMENT OF A PERFORMANCE ANALYSIS MODEL FOR SMALL AND MEDIUM ENTERPRISES IN IRAN

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January 2012

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Various factors were observed to affect small and medium enterprises’ performances for their success and failure in business. The main objectives of this study are to identify the critical factors affecting small and medium enterprises (SMEs) performance and modeling the factors. Previous research on the business success or failure did not provide detailed explanation to SME performances. Particularly, few research has focused on the factors affecting the performance of established SMEs; even though from business environment the need for SME performance analysis system is alarming.

Empirical data of this study, were based on extensive survey and interviews. The survey comprised of 20 experts and 321 independent operators in the manufacturing sectors of small and medium industries of entrepreneurs in Iran.
Qualitative and quantitative analysis methods were used for data analysis. Specifically interview and structural equation modeling were the main methods of this study. From the findings, a multi-criteria model was built for generic theory of business success in the SME-context. The model consists of two main constructs: Strategy formulation activities (SFA) and strategy administration activities (SAA). There are five latent sub-dimensions which are internal and external environment scanning, strategy formulation, strategy implementation and strategy control. This research found a significant relationship between SFA and SME Performance. Also, from the result reports a significant relationship between SAA and SME performance. The relationship between SFA and SAA was also reported to be significant. The result strongly suggests that entrepreneurs of SMEs should take necessary actions in aligning their strategy administration activities with the requirements of strategy formulation activities.

This study improves the existing theories in that it not only establishes a relationship between strategy formulation activities and strategy administration activities, but also it calculates how this relationship impacts the SME performance, using structural equation modeling method. The model provides a structural systematic method for analysis of business strategic management and its impact on performance of the company both in subjective (qualitative) and the objective (quantitative) terms. The main ability of the model is it can analyze SME performance based on observed and latent variables of strategic management using structural equation model and path coefficients. Another ability of the model is it can be used to benchmark, as it can measure the current performance by the use of two generic latent sub-dimensions of performance,
which include financial and non-financial (operational and constituency) performance.

This study worked with total number of 56 variables (observed or latent), which direct and indirect relationship between these variables and performance of SMEs were systematically analyzed. Series of tests supported validity, accuracy and feasibility of the model, and it was found that nascent and acting entrepreneurs, organizations fostering SME development, financiers, public policy makers, SME advisors, and other stakeholders of SMEs would benefit the most from the model.
Abstrak tesis dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

PEMBANGUNAN MODEL ANALISIS PRESTASI UNTUK PERUSAHAAN KECIL DAN SEDERHANA DI IRAN

Oleh

SHAHRYAR SOROOSHIAN

Januari 2012

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Pelbagai faktor yang mempengaruhi prestasi industri kecil dan sederhana (IKS) bagi kejayaan mereka dalam perniagaan dan bagi mengelak kegagalan telah dikenalpasti. Objektif utama kajian ini adalah untuk mengenal pasti faktor yang mempengaruhi prestasi dan me model kan faktor, faktor tersebut. Penyelidikan terdahulu mengenai kejayaan atau kegagalan perniagaan tidak memberi penerangan terperinci tentang prestasi IKS. Oleh ita, secara khususnya, penyelidikan ini memberi tumpuan kepada faktor-faktor yang mempengaruhi prestasi IKS.

Data empirikal adalah berdasarkan hasil kaji selidik dan temu bual yang intensif. Kaji selidik itu terdiri daripada 20 pakar dan 321 pengendali bebas dalam sektor perkilangan industri kecil dan sederhana di Iran.

Kajian ini menaiktaraikan teori yang sedia ada kerana ia bukan sahaja mewujudkan hubungan antara aktiviti-aktiviti merangka strategi dan aktiviti-aktiviti pentadbiran strategi, tetapi ia juga mengkaji bagaimana hubungan ini memberi kesan kepada prestasi IKS. Model ini menyediakan satu struktur kaedah yang sistematis untuk analisis pengurusan perniagaan yang strategik dan mengenalpasti kesannya terhadap prestasi syarikat itu dalam kedua-dua syarat-syarat subjektif (kualitatif) dan syarat-syarat objektif (kuantitatif). Untuk pembangunan model persamaan struktur dan pekali laluan yang ditemui ketika merangka penyelidikan, keupayaan utama model ini adalah untuk menganalisis asas prestasi IKS berdasarkan kepada pemboleh ubah terpadam yang dipatuhi dan terpadam ke atas strategik pengurusan. Satu lagi keupayaan model ini adalah sebagai penanda aras kerana ia boleh mengukur prestasi semasa dengan
menggunakan dua sub-dimensi prestasi yang generik dan terpendam termasuk
prestasi kewangan dan bukan kewangan (operasi dan bahagian berkenaan).

Dalam kajian ini, sebanyak 56 pembolehubah (dipatuhi atau terpendam), telah
diuji dan hubungan langsung dan tidak langsung antara kedua-dua pembolehubah
dan prestasi IKS telah dianalisis secara sistematik. Ujian-ujian yang dijalankan
menyokong kesahihan, ketepatan dan kesesuaian model dan dengan itu usahawan
baru, organisasi yang memupuk pembangunan IKS, pembiaya-pembiaya,
penggubal dasar-dasar awam, penasihat-penasihat IKS, dan pihak-pihak lain yang
berkepentingan dengan IKS boleh mendapat manfaat dari model ini.
ACKNOWLEDGEMENTS

I would like to express my deepest gratitude and appreciation to my supervisors, for their advice, guidance and support throughout my study.

My special thank goes to Industrial Parks Organization of Iran because of their helpful support of this thesis and their great effort on data collection process, as well as Mr. Soltani, Mr. Sharifabadi and Mr. Sadoogh from main branch of Kerman and Yazd.

I would also like to mention the meticulous efforts of Dr. Rashidi and Prof. Tata from the department of statistics in Bahonar University, who have helped me in the process of data analysis. Viktor, who has assisted me in the proofreading and editing task. Above all I offer my thanks to God for providing me the perseverance to help me throughout the trying periods and for giving me the inner peace and health.
APPROVAL

I certify that an Examination Committee met on 11 January 2012 to conduct the final examination of Shahryar Sorooshian on his thesis entitled “Development of a performance analysis model for small and medium enterprises in Iran” in accordance with the Universities and University College Act 1971 and The Constitution of the Universiti Putra Malaysia [P.U. (A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

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DECLARATION

I declare that the thesis is my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously, and is not concurrently, submitted for any other degree at Universiti Putra Malaysia or at any other institutions.

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SHAHRYAR SOROOSHIAN

Date: 11 January 2012
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