

Influence of Macro Environmental Factors on Business in SMEs: An Empirical Analysis

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ABSTRACT

Entrepreneurship has long been discussed due to its capabilities to generate employment in country, tax generation and business growth. It cannot be ignored that businesses often face many troubles at different stages, including internal as well as external problems which may stop company's performance without any doubt. However, entrepreneurs learn from mistakes and problems occurring in businesses therefore, they consider problems as opportunities. Furthermore, data in this paper is gathered from scholarly publications, online data, entrepreneurship and economics literature from international and domestic publications. Primary data has been obtained with the help of questionnaire and personal interactions with business owners, managers of SMEs (Small and Medium Enterprises) situated in province of Sindh, Pakistan. Moreover, the data collected was only theoretical therefore, statistical tools have been applied to get the required outcome in numbers, facts and figures. In this paper, external factors called macro environmental factors have also been taken into account which help in creating positive prospect for businesses such as consumer, marketing, advertisement, competitiveness, suppliers and media.

Key Words: Entrepreneurship, Customers, Competitiveness, Marketing, Suppliers, Media, SMEs.

1. INTRODUCTION

Entrepreneurship needs to find out the issues which are disturbing one or other way, so that enterprises can get opportunity or get rid off the problems to achieve their better position in the market [1]. The perception of company's accomplishment to endure, nurture and develop business in competitive antagonism is very significant [2]. On the other hand, certain factors affect the entrepreneur in making decisions for accountability and available services to facilitate and promote advertising skills to flourish in this cutthroat

world. This reflects to understand choices and judgements of consumers in order to decide and swap in business by guiding principles wherever obligatory [3]. There are some significant peripheral factors that have an influence on the corporation as a whole; consisting of clientele, rivals, promotion, suppliers and media.

Patrons are regarded as agents who are directly related to financial escalation. Consumers offer their necessities and businesses manufacture them, here it reflects that

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corporation cannot compel them to purchase. Analytically consumers are co-producer, of goods and services [4]. On one hand some businesses continue to just show existence, on the other hand analogous companies continue their living with sturdy or uniform lucrative commodities or services. Consequently, businessmen are responsible for making profitable choices and employing productive plans to capture and retain production and sales. [5] It can be acknowledged that success of an industry depends on buyer contentment and this is attained through manufacture of goods and services at the expected standard of consumer requirements and enchanting plans to magnetize them.

Likewise, consumer determination for better goods and services gives birth to business promotion which is a great achievement for a business. Another potency for entrepreneurs are the suppliers of goods, who endow with excellent unprocessed and unrefined products to industries to prepare, provide and sell complete manufactured goods. Last but not least is an extremely significant foundation of success for businessman on nationwide or global level provided by media which spread the information and promote the business. Media promotes competition and advertises business strength in the human race. The thoughts and ideas expressed above are explained in Section 2.

2. REVIEW OF LITERATURE

The literature in this paper was collected from different sources including scholar's publications, online browsing and the literature available on various factors related to concerned parameters to analyze the results. The factors which are important for entrepreneurs are end users, advertisement, suppliers, media and competitiveness which are elaborated below:

2.1 Customers

Customers are king for every organisation and they are the main focus of point. If there is business then there is

customer. Customers are the reason of business and every business owner/entrepreneur want to keep their customers happy to retain and attract more customers. Therefore, understanding customers' need is more important as understanding market importance for business growth [6]. Moreover, focus on consumers' worth is very significant, because organisations' achievement heavily rely on them, therefore businesses should work tirelessly to captivate and retain customers' attention towards their trade [7]. Every organization pays top priority to create a centre of attention and capture greater number of clients towards the business. Consequently consumers diversify and give importance to such businesses; as a result organizations provide guidance and training for their vigorous involvement in trade actions and behaviour [8].

Additionally, there should be powerful relationship in keeping customers' satisfaction to enhance turnover. This relationship may be enhanced all the way through introducing meticulous client education programmes in the corporation [9]. This brings greater recognition to the company actions thus, assisting to recognise, appreciate and develop an excellent positive judgment for the company. Training also enhances connection among bargain hunter and worker which straightforwardly maximises business trade name reflection in market [10]. Maintaining the client support is the major intention of all organizations. Businesses should always take into consideration the consumers' necessities and requests, if these are ignored, then business will collapse. Patrons alter their buying attitude after lot of discontentment and frustrations from available goods and services [11]. To minimize this problem at any stage of construction or service, extraordinary steps are to be taken to retain them by using the precise techniques. A golden rule must be committed to memory that a company operates all the way through customers and designed for customers. Most of businesses fail when they don't appreciate the significance of smaller or less important clients and their existence for the company. There are evidences that many businesses look for a bigger and superior transaction and in turn ignore

or forget the less significant patrons. This brings in a negative publicity and appalling status for the company. Escalating financial gain through increase in sales constantly is the important constituent for each and every business. Many findings and studies demonstrate that many less significant consumers were essentially proved to be extra beneficial in escalating the organizations.

2.2 Competitiveness

It has been observed that if someone opens a new business, other people try to enter into the same business to grab a share from the opportunity. However, some companies create their competitors to increase the demand for the product [12]. Likewise, to survive and maintain competition in the market, it is essential to employ new practises. Some of the ways to tackle and conquer antagonism in the market are innovative, advertising policies and enhanced service etc. In today's world it is very complicated to exist in the marketing line; because opponents have right in production altering, techniques of invention to be thriving [13]. In addition, businesses encounter antagonism which requires original and innovative line of actions [14]. Bringing novelty in the company and putting additional asset into the vicinity by the businesses is essential, besides the competition. In view of the fact that rivalry does not really exist amongst wholesalers and retailers but amongst comparable businesses, as a result latest hi-tech services and client based improved methodology ought to be utilised so that it could be directly noticeable to patrons [15].

Every company keeps their business eyes open and every moment they think for rival's downfall and nurture to take advantage of the market at the full extent. This, in turn, brings a loss in share market, revenue downhill and ultimately company collapses. Currently the situation has been pushing to convey message of more antagonism into the marketplace to promote latest thoughts and innovation. The Government encourages competition because innovation is the beginning of competition which

provides profits to businesses in developed and developing financial system [16]. Innovative guidelines have been fashioned to convey more efficient value system, since cost is an additional concern that crop up from competitiveness and thus bringing in maximum turn over. A businessman needs to take into consideration the rivalry issue critically.

2.3 Marketing

Since more and more enterprises are entering into market, there has been increasing demand for marketing to survive in the business. It is also perceived that SMEs are dealing with many problems to market the product. As discussed earlier, SMEs have limited resources, local market and limited funds therefore, it is difficult for them to hire marketing people who can use skills to attract customers towards the product. Therefore, they are dependent on brokers and intermediates for bringing their product into market and attracting customers. Sometimes it becomes barrier for small enterprises because they often cannot compete with large scale industries. Therefore, government needs to be actively involved in promoting SMEs products because; at the end this will result in economy growth and generate more profit.

Furthermore, entrepreneurs often do not hire marketing professional considering that marketing people only apply theoretical knowledge without practical experience. They further believe that marketing personnel deliver lectures in workshop or training from bookish language which hardly solve their problems.

The motive behind every business is to earn profit [17]. On the other hand earning maximisation can be accomplished through sales and that boosts up customer relations. Client dealing plays a vital function in victory of profit maximisation therefore, an advertising approach should be developed which draws more customers [17]. The more lucrative the promotion scheme, the more probability of profit maximisation. Expert staff and specific

departments must be set up for efficient marketing to preserve consumer dealings. Talented and skilled team members and suitable marketing units are required who comprehend, maintain and create a centre of attention for extra clients through marketing approach [18]. Understanding the fact that marketing tactic must not be carried out in isolation but it is required to work in harmony with the additional departments such as manufacture, delivery and administration. Companies ought to support its society within the business. Subsequently that information can be shared without difficulty from one department to another because, all departments in the company are connected and dependent to each other [19]. However, selling involves in looking at the opportunities and taking advantage of these breaks in a better approach than their opponent. Appropriate preparation is necessary to plan action and execute the marketing [19].

Business owners/entrepreneurs in addition to that recognize that there are concerns in accepting opportunities and taking advantage of them. Later on tactics evolve that allow survival in a better way than their competitors [20]. Numerous business organisations excel not only because of better-quality goods but proper promotion plan and product location is also a significant factor. They know how to use marketing techniques in the right time and in the right way. Marketing often provides a connection between the customer and the firm. Thoughts and principles surge from one end of the firm and the requirements from the other end of the customer. This suits each other's targets and is implemented in such a way that both parties benefited in their own approaches. Publicity through media has become important selling device in these days which draws attention of consumers in that direction and gradually capture them. The above feature creates a strong businessman. Nevertheless often entrepreneurs are unsuccessful in applying their promotion approaches, they do not go back and always learn from experiences of past. Entrepreneur is one who learns from his blunders and on no account loses hope for their asset

in business [20]. To conclude, advertising is a policy that directly notifies consumers for manufactured goods and services accessibility. In addition, it presents them exceptionality and other remuneration. At the end customer decides to benefit after judging the products and services available in market.

2.4 Suppliers

Suppliers are the essential part of business. In fact without suppliers there won't be finished goods [21]. A dealer has small but extremely significant impact on business accomplishment [21]. Entrepreneurs put momentous importance in constructing strong connection with customers for success and increase sales turnover. Additionally both entrepreneur and dealer require trading their goods and create more capital [22]. They are the middlemen through which products or units are manufactured and reach customers to complete the business sequence. Contractors may be manufacturers, wholesalers, retailers or importers; each of them is mutually dependent on entire cycle of business and profit maximisation for each other. Suppliers are the people who evaluate the market requirements from time to time, correspond to the manufacturers, place orders and investigate the concerned threat following mechanized development. Ever-increasing challenges in companies are to endure and put suppliers into locations where they can appraise their place in the market and sufficiently situate their products; amendments need to be done if result is not encouraging in their process. [23].

Many times it has come in to notice that dealers offer warehouses to accumulate merchandise and discharge them slowly in the bazaar according to demand. Suppliers maintain goods in various warehouses effortlessly in accordance with fluctuating demand from time to time in market [24]. Entrepreneurs/ business owners are needed to have close connection with the suppliers in this unstable market to lessen ambiguity in business and look forward to prospects. In any kind of production even delivery of

untreated resources is necessary during creation. For this trustworthy providers are essential to reduce the chances of manufacturing, malfunction and promising variation in transactions. Dependable material suppliers and cheaper suppliers are very important to avoid problems in production and make certain for no loss in sales [25]. These suppliers are very important and a businessman needs to have a good understanding with them. Suppliers are also known as watch dogs over the market in this ruthless production wealth. All above features are directly or indirectly correlated to revenue maximisation and thus, extraordinary consideration is essential for all entrepreneurs to provide evidence of success in business.

2.5 Media

Media has very important role to play in businesses and it influences both SMEs and entrepreneurs together, because of advertising the product on different Radio Stations, TV, Magazines and Online availability of product and services. Furthermore, there is a need to go with market expectation to survive in this competitive world. Therefore, media plays important role in creating image in market and success of entrepreneurship [26]. Various measures are utilised into practice to generate and spread principles in the society. Media is a direct route which encourages entrepreneurial strength among the stacks of society [26]. Furthermore media has played powerful role in bringing entrepreneurial spirit in business actions. It has motivated youthful age bracket by sustaining and providing information of new firms to public [27]. It produces a base of support for the existing and new entrepreneurs. Offenders in financial system are exposed to customers through media. It is valuable for the businessmen to utilise media channels to accomplish their organisational objectives.

Media not only creates image in market but also helps in creating more opportunities because of their research, findings and reports. Media also assists rivals to take advantage of information they provide on strengths, weaknesses, products and services of other competitors

to take decisions [28]. Businessmen are able to endorse and construct support for their business firms through promotions and antagonistic channels. When extra care is not taken, media can be proved to be detrimental for any business at any time, taking into consideration that every factor has got a positive and negative aspect. It has the power and ability to either make or break a company over night and as a result extraordinary concern is vital for the entrepreneurs in deciding and choosing the right channel of media. [29]. Therefore, it is better to hire media personnel in company for business activities and understanding rival activities.

3. METHODOLOGY

This paper is assessing the influence that macro environmental factors have on business in SMEs. There were 40 companies which helped in providing the information/ data and took active part in responding to questionnaires and interviews which included glass manufacturing industries, dates processing, rice husking and garments industries from Sindh Pakistan. These companies were taken as the base for research due to popularity and majority of people involved in these businesses in study area. Furthermore, for obtaining the data qualitative and quantitative methods were used which include. The collecting data through questionnaires and personal interviews. Initially, questions were sent to the respondents followed by personal interactions to confirm their answers and compared with data collected through sources. Data was analysed through application of statistical method and Excel software was also used to generate figures.

4. RESULTS AND DISCUSSION

Companies responded with answers on level of importance for the macro environmental issues affecting small and medium enterprises. They choose the answers from scale 1-5 which means not important to most important. Where, scale was 1, 2, 3, 4 and 5 which means not important, less

important, important, more important and most important respectively. Furthermore, their answers were assessed through statistical tool of average degree to make easier for reader. Moreover, data is presented in Table 1 and explained through figures drawn with the help of excel software.

4.1 Customers

Companies responded to the question asked regarding value of customers in business. Fig. 1 states that 47% of companies replied that customers are essential and ticked at scale 3. Other 30% replied as more important and ticked at scale 4. Whereas, 22.5% replied that customers are most important and ticked at scale 5.

Analysis show that no one company replied that customers are less or not important. Average degree of perception is calculated as 3.88 which means customers are treated more important for companies.

4.2 Competitiveness

Companies pointed out that the level of importance for competitiveness in business. Fig. 2 illustrates that 25% companies replied that competitiveness is less important and ticked at scale 2. Whereas, 42.5% said that it is important and ticked at scale 3. Other 25% replied that it is more important and ticked at scale 4. Lastly 7.5% said most important factor and ticked at scale 5.

In analysis, it is seen that no any company said that this factor is not important. Whereas average degree of perception is calculated as 3.32 which shows that companies think that this factor is important. Therefore, they need hard work to grow in business.

4.3 Marketing

Companies responded the level of importance for marketing in business. Fig. 3 indicates that 25% companies said that marketing is less important and ticked at scale 2.

TABLE 1. MACRO ENVIRONMENTAL FACTORS IN BUSINESS

Degree of Importance	Factors and Percent of Companies				
	Customers	Competitiveness	Marketing	Suppliers	Medias
1	0.0	0.0	0.0	7.5	22.5
2	0.0	25.0	25.0	27.5	30.0
3	47.5	42.5	45.0	35.0	40.0
4	30.0	25.0	25.0	27.5	7.5
5	22.5	7.5	5	2.5	0
Mean Weightage	3.88	3.33	3.23	3.08	2.50

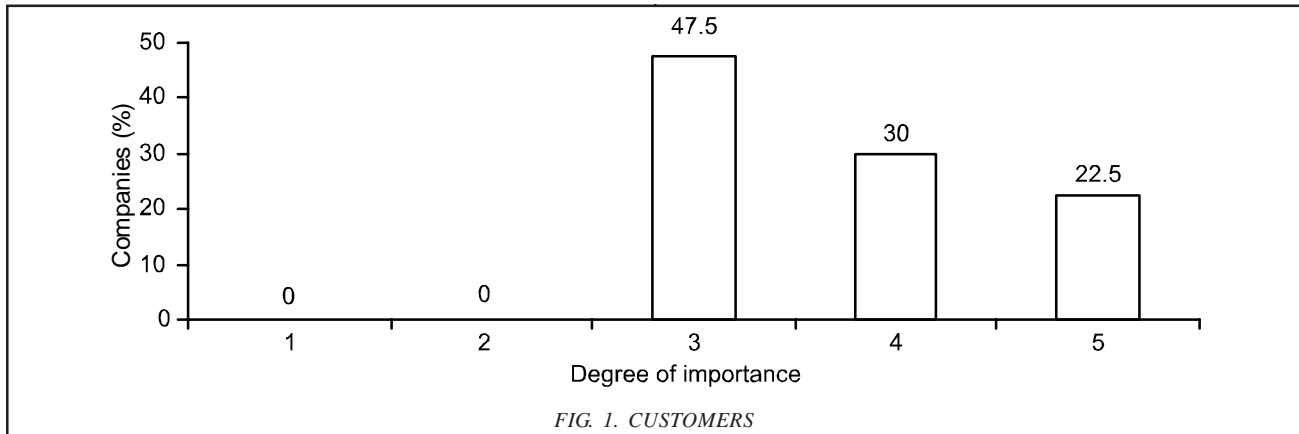


FIG. 1. CUSTOMERS

Whereas, 45% responded that this factor is important and ticked at scale 3. However, other 25% companies said that it is more important and ticked at scale 4. On other side, remaining 5% replied with most important factor and ticked at scale 5.

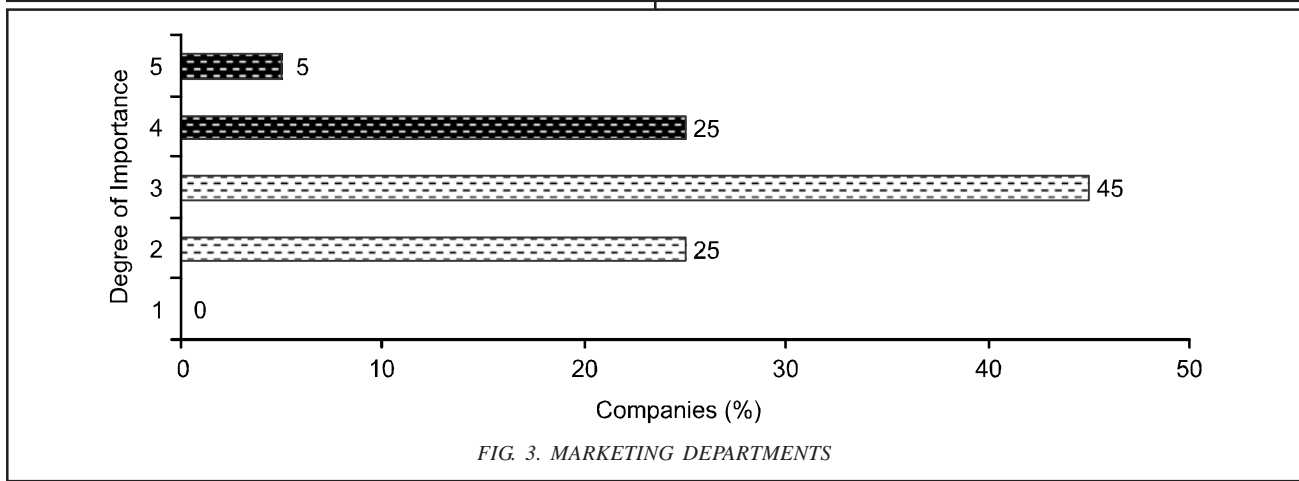
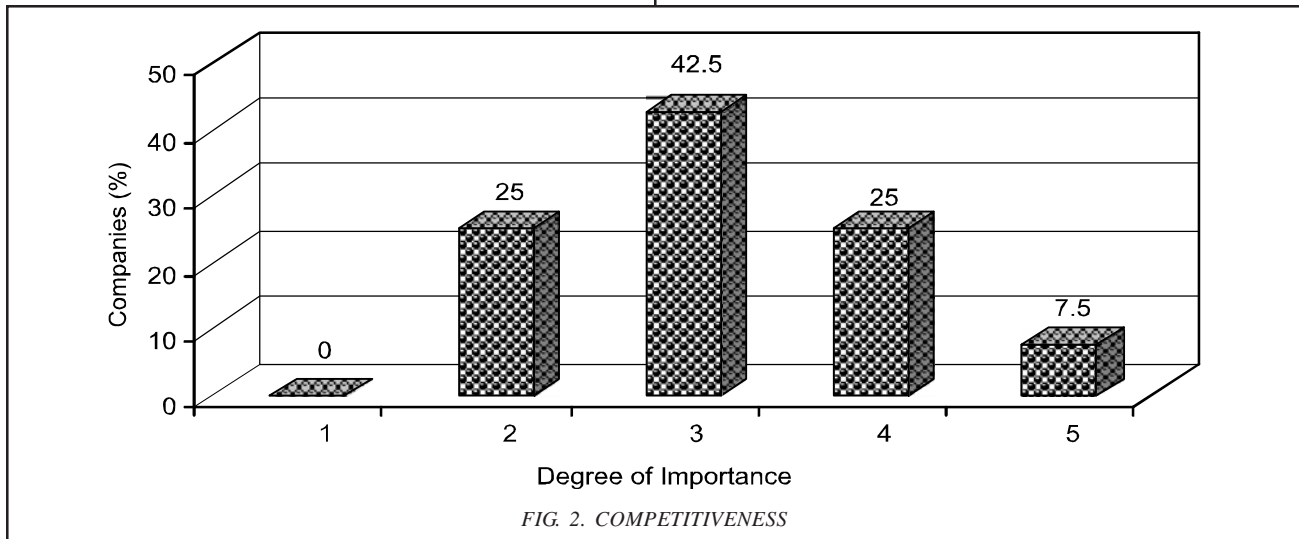
Analysis shows that no any company replied that this is not important factor. However, average degree perception for marketing is calculated as 3.22 which shows that marketing is important factor therefore, companies need more work for capturing the local as well as global market to stay in competitive world.

4.4 Suppliers

Companies responded the level of suppliers' necessity for business. Fig. 4 indicates that 7.5% companies think that

suppliers are not really important and ticked at scale 1. Whereas, 27.5% said that they are not very important and ticked at scale 2. Similarly 35% indicated importance and ticked at 3. Whereas other 27.5% said that they are more important for themselves and ticked at scale 4. Remaining 2.5% said suppliers are most important for business and ticked at scale 5.

From th analyses, the average degree of perception is measured as 3.07 which shows that companies treat suppliers as important. Suppliers play significant role in enterprises particularly in SMEs. Success of these industries entirely depend upon this factor therefore, this sector should take more care for their suppliers to flourish their business.



4.5 Media

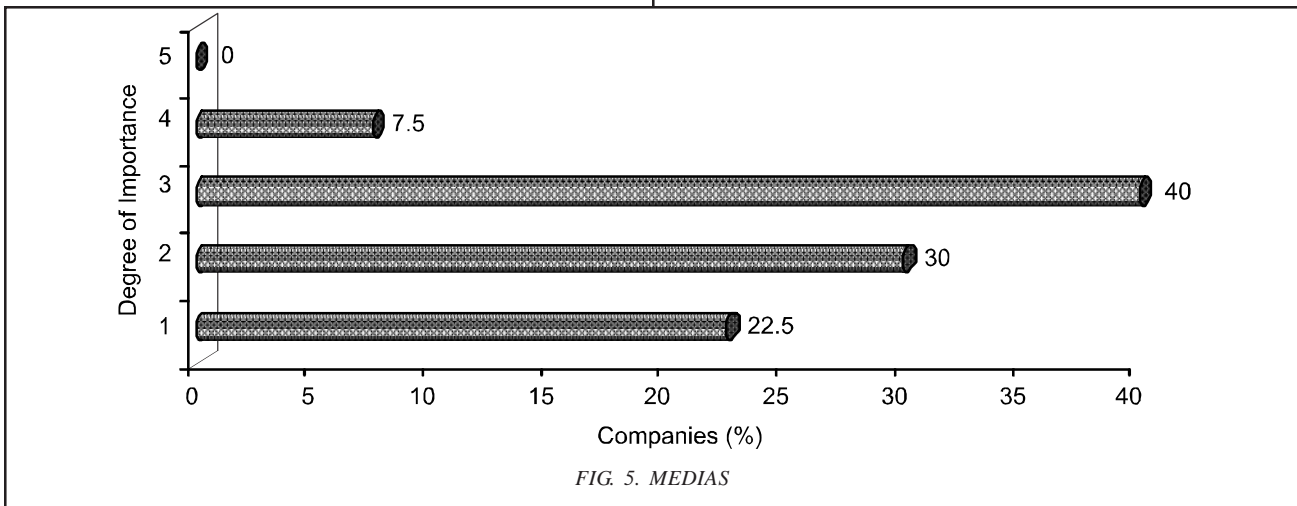
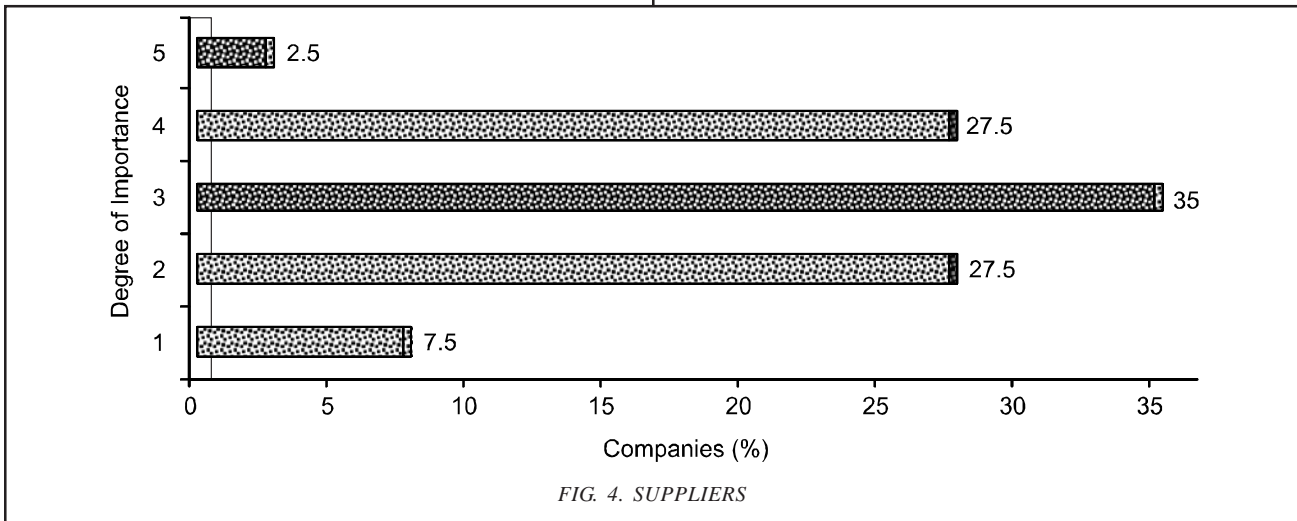
Companies responded with level of importance for media in business. Fig. 5 shows that 22.5% companies said that media is nothing and they ticked at scale 1. Other 30% replied that it is less important and ticked at scale 2. Whereas 40% stated that it is important and ticked at scale 3. Likewise, 7.5% mentioned that it is more important for business and ticked at scale 4. However, no one said it is most important.

Analysis state that average degree of perception measured is 2.5 which means companies take less advantage of media. However, this also helps businesses to bring their product's voice in local and international market. It is also observed

that those businesses consider media as a tool for their success; they have really brought prosperity in their business activities at every step. It is therefore suggested that SMEs should take advantage from this tool.

5. CONCLUSION

There are many factors which are to be considered for economic growth of the countries. Therefore every country focuses on different ways for growing their economy. They concentrate towards entrepreneurs' growth and creating positive atmosphere for SMEs considering appropriate way for economic growth. Entrepreneur is not always dependent on positive atmosphere or government support. As entrepreneurs rely



on their experience, skills/expertise, strategies and circumstances surrounding which they assess to bring opportunities for company. Companies often go through up and down situations and these situations bring opportunities for them. It is because business owners understand the problem as an opportunity. Not only this, companies also understand the internal and external issues which often affect them, such as marketing, media, end users etc. Companies therefore, deal with every situation carefully because they know that it can create opportunity for business. Outcome from this research shows that customer is more important who brings benefits for business. However, the factors such as competitiveness, marketing and suppliers have also significance. Whereas; role of media has less significant value; which is a surprising result. Because, the role of media for developing countries like Pakistan can bring value to SMEs in terms of providing information to masses, identifying opportunities to promote products etc. A successful company essentially brings economic growth and job creation for the society as well.

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