

# An Assessment of Entrepreneurs' Business Strategies towards SME Success

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## ABSTRACT

The purpose of this paper is to carryout few general strategies into consideration which can be utilized by business owners for success of their businesses. Every entrepreneur has different thinking and ideas. Strategies are developed with market familiarity and practices which make businesses sound in the market. Moreover, strategies of an entrepreneur seem to be helpful tool in business success and economic growth. The strategies discussed in this paper are helpful for SMEs (Small and Medium Enterprises) in their economic development. General strategies considered in this paper are product, market and process innovation, benchmarking and quality of products. In addition, this research is based on primary data which was collected from different SME's in Sindh, Pakistan through questionnaires. Moreover, data was statistically analyzed. Results indicate that entrepreneurs of SMEs consider quality of product, bench marking and market innovations as more significant whereas; product and process innovations as less significant. The findings of this paper support the previous relevant studies, which also help in identifying new approaches to success of businesses by applying strategies as discussed in this research.

**Key Words:** SMEs, Strategies, Benchmarking, Product, Process and Market Innovations.

## 1. INTRODUCTION

Globalization has created more competition for businesses and forced entrepreneurs in taking high risks and work hard to assure their position in market because of new technologies in market and global competition. Few years ago there was little or no competition in market and businesses could survive with minimum efforts but, these days entrepreneurs need to be up to date with new technologies and competitions. The scholars also stated that, those who do not

participate in competition and do not adopt advanced technologies often find disappointments in market [1]. This is also confirmed with other scholar's work that entrepreneurs need to survey in market and apply new strategies and technologies for advancement of businesses because; market adopts new techniques carefully and after long research [2]. However, question arises, who is successful if everyone starts focusing on new technologies? There is a single answer that is to

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formulate strategies, which are further explained in the following discussion.

There have been many discussions on strategies and researchers have provided different definitions on strategies. For instance, concentrating on strategies is essential for enterprise growth because it is the method of improving quality of product, innovation of new things, alteration in product and use of new technologies [3]. In the same way, making good relationship inside and outside the firm is necessary for business growth; and those who adopt relationship making strategy also help making business successful [4]. Furthermore, it is suggested that finding suitable strategies for business is an easy task but applying those strategies in business is hard. This is further authenticated with previous research work that there is need to be authentic strategy which can easily be applied in business which help in growing business [5]. To sum up, strategies if closely looked and properly formulated are strengths for an entrepreneur and make them differentiate from other's businesses.

Few researchers have emphasized the importance of entrepreneurial strategies. It is further argued that without entrepreneurial strategies there is no growth in business, consequently its importance should be included and discussed in economic literature [6]. Similarly, many researchers have emphasized on variety of strategies which are important for business growth. Therefore, every entrepreneur acts in his/her own way and uses knowledge and skills. It is further argued that higher establishment's way of thinking is diverse from company's lower staff because of their experiences and skills which enhances the process of business [7]. In addition, entrepreneurs in developing nations sometime disregard few general strategies which sometime, results in poor performance in business. This is why it may create hindrance towards company's growth in current market and entrepreneurs should concentrate upon every slight mistake for their future decisions.

## 2. REVIEW OF LITERATURE

The purpose of this literature review is to understand the approach of previous researchers on similar nature of work and to use for authenticating the claims. This is done through scholar's publications, online material, international and local journals and personal interviews with entrepreneurs, which is elaborated as under.

### 2.1 Quality of Product

In this age of globalization, enterprises have started relying on technologies for production and company functions. Technologies produce goods on timely manner together with quality and quantity. However, there is growing trend of customer satisfaction in market these days. Therefore, entrepreneurs are focusing on quality products to satisfy customers. It is further discussed from researchers' point of view that those enterprises which care about customers, always focus on innovations to attract customer and retain them for long term for success of enterprise [8].

It is general rule that while entering in market rather focusing only on new technologies, entrepreneur should concentrate on satisfaction of customer by providing them quality product or service [9]. In addition, company's success is backed by entrepreneur's competitiveness and fulfilling customers' demand. This is the reason that customer want to pay more if quality of product is available to them [10]. In the same way, it can be said that customer relation is asset for company. Moreover, relation can be built through offering products or services at minimum rate with good quality products. Therefore, the professional entrepreneurs understand the reputation which creates demand for products and they produce quality product in consultation with customers personally to make them satisfied [11]. Furthermore, entrepreneurs who use skills and knowledge for company's growth are called human capital [12]. This is further claimed by researchers that human capital is useful in performance of enterprise [12]. In addition, enterprises have these types of people who use skills and knowledge and help in

retaining customers. Therefore, entrepreneurs need to concentrate on customers' expectations for product and services [13]. In conclusion, customers are the reason for business; they pay any amount if they are satisfied with offers.

## 2.2 Benchmarking

Every company wants to enjoy high success rate in market by retaining current and attracting more customers. This is not possible without entrepreneurs' goals and these goals are achieved through entrepreneurial strategies. Benchmarking is also one entrepreneurial strategy which helps company in reaching particular goal. This is a tool through which company compares their previous profit with other companies, controlling expenses, help in understanding financial position in market and help in understanding company's performance. Overall, it helps company to maximize profit through one or other way.

Researchers have given variety of explanations and definitions on benchmarking. However, businesses owners have accepted that benchmarking assist both entrepreneur and customer to understand overall performance of enterprise in market [14]. In addition, benchmarking helps decision makers to understand their own profit, expenses, plans, financial ratio and compare with rival enterprises [15]. Furthermore, benchmarking is a management device through which entrepreneur can adapt different processes for company's performance and growth [16]. Similarly, benchmarking is not an automatic machine which can be adopted in company and it will work for business growth. It is a process of understanding and adopting an strategy for success of business. Accordingly; value of benchmarking needs to be taken seriously by entrepreneurs for business growth [17]. Moreover, it does not work routinely therefore; it needs fair judgment, experience and competency for business growth [18]. In addition, SMEs may be beneficial if entrepreneurs have knowledge and experience of benchmarking otherwise company can face troubles in applying it [19]. However, benchmarking is not an easy task to understand and can

sometimes create problems but, many entrepreneurs are attracted towards benchmarking [20]. Moreover, benchmarking professionals state that entrepreneurs need to be careful in adopting benchmarking for company to achieve company's targets and there is no doubt it helps in communication with stakeholders [21]. In conclusion, benchmarking is essential tool for company's success.

## 2.3 Product Innovation

It is observed that customers are king in the market. After the globalization, customers often switchover to alternative choices and tastes for the product or service they have been using for decades. This is the reason companies focus on new invention of products by altering or bringing totally new things in market. Furthermore, product innovation is a term which means creating new products or services for customers to retain the same business [22]. Moreover, business owners who decide company's functions in SMEs sometimes bring new product or alter the old one when they have got sufficient funds which helps them to make company grow. This claim is authenticated thorough scholar views that when new product comes in market, customers buy and try on first instance, if they like it, they continuously buy the product and there is always opportunity in product innovation [23].

Furthermore, researchers also suggest that if business has resources to alter the product during competition; then they enjoy the business growth [23]. Moreover, professionals claim that companies who have sufficient resources to alter the current product save cost and improve quality and enjoy more business [24]. Whereas, some scholars say, innovation process is beneficial for company, if there is improvement in product and its process, it ultimately benefits the business progress [25]. In addition, business owners trust in continuous research and development because, entrepreneurs look at facts and figures in market and try to explore customer's satisfaction before finalizing decision. Additionally, if customer is satisfied with new invention, then no one can stop

company to grow [26]. Similarly, entrepreneur is also called market analyst who suggest alteration of product or service in a way that no one can reject it in market [27]. Furthermore, entrepreneurs present old fashioned product in a new way which customer accept and help company grow [27].

Similarly, innovation is a process of developing better product which is favorable for company [28]. In the same way, this process is also called performance of company which is key feature for growth [29]. Also, globalization has created more competition in market these days. Therefore, differentiation is important for all companies. Besides, the successful enterprises often look for further improvement in product and create uniqueness so that other competitors have difficulties in copying the invention. Moreover entrepreneur's role is essential in inventing new things which create place in market and guarantee success for company [30].

## 2.4 Process Innovation

Entrepreneurs' role can never be ignored in enterprises growth. This growth further can be extended through innovation. Innovation is a way of performing actions differently by which enterprises can attain competitive advantages. Individual or business owners act in a way which increase profit for business therefore, they act differently and bring unique innovations which help in growing business. This can be proved through research undertaken previously. Therefore, it is claimed that process innovation holds excellent employment opportunities, business development and reengineering [24]. Similarly, researchers claim that company's performance is improved with sufficient supply of funds in business, whereas funds are generated with selling product in market. There are many competitors in market who create trouble for each other, therefore, implementing new thoughts and process is necessary for business [29].

Furthermore, SMEs play an important role in economic development of growing countries. Therefore, innovation process is better for SMEs than large scale industries [28].

Moreover, entrepreneurs use innovation strategy to transform process into development and then into commercial product through which enterprise earn profit [27]. In addition, innovation is a way to convert ideas into reality, alteration of products and organizational structure for company's growth [27]. However, it is not cost effective for SMEs. It is also confirmed by practicing entrepreneurs and academic scholars that the process of innovativeness needs large fund for SMEs [26]. In addition, it is also said that large amount of resources are needed for SMEs to bring change through innovativeness because, expenses are required to convert ideas into practice. Concluding the ideas, this is important strategy which is related directly with invention of new process which results in profitability. Therefore, entrepreneurs need to focus on innovation process.

## 2.5 Market Innovations

It is proved that due to increase in competition, enterprises need to accept the change to survive in the market. This shows that entrepreneurs need to be of adaptive nature and willing to compete in market otherwise rivals will grab their share from market as well. Furthermore, entrepreneurs do not believe in working under pressure therefore, they often create new strategies to face competition. Moreover, SMEs grow in market because of strategies made by entrepreneurs. Similarly, market innovativeness is also equally important for growth of business as other strategies discussed above.

Scholars of the field have given much importance to market innovation because market innovativeness is a way through which market stability improves [24]. In the same way, the new age entrepreneurs change the way of business working and bringing changes by disposing off old processes together with creating new tendency in business culture which is very important in modern era of business [31]. In addition to this, this process is related with company's financial performance growth which is not adopted by rivals in business previously [32].

Moreover, marketing is a tricky process and sometimes happen to be complex issue for entrepreneurs that is why entrepreneurs consult with other companies to take over the market [30]. Simply, it is the process of altering ideas with market change and for improvement of business.

### 3. RESEARCH METHODOLOGY

To know the significance of strategies in SMEs, data was collected from 40 small and medium enterprises comprising of rice and husking, cotton and ginning, auto parts manufacturing and ready made garments. These industries are very common in developing countries and major proportion of products is utilized nationwide. These businesses were deliberately considered in this research so that this will help local entrepreneurs of the areas if they are desirous to grow businesses. These industries were situated in districts Khairpur, Sukkur, Larkana, Hyderabad and Karachi Sindh, Pakistan. These industries lie in SME criteria as stated by SMEDA. For obtaining the data, quantitative method was applied because this is a generic method in empirical studies. Therefore, questionnaires were sent to the entrepreneurs of SMEs under study. Literature for the strategies was obtained through research journals, books, on line information as well as literature of concerned organizations.

### 4. EMPIRICAL DATA ANALYSIS

The questions were sent to entrepreneurs/ business owners of different SMEs and mentioned the significance level of strategies as indicated in Section 2. The SMEs were asked to respond on scales 1-5 which means from

not important to most important. Scale 1 show not important, scale 2 shows less important, scale 3 shows important, scale 4 shows more important and scale 5 indicates most important.

Results are sum up in Table 1. The mean value is used to calculate level of importance for all strategies.

The analysis indicates that 50% SMEs believe that product quality is important strategy for business growth and they are ticked at scale 3. In the same way 40% responded that this strategy is more important for business growth and they ticked at scale 4. Whereas, 10% stated that this strategy is most important for growth and ticked at scale 5. However, no one SME stated that it is not important or less important as indicated in Table 1. Average degree of perception is calculated as 3.60 which means SMEs follow this strategy. It is believed that quality of product is a key of success for every organization therefore; most of SMEs concentrate upon this factor seriously to compete and stay in domestic and global market.

In the same way, 27.5% SMEs responded that benchmarking is less important for business and ticked at scale 2. Whereas, 35% said that this strategy is important for business and ticked at scale 3. Similarly, other 27.5% indicated that this strategy is more important for business and ticked at scale 4. However; only 10% have mentioned that it is most important strategy and ticked at scale 5. Whereas, no one said that it is not important for business as indicated in Table 1. Average degree of perception for strategies is calculated as 3.20 which means SMEs think that bench marking is important strategy.

TABLE 1. ENTREPRENEURIAL STRATEGIES

Degree of Importance	Strategies and Percent of SMEs				
	Product Quality	Benchmarking	Product Innovation	Process Innovation	Market Innovation
1	0.0	0.0	10.0	0.0	0.0
2	0.0	27.5	17.5	27.5	7.5
3	50.0	35.0	62.5	60.0	55.0
4	40.0	27.5	10.0	12.5	37.5
5	10.0	10.0	0.0	0.0	0.0

It is believed that survival of businesses depend on their strategies which they under take because; there is growing trend of competition among companies and those who are conscious from their rivals they take measures for survival. Bench marking is a best method to know best practices under taken by their competitors and follow them effectively.

Furthermore, analysis indicate that 10% SMEs believe that product innovativeness is not important for business and ticked at scale 1. Whereas, 17.5% said this is less important and ticked at scale 2. Moreover, 62.5% responded that this is important and they ticked at scale 3. Whereas, 10% said that it is more important and they ticked at scale 4. On the other hand, no one said that product innovativeness is most important for business. Average perception degree of SMEs is calculated as 2.72 which means that SMEs were inclined to important for this strategy. It is earlier discussed that customers demand quality products at any cost. Therefore, businesses need more concentration upon product quality and reliability. For this purpose they should also take necessary steps to under take assignment of product innovation, which is one of the best tool for customer satisfaction.

Analysis further reveals that 27.5% SMEs stated that process innovation is less important strategy for business and ticked scale 2. Whereas, 60% said that this strategy is important and ticked scale 3. In the same way, 12.5% stated that this strategy is more important for business and ticked scale 4. But on other side, no one said that this strategy is not most important for business as indicated in Table 1. However, average degree of perception is calculated as 2.85 which means SMEs were inclined to importance of this strategy. Most of companies follow best practices in terms of processes they under take because; latest and modern techniques give best results and consequently quality of product is achieved. That is why companies should concentrate more upon process innovations.

Moreover, analysis indicates that 7.5% SMEs think that market innovativeness is less important for business and ticked at scale 2. However, 55% replied that this is important and ticked at scale 3. Similarly, 37.5% said that this strategy is more important and ticked at scale 4. However, no one think that this is either less or most important strategy as indicated in Table 1. Whereas average degree of perception is calculated as 3.30 which means that SMEs were thinking market innovativeness as important factor. Nowadays companies are focusing upon many strategies but, their prime importance is towards market innovations because; sale turnover is entirely dependent upon effective marketing. Therefore; it is compulsion for companies to take necessary measures for innovating market in this competitive world.

## 5. CONCLUSION

It is generally perceived that SMEs are tool for economic growth in many developing countries like Pakistan. Therefore, SMEs should be developed in such a way that they only grow and never fail because; economy growth is in the SMEs growth. Furthermore, SMEs grow with entrepreneurial strategies such as product quality, benchmarking and innovation in products, market and processes. It is because consumers feel detachment towards similar products continuously and looking at same products repeatedly. That is why bringing old products in new ways in market is better strategy for enterprises. Moreover, growing nations like Pakistan need, to gain skills and experience in making strategies for growth of SMEs sector. Because, SMEs are called smaller but their share in country's income is more, which helps in growing economy. Results reflect that entrepreneurs under study were considering quality of product, bench marking and market innovation as important and they were less conscious for product and process innovations. However, these strategies are also important for competitiveness and business survival.

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