POLISH JOURNAL OF MANAGEMENT STUDIES
Wall P. W.

2021
Vol.23 No.2

DETERMINANTS OF SMEs' PERFORMANCE – FROM BUSINESS STRATEGY TO INNOVATION

Wall P. W.[*]

Abstract: Small and medium enterprises have important contributions to the development of nations. The implementation of a strategy that promotes innovation is vital for business performances. This study aims to predict the impact of business strategy and innovations on the market and financial performances of the business. The online survey was used to collect the data from the managers of manufacturing SMEs of an emerging market, Thailand. A total of 392 valid data set were received from the participants of the study. The partial least square structural equation modeling (PLS-SEM) has been used to analyze the data. The results of the study show that business strategy, process, product, and organizational innovations are important antecedents that improve small and medium enterprises performances. However, the results depict that organizational performance has an insignificant effect on firm financial performance. The study contributed to the literature of resource-based view theory and provide useful implications to the managers related to business strategy and innovations that improve market and financial performances of the SMEs in the emerging markets.

Keywords: business strategy, process innovation, product innovation, organizational innovation, market performance.

DOI: 10.17512/pjms.2021.23.2.32

Article history:
Received March 18, 2021; *Revised* April 10, 2021*; Accepted* April 29, 2021

Introduction

The global manufacturing industry is growing tremendously and contributing to the development of the national economy, as estimated by Mamman et al. (2019), the global trade is composed of 80% manufactured products. Similarly, the Small and medium enterprise sectors (SMEs) of Thailand are establishing and growing to contribute to the national economy of the country. Dube and Chipumho (2016) posit that the Thai SMEs sector is one of the most vibrant and significant sectors of the country that has played a huge role in employment opportunities and GDP growth of the country. As part of the national economy, social development, and the prospect of the SME sector, the Thai government has initiated and implemented policies to promote this sector. Particularly, the Thai government plans to provide financial support, improve infrastructure and develop SMEs to connect it with global markets (Jones and Pimdee, 2017). However, to realize this goal, the SME sector in Thailand has faced major hurdles to utilize resources and develop businesses. The major obstacles in this regard are indicated by Suvittawat (2019)

[*] **William Philip Wall**, Stamford International University, Bangkok, Thailand
✉ corresponding author: william.wall@stamford.edu

include (1) the access to international markets due to low standard of products quality, (2) shortage of skilled labors, especially at technical and managerial levels that met the demand of international markets and design products to match the benchmark, (3) lack of strategies to retain the capable and skilled employees, (4) inefficient work system at the organizational level and inadequate training facilities to develop employees skills, (5) lack of advanced technology and equipment, (6) and finally, the unavailability of required financial assistance to meet these requirements. This volatile market of Thailand demands effective and efficient strategies that meet current market demands and help SMEs to grow successfully.

Extant literature depicts that business strategy has a huge role in the development and success of SMEs' growth and profitability (Latifah et al., 2020). In the past, researchers have argued businesses that have clearly articulated the strategies have achieved high performance and growth (Swamidass and Newell, 1987). Similarly, Badri et al. (2000) found that business performances were improved by implementing different strategies. Later, the study of Singh et al. (2010) has revealed that the development of an effective business strategy leads to high performance and competitive advantage. In addition to implementing strategies successfully, existing literature provides ample support regarding the importance of product, organizational, and process innovations in business non-financial and financial performances (Latifah et al., 2020). Researchers argue that innovation is the main foundation of competing in the market and make an expansion that eventually leads to successful business growth (Clark, 2010). According to Nicholas et al. (2011), innovation refers to the implementation of new ideas at the business level that improves processes, products, services, marketing, and organization performance. Harmancioglu et al. (2007) also defined innovation as the implementation of new and improved business processes, product designs, marketing, services, and organization methods.

This study contributes in multiple ways to the literature of SMEs and business strategy as it will create a link between business strategy and different types of innovations. Although the term product and organizational innovations have been used by previous researchers limited studies have delved into the effects of business strategy on different types of innovation. Makanyeza and Dzvuke (2015) argued that innovation is essential for firm competitive advantage and successful business operations. According to Bhaskaran (2006), innovation is the key component of business strategy as it will solve operational issues, design new products and correlates with business policies. Therefore, the effect of business strategy on different types of innovation is paramount as it will help SMEs creatively solve business problems and outperform the competitors. Secondly, the study will assess the impact of innovations on firm marketing and financial performances. Third, the finding of the study will provide important insights to entrepreneurs and marketing managers to compete in the market and gain a competitive advantage through different innovation strategies.

Literature Review

The underpinning resources-based view (RBV) theory has been used in this study to evaluate the impact of business strategy and innovations on business performances in the manufacturing SMEs in Thailand. The theory of resources-based view was first proposed by Wernerfelt (1984), who argued organizations' unique and unmatchable capabilities and resources are the reason to create competitive advantage. Later, many researchers argued that organizations' unmatchable and rare capabilities that are inimitable create competencies (Astuti and Datrini, 2021). Based on the assumption of RBV theory, an organization's resources and unique competencies are the main sources that improve business performances (Muangmee et al., 2019). Organization competencies have a wide range that covers many aspects depending upon the circumstances in which it operates (Hitt et al., 2011). There are external and internal threats that affect business performances and a firm with an innovative strategy would better compete to the environmental circumstances (Asadi et al., 2021). From the perspective of resource-based view theory, business strategy, product innovation, organizational innovation, and process innovations are vital elements that support business performances (Muangmee et al. 2021; Martínez González & Kobylińska, 2019; Nguyen & Luu, 2019). In the long term, business strategy and innovations have a sustainable impact on business performances (Zhao and Sun, 2016). The conceptual model of this study as shown in figure 1 includes business strategy as an antecedent of different types of innovations that lead to market and financial performances of the manufacturing SMEs in Thailand.

The differentiated business strategy has been taken in this study as used by Latifah et al. (2020). As defined by researchers, differentiation strategy offers value to the customer through product innovation and processes (Latifah et al., 2020; Camison and Villar-Lopez, 2010). According to Urban and Verachia (2019), innovation comprises several aspects at a firm-level where interaction happens between an individual and other actors of the organizations. The most widely accepted definition of innovation is given by OECD (2005) which emphasizes the implementation of new ideas, products, processes involved in manufacturing at the organizational level (Szłapka et al., 2017). Product innovation is considered an innovation when it is properly implemented in the market (Clark, 2010). The management of the organization and employees are considered the main elements of the innovation as they are involved in the strategy-making of the organization (Urban, 2017). The management of the organization is the key component as they make strategies and provide useful resources and work on technology to stimulate the process of innovation in the organization (Latifah et al., 2020). This reflects that without managerial decision-making and strategy, the process and implementation of innovation do not qualify (Gault, 2018). Accordingly, the researchers suggest that various types of innovations are crucial to boosting firm performances (Makanyeza and Dzvuke 2015; Gunday et al., 2011; Hung and Chou, 2013). In addition, Bodlaj et al. (2020) emphasize that different types of

innovations have positive effects on one another but they eventually boost firm performances. Based on the above arguments, we deduce that the business strategy of the firm influence various dimensions of SMEs performance. Hence, we hypothesized that:

H1: Business strategy has a positive impact on process innovation.

H2: Business strategy has a positive impact on product innovation.

H3: Business strategy has a positive impact on organizational innovation.

Urban and Verachia (2019) suggested that multiple dimensions of innovations such as process, product, and organizational innovations have a positive impact on business performances. According to Atalay, Anafarta, and Sarvan (2013), process innovation is the implementation of new processes to business operations that stimulates the process of production and help to achieve competitive advantage. As posited by Njeri (2017), process innovation refers to the implementation of materials and equipment that increase business performance and improve service deliveries that lead to financial and non-financial business performances. Similarly, other researchers found the positive influence of process innovation on business performance (Atalay et al., 2013). Contrary to these findings, other scholars have argued that) indicated that process innovation does not influence firm performance (Karabulut, 2015; Makanyeza and Dzvuke, 2015). Therefore, it is essential to understand the effects of process innovation on the market and financial performance of the manufacturing SMEs in Thailand. Hence, we hypothesized that:

H4: Process innovation has a positive impact on market performance.

H5: Process innovation has a positive impact on financial performance.

Product innovation refers to a firm ability to innovate and design new products that meet customers' demands and provide value through the development of an entirely new product line in the same category (Njeri, 2017). Product innovation involves increment in product designs and specifications to meet the market demand and to enhance the financial and marketing worth of the firm (Mabenge et al., 2020). In the modern days, innovation has become an integral part of organizational success (Urban and Verachia, 2019). Makanyeza and Dzvuke (2015) conducted a study on the effects of various dimensions of innovation on firm performances and found that product innovation has a significant and positive influence on organizational performance. Similarly, Hassan et al. (2013) conducted a study in the manufacturing sector of Pakistan found that product innovation has vital importance in firm performance. In addition, Karabulut (2015) study revealed the positive effect of product innovation on firm performance. Contrary to these findings, the study conduct by Stojčić, Hashi, and Aralica (2018) found no relationship between product innovation and firm performance. As such, it is evident that product innovation influences firm performance in many ways, hence it is pertinent to test the effects of product innovation on the market and financial performances of the firm. Hence, we assume that product innovation will have a positive impact on the market and financial performances of manufacturing SMEs in Thailand. Hence, we hypothesized that:

H6: Product innovation has a positive impact on the market performance of the firm.
H7: Product innovation has a positive impact on the financial performance of the firm.
Organizational innovation is also important for the performance of the business as it is related to the execution of new practices at the organizational level (Gault, 2018). Organizational innovation consists of several changes that encompass organizational structural change, workplace organization, business practices, and change in the external affairs of the organization (Kahn, 2018). These changes would facilitate the work environment and increased employees' satisfaction, reduce transaction and administrative costs (Mabenge et al., 2020; Makanyeza and Dzvuke 2015). The study of Mabenge et al. (2020) revealed that organizational innovation has no impact on the market and financial performance of the organization. Based on the above contradiction results, it is, therefore essential to understand the effects of this phenomenon on organization market and financial performances. Hence, we hypothesized that:
H8: Organizational innovation has a positive impact on market performance.
H9: Organization innovation has a positive impact on financial performance.
The conceptual model as shown in figure 1 based on resource-based view theory outlined the importance of business strategy leading to innovations and business performances.

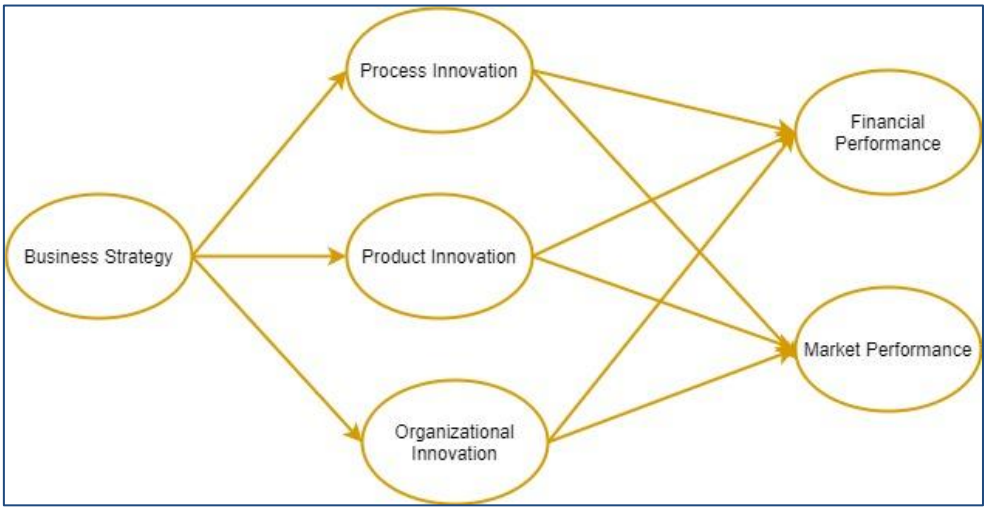

Figure 1: Conceptual Model of the Research Study

Research Methodology

This study has used a survey design to collect data from the respondents. A total of 400 manufacturing SMEs were selected for this study from the database, Ministry

of Industry, Thailand. Due to the COVID-19 pandemic, personal visits to the office were not possible. Therefore, researchers have gathered the email addresses of the 750 top and middle-level employees from the SMEs' websites. A Google form survey along with a cover letter mentioning the confidentiality of the data was designed and sent to SMEs employees' email addresses. At the first stage, we were able to collect the data of only 69 employees. After sending several reminder emails after an interval of one week, after three months, we were able to collect 394 data from the SMEs employees. Preliminary analysis of the data identified two outliers that were removed before the final analysis. The process of data collection started from February 2021 to April 2021. The demographics of the employees are shown in table 1.

Table 1. Demographic Profile

Characteristics	Frequency	Percentage
Gender		
Male	223	56.9
Female	169	43.1
Age in years		
22 – 27	64	16..3
28 – 33	262	66.8
34 – 39	59	15.1
> 40	7	1.8
Managerial experience		
< 7	125	31.9
8 – 14	136	34.7
15 – 21	87	22.2
> 21	44	11.2
Age of firm		
< 5	127	32.4
6 – 10	133	33.9
11 – 15	88	22.4
> 15	44	11.2

The questionnaire was designed on Google form that contains demographic information and constructs measurement items. The items of constructs were measured through a five-point liker scale. The researchers adapted the items of constructs from past studies. The scale for the measurement of strategy has been adapted from the study of Latifah et al. (2020). It contains five items. Sample questions for this scale include: 1) the company tries to innovate by introducing new products to the market, and 2) the company continues to see product quality

based on differentiation. Process innovation has been measured with four scale items from the study of Makanyeza and Dzvuke (2015) and Tohidi and Jabbari (2012). Sample items for process innovation include: 1) the company discovered and removed non-value-adding activities in its processes related to delivery, and 2) the company made changes in the technologies used. Product innovation has been measured with four scale items adapted from the study of Fındık and Beyhan (2015);, Santos-Rodrigues et al. (2016). Sample items for product innovation include: 1) the company has introduced a product/service that was new to the industry, and 2) the company has introduced a product/service that was new to the organization. Organizational innovation has been measured with five items scale adapted from the studies of Mabenge et al. (2020) and Makanyeza and Dzvuke (2015). Sample items for the measurement of organizational innovation include: 1) the company has adjusted its supply chain management systems, and 2) the company has adjusted its organizational structure to encourage teamwork. The scale for the measurement of market innovation and financial innovation was adapted from the study of Chou et al. (2020). Sample items for market innovation and financial innovation include innovation has increased average spending per customer and innovation brings significant profits for the company respectively.

Results and Discussion

The measurement model in table 2 and figure 2 highlight the details of reliability and validity of the constructs.

Table 2. Measurement Model

Constructs	Indicator	Loading	CA	CR	AVE
Business Strategy	ST1	0.884	0.928	0.946	0.777
	ST2	0.850			
	ST3	0.901			
	ST4	0.863			
	ST5	0.909			
Process Innovation	PRO1	0.835	0.873	0.913	0.724
	PRO2	0.858			
	PRO3	0.873			
	PRO4	0.838			
Product Innovation	PI1	0.940	0.905	0.935	0.784
	PI2	0.934			
	PI3	0.740			
	PI4	0.911			
Organizational Innovation	OI1	0.948	0.938	0.953	0.804
	OI2	0.850			
	OI3	0.838			
	OI4	0.927			

	OI5	0.913			
Market Performance	MP1	0.892	0.771	0.897	0.813
	MP2	0.911			
Financial Performance	FP1	0.929	0.934	0.958	0.883
	FP2	0.955			
	FP3	0.936			

Note: ST = Business strategy, PRO = Process Innovation, PI = Product Innovation, OI = Organizational Innovation, MP = Market Performance, FP = Financial Performance. The complete measurement scale containing entire items of the indicators is provided in Appendix-A.

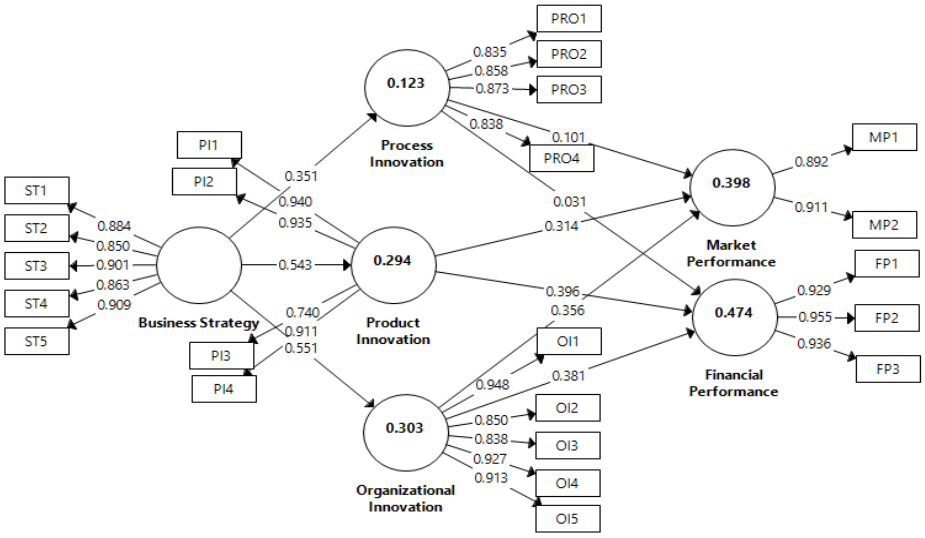

Figure 2: Measurement Model

Table 3. Discriminant Validity

Latent variables	1	2	3	4	5	6
Business Strategy	**0.882**					
Financial Performance	0.609 *(0.648)*	**0.940**				
Market Performance	0.577 *(0.674)*	0.747 *(0.885)*	**0.902**			
Organizational Innovation	0.551 *(0.581)*	0.594 *(0.626)*	0.552 *(0.644)*	**0.896**		
Process Innovation	0.351 *(0.386)*	0.313 *(0.344)*	0.344 *(0.419)*	0.363 *(0.398)*	**0.851**	
Product Innovation	0.543 *(0.585)*	0.601 (0.654)	0.531 *(0.637)*	0.509 *(0.549)*	0.363 *(0.412)*	**0.885**

The study has used SPSS and variance-based PLS-SEM statistical tools to analyze the data. SPSS has been used to identify the multivariate outliers through the Mahalanobis distance method as it is an effective technique to find out the distance between two points. Further, through the principle axis method, we have tested common method bias. The results depict that a single factor contributed to a 44.66% variance in the total data. The test of common method bias is essential in social sciences due to self-reported data (Conway and Lance, 2010) which may cause to inflate the data. Common method bias is a serious threat to data credibility. As the results of this study depicted that single factors accounted for less than 50% variance in data, common method bias is not a threat in this case. PLS-SEM is a non-parametric technique that required small sample size to test the proposed relationships among constructs. Furthermore, this technique does not require the assumption of data normality (Hair et al., 2014).

The analysis of the measurement model includes reliability and validity measurements. In this study, reliability has been measured through Cronbach's alpha values and composite reliability (CR). The value of Cronbach alpha above 0.70 is considered reliable. As depicted in table 2 the values of all constructs are above 0.70, confirming the internal consistency of the data. Further, CR values were assessed for internal consistency because researchers considered CR values more credible than Cronbach alpha (Hair et al., 2014). The values of CR for all constructs range 0.771 to 0.938, confirming the data reliability. Next, convergent validity was measured through CR and the values of average variance extracted (AVE). Convergent validity refers to the extent to which a construct correlates with another construct. The values of CR above 0.70 and AVE above 0.50 represent the presence of convergent validity. Table 2 shows the analysis of the measurement model.

Further, to ensure that constructs used in this study were unrelated to one another (Hair et al., 2014; Henseler et al., 2015), we measured discriminant validity through Fornell and Larcker criterion and the Heterotrait-Monotrait ratio (HTMT) as shown in table 3. According to Fornell and Larcker's (1981), the square roots of the AVE must be greater than the correlation among the constructs. Table 3 showing the values of square roots of AVE of all constructs is greater than their corresponding correlations. Further, HTMT criterion was used to assess discriminant validity. Henseler et al. (2015) suggested less than 0.90 values for all constructs for discriminant validity. According to these both criterions, discriminant validity is established in this study.

The predictive power of the model has been assessed through predictive accuracy and predictive relevance of the model. Predictive accuracy was measured using the R2 value for endogenous construct. In this study, the value of R2 was 39.8% and 47.4% for the market performance and financial performance respectively (Cohen, 2013). These values of R2 are explaining moderate to high variance in the endogenous constructs. Next, we assessed predictive relevance through Q2 values. The value of Q2 above 0 indicates the predictive relevance of the model and model

fit. Q2 is the Cross-redundancy that is identified through the blindfolding method. In this study, the values of Q2 for endogenous constructs are 31.6% for market performance and 40.9% for financial performances indicate the high predictive relevance of the model (Hair et al., 2014).

The structural model illustrated in table 4 and figure 3 explains the hypotheses summary and structural model, respectively. The proposed hypotheses have been tested using the 2000 bootstrapping resampling technique. There were a total of nine hypotheses; only one hypothesis was rejected that proposed the positive impact of process innovation on financial performance. H1, H2, H3 proposed positive impact of business strategy on process innovation, product innovation and organizational innovation were accepted with (β=0.351, $p < 0.05$), (β=0.543, $p < 0.05$), and (β=0.551, $p < 0.05$) respectively. H4 was related to the positive impact of process innovation on market performance was accepted (β=0.543, $p < 0.05$). H5 was related to the positive impact of process innovation on financial performance was rejected (β=0.031, $p = 0.493$). H6 and H7 were related to the positive impact of product innovation on market and financial performance were accepted with (β=0.314, $p < 0.05$), and (β=0.396, $p < 0.05$) respectively. H8 and H9 were related to the positive impact of organizational innovation on market and firm performances were accepted with (β=0.356, $p < 0.05$), and (β=0.381, $p < 0.05$) respectively.

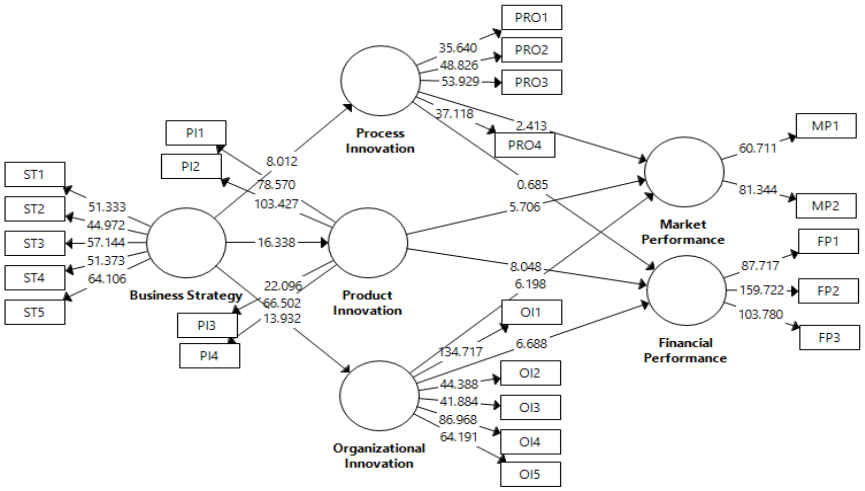

Figure 3: The Structural Model

Table 4. Hypotheses Summary

Hypotheses	Path Coefficient	p-values	t-values	Decision
ST → PRO	0.351	0.000	8.012	Supported
ST → PI	0.543	0.000	16.338	Supported

ST → OI	0.551	0.000	13.932	Supported
PRO → MP	0.101	0.016	2.413	Supported
PRO → FP	0.031	0.493	3.733	Not supported
PI → MP	0.314	0.000	5.706	Supported
PI → FP	0.396	0.000	8.048	Supported
OI → MP	0.356	0.000	6.198	Supported
OI → FP	0.381	0.000	6.688	Supported

Theoretical Implications

This study aims to contribute to the literature of resources-based view theory (RBV). Resource-based view theory posits that organizational internal resources are vital for business performances. This study used differentiation strategy as the antecedents of different types of innovations. Although prior studies have considered differentiation strategy an important component of business performances, the link between the strategy and different types of innovation has been missing in the extant literature. Therefore, to fill this gap, this study has taken strategy and innovations as internal capabilities and resources of the organizations that help to boost the market and financial performances of manufacturing SMEs. Innovation in this study consists of process, product, and organizational innovations. As the effect of organizational innovation is insignificant, therefore, it is not an important antecedent of business financial performances. However, organizational performance significantly affects the market performances of SMEs. The significant and positive effects of strategy on innovations, and process, product, and organizational innovations have significant contributions in the literature. It signifies that these are important dimensions of organizational performances and competitive advantage.

Theoretical Implications

This study offers several practical implications to managers and strategists working in the SME sectors of emerging markets. From a strategic perspective, the strategies of the business are core component that differentiates a business from the others as posited by previous researchers (AlQershi, 2021; Badri et al., 2000; Crema et al., 2014). For this reason, this study has mainly focused on the impact of differentiation strategy on various types of innovations. The results of the study reveal that organization differentiation strategies improve the process, product, and organizational innovation. In line with this, Latifah et al. (2020) emphasized the importance of business strategies on innovation and argued that firms should focus on improving differentiation strategies to outperform the competitors. In addition, innovation has a multi-dimensional aspect that separately contributes to the success of the business. Process innovation is an integral part of the business operations that facilitate other internal components of better outputs. Product innovation involves the combination of several features in products such as product quality,

design, value to customers, and delivery of the products. Organizational innovation leads to better employees' performances and improvements in the structure of the organization. Together, all these aspects of innovation are vital that substantially improves business market and financial performance. In the context of emerging markets such as Thailand, the importance of innovations in manufacturing SMEs cannot be ignored. To improve the financial performance of the organizations, managers and marketers need to focus on employee training and development programs and maintain the high standards benchmarks as global competition requires companies to provide additional benefits to customers. The value of organizational structure improves processes and products that eventually affect customers' satisfaction and improves financial performances.

Discussions

The results of the study show that business strategy has a positive impact on the process, product, and organizational innovations of the manufacturing SMEs in emerging markets. These findings are consistent with the results of previous researchers where they argued that strategy has the the key and integral element of business innovations (Latifah et al., 2020; Clark, 2010), and improves overall business performances (Isichei et al., 2020). In terms of the positive influence of process innovation on SME performances, the findings of this study reveal that process innovation positively influences the market and financial performances of the manufacturing SMEs. This is in line with the findings of Atalay et al. (2013), where authors have emphasized the role of process innovation in business performances. They further suggested that implementation of the new process in businesses would improve production and add value to the firm's capacity. Product innovation has also a positive influence on the firm market and financial performance, and this is consistent with the findings of Mabenge et al. (2020) and Hassan et al. (2013). The authors argued that incremental improvements in product designs improve market and financial performances. Therefore, it is suggested that the firm focus on product improvements through research and development and fulfill the customers' need for better business performances. In addition to this, the results revealed that organizational innovation has a positive influence on the market performance of the firm which matches the results of (Mabenge et al., 2020; Gault, 2018). The authors posited that executing better practices lead to employees' satisfaction and improve their performance which has a positive impact on market performances. However, the positive impact of organizational innovation on financial performance was insignificant which is consistent with the findings of Mabenge et al. (2020). Structural organizational changes and the development of employees would improve financial performance because interconnection among departments would smooth the process of the transaction and reduce administrative costs and improve the profitability of the organization.

Conclusion, Limitations and Future Recommendations

This study aims to predict the market and financial performances of the firm based on resource-based view theory (RBV). The RBV argues that organizational internal resources are vital for competitive advantage and success (Muangmee et al., 2021; Wernerfelt, 1984). The strategies of the businesses are the most important part of organizational success (Latifah et al., 2020). Further, researchers argued that differentiation strategy with effective implementation significantly improves SMEs' performances. Therefore, understanding the impact of differentiation strategy on different types of innovation in SMEs is essential as it would eventually improve the financial and market performances of the firms. This study analyzed the effect of differentiation strategy and innovations' impact on business performances. Overall, the variance explained by the independent variables on dependent was very good, and the predictive power of the model was moderate to high signify the effectiveness of this study model. Therefore, the results of this study are relevant and important for emerging markets. The findings of the study emphasize the importance of internal organizational resources to compete in the dynamic environment of business. The results outline that differentiation strategy, process, product innovations are vital to excel firm performances. However, it is suggested to improve organizational capacity and implement new ideas to improve financial performances. The SME in emerging markets need to maintain high work ethics that would accelerate performances.

This study has contributed to the literature of resource-based view theory and business strategy. Although the study has presented a novel model that improves business performances, it has, however, some limitations. First, the study has taken differentiation strategy as business strategy; many other strategies could potentially improve the business performances such as low-cost strategy, and porter strategy dimensions. In the future, the studies can include two to three aspects of strategy and simultaneously analyze the impact on business performances. Another limitation is related to the data collected only from manufacturing firms in Thailand, future researchers can include the data from other sectors for a better understanding of SME performances in emerging markets. Due to COVID-19 and the restriction to face-to-face interviews, researchers have used an online platform for the collection of quantitative data. Future researchers can consider the option of face-to-face in-depth interviews for the qualitative data to better understand employees' tendency towards innovation and business performances.

Table 5. Appendix A: Measurement Scales

	Business Strategy - ST
ST1	The company has shown innovation and creativity in the market
ST2	The company continuously designs differentiation based products
ST3	The company continues to see product quality based on differentiation
ST4	The company tries to innovate by introducing new products to the market

ST5	The company creates new features as the market need
	Process Innovation - PRO
PRO1	The company made changes in the equipment or machinery used.
PRO2	The company made changes in the technologies used.
PRO3	The company discovered and removed nonvalue adding activities in its processes related to delivery.
PRO4	The company discovered and removed nonvalue adding activities in its production processes.
	Product Innovation - PI
PI1	The company has introduced a product/service that was new to the organization.
PI2	The company has introduced a product/service that was new to the industry.
PI3	The company developed a product that had new technical specifications and functionalities totally different from existing products.
PI4	The company made significant changes to the existing products/services it had.
	Organizational Innovation - OI
OI1	The company has adjusted its organizational structure so as to encourage teamwork.
OI2	The company has changed its procedures, processes and routines in order to perform activities in an innovative manner.
OI3	The company has made noteworthy changes to its organizational structure in order to facilitate coordination between departments such as production and marketing.
OI4	The company has made important changes in production and management systems.
OI5	The company has adjusted its supply chain management systems
	Market Performance - MP
MP1	Innovation resulted in high sales
MP2	Innovation has increased average spending per customer
	Financial Performance - FP
FP1	Innovation brings significant profits for the company
FP2	Innovation increases the return on investment
FP3	Innovation gives us better financial performance

References

Asadi, S., Pourhashemi, S. O., Nilashi, M., Abdullah, R., Samad, S., Yadegaridehkordi, E. and Razali, N. S., (2020). Investigating influence of green innovation on sustainability

performance: A case on Malaysian hotel industry. *Journal of cleaner production*, *258*, 120860.

Astuti, P., Datrini, L., (2021). Green competitive advantage: Examining the role of environmental consciousness and green intellectual capital. *Management Science Letters*, *11*(4), 1141-1152.

Atalay, M., Anafarta, N. and Sarvan, F., (2013). The relationship between innovation and firm performance: An empirical evidence from Turkish automotive supplier industry. *Procedia-social and behavioral sciences*, *75*, 226-235.

Badri, M. A., Davis, D. and Davis, D., (2000). Operations strategy, environmental uncertainty and performance: a path analytic model of industries in developing countries. *Omega*, *28*(2), 155-173.

Bhaskaran, S., (2006). Incremental innovation and business performance: small and medium- size food enterprises in a concentrated industry environment. *Journal of Small Business Management*, *44*(1), 64-80.

Bodlaj, M., Kadic-Maglajlic, S. and Vida, I., (2020). Disentangling the impact of different innovation types, financial constraints and geographic diversification on SMEs' export growth. *Journal of Business Research*, *108*, 466-475.

Camisón, C., Villar-López, A., (2010). Effect of SMEs' international experience on foreign intensity and economic performance: the mediating role of internationally exploitable assets and competitive strategy. *Journal of Small Business Management*, *48*(2), 116-151.

Chou, S. F., Horng, J. S., Liu, C. H., Huang, Y. C. and Zhang, S. N., (2020). The critical criteria for innovation entrepreneurship of restaurants: Considering the interrelationship effect of human capital and competitive strategy a case study in Taiwan. *Journal of Hospitality and Tourism Management*, *42*, 222-234.

Clark, D. N., (2010). Innovation management in SMEs: active innovators in New Zealand. *Journal of Small Business & Entrepreneurship*, *23*(4), 601-619.

Cohen, J., (2013). *Statistical Power Analysis for the Behavioral Sciences*. Routledge.

Conway, J. M., Lance, C. E., (2010). What reviewers should expect from authors regarding common method bias in organizational research. *Journal of Business and Psychology*, *25*(3), 325-334.

Dube, C., Chipumho, E., (2016). Response of the Manufacturing Sector to the Zimbabwe Economic Crisis. *Economic Management in a Hyperinflationary Environment: The Political Economy of Zimbabwe, 1980–2008*.

Fındık, D., Beyhan, B., (2015). The impact of external collaborations on firm innovation performance: Evidence from Turkey. *Procedia-Social and Behavioral Sciences*, *195*, 1425-1434.

Fornell, C., Larcker, D. F., (1981). Evaluating Structural Equation Models with Unobservable Variables and Measurement Error. *Journal of Marketing Research*, *18*(1), 39.

Gault, F., (2018). Defining and measuring innovation in all sectors of the economy. *Research policy*, *47*(3), 617-622.

Hair Jr, J. F., Sarstedt, M., Hopkins, L. and Kuppelwieser, V. G., (2014). Partial least squares structural equation modeling (PLS-SEM): An emerging tool in business research. *European business review*, *26*(2), 106-121.

Harmancioglu, N., McNally, R. C., Calantone, R. J. and Durmusoglu, S. S., (2007). Your new product development (NPD) is only as good as your process: an exploratory

analysis of new NPD process design and implementation. *R&d Management*, *37*(5), 399-424.

Henseler, J., Hubona, G. and Ray, P. A., (2015). Using PLS path modeling in new technology research: updated guidelines. *Industrial Management & Data Systems*, *116*(1), 2–20.

Hitt, M. A., (2011). Relevance of strategic management theory and research for supply chain management. *Journal of Supply Chain Management*, *47*(1), 9-13.

Jones, C., Pimdee, P., (2017). Innovative ideas: Thailand 4.0 and the fourth industrial revolution. *Asian International Journal of Social Sciences*, *17*(1), 4-35.

Kahn, K. B., (2018). Understanding innovation. *Business Horizons*, *61*(3), 453-460.

Karabulut, A. T., (2015). Effects of innovation types on performance of manufacturing firms in Turkey. *Procedia-Social and Behavioral Sciences*, *195*, 1355-1364.

Latifah, L., Setiawan, D., Aryani, Y. A. and Rahmawati, R., (2020). Business strategy–MSMEs' performance relationship: innovation and accounting information system as mediators. *Journal of Small Business and Enterprise Development*, *28*(1), 1-21.

Makanyeza, C., Dzvuke, G., (2015). The influence of innovation on the performance of small and medium enterprises in Zimbabwe. *Journal of African Business*, *16*(1-2), 198-214.

Martínez González, J. A. and Kobylińska, U., (2019). Influence of personal variables on entrepreneurial intention: A comparative study between Poland and Spain. *Engineering Management in Production and Services*, *11*(1), 68–79.

Mamman, A., Bawole, J., Agbebi, M. and Alhassan, A. R., (2019). SME policy formulation and implementation in Africa: Unpacking assumptions as opportunity for research direction. *Journal of business research*, *97*, 304-315.

Muangmee, C., Dacko-Pikiewicz, Z., Meekaewkunchorn, N., Kassakorn, N. and Khalid, B., (2021). Green Entrepreneurial Orientation and Green Innovation in Small and Medium-Sized Enterprises (SMEs). *Social Sciences*, *10*(4), 136.

Nguyen, T. T. N., Luu, T. M. N., (2019). Linking transformational leadership and organizational performance: An empirical investigation of manufacturing firms in Vietnam. *Economics & Sociology*, *12*(2), 170–191.

Nicholas, J., Ledwith, A. and Perks, H., (2011). New product development best practice in SME and large organisations: theory vs practice. *European Journal of Innovation Management*, *14*(2), 227-251..

Njeri, A., (2017). *Effects of innovation strategy on firm performance in telecommunications industry: A case of Safaricom Kenya limited* (Doctoral dissertation, United States International University-Africa).

Organization for Economic Co-operation and Development (OECD)., 2005. Oslo Manual. Guidelines for Collecting and Interpreting Innovation Data: The Measurement of Scientific and Technological Activities. Oslo, Paris.

Santos-Rodrigues, H., Dorrego, P. F. and Jardon, C. F., (2010). The influence of human capital on the innovativeness of firms. *International Business & Economics Research Journal (IBER)*, *9*(9).

Shaukat, S., Nawaz, M. S. and Naz, S., (2013). Effects of innovation types on firm performance: An empirical study on Pakistan's manufacturing sector. *Pakistan Journal of Commerce and Social Sciences (PJCSS)*, *7*(2), 243-262.

Singh, R. K., Garg, S. K. and Deshmukh, S. G., (2010). The competitiveness of SMEs in a globalized economy. *Management research review*, *33*(1), 54.

Stojčić, N., Hashi, I. and Aralica, Z., (2018). Creativity, innovations and firm performance in an emerging transition economy. *Ekonomski pregled*, *69*(3), 203-228.

Suvittawat, A., (2019). Passions and enthusiasm of small and medium enterprises (SMEs): A case study of Nakorn Ratchasima province, Thailand. *Entrepreneurship and Sustainability Issues*, *6*(3), 1369.

Swamidass, P. M., Newell, W. T., (1987). Manufacturing strategy, environmental uncertainty and performance: a path analytic model. *Management science*, *33*(4), 509-524.

Szłapka, J. O., Stachowiak, A., Batz, A. and Fertsch, M., (2017). The level of innovation in SMEs, the determinants of innovation and their contribution to development of value chains. *Procedia Manufacturing*, *11*, 2203-2210.

Tohidi, H., Jabbari, M. M., (2012). Innovation as a success key for organizations. *Procedia Technology*, *1*, 560-564.

Urban, B., (2017). Corporate entrepreneurship in South Africa: The role of organizational factors and entrepreneurial alertness in advancing innovativeness. *Journal of Developmental Entrepreneurship*, *22*(03), 1750015.

Urban, B., Verachia, A., (2019). Organisational antecedents of innovative firms: a focus on entrepreneurial orientation in South Africa. *International Journal of Business Innovation and Research*, *18*(1), 128-144.

Wernerfelt, B., (1984). A resource- based view of the firm. *Strategic management journal*, *5*(2), 171-180.

Isichei, E. E., Agbaeze, K. E. and Odiba, M. O., (2020). Entrepreneurial orientation and performance in SMEs. *International Journal of Emerging Markets*, 15(6), 1219-1241.

Zhao, X., Sun, B., (2016). The influence of Chinese environmental regulation on corporation innovation and competitiveness. *Journal of Cleaner Production*, *112*, 1528-1536.

DETERMINANTY WYNIKÓW MŚP OD STRATEGII BIZNESOWEJ DO INNOWACJI

Streszczenie: Małe i średnie przedsiębiorstwa mają istotny wkład w rozwój narodów. Wdrożenie strategii promującej innowacyjność ma kluczowe znaczenie dla wyników biznesowych. Niniejsze badanie ma na celu przewidzenie wpływu strategii biznesowej i innowacji na wyniki rynkowe i finansowe przedsiębiorstwa. . Ankieta internetowa została wykorzystana do zebrania danych od menedżerów MŚP produkcyjnych na rynku wschodzącym w Tajlandii. Od uczestników badania otrzymano łącznie 392 aktualne zestawy danych. Do analizy danych wykorzystano modelowanie cząstkowych równań strukturalnych metodą najmniejszych kwadratów (PLS-SEM). Wyniki badania pokazują, że innowacje w zakresie strategii biznesowej, procesów, produktów i organizacji są ważnymi poprzednikami poprawiającymi wyniki małych i średnich przedsiębiorstw. Wyniki pokazują jednak, że wyniki organizacyjne mają nieznaczny wpływ na wyniki finansowe firmy. Badanie wniosło wkład w literaturę dotyczącą teorii poglądów opartych na zasobach i dostarczyło przydatnych implikacji dla menedżerów związanych ze strategią biznesową i innowacjami, które poprawiają wyniki rynkowe i finansowe MŚP na rynkach wschodzących.

Słowa kluczowe: strategia biznesowa, innowacje procesowe, innowacje produktowe, innowacje organizacyjne, wyniki rynkowe.

中小企业业绩的决定因素——从商业战略到创新

摘要: 中小企业为国家的发展做出了重要贡献。实施促进创新的战略对业务绩效至关重要。本研究旨在预测业务战略和创新对企业市场和财务业绩的影响。在线调查用于从泰国新兴市场的制造业中小企业经理那里收集数据。从研究参与者那里总共收到了392个有效数据集。偏最小二乘结构方程模型(PLS-SEM)已被用于分析数据。研究结果表明，业务战略、流程、产品和组织创新是提高中小企业绩效的重要前提。然而，结果表明组织绩效对公司财务绩效的影响不显着。该研究为基于资源的观点理论的文献做出了贡献，并为与改善新兴市场中小型企业的市场和财务绩效的商业战略和创新相关的管理人员提供了有用的启示。

关键词:经营战略、流程创新、产品创新、组织创新、市场绩效。