



## REVIEW ARTICLE

# THE FACTORS BEHIND THE SUCCESS OF ASIAN FIRMS: AN EXAMPLE FOR EMERGING AFRICAN FIRMS TO EMULATE A LITERATURE REVIEW

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### ABSTRACT

**Purpose of Study:** The purpose of this paper is to review literature on the factors behind Asian firms, an example for emerging African firms to emulate.

**Design and Methodology:** This is a literature review.

**Research limitations/Implications:** The idea of SMEs is an old one, as old as when the first business was thought of by the human race. But the factors, philosophy and strategy behind the SMEs success of Asian firms is unique to Asian firms. The review was limited in terms of the theories that explain the process of success of the small and medium enterprises.

**Practical Implications:** The concept of starting a business has to come naturally from the individual without influence of family members, friends, work associates or government policies. This enables the entrepreneur to stand a better chance to persevere when conditions are not favouring business performance.

**Originality/Value:** The paper fills the gap in the literature review in that it highlights what has been done by majority of Asian firms and their success secrets and how the same may be replicated by African start-up and emerging firms.

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## INTRODUCTION

This paper aims to review the literature related to the success of SMEs in Asian countries for decades despite the world economic depression, globalization and the fast technological changes world-wide. In this literature review paper, small firms refer to SMEs or emerging entrepreneurs. The term success as used in this paper is not absolute for it differs on its definition from one economy to another, from country to country and from developed to developing and less developed countries. Eriksson (2012) quoting Jennings and Beaver (1997) argues that determining the success of the firm can be problematic and complex issue. There is no single agreed upon definition of success and business success has been interpreted in many ways (Stefanovic *et al*, 2010, Islam *et al*, 2011 as cited by Forey and Green, 1989) as acknowledged by Eriksson, (2012). Though varying definitions of success, Eriksson (2012) quote Pasanen (2003) who indicated that the success of SMEs can be measured by four factors;

- Age
- Growth in terms of turnover

- The owner-manager's self evaluation of business success
- Owner manager's satisfaction with business success.

Eriksson (2012) outline the internal environmental factors of success of SMEs as; brand strategy, suitable IT support, professional experience with the owner, a well-functioning human resource strategy, quality management, distribution of knowledge in networks and proper management of general knowledge of the organization. Hove and Tarisai's (2013) study show that the internal factors to the success of the firm are doing the SWOT analysis and having a developed and elaborate business plan. On the other hand, Eriksson (2012) gives external factors of SMEs success as profitable taxation, attitude and policy of local authorities, availability of skilled labour, external investment and infrastructure. Dragnic's (2014) study confirmed eight internal factors of business success as follows; business entity size, life cycle stages, technology, product innovation, organizational autonomy, centralization and formalization, market roles and type and the importance of strictly following the firm's goals. To Dragnic's (2014) the external factors of the firm are; general state of the economy, sector type of operation and type of customers to the business one is exchanging with.

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## Definition and origin of small and medium sized enterprises

Jasra, Khan, Hunjra, Rehman and Azam (2011) say that enterprises qualify as small and medium-sized enterprises (SMEs) if they fulfill a certain criteria. Medium-sized have employees who are less than 250, turnover of less than or equal to \$ 50 million and a balance sheet of less than or equal to \$ 43million. While small enterprises have less than 50 employees, have turnover of less than or equal to \$10 million and a balance sheet of equal to or less than \$ 10 million. Vandenbe, Chantapacdepong and Yoshino (2016) argue that the definition of SMEs differs from one country to another. Individual states use their own definitions for domestic purposes. Jasra *et al* (2011) acknowledge that larger enterprises have their origin in small and medium sized enterprises. To this end, Jasra *et al* (2011), quoting UNIDO Report (2003) argue that SMEs are the major sources of income, a breeding ground for entrepreneurs and provider of employment. Jasra *et al* (2011) shows the importance of SMEs to respective economies in Asian countries. This is shown in table 1.

**Table 1. Importance of SMEs to the National Economies**

Country	SMEs % of all Enterprises	SME employees as % of total employee population
Hong Kong	98.0	60.0
Thailand	99.7	58.0
Philippines	99.6	70.0
Japan	98.9	69.2
Malaysia	96.1	45.0
Singapore	99.7	57.0
Taiwan	97.7	68.8

Source; as quotes by Jasra *et al* (2011): White Paper on Small and Medium Enterprises in Taiwan, 2006.

Vandenbe *et al*'s (2016) report of SMEs in developing Asia, they argue that SMEs make a significant contribution to the economies of Asia. Their sheer number is overwhelming, as they account for 98% or more of all enterprises in most countries. They generate employment, make investments in plant and machinery, and create value through production of goods and services. Rose, Kumar and Yen (2006) on their study on the dynamics of entrepreneurs' success factors in influencing venture growth, they found out that founding entrepreneurs are found to be concerned with equipment selection, quality of products and services, competitive strategies planning and the improvement of product and service.

## Reasons for success of Asian Small and Medium Sized Enterprises

### Personal Initiative

Every human activity has its beginning either through reasoning intuition or learning and coping from other people. Rose, Kumar and Yen's (2006) research set out to identify the success factors of founding entrepreneurs in Malaysia contributing to their companies' venture growth. Rose *et al*'s (2006) study singled out personal initiative, among other factors, as one of the major key success. Rose *et al* (2006) argue that entrepreneurs with high personal initiative naturally overcome the disadvantages or weaknesses in them with their self-starting and pro-active attitude. The study, Rose *et al* (2006), also found out that entrepreneur's education level,

working experience and whether their parents own business had a positive relationship with their success. According to Rose, Kumar and Yen (2006) in their study on the dynamics of entrepreneurs' success factors in influencing venture growth, they found out that a larger number of entrepreneurs affirmed personal initiative as one of the key success factors. Personal initiative enhances their management, improves operational skills, and embarks in a continuous learning and development attitude. Rose *et al* (2006) further found out that high personal initiative entrepreneurs are typical "go getters" and persist in all their work until results are achieved. This attitude serves them well in areas such as seeking funds and support, and to keep themselves motivated. Close to personal initiative of starting the business, a study carried in Thailand indicate that, at the start-up stage of the business, entrepreneurs grow a family business by do-it yourself style to achieve business goals. At the family level, staffs are treated like family members and the work environment is harmonious and operational. Internal communication is efficient. From the family level, the business grows into private business and eventually into partnership (Ha *et al*, 2014). Ha *et al*'s (2014) results of the study indicate the significant difference between private businesses and family-run businesses, and family-run business with partnership. They found out that family-run businesses gain more advantage than private businesses while partnership businesses also gain more advantages than family-run businesses. A family-run business manages time effectively when compared with a private business since the former has more people; more staff is involved in business activities. A private business works alone without an efficient team and proper time management.

Ha *et al* (2014) argues that major critical successful entrepreneurs come from the service sector, the trading sector and the brand manufacturing sector. Regarding the service sector, Thailand is famous for her international image as land of service and smile. Her work-related value and background arose from the Thai culture. Regarding the trading sector, it is also found that Thailand is full of various products ranging from agricultural to industrial. The trading sector earns competitive advantage due to low cost of raw materials, low cost of skilled labour when compared with other competing countries and favourable government economic policies that encourage international business. For brand manufacturing sector, entrepreneurs have family-DNA-incubated creativity and apply their experience to new and better business management practices, problem-solving, product innovation and new sales channels for a higher level of success. Moreover, they invent new machines and tools, use the latest technology and raw materials for operating improvement, and apply modern management effectively for cost reduction. Vandenbe *et al* (2016) argue that small firms are often characterized as being innovative and dynamic, with the flexibility to adapt quickly-due to their size, to changing market conditions and consumer demands. On the other hand, Vandenbe *et al* (2016) argue that Indian SMEs' innovation is not to make new machines, because of lack of research and development funds. Instead, their key form of innovation is purchase of new machines followed by efforts to improve product quality and standardization.

Ebrahim *et al* (2010) are in agreement with Vandenbe *et al*'s (2016) idea of product quality and standardization, by saying that new product development (NPD) is the critical factor in ensuring the continued survival of SMEs. Bhuiyan (2011)

agrees with Ebrahim *et al* (2010) by saying that NPD firms should have a clear and well communicated strategy. These firms should have well defined new product arenas along with long-term trust, with clear goals. Successful businesses and teams of NPD have a dedication towards the voice of the customers. It is clear that these firms should gather as many ideas as possible and a larger number of these ideas should come from customers so that the firm can be in a position to design and develop winning new products. Up-front homework prior to the initiation of product design and development is found to be a key factor in a firm's success. Xie's (2012) study in Japan about the efficiency and flexibility in small firms found out that when customer needs are relatively clear and customer relations are important, small firms may use product design as a starting point. Small firms generally have a small customer base, which makes in-depth customer analysis possible so that they can develop customer products. Ng and Kee (2012) argue from the *Kaizen* factor on the success of SMEs in Japan. *Kaizen* means continuous improvement of productivity and quality based on a participatory process involving the entire workforce. With no requirement of huge investment, it is a low-cost approach to productivity and quality improvement. The *Kaizen* philosophy assumes that people's way of life, be it their working life, their social life or their home life, should focus on content improvement efforts through its two prominent features; incremental and continuous improvement and involvement of the entire workforce.

#### Foreign direct investment (FDI) and government policies

In addition to employment creation, internal favourable economic and political policies help countries achieve much for entrepreneurs. In regard to economic policies, Gharleghi and Yin-fah's (2014) study show how foreign direct investment (FDI) has a positive effect on the success of Malaysian SMEs. The positive effects of FDI include; technology transfer, knowledge transfer, productivity techniques and infrastructure model from foreign countries into domestic market. To this end, local firms get to know technological know-how of foreign experts or hiring employees with experience who have worked in foreign firms. Ha *et al* (2014) comments that favourable economic policies help encourage international business. Similarly, Glisovic and Martinez (2012) say that in the current political and economic environment, jobs are at the center of political debates in both developed and developing economies. There are many expectations that small enterprises can create new jobs, although recent studies suggest that small enterprises contribute more to the employment share in low-income economies than high-income economies. Kondo's (2012) paper addresses possible strategies that Japan companies have started and would do well to continue to adopt. Among these are;

- Large scale initial investment.
- Joint ventures.
- Central decision making.
- Adaptation of products to the Indian market.
- Large scale advertisement campaigns.
- Alternative corporate models.
- Human resource relations.

Haong and Lapumnuaypon (2007) in their literature review they found out that the critical factors of success are as follows;

- Complete and clear objectives, goals and scope of the project.
- Client consultation and acceptance.
- Project manager's competence and commitment.
- Project team members' competence and commitment.
- Communication and information sharing and exchange.
- Project plan development.
- Merger and acquisition advisory resource planning.
- Time management and tight secrecy.
- Price evaluation and financing scheme.
- Risk management.

Windirah, Suwarsinah and Adhi (2017) argue that internal factors that contribute to SMEs success include; education business, experience, facilities and infrastructure, ownership and business perception. They also attribute success to entrepreneurial behavior variables such as hard-working, responsiveness to opportunity, innovative, risk taking and independence. Samal, Tripathy and Aich (2014) say MSMEs are of the most effervescent and responsive sectors in Indian economy. The significance of MSMEs is attributable to their ability to employment generation, low investment and technology requirement, use of conventional and inherited skill, use of local resources, resource mobilization and exportability of products.

#### Mastery of marketing strategies

Taneja, Girdhar and Gupta (2012) indicate that the success of global firms in India is as a result of attempting to understand well the needs of the target group before introducing a brand into the market. Johnson and Terris (2008) argue that smaller firms are more successful than large ones. Papulova and Mokros (2007) agree with Johnson and Terris (2008) that small enterprises are generally considered to be more operative, can respond quicker and are more flexible than big companies, which form their strategies for years. Chittithaworn *et al* (2011) examined eight factors that influence the SMEs business success. These factors are; SMEs characteristic, management and know-how, products and services, customer and market, the way of doing business and cooperation, resources and finance, strategy and external environment. In their study, Moorthy *et al* (2012) on the factors affecting performance of SMEs in Malaysia, they found out that the use of marketing information can influence performance of SMEs. Abdullah and Zain's (2011) work comment that reduction of trade barriers and development in information and communication technology provide an opportunity for small and medium enterprises (SMEs) to expand their businesses into foreign market, even on the first day of establishment.

Ayupp and Tudin's (2013) study indicate that choosing the correct strategy is crucial for the success of any business ventures, and this is even so for small firms that have limited resources. The result of their (Ayupp and Tudin, 2013) study indicate that majority of the firms adopted market penetration strategy due to its perceived low-risks and ease of implementation that do not overstrain organizational resources. The most critical success factors were found to be firm's ability to respond to market signal, personal networking and systematic operational management of the firms. Jebna and Baharudin's (2013) study acknowledges that small and medium enterprises are the main contributor toward the Malaysian economy. The researchers (Jebna and Baharudin,

2013) recognize financial and non-financial factors as critical elements of business success. Financial issues include; cash-flow and amount of sales and revenue. Non-financial issues are; customer satisfaction, experience, open-changed outlets, competition, service quality and solving problems.

### Leadership and management

Chong's (2012) work found out that government assistance was considered least among other factors, that it was not enough to ensure continued prosperity for the SMEs. However, important factors of success are; the quality of honesty which has long been regarded by Asian society as one of their traditional core value, good customer service and hard-work.

Arham and Boucher's (2013) study examined leadership and enterprise success. They found out leaders of SMEs in Malaysia tend to practice more transformational leadership than transactional leadership qualities and the vast transformation that the country went through allows the adaptability of Western management theories in Malaysian business practices. Teng (2011) says that one of the main economic players responsible for Singapore's economic success is its small and medium enterprises. From the economic policies to political policies, Singapore is a planned and regulated economy. Teng's (2012) findings show that an important critical success factor emerges from the role played by the government. The existence of good government or public policies that are pro-business is vital for the success of firms. Education positively influences entrepreneurial success. In China, traditionally, education is viewed as an investment for the future. There is abundant evidence in every-day life and scientific literature for the fact that the acquisition of education improves the future earnings and overall success of individuals. Chinese are regarded as rather original persons who may have learned their business skills without too much formal education (Kamitewoko, 2013). Kamitewoko's (2013) study shows that education, experience, trade and finance experience play an important role to the success in the Chinese' entrepreneurs. Ng and Kee (2012) in their literature review, they found out that critical success factors for SMEs are leadership and management, intellectual capital, organizational innovation, entrepreneurial competence, entrepreneur characteristics, human resources motivation and market orientation. Communication is a good tool for business to thrive. According to Razilan, Badaruddin and Zulkefli's (2013) study they found that communication between franchisees and suppliers is one contributor to Ani Sup Utara where they carried their research. The franchisor need to communicate to franchisees as they have the mutual interest in running business. They argue that communication also involves the suppliers who play an important role in ensuring continuous supply of raw materials and also provide useful information that may be useful to franchisor such as new product that may give added value to the business or suggesting the best materials that have high demand in the market. Communication can facilitate knowledge development and foster greater understanding of complex competitive issues to supply chain success (Razilan *et al*, 2013).

### Conclusion

In this review paper several issues have come up. From the definition of Small Business and the term 'success' itself to the factors that have contributed to the success of Asian firms for a number of decades now. Factors that have made these Asian SMEs to survive in times of world economic depression,

globalization and technological era, when incorporated into African SMEs to a larger extent will assist them survive as well. In the review of literature, several factors have been found out and these include; personal initiative, new product development and proper marketing strategies, leadership and management, supportive domestic government policies, foreign direct investment especially technology transfer, hiring experts or locals who have worked in foreign firms, proper communication channels and carrying out a comprehensive environmental analysis of both internal and external factors.

The most striking factor that need to be emulated by Africa business starters, is the factor of initiating own business. As Rose *et al* (2006) argue that entrepreneurs with high personal initiative naturally overcome the disadvantages or weaknesses in them with their self-starting and pro-active attitude. The pro-active mentality helps the entrepreneur be dynamic in continuous thinking, dynamic in analyzing internal and external environment, and more specifically the understanding of the customer ever changing needs and wants. To this end products and services that satisfy customer needs are quickly designed. A person who has self initiative is conscious of time management and tight secrecy of the processes of the firm.

In transformational leadership, the leader provides motivation to his/her team and is a good leadership style that is suitable for any work environment. The workers within the firm know what are their rights, duties and obligations because the transformational leader is free to share the vision of the firm. Such leadership design complete and clear objectives and goals which are not contradictory in any way. The objectives translate the mind of the leader, and the workers in the firm translate the objectives into actions, services and end products that reach the customers. Small and medium enterprises' leaders have mastery over financial and non-financial factors as critical elements of business success. Financially, they know how to prepare cash-flow and amount of sales and revenue. And non-financially, they are open to customer satisfaction, have experience of learning to mitigate risks as they are doing, they accept competition, provide service quality and solve problems amicably. Transformational leaders are honest to the worker and are ready to provide the secret of success and posterity to the next generation. Small and Medium business is country specific in terms of definition and size. Therefore, African countries have to come up with policies that are appropriate and in congruent with their level of economies for these SMEs to succeed. Finally, the *Kaizen* philosophy of incremental and continuous improvement and involvement of the entire workforce should be the guiding principle to African start up firms. That whatever small the business is, when it is well nurtured, it grows from employing only family members to a multitude of employees. In this way people's standard of living improves and the economies of respective African countries grow. Hence, the success of SMEs in Africa would be achieved for the current generation and for posterity.

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