

# Competitive Advantage Effecting Firm Performance: Case Study of Small and Medium Enterprises in Thailand

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**Abstract**—The objectives of this study are to examine the relationship between the competitive advantage of small and medium enterprises (SMEs) and their overall performance. A mixed method has been applied to identify the effect of determinants toward competitive advantage. The sample is composed of SMEs in product and service businesses. The study has been tested at an organizational level with samples of SME entrepreneurs, business successors, and board of directors or management team. Quantitative analysis has been conducted through multiple regression analysis with 400 samples. The findings illustrate that each aspect of competitive advantage needs a different set of driving factors to explain either the direct or the indirect effect on firm performance. Interestingly, technological capability is a perfect mediator and interorganizational cooperation toward competitive advantage. In addition, differentiation is difficult to be perceived by customers, as well as difficult to manage; however, it is considered important to develop an SMEs product or service for firm sustainably.

**Keywords**—Competitive advantage, firm performance, technological capability, small and medium enterprise, SMEs.

## I. INTRODUCTION

IN 2015, Thailand became a member of the ASEAN Economic Community (AEC). It means that the market among South East Asian countries will be operated more freely; for example, foreigners will now be able to account for up to 70% of a company's shares, whereas previously this figure was restricted to no more than 50% in Thailand. More workers will be free to seek employment within member countries. The size of both supply and demand of businesses will increase with access to a market of some 570 million people. The AEC Blueprint obligations imposed on member states will liberalize trade in services. With regard to Thailand under the obligations of the ASEAN Framework Agreement on Services, Thailand is bound to two activities of the real estate service business: (1) rent or lease-to-own or lease assets (Central Product Classification), and (2) management of residential assets on the basis of a fee or contract. It can be seen clearly that brokerage and property management will inevitably be impacted. The threat both from external and internal factors mentioned above indicates that it is important to prepare for participation in the AEC by applying the

concept of competitive advantage. There is a demonstrated need to build competitive advantage, especially in highly competitive environments that will help firms grow sustainably. Different businesses need different competitive advantages, and with the uniqueness of organizational behavior in the real estate service business, competitive advantage must be studied further. In contrast to general business, property management and real estate brokerage management are clearly different from other businesses; for example, property management is a kind of project work that usually has a bidding system and a short-term contract and needs skillful building techniques, the art of dealing with tenants, as well as legal knowledge. Consequently, this business depends heavily on reliability, past experience, and expectations in order to convince potential customers to proceed. On the other hand, real estate agents do not need to spend the whole day in the office, but often work in the field, with the customers independently with information supported by their headquarters, and on a commission basis. This type of business is also significantly linked to legal constraints. As a result, the organizational structures of brokerage companies are complicated. Therefore, this research is conducted to study the suitable competitive advantage of SMEs in the real estate services sector, which defines the research topic — competitive advantage and organizational behavior of small and medium enterprises in the real estate services sector. [1]

## II. LITERATURE REVIEW

### A. Competitive Advantage

Competitive advantage is the organizational competence of using resources to create better value than competitors for the organization and customers. In this study, competitive advantage is focused on aspects of differentiation and service quality. However, another well-known competitive advantage, the aspect of cost leadership, is neglected from the study. In literature reviews, cost leadership is not suitable for service business, which is unique and depends more on customers' satisfaction [2].

### B. Differentiation

Product or service differentiation means creating better value for customers and enhancing the customer experience to gain greater benefits. Customized differentiation for the niche market is vital for SMEs in the service business with regard to

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the limitation of resources that reduces and restricts the ability of SMEs to compete against large firms. In comparison with large organizations, differentiation is more suitable for SMEs than other kinds of competitive advantage, as it allows for more flexibility of organization structure, shorter span of control, and centralized power of leaders, which can make changes happen immediately. The study of technological capability improvement as result of the entrepreneur's search for innovation in the SMEs in Colombia pointed out that the differentiation of doing business is the key competitive advantage beyond competitors [5]. The differentiation in the playground business is about managing a higher standard and customizing a variety of activities. This is similar with the networking for marketing advantage management decision of 167 small enterprises [6]. The result found that focused differentiation is the most important competitive advantage for a small-scale organization. In an SME service business, most of the firms seem much alike; property management is generally about how to well maintain the physical building, whereas brokerage management is about how an agent of a property conducts the buying and selling process. However, the above examples indicate that amid a tightening market, any differentiated firm with distinguished services would compete better over typical firms [3].

In this study, differentiation scaling is created by adopting the concept of validation and is also applicable to use under the SME service business context. In detail, the created a questionnaire that comprises customer service and the flexibility of a firm, and includes important measurements such as providing higher quality to the market, rapid delivery, delivery commitment, timely launch of new as well as superior products, lower manufacturing costs, and fast change of production line. The paper describes seven attributes of differentiation, including launching new products, providing different services, and providing more varieties of products, quick services, better-quality services, and customized services.

#### *C. Competitive Advantage and Organizational Behavior*

In order to obtain competitive advantage, an intangible asset is much more preferred than tangible asset, which will also limit product or process imitation. Divided into five categories, the factors include tangible assets composed of physical assets and financial assets, and intangible assets composed of human resources, structure resources, and relationship resources. The study revealed that all resources, except physical resources, impact differentiation. Intangible assets are valuable for SMEs; this is supported by the influence of leadership competency and organizational culture on responsiveness and performance of firms [2], with regard to the relationship between the franchisor and the franchisee, showing that exchanging experiences and knowledge are the main ingredients of raising competitive advantage. The factors effecting competitive advantage may vary from time to time with regard to the characteristics of each business [4].

Drive factors of organizational behavior are important in driving the competitive advantage of the firm. In fact, competitive advantage can be divided into many kinds depending on each context; however, in this study, a research framework will be determined in order to fit the objectives of the study with two constraints: (1) size of organization and (2) nature of the SME service business. From the research framework, it can be explained that organizational leadership plays a major role in directing the firm, and with a simple organization structure, it is an advantage of SMEs to cooperate closely with suppliers or customers. Today's technological capability is accessible for SMEs without the constraint of high costs, like in the past. That is, if SMEs can apply timely technology and respond specifically to customer requirements; the combination can help the organization succeed. Confronting a large organization can seem hopeless for SMEs; therefore, finding a niche market is one solution for doing business [5].

In summary, this study located organizational behavior as independent variables composed of organizational leadership, organizational technological capability and organizational responsiveness, whereas the dependent variables are differentiation and service quality.

#### *D. Interorganizational Collaboration*

To strengthen the organization, interorganizational collaboration is important because today's organization is positioned in an open environment. SMEs are a kind of limited resource firm that makes research and development difficult; as a result, connecting to external organizations will be an opportunity for SMEs to share knowledge, know-how and information, as well as to build service quality. This study will focus on the external collaboration between the customer and the supplier. Beyond cooperation among private organizations, in Thailand, there are nonprofit organizations that promote property management and brokerage management businesses such as the Property Management Association of Thailand (PMA) and the Thai SME Broker Association (TREBA), by organizing professional seminars, sharing useful information, updating related legal data, and accrediting qualified members [6].

Interorganizational collaboration has various views under mutual benefits such as cooperation in research and development, marketing and sales, or product design. The main concept of interorganizational collaboration is the exchanging of knowledge in order to develop products or services.

#### *E. Technological Capability*

Technological capability or technological competence is an ability to transform data, information, and knowledge to support product services or process development in order to achieve organizational performance. Nowadays, technology is easier to access without huge investment, such as in the past; therefore, technological capability is an opportunity for SMEs to develop. In general, technological capability is about input

and output in the organization, or it is about the study of applying technology to create value for the organization. Significantly, technological capability is not only computerization; it is also about the process of the workflow [7]. Technological capability creates innovation for an organization and is applied in order to build added value for customers faster than the competitor, as well as to develop service quality. In addition, interorganizational collaboration leads to technological capability [9].

### III. METHODOLOGY

This research was a survey and a cross-sectional, as well as empirical study. The study focused on the competitive advantage and organizational behavior of SMEs. The population and sample of the study were chosen using convenience sampling by online survey and questionnaire distribution. A total of 198 samples of SME members in the SME services sector were collected. The qualitative method of in-depth interview was conducted with stakeholders from academic institutions, private firms, and nonprofit organizations. The questionnaire was created by reviewing literature and was adjusted according to the content and construct validity techniques of exploratory factor analysis (EFA). Reliability analysis with Cronbach's  $\alpha$  greater than 0.75 was also examined. Analysis of variance (ANOVA) was tested in order to understand the influence of SME service business types of property management and brokerage management, whereas multiple regression analysis was applied in investigating the effect between competitive advantage and organizational behavior [8].

The research conceptual framework is shown in Fig. 1.

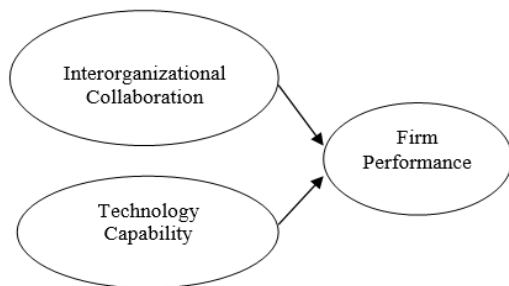


Fig. 1 Research Conceptual Framework

### IV. FINDINGS

#### B. Level of Competitive Advantage and Organizational Behavior

From Table I, of the samples, 57.4% was female, and more than half of the sample was younger than 30 years of age, which could be interpreted as that members in the SME service business seemed very new to the business with rather limited experience [9].

About 50% of the sample respondents consisted of executive management, and the remainder were at the administration level. Of the SME services sector, 50% was

property management, 33% was brokerage management, and interestingly, the remainder is involved in both businesses, which might explain the benefits gained in terms of data and information sharing. In regard to data collection, 65% were obtained through the survey questionnaire and 35% collected through online questionnaires. When SME service firms were categorized by type, gender, age, and education level and position, firms in each type were rather similar. Most of the samples in each type were female, holding bachelor's degrees and are younger than 30 years of age. When the scores among independent variables were compared, organizational leadership obtained the highest score at 3.34, whereas technology capability, organizational responsiveness, and organizational cooperation were 3.10, 3.04, and 2.99, respectively [10].

TABLE I  
LEVEL OF COMPETITIVE ADVANTAGE AND ORGANIZATIONAL BEHAVIOR

Factors	N	minimum	maximum	mean	SD
Organizational Behavior					
Organizational Leadership	197	1.67	4.00	3.34	.55
Interorganization Cooperation	194	1.00	4.00	2.99	.63
Technological Capability	197	1.33	4.00	3.10	.55
Organizational Responsiveness	197	1.00	4.00	3.04	.61
Competitive Advantage					
Differentiation	197	1.00	4.00	2.89	.61
Service Quality	197	1.78	4.00	3.34	.47

As a result, only organizational leadership was at a high level, while the other three were not and needed to be continually driven by the leader in supporting practices and processes, exchanging knowledge among external organizations. Sufficient resources are important in stimulating new ideas to leverage the work process and procedure, and in preparing change in order to fit the dynamic environment.

For competitive advantage, differentiation and service quality received very contradictory scores; service quality is situated at a high level at a score of 3.34, in contrast with differentiation, which only scored 2.89; therefore, those firms value adding may have an advantage by enhancing differentiation in order to make themselves distinctive among general firms. Moreover, the result of ANOVA analysis demonstrated that there are no differences in competitive advantage among business types. Consequently, in this study, the data from each type were mixed in the overall study of the SME service firm.

The research framework of differentiation (Fig. 2) shows that technological capability, organizational cooperation, and organizational responsiveness significantly affect differentiation, respectively. Surprisingly, only organizational leadership has no effect on differentiation. All organizational behavior factors are able to explain competitive advantage for 45.5% of firms surveyed. On the other hand, the research

framework of service quality, and organizational responsiveness, technological capability, as well as leadership, significantly affect to the service quality. Interestingly, organizational cooperation has no effect on service quality, and the prediction power ( $R^2$ ) of the model is 42.0%. However, organizational leadership has no effect on differentiation, and organizational cooperation also has no effect on service quality; they indirectly have an effect toward differentiation and service quality, as they significantly impact technological capability. It was observed that each research framework has different factors as well as coefficients in order to explain competitive advantage [11].

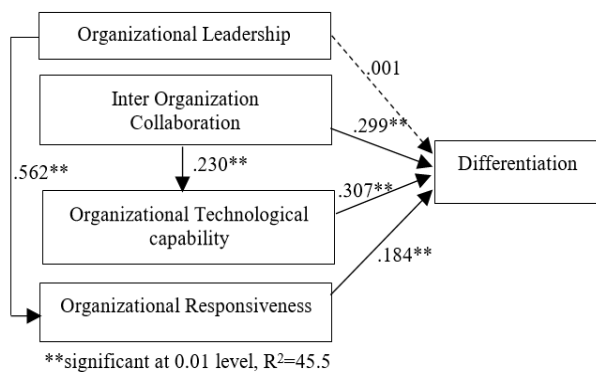


Fig. 2 Research Frame work (Differentiation)

### C. The Relationship between the Types of SMEs and Their Competitive Advantage

From the result of the ANOVA testing, the level of competitive advantage of the brokerage management firm, the property management firm, and both the brokerage and the property management firms are the same. It is noteworthy that because of the similarities of organization structure, as well as the nature of the businesses among the types of SME service firms; the result of the study can, therefore, be fully applied and explained for the three types of SME service business firms without requiring individual analysis for each [12].

### D. Types and Level of Competitive Advantage of SMEs in SME Service Business

Competitive advantage in two aspects is rather different. SMEs do not have high scores on differentiation. From the in-depth interviews, the results suggest that most SME service firms cannot differentiate their services. Most of the provided services are in common with the response to customer requirements, and price determination is always used as a main strategy. However, the firms that can differentiate their services such as setting their own standard of work or approaching the customer with a new way of thinking, have the result in gaining a higher satisfaction from customers. Especially in the situation of a tough and competitive market, differentiation will be an advantage for convincing, as well as anticipating customer needs and demands. In contrast, one of the interviewees from the private sector disagreed with this concept, suggesting that as time goes by, any firm can also try

to build and imitate the same successful differentiation within the market, thus, there is no longer any differentiation. It is argued that one of the main concepts of competitive advantage must not be easy to imitate or will need much time to imitate, which depends on the competency and resources of each organization [13].

Service quality is a sustainable competitive advantage which is mainly expected from the customer. From interviewing private firms, owners reviewed that although service quality is vital, it is the most difficult thing to handle because it involves the individual staff, and is influenced moods, attitudes, and behaviors; therefore, training and coaching human resources must be realized. Another interesting view is about the agreement between the service provider and the service receiver—that property management firms should not serve customer requirements beyond the agreement basis. In doing so, the procedure of working will not follow the agreement line and might lead to many problems and conflicts. In practice, both positive and negative views with regard to this notion were exhibited; for example, a building manager reportedly tried to please the co-owner which in fact exceeded an agreement. As a result, a trade-off between providing a service in line with and above an agreement must be considered. Collected data show that SMEs in the real estate service business have a high level of service quality, which is an important and unique factor for Thai firms in order to exploit their advantage over foreign competitors during the AEC launching.

### E. Competitive Advantage and Organizational Behavior of SMEs in Real Estate Service Business

Organizational cooperation, technological capability, and organizational responsiveness are the driving factors toward competitive advantage in the aspect of differentiation, whereas organizational leadership does not have a direct effect; however, it does have an indirect effect through technological capability to differentiation. On the other hand, organizational leadership, technological capability, and organizational responsiveness significantly affect service quality. However, organizational cooperation has an indirect effect through technological capability to service quality. Interestingly, the sets of organizational behavior that affect different competitive advantages are varied [15].

## V. CONCLUSION

From the literature review, research results, and in-depth interviews, technological capability is also revealed a mediator for transferring an indirect effect between cooperation and service quality. In addition, technological capability is essential for developing both differentiation and service quality. Technological capability is about changing ways of working concretely by customizing a specific process of working, yielding in differentiated services. Not only differentiation but also service quality will be gained regarding enhanced technological capability by efficiently responding to customer requirements (e.g., using mobile

applications to connect customers or potential buyers and sellers is a new way of working closely. Technological capability would not succeed without the support of a leader, as well as an inter-organizational collaboration [14]. Organizational responsiveness is a factor that can explain both differentiation and service quality. If service providers respond to circumstances promptly, the organization will obtain differentiation, as well as a positive perception from customers. Organizational responsiveness is being able to manage, and includes appointing an exact time frame for serving customers after understanding their requirements and developing a contingency plan for special or unforeseen circumstances and situations.

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