

Original article

Attempt to indicate the key success factors of the small and medium-sized enterprise sector (SME) – research report

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INFORMATIONS

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ABSTRACT

The author of the report made an attempt to conduct a diagnostic survey to indicate the basic success factors of small enterprises from the Jelenia Góra region. The main research question was whether it is possible to generate a common profile of success for several companies. The basis of the survey was an interview carried out in eleven companies and addressed to senior management and specialists – engineers. The questionnaire “Key success factors in the company in the SME sector” was used in the interview. The report describes the results of the interview.

KEYWORDS

key success factors, SME, management, market, financial potential



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Introduction

The study on key success factors is prevalent as it indicates the elements of the business management that bring the best results helps in the development of other small and medium-sized companies. Therefore, according to the definition by A.W. Maszke, it was assumed that “The subject of the research are all objects, things as well as phenomena and processes to which they are subject and towards which research questions are formulated” [1, p. 44]. The report describes another attempt made to answer the question: What are the key success factors for a small company? Is it possible to generate a common success profile for a few companies and implement it in another, similar enterprise? Responses to the questions asked were sought through the study conducted in companies of the SME sector located in Lower Silesia.

The survey questionnaire was formulated so that it would be addressed to senior executives and specialists – engineers. Such respondents were selected since they have the most objective knowledge about the reasons for the success (or failure) of the company. Fourteen research questions were asked in the survey. They concerned the length of seniority in the

enterprise under study, the integration of employees and its impact on the development of the company, market leaders, the financial position and recognition of the company. Questions were also asked about research and development funds, as well as the level of customer trust and trust relationships concerned with the quality of the product used.

1. Key success factors in literature

Gaining knowledge about “Key success factors – KSF – namely resources, competencies and skills that create a competitive advantage of an enterprise on a given market at a given time and can decide on its future success” is crucial in understanding and achieving success [2, p. 109]. It can be said that they describe how to make strategic decisions for an organization. When managing each enterprise, the goal is to achieve success. That is a result in the fight to increase the benefits and pursue the goals set. Many studies on key success factors prove that they depend on the specificity of the sector and the country in which the company operates. “Generally, it is assumed that the key factor for success in the sector’s birth phase is technology, in the development phase – rooting in the market, in the maturity phase – productivity, while in the late phase – costs” [2, p. 112].

The original concept of critical success factors is created based on the Pareto principle formulated concerning the quality of planning as a source of product success on the market. This principle consists in the fact that not all the factors of success must be examined, it is enough to focus only on their small number (in the Pareto principle it is 20%) since it is them that are responsible in a decisive way (80%) for the success or failure of the organization. However, this is too simple an approach to key success factors, because it does not take into account dependence on the branches of the economy in which the enterprise operates, key skills or the proportion of resources.

The literature of the subject indicates that the use of key success factors in the process of strategic management in companies is fundamental for the success of those organizations. In business management, the most common goal of all actions and efforts is to achieve success. It is, literally, the implementation of the objectives set [2, p. 109].

The concept of key factors of business success is used in the process of strategic analysis of an organization, which is defined as researching and identifying current and future changes and their tendencies to behave in the environment. First of all, the potential is examined in order to determine possible ways of development and future competitive position, as well as building the strategy [3]. KSFs define the major areas of corporate activity, which are crucial for achieving goals and fulfilling the company’s mission. Managers and executives should be aware of the importance of knowledge about KSFs. They must also include them when making decisions on operational activities. It is crucially important to clearly define key success factors and provide employees at all levels with them, as only then can they achieve success.

The identification of key success factors brings numerous benefits [4, p. 115]:

- reducing the financial risk,
- increasing the quality control,
- reducing the negative factors of success in the organization,
- guaranteeing budgetary targets.

Identification of key success factors brings two important practical goals. The normative goal is to show the management team the expected manner and direction of taking rational actions and decisions. The diagnostic goal allows for determining the causes of different paces of organization development [5, p. 48]. Thanks to them, it is impossible to stand out from the competition and thus build a stable, strong relationship with the environment. Another benefit of identifying key organizational factors is increasing the company's ability to deal with environmental groups that adversely affect the organization.

Key success factors should be used to create strategies by supporting the entire strategic planning processes [6, p. 17-22]. The company management process should, therefore, start with identifying them. They form the vision and mission of a company. It is the strategic decisions of the company that decide that customers prefer specific products, and competitors willingly enter into cooperation with the company.

There are four possible sources of key success factors:

- own specific conditions defined by the company's area of activity,
- the position of the company within a given sector,
- the company's environment, customer preferences, economic and political factors of the state,
- current organizational elements, the importance of which depends on the situation created [2, p. 110].

The familiarity with key success factors enables the company to determine which areas, procedures or processes should be improved. It is often related to the relocation of resources, additional investments, acquisition of relevant knowledge, employee training, as well as verification of strategic and operational goals. There is a need to analyze competitors in the industry. That often leads to the application of benchmarking.

In common understanding, as well as in the light of research and professional literature, success is the achievement of the intended goal – both in the economic and psychological spheres. It seems to be right; nonetheless it is worth considering what factors contribute to achieving success and what the individual links in the "chain" that leads to the achievement of the goals set are. Furthermore, it should be considered how to use this common, intuitive understanding of success in the professional management of a specific enterprise, where, according to Drucker, the success of the organization depends on the committed and motivated employee [7, p. 214]. Employees employed in the enterprise constitute one of the links in that chain. It is their role and significance that will be discussed, and then an attempt will be made to address the question: what is the role of employees in achieving corporate success?

For many researchers, success is directly related to the involvement of employees. Christian, Schaufeli, and Baker think likewise, however, each of them points to a different profile of this involvement, and thus they examine the engagement and its effects from different perspectives. It seems interesting that there are differences in the approach to work and responsibilities between the older and the younger generation of employees, which stems from the fact they have a different idea of work [8, p. 86-190]. Johnson's approach is crucial for the research conducted since it recognizes organizational commitment as personal identification with organizational goals and values, readiness to make efforts for the organization, and thus combining engagement with psychological factors.

We live in times of very fast market changes, where the organization's environment adapts very quickly, the labor market is very absorptive, and employers must fight for an employee. The organization's success depends on the committed and motivated employee [8, p. 185].

The literature on the subject indicates that the key success factors describe the most critical areas of activity that allow the organization to pursue its goals and fulfill its mission. It is imperative that they are clearly defined so that members of the organization are aware of them, because only then will they succeed. Otherwise, the organization may fail to implement previously set goals and, as a consequence, complete the company's mission [5, p. 47].

Researchers indicate that the success of an organization can be understood as a competitive advantage. It also includes efficiency and profitability of sales. If the company is willing to develop, the added value is created in the processes of creative strategy and innovation. The dynamic capabilities of the organization – the possibilities of adapting to the environment are fundamental. The company's success can become an unrepeatable, unique business model [9, p. 58].

The term "success" means a successful outcome of an undertaking; success is achievement, prosperity, triumph [10, p. 905]. It is emphasized in the theory and practice of management that the employment in the organization of people willing to inspire others to think creatively and act is one of the key factors for the organization's success [11, p. 118-20].

Another author's approach seems to be very interesting since he claims that modern success factors are divided by means of basic and secondary criteria, for example: time, without exceeding costs, with the required quality (basic criteria); customer acceptance, client references (secondary criteria) [12, p. 238].

After having conducted research among knowledge workers in creative industries, it was concluded that the success factor of these organizations relates to the role of managers and their ability to create an appropriate work environment in which remuneration and, more broadly, material components motivating to activity are one of the most essential elements encouraging to act for the success of the organization [13, p. 258, 259]. Development is understood as increasing revenues and strengthening the market position.

In the research, different measures of the company's success are applied. The primary measure, mentioned in the literature on the subject, is to reach a favorable position in the sector, and even a competitive advantage, and thus – to gain a relatively large market share that will provide secure income allowing for further development.

2. Success of enterprises – research experiences

The diagnostic survey allows for determining a social phenomenon, its range, intensity, and scope, then evaluating and finally designing the modifying. This method provides a description of some mass phenomena as well as processes taking place in communities and makes it possible to explain them. In the descriptive part, it enables getting answers to questions about the views of the respondents, their opinions, motives, behaviors, expectations, attitudes, data on the local environment. The survey method can be used when people selected as respondents can provide the necessary information.

The researcher should strive to select a representative sample that would constitute the most faithful reflection of the structure, all elements and all features of the studied population.

Using the survey method in non-representative research, when generalizations are of a reporting nature, the claims apply only to persons who have been included in the examined population. This method is mostly applied in sociological research. The interview is a diagnostic survey technique. In March-April 2018, the author of the study interviewed selected 11 private enterprises, located in Lower Silesia, near Jelenia Góra. The entire survey involved 11 people from the management, managerial and senior staff. All companies covered by the survey belong to the SME sector, the workforce employed in these companies varies between 7 and 150 people.

The questionnaire “Key success factors in the company in the SME sector”, containing 14 questions, of which 12 were closed, one open, and one with the evaluation scale, was used in the interview.

The research used a non-random sample scheme, selecting the so-called purposive sampling. Pre-selected production companies were chosen as the sample. Preliminary interviews with lower and higher-level managers as well as product specialists were conducted by the author of this report, who being also a senior manager in a medium-sized enterprise, perfectly knows the problems and challenges facing local business owners. Each respondent was familiarized with the objectives and assumptions of the research process, with attention drawn to the fact that these are key success factors important for these organizations.

Despite many different approaches and concepts on key success factors, a division can be distinguished that classifies them in six large groups:

- market position,
- cost position,
- brand and market behaviour,
- technological competence and technology,
- profitability and financial strength,
- the level of organization and management.

These factors affect the competitive position of the enterprise to a varying degree and depending on the specificity of the industry as well as the enterprise itself. These factors do not occur in isolation, they work together or overlap. As a whole, they have an impact on the company. The internal distribution of resources and their use depend on the assessment of the importance of individual factors. It means that what is good for one of the companies may involve lowering the potential for another. The above applies to companies operating in different countries, where external factors may cause difficulties in comparing them.

The success of an enterprise depends on the skillful use of strengths and opportunities in the environment. Among many factors, which include the analysis of the company’s condition, there are several of those that decide on the competitive position of the company and its success.

According to the surveyed companies, the good quality of products is the most important factor determining the success. Another highly valued element was strong financial potential. Among the distinguished factors of success, the respondents also indicated good company reputation, good customer service, competent management staff and qualified employees as fundamental ones. External image of the company, low price, high profitability and flexible organizational structure were included among the least important from the point of view of building a competitive advantage on the market.

The surveyed were asked in the interview how long their company was on the market. Their answers fluctuated between the period of 15-30 years. When answering the question concerning the seniority in the company, all respondents indicated that it was five years and longer. This is not surprising, because they were the managers of the lower and higher level and specialists, hence people important to the organization and thus often working in these companies for many years. As to the question about the degree of employee integration and the impact of integration on enterprise development, the respondents stated that the level of integration affected the development of this organization, most respondents rated the degree of integration at the medium level. When replying to the next question, three respondents declared that they did not know the leader in their industry, which automatically relieved them from the answers to the following two questions. When it comes to the question regarding their position in relation to the leader, three of them replied that their companies were market leaders. Two of them stated they were two levels lower, one that they were five levels lower (maximum), and two persons had no opinion. When addressing the question about the financial condition of the company, most of them stated that it was excellent. Two respondents answered that it was good. No one responded that it was bad.

In the answer provided for the open question that was to examine customer trust, managers and specialists agreed that it was imperative for the company to succeed. They mentioned the possibilities and the way of the multi-annual building of the customer trust. They found that even a small error would significantly reduce them, and its rebuilding was a complicated and tedious process lasting for years.

The following questions concerned the amount of funding allocated for research and development. As many as five of the respondents remarked that no funds for research and development were awarded to the above in their company. The rest of them said that there was no chance for the company to grow without spending specific resources. Most considered that these funds were used in the right way.

As regards the question of whether the quality of products is essential for corporate success, respondents agreed that it was one of the most significant means for achieving success. The business success is usually the result of various reasons occurring at the same time, and it arises from both the factors dependent on the company's management and independent of it. The elements dependent on the enterprise's management mainly refer to the market concept, development strategy, production organization, resource allocation, pricing policy, employee motivation system, organizational structure, and style of management.

Conclusions

When summing up the results of the interview, a good deal of caution is required in formulating unambiguous assessments with such a small research sample, however, it should be stated that the specialists and managerial staff of the surveyed companies are aware of what influences the success of their organizations. Questions concerning quality, funds for research and development, brand recognition or customer confidence indicated that these are crucial and key factors supporting the success of the enterprise. Among the factors decisive for the success of production companies (in this case), the managerial staff and specialists mainly emphasized the low share of costs in production, which seems to be the right choice. In this industry, technology is not without significance and its high level is very desirable. For the

company to move forward and thus achieve success, high financial potential is necessary. The low assessment of the level of employee integration appears as an interesting result of the research – apparently the managers did not notice the correlation of relations between employees and obtaining benefits by the organization. In managing the enterprise, the primary objective of endeavors and efforts is to reach success, i.e., well-being, prosperity, or the successful effect of one's own or joint actions. Success is the result of a fight for the effectiveness of own enterprise, the ability to promote opportunities, and their sensible use to multiply benefits and remove difficulties and obstacles in pursuing goals. Managers and specialists consider profitable financial results, high product quality, relatively large market share, customer satisfaction, high innovation, production efficiency, low manufacturing costs, increased company's importance on the market, and its favorable image as the the business success. The success of an enterprise depends on the skillful use of even the few strengths and opportunities in the environment. The corporate success is usually the result of many causes occurring at the same time and it depends both on the factors dependent on the company's management and independent of it.

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Conflict of interests

The author declared no conflict of interests.

Author contributions

The author contributed to the interpretation of results and writing of the paper. The author read and approved the final manuscript.

Ethical statement

The research complies with all national and international ethical requirements.

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Biographical note

Kacper Zadwórny – MA, PhD student at the University of Economics in Wrocław. The subject of his scientific interests is the management of small and medium-sized enterprises, family businesses, and key success factors in management.

Próba wskazania kluczowych czynników sukcesu sektora małych i średnich przedsiębiorstw (MŚP) – komunikat z badań

STRESZCZENIE

Autor komunikatu podjął próbę przeprowadzenia sondażu diagnostycznego, którego wywiad miałby wskazać podstawowe czynniki sukcesu małych przedsiębiorstw z regionu jeleniogórskiego. Autor zastanawia się, czy da się wygenerować wspólny dla kilku przedsiębiorstw profil osiągnięcia sukcesu. Podstawą sondażu stał się przeprowadzony w 11 firmach wywiad skierowany do kadry kierowniczej wyższego szczebla i specjalistów – inżynierów. W wywiadzie wykorzystano kwestionariusz ankiety: „Kluczowe czynniki sukcesu w firmie w sektorze MŚP”, a w komunikacie opisano wyniki wywiadu.

SŁOWA KLUCZOWE

kluczowe czynniki sukcesu, MŚP, zarządzanie, rynek, potencjał finansowy

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