CHAPTER 5

Conclusion Discussion and Recommendations

Sustainability has become importantly for business conducts. Enterprises are forced to seek for appropriate orientations leading to achieve sustainability outcomes, including economic, social, and environmental outcomes. For small and medium enterprises, entrepreneurship theory posits that entrepreneurial orientation greatly explains economic outcomes. However, only the orientation is insufficient for business sustainability. There is a need to explore additional orientation to be integrated with the orientation for business sustainability. Built upon stakeholder theory, the study introduces collaborative orientation as the additional one. Entrepreneurial orientation is proposed to positively affect economic outcomes but not social and environmental outcomes, while collaborative orientation is proposed to positively affect business sustainability as measured by the three outcomes.

In addition, environment uncertainty plays an important condition for the success of small and medium enterprises. Therefore, there is a need to understand contingency effect of this external factor towards the associations between the orientations and their consequences. For the study, environment uncertainty is proposed to moderate the relationships between the two orientations and their consequences.

Collecting data from 251 respondents who are owner, executive owner, or executive in small and medium enterprises operating more than 5 years, the study provide significant results contributing knowledge for small and medium enterprises to achieving sustainability outcomes accordingly to environment uncertainty.

This chapter firstly concludes the findings of the study based on the research objective. Next, the findings of the study, including constructed variables and their associations will be discussed. Then, it will provide practical recommendations for businesspersons and policy makers to adopt appropriate orientations for business sustainability of small and medium enterprises. Finally, limitation of the study will be discussed, and recommendations for future research will be provided.

5.1 Conclusion

The study is mainly to introduce appropriate orientation leading small and medium enterprises to achieve business sustainability as measured by economic, social, and environmental outcomes accordingly to environment uncertainty. From the research goal, the study achieves the following three purposes.

1) To establish whether entrepreneurial orientation and collaborative orientation are the drivers for business sustainability of small and medium enterprises.
2) To empirically study the strengths of the effect of entrepreneurial orientation and collaborative orientation on business sustainability for small and medium enterprises.
3) To empirically study the moderating effect of environment uncertainty on the relationship between the orientations and business sustainability.

For the first objective, the study finds that entrepreneurial orientation and collaborative orientation have effects differently on business sustainability. Entrepreneurial orientation positively affects only on economic outcomes, but not social and environmental outcomes. Collaborative orientation positively affects on business sustainability as measured by the three outcomes. Therefore, there is an empirical evidence to support that collaborative orientation is a driver for business sustainability but entrepreneurial orientation is not.

For the second objective, the study is unable to compare the strengths of the effects of the two orientations on business sustainability because the effect of entrepreneurial orientation is significant in economic outcomes. Therefore, the effect comparison can be only on economic outcomes. The study finds that collaborative orientation has an indirect effect on economic outcomes stronger than the direct effect of entrepreneurial orientation. Moreover, the collaborative effect covers up the entrepreneurial effect on the economic outcomes.

For the last objective, the moderating effect of environment uncertainty is found only in the effect of entrepreneurial orientation on economic outcomes but not found in the collaborative-sustainability relationship.

Entrepreneurial orientation has a positive effect on economic outcomes only in low level of environment uncertainty but not in the high one. For collaborative orientation, environment uncertainty is unable to moderate the relationship between the orientation and business sustainability. Although collaborative orientation has a positive effect on business sustainability in high environment uncertainty slightly stronger than in the low one, their effects are insignificantly different.

For simultaneous model, moderating effect of environmental uncertainty is not exhibited in both entrepreneurial relationship and collaborative relationship. Hence, the orientation framework for business sustainability can be concluded in Figure 5.1

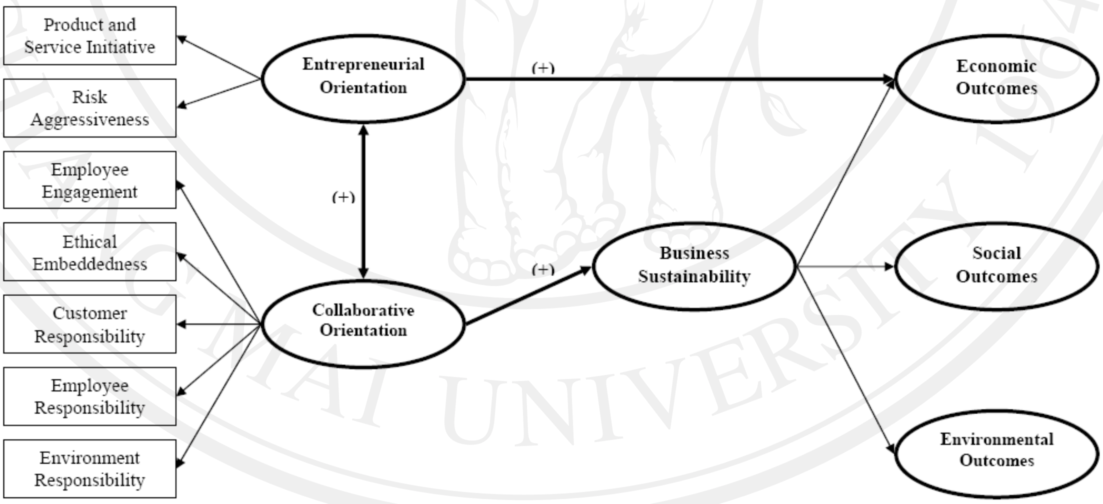

Figure 5.1 Orientation Framework for Business Sustainability of Small and Medium Enterprises

5.2 Discussion

The findings of the study provide theoretical contribution, empirical contribution, and practical contribution. The two former contributions are discussed in this part while practical contribution will be provided in the next part. The findings of the study will be discussed into three folds: characteristics of respondents, measure for the study, and relationships of the constructs.

5.2.1 Characteristics of Respondents

Based on 251 respondents, most of them are more than 41 years old and graduate in bachelor degree. From this their characteristics infers to maturity, hence their answers should represent reliable data. In addition, since most of them are owner executive and work in the current enterprises more than 5 years, they should be knowledgeable in organization's performances and industries. Organization's orientations, outcomes, and level of environment uncertainty can imply to the real ones. The data is therefore reliable for the analysis.

5.2.2 Measures for the Study

Measures for the study are business sustainability, entrepreneurial orientation, collaborative orientation, and environment uncertainty. Measures for the four constructs are adopted from previous studies. Measure for business sustainability and collaborative orientations are articulated from several researches, while entrepreneurial orientation and environment uncertainty are adopted from a single study.

From measure purification, the study constructs valid and reliable variables to assess business sustainability and collaborative orientation. For entrepreneurial orientation, the study provides an insight that it can be assessed as a multidimensional scale. For environment uncertainty, the study maintains that the measure is valid and reliable.

1) Business Sustainability

The study develops measures for business sustainability in outcome approach from the original definition of "sustainable development" that posits the demonstration of organizations regarding value creation among economic, social and environmental pillars. At measure development stage, the three pillars are operationalized into 19 items. There are five measure items for economic outcomes, ten items for social outcomes, and four items for environment outcomes.

However, from statistical classification, there are 13 measure items for business sustainability outcomes. This result supports that the items can be classified, accordingly to the three pillars of business sustainability, into economic outcomes, social outcomes, and environmental outcomes. Three measure items are representative for economic outcomes, seven items are for social outcomes, and three items stand for environmental outcomes.

Economic outcomes can be measured by revenue, profitability and market growth. This is consistent with previous research maintaining that enterprises will be sustainable economically from achieving both profitability and growth (Avery & Bergsteiner 2010, Gupta & Govindarajan 1986, Han 2007, Han & Celly 2008, Zahra 1991).

The measure items for social outcomes and environmental outcomes are also aligned with previous literature. Social outcomes can be measured by the level of satisfaction and good relationship with stakeholders, including customers, suppliers, employees, trade partners, and local government (Avery & Bergsteiner 2010, Connolly et al. 1980, Donaldson & Preston 1995, Frombrun & Shanley 1990, Tusi 1990, Zhang et al. 2011), and by reputation (Clarke & Holt 2009, Porter & Kramer 2006, Kantabutra & Siebenhüner 2011, Kantabutra & Suriyankietkaew 2013).

Environmental outcomes can be assessed by reputation in general public (Bernstein 2008, Clifton & Amran 2011, Ejdys & Matuszak-Flejszman 2010, Epstein & Roy 2003). Notably, an indicator, asking respondent to evaluate if the enterprises have been thought as a socially responsible organization, were reclassified from social outcome to environmental outcome. There is a supportive explanation by Gibson (2012) who posits that reputation as a social responsible organization is convergent to environmental issue.

Considering eliminated measure items, the study discussed that they are inappropriate to assess in the context of small and medium enterprises. Certification such as ISO is not appropriate to measure small and medium enterprises at the collected time. It doesn’t mean that small and medium enterprises should not strive for ISO certification but at this moment the data from this indicator is various and unable to fit in the context of the study.

The items for market leader, relationship with local government, cases in a court are also deleted. The study discusses that the respondents mostly are small size. They are unable to compete with large size players in their industries. Being market leader should not be the appropriate measures. For the item for local government relationship, based on observation, Thai enterprises may not necessary to associate with local government. They contact with local government just only to comply with rules and regulations, such as go to the local government office for registration, asking for permission for construction and renovate, and paying tax, etc. This measure may be inappropriate to assess business sustainability although local government is a stakeholder. For the items for cases in a court, this measure is very sensitive. The respondents may avoid answering. In addition, the level of agreement with 7 point Likert scale may in appropriate to collect data for this measure item but the number of case may be better.

In addition to theses, there are two reversed items collecting data of business growth and environmental complaints. Respondents may confuse to answer these questions correctly. Hence, the two items were eliminated.

2) Business Orientations

The study introduces entrepreneurial orientation and collaborative orientation as business orientations for sustainability of small and medium enterprises. Initially, entrepreneurial orientation is adopted from unidimensional scales as assessed by nine items while another is assessed by 51 measure items developed from several literatures.

For entrepreneurial orientation, although most researches treated entrepreneurial orientation as a unidimensional construct (Rauch 2009), the study states differently. The statistic result eliminated an item for autonomy and competitive aggressiveness and classified the other eight items into two categories: product and service initiatives and risk aggressiveness. Notably, the measure item, theoretically, is a representative to autonomy and competitive aggressiveness, the sentence is more likely to ask risk taking especially in unpredictable situation.

Supporting by agency theory, the extent of involvement in risky activities is likely to be influenced by the governance of the firm (Fama 1980, Fama & Jensen 1983, Jensen & Meckling 1976). In sustainability context in which stakeholders are involved in business governance, organizational risk seems to be critical. Conceptual arguments have suggested that the dimensions of entrepreneurial orientation should be viewed as a separate but related constructs, rather than as one unifying characteristics (Lumpkin & Dess 1996, Lyon et al. 20000).

That is, entrepreneurial orientation of enterprises can be varied by context of operations (Morris et al. 2007). The relationship between entrepreneurship and risk taking can be context specific (Naldi et al. 2007). For the study, taking situational risk without knowledge of possible outcomes is unable to be regarded as entrepreneurial orientation. This is consistent with previous research positing that entrepreneurs that do not take greater risks than manager (Brockhaus 1980). In addition, terms such as risk avoiders (Miner 1990) or risk optimizers (McClelland 1961) were also suggested for entrepreneur. While taking situational risk is eliminated, project risk needs to be involved with environmental observation and research and development. The enterprises would rather take a prudent risk with knowledge conditions. This is can be a reason distinguishes entrepreneurial orientation in sustainability context apart from a profit one.

In terms of collaborative orientation, there are only 30 items from 45 items constructed as six factors: Employee Engagement (EME), Ethical Compliance (ETC), Ethical Embeddedness (ETE), Customer Responsibility (CTR), Employee Responsibility (EMR), and Environment Responsibility (EVR). Then, Ethical Compliance (ETC) is suggested to be eliminated. From this, the creation of ethical unit or department and massive investment is inapplicable for small and medium enterprises. This is consistent with the context of small and medium enterprises that they are simple structure and have limited resources.

Based on literature, the orientation is a combination of stakeholder engagement, ethical commitment, and social responsibility. From this, stakeholder engagement concentrates on engaging employee in the enterprises to involve in business decision making and support them to work for better performance by encouraging tactics.

The level of ethical commitment for small and medium enterprises can be assessed by firm activities to embed ethic into organizations, including formulating code of ethics, punishment for unethical behaviors, and trainings.

For social responsibility, the measure items can be categorized in to three focuses: customer responsibility, employee responsibility, and environment responsibility. Although previous study (Gallardo-Vázquez et al. 2013) introduced social responsibility by economic, social, and environmental dimensions, the study eliminates several items and seeks for appropriate practices for small and medium enterprises. For example, the level of customer responsibility can be captured by offering high quality product and services to customers, setting best relation price to quality, providing accurate information about products and services to customers, and respect to consumer rights as a proprietary axis. However, the level of satisfying national and international quality standards is deleted from measure purification. Notably, the measure item is double statements in asking both national and international terms. It is very difficult for respondents to answer if they want to only achieve national standard.

5.2.2 Effects of Business Orientations on Business Sustainability

The study achieves the examination for the effects of business orientations, including entrepreneurial orientation and collaborative orientation on business sustainability. The results of statistical analysis empirically support that entrepreneurial orientation has a positive effect significantly only on economic outcomes, while collaborative orientation has a positive effect significantly on business sustainability, as measured by economic, social, and environmental outcomes.

For entrepreneurial orientation, the study provides empirical evidence to support its effect on wealth and market growth (e.g. Covin & Slevin 1991, Covin et al. 2006, Ireland et al. 2003, Kreiser et al. 2002, Lumpkin & Dess 2001, Rauch et al. 2009). Although there are efforts to expand the boundary of entrepreneurship theory to sustainability context (e.g. Berns et al. 2009, Bos 2002, Dean & McMullen 2007, Hockerts & Wüstenhagen 2010, Janssen 2001, Shepherd & Patzelt 2011, Wicklund & Sheperd 2003), the study provides a significant evidence that the orientation explains only economic gains but it is unable to explain business sustainability in which economic outcomes, social outcomes, and environment outcomes should be concerned.

For collaborative orientation, the empirical evidence supports that the orientation positively explains business sustainability, as measured by economic, social, and environmental outcomes.

Also, stakeholder theory is applicable to explain business sustainability of small and medium enterprises. The result of the study supports previous literatures that enterprises should encourages employees to engage in business decision making and operations, and to deliver high-quality results and making them accountable for their action (Ghoshal & Bartlett 1994, Gibson & Birkinshaw 2004). In addition, morality initiatives, engaging ethical behaviors and social responsibility, are key drivers for sustainability outcomes (Kantabutra 2006; 2007, Kantabutra & Siebenhüner 2011, Kantabutra & Suriyankietkaew 2013, NESBD 2007).

In addition, the study also provides empirical evidences support the explanation that collaborating with stakeholder ethically and responsively leads enterprises to create sustainability (Freeman 2009 Kotler et al. 2010) as measured by economic outcomes (Choi & Jung 2008, Isarangkul & Pootrakool 2002, Mitchell & Singh 1996, Pantasen et al. 2003, Piboolsravut 2004, Pruetipibultham 2010, Rungwitoo 12c, Sachayansrisakul 2009, Wattanasupachoke 2009), social outcomes (Choi & Ng 2011, Chomvilailuk & Butcher 2010, Mitchell & Singh 1996, Moore & Wen 2008, Rungwitoo 12c), and environmental outcomes (Mitchell & Singh 1996, Rungwitoo 12c , Schlange 2009).

Notably, the relationships among the three outcomes are not suggested for modifications in the fit model. For business sustainability, it is unnecessary to claim either economic outcomes should be emphasis to lead firms for social and environmental contributions or non-economic outcomes should be focused for economic gains. This finding is different from traditional marketing concept positing that customer satisfaction (s11), good image (s15, s16, s18), and good reputation (s5) is directly associated with financial benefits, as measured by revenue (s1) and market share (s3). However, none of them are significantly associated.

The observation can be explained by the concept of Balanced Scorecard (Kaplan & Norton 2004). Financial and customer perspectives describe desired outcomes from strategy. The two perspectives contain many lag indicators. Internal process perspective identifies critical process to achieve the alignment of the two financial and customer perspectives. From this, orientations can be considered as internal process perspectives leading enterprises to produce financial and customer desired outcomes.

Supporting by sustainability approach, Shepherd & Patzelt (2011) suggest that sustainable organizations are those initiating a business model simultaneously aiming for economic, social, and environmental gains. The study finds that collaborative orientation guides sustainable business practices leading small and medium enterprises to produce the three desired outcomes at the same time. Comparing its effects on each sustainability outcome, the orientation contributes mostly to social outcomes, followed by environmental outcomes and economic outcomes.

Comparing the effect of the two orientations on business sustainability outcomes, the study finds that only economic outcomes are affected by the two orientations. For simultaneous effect examination, the indirect effect of collaborative orientation on economic outcomes is stronger than the direct effect of entrepreneurial orientation. The strong effect of collaborative orientation on economic outcomes covers up the effect of entrepreneurial orientation.

5.2.3 Association between Collaborative Orientations on Entrepreneurial Orientation

In addition to the theoretical framework, the results of the study provide additional knowledge on the associations between the two orientations. Collaborative orientation and entrepreneurial orientation are positive correlated significantly. The association can be supported by several literatures, small and medium enterprises need to understand market requirements (Day 1994) and customer needs (Slater & Narver 1999) in order to develop new ideas, projects, and products to serve them accordingly. In addition, engaging customer, employee, and suppliers in products and services initiations will create risk buffer for enterprises because their stakeholders will accept some of the risk inherent (Day 1994, Engster 2011, Kathuria & Porth 200, Sundaram & Inkpen 2004).

From this result, it doesn't mean that small and medium enterprises should possess only one side of entrepreneurial orientation or collaborative orientation but because the two orientations can support each other, entrepreneurial orientation should not be neglected.

5.2.4 Moderating Effects of Environment Uncertainty

The study finds that environment uncertainty significantly moderates the effect of entrepreneurial orientation on economic outcomes but insignificantly moderates the effect of collaborative orientation on business sustainability.

The result of entrepreneurial orientation is contrary to Meta-analysis from Rauch et al. (2009) positing that the relationship between entrepreneurial orientation and economic outcomes in firms that compete in high environment uncertainty is stronger than those in low environment uncertainty. The study discusses that because the Meta analysis is from western studies where entrepreneurial organizations tend to be aggressive in insecure situation. However, it is insufficient to explain in the context of Thai entrepreneurial respondents.

From the fact that most of the respondents are more than 40 years old, their business may be family firm, they may be very cautious to manage firm in high unpredictable situation (Naldi et al. 2008). Therefore, entrepreneurial orientation positively predicts economic outcomes only in low environment uncertainty. In other word, the enterprises prefer taking manageable risk in only predictable environment. The enterprises are comfortable to initiate innovative products and services and to take risk aggressively. In contrast, in high environment uncertainty, they need to have a proper strategic risk decision. Innovation may helpful for enterprises to take advantage in the unpredictable situation; however, the launch of new product and service, and new innovative project may be postponed due to concerns about the safety of their business continuity. Entrepreneurial orientation in high environment uncertainty therefore is insignificant to explain economic outcomes.

For collaborative orientation, based on traditional assumption for stakeholder theory, enterprises should increasingly collaborate with stakeholders to maintain their business results if they feel their business is more unpredictable or they feel environment is more uncertain. However, this assumption needs to be rearticulated. The result of the study finds that environmental uncertainty unable to moderate the effect of collaborative orientation on business sustainability. In other word, collaborative orientation is a key success to business sustainability in any environment circumstances.

This finding can be explained by the philosophy of Sufficiency Economy, bestowed by His Majesty the King of Thailand, introducing the pathway to resilient for environment changes (Curry & Sura 2007, Hewison 2008, Isarangkul & Pootrakool

2002, Kantabutra 2011, Mongsawad 2009, Pantasen et.al. 2003, Piboolsravut 2004, Pruetipibultham 2010, Sasin Graduate Institute 2010, Supadhiloke 2010, Warr 2012). Also, the philosophy introduces appropriate conducts to meet the challenges for sustainable development (Curry & Sura 2007, Hewison 2008, Isarangkul & Pootrakool 2002, Kantabutra 2006; 2007, Kantabutra & Siebenhüner 2011, Kantabutra & Suriyankietkaew 2013, Mongsawad 2009, Puntasen et al. 2003, Puntasen & Prayukvong 2006, Piboolsravut 2004, Pruetipibultham 2010, Rungwitoo 2012a, Rungwitoo 2012c, Sachayansrisakul 2009, Sasin Graduate Institute 2010, Supadhiloke 2010, Warr 2012)

Collaborative orientation, constructed in the study, is aligned with the application for the philosophy. NESBD (2007) posits that application of the philosophy for business persons are the following characteristics:

- They are socially responsible and concerned about the environment at every step, while balancing profit-sharing among all stakeholders such as consumers, staff/workers, business partners, and shareholders.
- They display perseverance and diligence by continuously developing their business through improvements in production efficiency and product quality, based on changing technologies and market need.
- They conduct business ethically, with honesty and integrity
- They are more concerned with sustainable and stable long-term profits than short-term results, well-informed about business-related knowledge, eager to learn new information in order to cope with changes, and prudent in decision-making

From this, the philosophy of Sufficiency Economy is better explained this result that enterprises with collaborative orientation are be able to achieve business sustainability either in low or high environment uncertainty. This can imply that enterprises that are aligned with the philosophy will achieve business sustainability in both predictable and unpredictable situation.

5.3 Practical Recommendations for SMEs

The study has successfully developed measures to assess business sustainability as defined by outcome aspects. It is advisable for small and medium enterprises, as managed by owner executives, or executives who wish to sustain their long term success, to formulae strategies, goals, plans and policies for business sustainability. Their formulations should aim for business sustainability as indicated by economic, social, and environmental outcomes. They should develop key performance indicators to be complied with the outcome measures from the study to ensure business sustainability.

Small and medium enterprises should not only concentrate on revenue and profitability but also to set goals for market share growth. Specifically, they should monitor their market share and formulate plan to improve marginal market share for sustainable economic outcomes. In addition, emphasizing only financial performance is insufficient for business sustainability. They have to pay attention to stakeholders and environment. To be sustainable, they need to satisfy customers, employees, suppliers, and trade partners. Satisfaction with these stakeholders should be set as key performance indicators. Moreover, employee morale, relationship with suppliers, and reputation in their local communities should be set for indications of firm outcomes. Additionally, reputation and image in environmental friendly should also be concerned as the indications of sustainability outcomes. They should strive for a good image in general public as an environmental responsible organization and social responsible organization.

To achieve sustainability goals, small and medium enterprises should embed collaborative orientation into their business practices. There is a strong evidence to urge that entrepreneurial orientation is applicable in only wealth and growth creation but not for sustainability achievement. Especially, possessing only entrepreneurial orientation is unable to guarantee economic gains in unpredictable situation.

To be sustainable, they are recommended to engage employee in business operations, embed ethical behaviors into their enterprises, and be responsible for customers, employees, and environment. Small and medium enterprises should open dialogues and equip two-way communications with employees, as well as encourage and support them to make decisions appropriately, and to perform their duties successfully. Moreover, they should construct business ethic system that provides guidance for ethical practices, enhance employees' business ethics, and mechanisms to monitor and ensure ethical compliances. They should respect to customer as a proprietary axis, offer high quality product or services, provide the best relation prices to the quality, as well as provide accurate information for their customers. In addition, environment issues should be considered such as appreciating in environmental friendly and preventing production of waste. From these conducts, they will be sustainable enterprises and achieve long term sustainable success.

5.4 Limitations and Recommendations for Future Research

The study is the first research developing and introducing collaborative orientation, based on stakeholder theory, and business sustainability as measured by outcome aspect. The measure scales for the study have discriminant and convergent validity and reliability. Future research can employ measure scales for further study and for examining external validity. However, there are limitations that should be considered for future research.

Business sustainability is an abstract definition. The study develops measures to assess the sustainability outcomes by perception and retrospective approach. Immediate outcomes from present process are captured. However, it will be better if next studies can develop better measure items to assess outcomes with respect to future aspect, such predicted sustainability outcomes, desire to buy from prospect or potential customers, ambition to work in enterprises from potential employee, and remain resources for next management, etc.

In addition, enterprises activities and outcomes are from respondent's judgment. To reduce data bias, future research can employ cross triangulation such as interview and use some objectives data such as financial outcomes from financial statement. In addition, case study should be employed to ensure the result of this study.

For data collection method, convenient random sampling was employed to examine relationships of the construct. Descriptive data is unable to represent the characteristics Thai small and medium enterprises. To forecasting populations appropriately, future research should collect data from quota sampling or stratified sampling method. In addition, the study provide learning tip that e-mail invitation provide response rate less than face-to-face invitation. Therefore, personal contact for invitations shall be used to ensure high response rate. E-mail invitation with online questionnaire can be used as equipment for data collection.

Besides the improvement from limitations of the study, future research can reference this study to expand the knowledge of business sustainability and collaborative orientation. For business sustainability, the study focuses on outcomes approach. Future research can develop measures to assess sustainability in input and operations approach. In addition, the study finds that the philosophy of Sufficiency Economy better explains sustainability of small and medium enterprises, future research may develop theoretical framework based on the philosophy and measure to assess the alignment with the philosophy in business context.

For collaborative orientation, scales to assess collaborative orientation can be classified into five factors: employee engagement, ethical embeddedness, customer responsibility, employee responsibility, and environment responsibility. The study has successfully introduced operational definition of the orientation based on the set scales. To understand the effect of collaborative orientations on business sustainability insightfully, future research may employ related valid measures to ensure the operationalization of the construct, to enhance construct validity of the measures, and to ensure internal validity of the association between the orientation and business sustainability.

Moreover, the study empirically examines only the moderating effect of environment uncertainty in the context of business sustainability. To be sustainable, there may be other factors moderate the success of business sustainability, for example, leadership, and intention of entrepreneurs, etc.

In addition, since the study finds that collaborative orientation is consistent with the philosophy of Sufficiency Economy, there is a trace to support that the philosophy may explain business sustainability. Future research should explore and empirically examine the implications of the philosophy on business sustainability. In response to this, developing measures to assessing the alignment of business organizations with the philosophy will provide empirical contributions to further studying an approach for business sustainability success. Also, operationalization of the philosophy will provide practical recommendations for business organization to align their practices for business sustainability.