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BUSINESSES – A STUDY OF THREE BRANCHES
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SUCCESS FACTORS IN SMALL AND MICRO BUSINESSES – A STUDY OF THREE BRANCHES OF INDUSTRY IN NORTH KARELIA

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ABSTRACT: The purpose of this study was to identify those factors that are supposed to be the most important in terms of success in the three investigated branches of industry (tourism, ICT, plastics and metal), especially from the SME point of view. The measures used in the questionnaire were based on and adapted from Pasanen's (1999, 2004) and Valos and Baker's (1996) work. Privately owned independent SMEs were chosen as the study population. Questions about growth, growth intentions and internationalisation were also included. The respondents were asked to evaluate the importance of the given factors for the firm's success in the field of industry (s)he represents and how highly the respondent evaluated the company's expertise in each factor in their operations. Two groups were made based on whether the companies wished to expand their operations slowly or fast. Success factors were then examined separately in each group. The results indicate that there are no statistically significant differences in the views held by slowly or fast growing enterprises regarding the importance of the success factors. The respondents emphasise the importance of customer orientation, good skills in leadership, internal marketing and a good reputation of the firm and the product. Because these are also the key elements of market orientation, it could be surmised that market orientation seems to play a key role in the performance of small and micro firms. Customer orientation is also well mastered according to the enterprises. In all branches of industry, expansion to export markets would need most development, but this factor, on the other hand, has been evaluated as a less important success factor than most other factors in all three lines of industry. The impact of external advice (incubators, consultants, research organisations) was evaluated as the least important factor of success.

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1. INTRODUCTION

Performance is most often compounded into hard criteria such as increased turnover or wider profit margins. (Chell & Baines 1998, 118). Sandberg et al. (2002) define the performance of small businesses as their ability to contribute to job and wealth creation through business start-up, survival and growth (Sandberg et al. 2002, 3). Success is often equated with the achievement of clearly defined and measurable goals and objectives in all sectors of human life (Chell & Baines 1998, 118; Pasanen 2003, 25), which, on the other hand, may be of a subjective as well as a financial nature. Small firm performance is substantially influenced by the individual characteristics and behaviour of the owner, and task environment characteristics. (Keats & Bracker 1988) In several studies, the terms success and performance are used interchangeably as they will be used in this study.

The main goals and objectives of the small and micro family businesses can be other than financial and they can change over time. Rather than maximising the financial performance of the firm, the owner manager may prefer independence and lifestyle. Nevertheless, even businesses with lifestyle goals wish to attain at least a minimum profitability in their operations, which guarantees the continuity of operations and a moderate livelihood for the family. (Pasanen 2003, Komppula 2004)

Firm performance is constrained by internal factors, such as resources and strategic choices, and external factors, such as the carrying capacity of the environment or competition. The resource-based view of the firm suggests that competitive advantage stems from the possession and deployment of resources that are in some way superior to those of its competitors. In this study, the internal performance determinants and, in particular, marketing resources are focused upon.

Hooley et al. (2002) use the term marketing resources to encapsulate those resources that create value in the market place. Marketing resources can be defined as any attribute, tangible or intangible, physical or human, intellectual or relational, that can be deployed by the firm to achieve competitive advantage in its markets. They distinguish between market based resources and marketing support resources. Market-based resources entail 1) customer-linking capabilities, which include an ability to identify customer wants and requirements together with the capabilities to create and build appropriate relationships with those customers; 2) reputation and credibility of the organisation among its customers, suppliers and distributors, which can be

termed as reputational assets; 3) ability to successfully innovate in the marketplace; 4) human resources of the organisation.

Underlying and supporting the market-based resources are two main sets of support resources: market orientation and managerial capabilities. Hooley et al. (2002) suggest that marketing support resources affect the level and quality of the market based resources of the firm. These, in turn, affect the overall financial performance through creating superior customer performance (= satisfied and loyal customers) and by creating superior market performance by meeting customer requirements effectively. (Hooley et al. 2002).

The purpose of this empirical study

One of the purposes of this study was to identify factors that affect the performance of small and micro businesses in three different branches of industry in Eastern Finland (see the preliminary results in Komppula et al. 2004). Questions about growth, growth intentions and internationalisation were also included, but in this article they are touched upon only briefly. The objectives of this study comprise of three lines of industry, each of which have a special position within North Karelia, the area investigated in this study. Privately owned independent SMEs were chosen as the study population for each line of industry.

The tourism industry has always been considered a future field in North Karelia. Considerable local and regional development investments have been made during the past years, but the results of these development efforts are not visible in the number of tourists. The industry employs approximately 1200 people in the region. It is difficult to estimate the exact number of enterprises, because a great number of actors in the industry are part-timers. The population of this study consists of 214 enterprises, of which about half are accommodation businesses. A great number of the businesses are micro family businesses. In the local development strategy, tourism is not the focal point, rather it is seen as an opportunity, which, however, fewer and fewer people still have faith in. The growth objectives for the local tourism strategy have been set at a moderate level.

The plastics and metal industry combines the traditional metal industry with modern technology. Development work within this line of industry has been intense in the region, which is clearly

apparent in the growth of new enterprises, jobs and turnover. The plastics industry, in particular, has undergone intense growth. Expertise in plastics has been greatly developed with public funds. This line of industry is emphasised as one of the most important objects of development in the regional development strategy. It employs 6000 people in approximately 350 companies of which 215 were included in the population of this study.

Information and communications technology is a fairly new line of industry in this area. This study included only software enterprises, of which there are 65 out of all the ICT enterprises (about 130) in the area. 61 of these were included in the population of this study. This line of industry has been loaded with a lot of expectations in the area, but the breakthrough still remains to be made (The Regional Council of North Karelia 2003), as stated in the regional development strategy. The basis of the industry's own strategy is a strong education and the support of research in the field, at the local university and polytechnic.

In both the tourism industry and the plastics and metal industry, there is a clear organisation that co-ordinates co-operation between enterprises in the area, the significance of which has been considered important for development in these fields. Both organisations are supported by public administration, but the regional tourism enterprise has developed its activities in recent years so that it is already a profitable business enterprise even without public support. The ICT lacks a clear co-ordinator for the moment.

The tourism industry is heavily focused on rural tourism in the area, and it is based on agricultural traditions. The entrepreneurs are elderly and there are a lot of women amongst them. The clientele of this industry consists mainly of singular consumers. The plastics industry represents new technology, whereas metals, the traditional manufacturing industry, is male-dominated. The plastics and metal industry is based on business-to-business-marketing, as is the case with ICT. The entrepreneurs within ICT are mostly young and highly educated. One of the objectives of this study was to examine how the ideas within these industries are related to success factors in marketing, in particular, and how they possibly differ from one another.

The seminal work of Pasanen (1999 and 2004, In search of Factors affecting SME Performance, the Case of Eastern Finland) conducted in the neighbouring region was exploited as a guiding precept when choosing the success factors for the questionnaire. Pasanen (1999) conducted his study among 145 successful independent SMEs. His definition for a successful firm was broadened to include, in addition to growth firms, businesses which also make a significant impact on local and regional economies, for example by having an important role in terms of maintaining existing jobs (Pasanen 2003, 78). Most of the success factors in the questionnaire belong to tangible internal determinants, such as distribution, product, customer contact, control systems, research and development, technology, supplier reliability, and finance (see Valos & Baker 1996, 11-13). The respondents were asked to evaluate the importance of the given factors for the firm's success in the field of industry (s)he represents.

It must be noted that in this study the objective measures of firm performance were not used. Each individual respondent has his/her own perception of performance, which reflects, more or less, his/her objectives in the businesses. While in several earlier studies on small firm performance the influence of entrepreneur's attitudes and other personal characteristics have been researched, in this study the focus was more on such factors that could be influenced by training and other kinds of support from the public sector.

2. RESULTS OF THE EMPIRICAL STUDY

Questionnaires were sent by mail to a total of 490 enterprises. After the deadline for the answers had passed, those enterprises which had not replied were approached by email with an opportunity to send their answers electronically. Altogether 215 enterprises returned the questionnaire, of which 43 % were from the tourism industry, 42 % from the plastics and metal industry and 15 % from ICT enterprises.

Table 1. Numbers of returned questionnaires per branch of industry

Branch of industry	Responses	Population	Response rate
Tourism	92	214	43 %
Plastics and metal	91	215	42 %
ICT	32	61	52 %
Total	215	490	42 %

Comparative background information on these companies and entrepreneurs from different branches of industry is given in Table 2. In all three lines of industry, the majority of the respondents were men. The respondents within tourism and plastics and metal industries were, on average, clearly older than those within the ICT companies. Tourism businesses are more often sole entrepreneurs or family businesses than those businesses in other branches of industry, and they are also significantly smaller than the others. In the other branches of industry, the variation in the firm size is remarkably bigger than in tourism.

Table 2. Background information on the companies according to their branch of industry

	Tourism	Plastics/ metal	ICT
Gender of the respondent, male/female (%)	62/38	90/10	88/12
The average age of the respondent (years)	50	47	40
Owner-manager (%)	79	80	88
Full-time businesses (%)	70	94	81
The average age of the business/youngest /oldest/ (years)	14/1/48	16/1/83	7/1/19
Sole entrepreneurs, no family members working regularly (%)	25	31	33
Family enterprises that employ, at least occasionally, other members of the family(%)	56	41	17
Number of employees, mean / median /mode	5/2/2	25/7/1	8,5/3/1

The growth objectives of the companies

The growth objectives of the companies were studied from two different points of view. The respondents were first asked to evaluate the company turnover, profit, the return on investment, degree of self-sufficiency, number of employees and production technology and equipment, facilities, product selection, markets, market share, subcontracting, number of clients and co-operation with research organisations, and to state whether the company wishes to increase or downgrade, maintain as at present, slowly increase, or rapidly increase these areas of business.

The results show that slow growth, according to most metres, is aimed at in all branches of industry. The general aim seems to be to maintain the present capacities for the number of staff, production equipment and facilities, nor are there any aims to increase subcontracting or co-operation with research organisations.

Table 3 illustrates the distribution of answers per branch of industry to a question on whether the growth objectives of the company possibly changed during the company's existence.

Table 3: Development of companies' growth objectives in different branches of business

	Tourism %	Plastics and metal %	ICT %
Moderate growth objectives from the beginning	64	74	53
Initial fast growth, later slow growth as an objective	26	13	32
Initial slow growth, later fast growth as an objective	1	11	4
Fast growth during the whole existence	9	2	11

Most of the enterprises in all branches of business have had moderate growth objectives from the beginning. The differences between different lines of business could be described in that in the plastics and metal industry is typically geared towards moderate growth, however, there is also a somewhat greater number of those aiming at later fast growth in this branch of business. Within tourism and ICT, a greater part has aimed at fast growth in the beginning, but over a quarter of these companies have later aimed at more moderate growth. The growth objectives of different branches do not, however, significantly differ from one another.

The respondents were next grouped into two groups based on whether their growth objective at the moment is moderate or whether the company wishes to grow fast at present. Within tourism, 90% of the companies represent slow growth, within plastics and metal the corresponding figure is 87 % and with ITC it is 85 %. From tourism enterprises, 10 % aim at rapid growth, whilst 13 % within plastics and metal and 15 % within ICT aim at rapid growth. The different growth indicators in relation to present growth were investigated within different branches of business with the Mann-Whitney test (the t-test suppositions were not valid according to the distribution of these variables).

Statistically significant differences for enterprises with fast and slow growth were found for a few growth indicators. Enterprises with rapid growth have emphasised the fast growth of turnover and profit more than those with slow growth in all branches of business. Within the plastics and metal industry and ICT, enterprises with rapid growth wish to raise the return on investment more often than enterprises with slow growth. With growth related to a degree of self-sufficiency,

there are statistically significant differences only between the companies within the plastics and metal sector. In ICT enterprises, companies aiming at rapid growth aim to increase the number of staff clearly more often than companies with a slow growth rate.

The objective of tourism and plastics and metal enterprises with rapid growth is to increase their markets faster than enterprises with slow growth. There are differences in growth objectives for the market share only in tourism businesses in favour of companies with fast growth. An increase in the share of subcontracting the turnover, the number of subcontractors and co-operation with research organisations are mostly aimed at by those plastics and metal industry enterprises which have a rapid growth rate. Companies with rapid growth within tourism and plastics and metal industries emphasise an increase in the number of clients.

One question dealt with the future objectives of the companies. According to the results, the most important objectives for the businesses are, more or less, life-style oriented: the respondents aim to appropriate livelihood instead of growth, they want to have a satisfied and loyal customer portfolio. The third important objective is improved profitability and return on investment. The most important fields of development in the businesses for the future are development of sales, knowledge of customer needs, development of marketing communications and product development.

Success factors

In order to evaluate the key success factors for each of these branches of industry, the respondents were initially presented with a total of 50 different potential factors of success and, using a 5-point scale ranging from 1 = not at all important to 5 = very important, they were asked to indicate the importance they perceived that each factor had for the branch of industry they represent.

Table 4 presents the ten most important success factors for each branch of industry.

There are factors related to customer relationships, personnel and products within the ten most important factors for all three lines of industry.

Table 4: The most important success factors per branch of industry according to mean values

Success factor (placement according to mean values)	Placement		
	Tourism	Plastics and metal	ICT
1. Good reputation of the product/service.	1. 4,68	2. 4,47	4. 4,46
2. Long-term relationships with regular customers	2. 4,54	5. 4,31	2. 4,50
3. Good knowledge of customers and their needs	3. 4,50	1. 4,51	9. 4,30
4. Strong competence of the personnel.	9. 4,33	3. 4,38	1. 4,58
5. Ability to respond flexibly to customers' special needs and requirements.	8. 4,33	4. 4,35	3. 4,46
6. The customer service is better than the competitors'	4. 4,44	9. 4,19	7. 4,38
7. Strong solidarity among the personnel	6. 4,39	8. 4,19	10. 4,16
8. Good skills in personal sales	7. 4,36	19. 3,94	5. 4,38
9. Familiarity of the firm	5. 4,43	13. 4,06	16. 4,00
10. Easy availability of the products/service, from the customer's point of view	10. 4,23	10. 4,14	17. 4,00
11. Well-being of the personnel.	11. 4,20	7. 4,23	24. 3,88
12. Post purchase service for the customer.	18. 4,02	16. 3,98	8. 4,31
13. The technical quality of the products better than the competitors'	22. 3,95	6. 4,26	15. 4,08
14. Utilisation of information technology in production.	46. 3,04	44. 2,95	6. 4,38

As can be seen from the table, the differences in the mean values for the ten most important factors in each line of industry are small (tourism 4,68 – 4,23; plastics and metal 4,51-4,14; ICT 4,58-4,16), so the order of importance, particularly with the five most important factors, has only little significance. However, when singular success factors are examined, some differences between different branches of industry can be noted, even though these are very small. Tourism, which is a service industry, appears to emphasise the importance of reputation and the familiarity of the firm, which, according to services marketing theorists, is based on a good knowledge of customer needs and superior customer service. In tourism, the *firm* is more or less the product and the service is compounded with the service personnel, in fact, most often with the entrepreneur.

In the plastics and metal industry, the product itself seems to be more important than in tourism. The firm's ability to adapt and develop the product and its technical qualities according to customers' needs seems to be most important. This requires strong competence in the personnel and a commitment to their company, which are supported by a strong solidarity among the personnel as well as their well-being. While the majority of the small enterprises in the plastics

and metal industry are subcontractors, the importance of long-term relationships with regular customers appears to be more important than good skills in personal sales. The ICT-sector is a knowledge intensive branch of industry, where the products are often tailor-made for the individual customer. This can also be seen in the list of the most important success factors.

Although companies in different lines of industry picked fairly similar factors as the least important success factors, there are also some differences.

Table 5. The least important success factors according to mean values per line of industry

Success factor (placement according to mean values)	Placement		
	Tourism	Plastics and Metal	ICT
50. Employment of private consultants	50. 2,38	50. 2,31	49. 2,42
49. The impact of incubators	49. 2,39	49. 2,40	46. 2,65
48. Employment of public advisory services	44. 3,08	47. 2,84	45. 2,65
47. Co-operation with research organisations.	47. 2,99	46. 2,88	39. 3,04
46. Co-operation with competitors	34. 3,65	48. 2,70	48. 2,54
45. Customer's possibilities to negotiate the terms of payment.	48. 2,98	43. 3,09	38. 3,04
44. Co-operation with educational organisations	43. 3,13	45. 2,89	40. 2,92
43. Public support for financing.	39. 3,48	34. 3,41	47. 2,54
42. Availability of raw materials of accurate quality	38. 3,52	11. 4,07	50. 2,12
41. Utilisation of information technology in production	46. 3,04	44. 2,95	6. 4,38

The impact of incubators is least important in tourism, where there is no incubator in the area. In the plastics and metal industry, as well as in ICT, a local incubator is available for the industry but its resources for support are scarce: only a couple companies can be supported at a time. For tourism and plastics and metal industries, public financial support has been more important than for ICT, while the two first mentioned branches need more investments in equipment and facilities than the knowledge intensive ICT branch of industry.

In order to obtain a more comprehensive picture of the success factors, a factor analysis of the success factors was conducted. Based on which, 11 sum variables were formed. In VARIMAX-rotation the variance for the loadings for each factor was maximised. The sum variables excluded the initial variables "opportunity to specialise in a few niche products or segments" and "expansion to export markets", because both these were loaded as their own factors. The factor analysis excluded the factor "expanding the domestic markets", whose loading in any factor did not exceed 0,30 (Metsämuuronen 2003, 537).

Table 6. Sum variables and the initial variables

Factor	Label	Initial variables
1	Human resources	<p>Feed-back from customers. Strong value base of the company and commitment to these values. Well-being of the personnel. Simple organisational structure. Investments in personnel training. Availability of qualified personnel. Strong competence of the personnel. Strong solidarity among the personnel. A low turnover of personnel.</p>
2	Co-operation with public organisations	<p>Easy availability of out-source financing. Public support for financing. Employment of public advisory services. Co-operation with educational organisations. Co-operation with research organisations. The impact of incubators. Employment of private consultants.</p>
3	Production and distribution	<p>Availability of raw materials of accurate quality Long term relationships with suppliers Low delivery and transportation costs Low production costs. Customer's possibilities to negotiate the terms of payment.</p>
4	Customer orientation	<p>Ability to respond flexibly to customers' special needs and requirements. Long-term relationships with regular customers. Good skills in personal sales. Post purchase service for the customer. Good reputation of the product/service.</p>
5	Technology	<p>Good skills in advertising and promotion. Utilisation of information technology in customer relationship management. Utilisation of information technology in production. Up-to-date facilities and equipment for product/service production. Continuous product development.</p>
6	Marketing channel	<p>Accurate distribution channel Personal relationships with representatives of the distribution channel</p>
7	Finance	<p>Long range planning in management. Low financing costs Strong self financing</p>
8	Horizontal co-operation	<p>Good co-operation with businesses in the same branch (horizontal co-operation). Co-operation with competitors</p>
9	Market intelligence	<p>Good knowledge of competitors. Ability to predict changes in demand.</p>
10	Product	<p>Difficult to imitate-product/service. The technical quality of products is better than the competitors'. The customer service is better than the competitors'</p>
11	Price and accessibility	<p>Familiarity of the firm. Easy availability of the products/service, from the customer's point of view. Price of the product/service.</p>
12	Expansion to export markets	
13	Opportunity to specialise in a few niche products or segments	

The corresponding sum variables were formed from the factors. The mean values of these sum variables are presented in Table 7 (see also appendix 1). The differences between the three different lines of industry were examined with the Kruskal-Wallis test, which is a corresponding non-parametric test for one-dimensional factor analysis.

Table 7 : Importance of success factors in the three different branches of industry (mean)

	Tourism mean	Plastics/metal mean	ICT mean	p
Human resources	4,08	4,03	4,03	0,284
Co-operation with public organisations	2,98	2,88	2,71	0,323
Production and distribution	3,39	3,67	2,84	0,000*
Customer orientation	4,36	4,21	4,42	0,107
Technology	3,63	3,40	3,88	0,004*
Marketing channel	3,86	3,35	3,42	0,003*
Finance	4,03	3,83	3,75	0,044*
Horizontal co-operation	3,76	2,93	2,88	0,000*
Market intelligence	4,00	3,97	3,95	0,452
Product	3,82	3,87	4,00	0,673
Price and accessibility	4,16	4,02	3,85	0,031*
Expansion to export markets	3,46	3,20	2,92	0,598
Specialisation in niche markets	3,76	3,79	4,00	0,174

*=statistically significant difference

In all three branches of industry, customer orientation appears to be the most important factor of success. Human resources are also more than important for all three. The price and accessibility-factor, which also includes variables that measure one aspect on distribution, is the second most important factor for the tourism industry. Price-factor is the least important for the IT-sector, this difference also being statistically significant.

For the tourism industry all the marketing resources related factors (Human resources, Customer orientation, Marketing channel, Market intelligence, Product) were at least regarded as important (mean >3,5). The other branches found the marketing channel to only be fairly important, which was a statistically significant difference. Production and distribution is significantly less important for IT than the others, and technology is less important for the plastics and metal industry than for the others. Horizontal co-operation and finance are significantly more important for the tourism industry than for the others. Interestingly, most of the significant differences between

branches of industry were in those variables that are least important for the success of the industry.

The potential differences between the values of the sum variables were next examined between the branches of industry in relation to present growth desires. For no variables were there statistically significant differences within the lines of industry between enterprises of slow and rapid growth, which suggests that the manner of growth, in the light of the results of this study, would not seem to affect which success factors the companies consider important in their line of industry. The fact whether the respondent was an employed manager or the owner of the company, did not affect the evaluation of the significance of the success factors, either. However, one statistically significant difference was perceived throughout the entire set of data: companies of rapid growth considered horizontal co-operation to be clearly more important (mean 2,85) than those companies with slow growth (mean 3,38).

When the sum variables were compared in each branch of industry separately in relation to the full-time or part-time status of the companies, there were statistically significant differences in only two variables. In ICT enterprises, those companies practising part-time entrepreneurship considered co-operation with public organisations more important than full-time enterprises. Within the tourism industry, however, those practising full-time entrepreneurship considered customer orientation to be more important than did the part-time entrepreneurs.

Expertise in the success factors

In the last question, the respondents were asked to evaluate how well they have managed these factors in their own operations. A 5-point scale was used ranging from 5=the factor is managed very well to 2=the factor is managed poorly. If the respondent thought that the factor had no significance for the success of the company 1 was chosen. The table in appendix 2 presents the percentages of the “no significance” answers in each line of industry.

Then the same sum variables for question 20, as for question 19, were formed. The averages for the sum variables were calculated in such a way that the “no significance” answers were excluded from the original variable data, so the mean values describe the opinion of those respondents who have considered each singular factor as at least a somewhat important success factor, and have hence evaluated the expertise of the company with respect to the factor in question.

Table 8: Expertise in the success factors in each branch of business (mean)

	Tourism mean	Plastics/metal mean	ICT mean	p
Human resources	3,76	3,83	3,89	0,600
Co-operation with public organisations	3,01	3,11	2,97	0,296
Production and distribution	3,60	3,72	3,40	0,045*
Customer orientation	3,95	3,98	4,02	0,785
Technology	3,38	3,33	3,68	0,053
Marketing channel	3,61	3,42	3,59	0,284
Finance	3,69	3,66	3,57	0,677
Horizontal co-operation	3,55	3,05	3,00	0,000*
Market intelligence	3,62	3,59	3,59	0,942
Product	3,64	3,73	3,83	0,473
Price and accessibility	3,65	3,65	3,71	0,975
Expansion to export markets	3,04	3,03	2,60	0,106
Specialisation in niche markets	3,59	3,65	3,58	0,924

*=statistically significant difference

Statistically significant differences (Kruskal-Wallis test) were found in two variables only:

Whereas production and distribution were best mastered in the plastics and metal industry, ICT-businesses obtained the worst result for these. Tourism businesses seem to have the best skills in horizontal co-operation.

The possible differences for the values of the sum variables between the branches of industry were next examined in relation to the present growth desires. As with the previous question, no statistically significant differences in relation to the growth rate were detected.

The employed managers within the tourism industry evaluated expertise in the companies as higher than the owner-managers for the marketing channel variable (p-value 0,004). Within the plastics and metal industry, the owner-managers evaluated the expertise of their companies in production and distribution as better than the employed managers in their companies (p-value 0,031). Within the tourism industry, the evaluations of full-time enterprises with respect to their product (p-value 0,047) and expansion to export markets (p-value 0,015) are higher than in part-time enterprises.

Table 9: The importance of success factors and expertise in these factors in companies

	Tourism		Plastics/metal		ICT	
	Importance	skills	Importance	skills	Importance	skills
Human resources	4,08	3,76	4,03	3,83	4,03	3,89
Co-operation with public organisations	2,98	3,01	2,88	3,11	2,71	2,97
Production and distribution	3,39	3,60	3,67	3,72	2,84	3,40
Customer orientation	4,36	3,95	4,21	3,98	4,42	4,02
Technology	3,63	3,38	3,40	3,33	3,88	3,68
Marketing channel	3,86	3,61	3,35	3,42	3,42	3,59
Finance	4,03	3,69	3,83	3,66	3,75	3,57
Horizontal co-operation	3,76	3,55	2,93	3,05	2,88	3,00
Market intelligence	4,00	3,62	3,97	3,59	3,95	3,59
Product	3,82	3,64	3,87	3,73	4,00	3,83
Price and accessibility	4,16	3,65	4,02	3,65	3,85	3,71
Expansion to export markets	3,46	3,04	3,20	3,03	2,92	2,60
Specialisation in niche markets	3,76	3,59	3,79	3,65	4,00	3,58

As can be seen from this table, customer orientation, which is considered the most important success factor in all three branches of industry, is also well mastered according to the enterprises. In all branches of industry, expansion to export markets would need most development, but this factor, on the other hand, has been evaluated as a less important success factor than most other factors in all three lines of industry. As we examine those success factors, which in each line of industry have been evaluated as the most important factors, the following observations can be made. The greatest development needs within the tourism industry would be in the areas of price and accessibility and customer orientation. In the plastics and metal industry price and accessibility also require development along with market intelligence. Within the field of the ICT specialisation in niche markets, customer orientation and market intelligence are all success factors in which expertise in relation to importance has needs for development.

According to the results of this study, customer orientation, human resources and market intelligence appear to be important factors of success for all three branches of industries represented in this study. While these variables refer to the concept of market orientation, the following short literature review will concentrate on recent research related to market orientation.

3. MARKET ORIENTATION AS A SUCCESS FACTOR

Interest in the recent research on market orientation was sparked by two seminal articles published by Narver and Slater (1990) and Kohli and Jaworski (1990). Since then there have been numerous articles exploring the nature of market orientation and its links to firm performance. A problematic issue has been the lack of consensus over how to define and, in particular, measure market orientation. (Gray & Hooley 2002, 980). Much of the market orientation literature is rooted in other theories such as the resource-based view of the firm and competitive strategy, which suggests that intangible resources such as branding and innovation, as well as superior service skills and market oriented cultures and behaviours, are likely to give firms competitive advantages. (Gray & Hooley 2002, 983).

Whereas the concept of marketing is considered as a philosophy in itself, marketing orientation is understood as the acceptance of the marketing concept. Marketing orientation dedicates itself to providing the steps needed to develop this philosophy within a company. (Esteban et al. 2002, 1003-1004) The traditional emphasis of marketing orientation was customer oriented, it focused on customer needs and making profits by creating customer satisfaction. Market orientation implies – according to numerous authors- an expanded focus, it pays balanced attention to both customers and competitors. Market orientation has become synonymous with how to implement the marketing concept. It appears to be a consensus that market orientation is perceived as a philosophy that permeates the organisation and directly affects the firm's performance, regardless of the culture (Lafferty and Hult, 2001, 93-94)

Lafferty and Hult (2001) distinguished five different perspectives on market orientation in their literature review, these being: decision making (Shapiro 1988), market intelligence (Kohli and Jaworski 1990), culturally based behavioural (Narver and Slater 1990), strategic (Rueckert 1992) and customer orientation (Deshpande et al. 1993) perspectives. After assessing these perspectives, they presented a framework that provides a synthesis of their components. The emphasis of the synthesised market orientation construct is placed upon meeting the needs and creating value for the customer. A second common factor is the importance of information within the organisation. The third unifying principle in these models is the dissemination of knowledge to all of the organisation's strategic business units. Four of the five perspectives on market orientation stress the need for appropriate action by the firm to implement the strategies required in order to be market oriented. Two of these perspectives address the underlying

corporate culture and its role in determining the degree of market orientation (i.e. Deshpande et al. 1993; Narver and Slater 1990). It has been suggested that this cultural dimension should become the springboard for the learning organisation, an expansion of market orientation, which incorporates values, knowledge and behaviour (Lafferty and Hult, 2001).

Esteban et al.'s (2002) overview of the main empirical contributions to market orientation in the service sector draws a few general conclusions. The most significant conclusion, according to them, is that the marketing concept, marketing orientation and market orientation have evolved from the same reality, although changed over time. The most evident conclusion, according to their review, is that to be market oriented improves the results of service enterprises. Marketing orientation appears to have a positive relationship with customers' satisfaction and services enterprises adopting market orientation obtain important advantages in internal organisation as well. In the reviewed studies, the techniques, scales and results were independent of the type of service analysed. The most common scales of market orientation were those by Kohli et al. (1993), MARKOR, and Narver and Slater (1990), MKTOR.

Esteban et al.(2002) suggest that the lines for further research in market orientation in the service sector should concentrate on adapting or creating scales according to the characteristics of different countries and sectors. (Esteban et al. 2002, 1015-1017) Gray and Hooley 2002 suggest that while most assessments in the service sector have tended to be quantitative, qualitative research might provide richer information on the links between market-oriented behaviour and other marketing and management strategies and various performance outcomes. (Gray & Hooley 2002, 982)

A further discussion has recently been introduced between two complementary approaches towards market orientation: to be market driven and to be driving markets. Market driven means understanding and reacting accordingly to the preferences and behaviour of those involved in a given market structure, referring to reactive business logic or logic indicating acceptance of the market as given. Driving markets implies influencing market structure and/or the behaviour of its participants, so that companies may obtain a competitive position, emphasising proactive business logic involving changes to the composition of market players. (Tuominen et. al 2004, 208; Esteban et al. 2002, 1003-1004, Day 1994)

According to the results of this study in hand, the factor Human resources appeared to be among the three most important success factors after customer orientation in all three branches of industries. Lings (1999 and 2004) suggests a conceptualisation of the balanced market orientation, which incorporates market and employee orientations and internal marketing. Naude et al. (2003) also regard internal marketing orientation as one of the core components of the broader concept of market orientation. Lings (1999 and 2004) argues that viewing the firm as a customer satisfying process focuses exclusively on the creation of customer satisfaction and is based on externally sourced intelligence without due consideration for the satisfaction and motivation of internal resources based on internally sourced intelligence. According to him, this myopic focus on the external customer compromises managers' abilities to balance their internal needs (to satisfy and motivate employees and design efficient and effective service delivery processes) with their external needs (to satisfy the customers, keep ahead of competition and meet the objectives of the firm in the external market).

Gray and Hooley (2002, 983) also point out the need for an internal marketing orientation to ensure that staff will articulate the desired marketing and innovation cultures, which the organisation is trying to develop. This is particularly important for service providers, given that their businesses are dependent on satisfactory personal interactions. According to Harris (1999), the ability of an organisation to sustain high levels of market orientation is largely determined by the ability of the organisation to maintain effective internal marketing through the internal and external measurement of market orientation.

Several studies confirm the strong influence of market orientation on firm performance. For example, Pelham's (2000) results show that most influential market orientation elements are a fast response to negative customer satisfaction information, strategies based on creating value for customers, immediate response to competitive challenges and fast detection of changes in customer product preferences. Verhees et al.'s (2004) results also show that customer market intelligence provides value for customers through product innovation by small firms.

According to Gray et al. (2002), company performance in the services sector might be positively linked to market orientated behaviour, a balanced corporate culture which incorporates marketing, employee and other stakeholder concerns, effective and efficient innovation strategies, and the adoption of new media (such as e-mail and the internet, and the provision of codes of ethics to guide staff conduct) (Gray et al. 2002, 187-188). According to the results of Gray et

al.1998 (in Gray et al. 2002, 189), more market-oriented firms enjoyed superior performance over a wide range of financial and marketing measures. They were also more successful at creating and launching new products, more likely to use information technologies for business purposes and more likely to have a written code of ethics.

Stoelhorst and van Raaij (2004) state that a common understanding of the sources of performance differentials is emerging across the disciplines of organisational economics, strategic management and marketing. According to their unifying framework, the performance differentials between firms are explained by positional advantage in product markets, business process efficiencies, unique or otherwise costly-to-copy resources, innovative capabilities and a superior ability to learn. In their framework, the market-oriented firm can be seen as a firm, which has knowledge about its markets, is able to turn this knowledge into customer value and can adapt to changes in its markets. Underlying this is the firm's ability to process market information (Stoelhorst and van Raaij 2004, 473-475).

In short, market orientation can be defined as organisational behaviours concerned with identifying customers' needs and competitors' actions, sharing market information throughout the organisation and responding to it in a co-ordinated, timely and profitable manner. The dimensions of market orientation are customer orientation (gathering information on customers' changing needs), competitor orientation, inter-functional co-ordination, responsiveness, profit emphasis (Gray et al. 2002, 187) and internal marketing orientation (Lings 1999 and 2004, Naude et al. 2003, Gray and Hooley 2002). Market orientation takes time to build, is complex, is built out of tacit skills and experience and is difficult to transfer from one firm to another (Hooley et al. 2002).

There are also authors from the recent literature that criticise the dominant role of market orientation as a firm's success factor. Noble et al (2002) state that it is myopic to assume that a market orientation is the only legitimate guiding model for business success and that other successful business models exist. According to them, many successful firms have followed a production orientation, based on the belief that production efficiencies, cost minimisation and mass distribution can be used effectively to deliver quality goods and services to the customers at attractive prices. Selling orientation, on the other hand, is based on the view that consumers will purchase more goods and services if aggressive sales is employed. This approach emphasises short-term sales maximisation over the establishment of a long-term relationship.

In addition, Gray and Hooley (2002) point out that two counterpoints to market orientation and the relationship marketing concepts are emerging. The first is whether the success of low-cost service providers such as airlines and retailers may be attributed to firms avoiding added customer value through features and benefits or personalised offerings, in favour of mass-marketing, low-price positioning and high frequency transactions. The second counterpoint is whether a broader range of firms are dropping market-driven strategies in favour of market-driving activities where product and service providers attempt to actively manipulate markets and create needs and desires (Gray & Hooley 2002, 985).

5. DISCUSSION

The purpose of this study was to identify those factors that are supposed to be the most important in terms of success in the three investigated branches of industry, and especially from the SME point of view. The measures used in the questionnaire were based on and adapted from Pasanen's (1999, 2004) and Valos and Baker's (1996) work. The respondents were asked to evaluate the importance of the given factors for the firm's success in the field of industry (s)he represents and how highly the respondent evaluated the company's expertise in each factor in their operations.

This study was not interested in which factors lead to the existing success, nor the interdependent relationship between success and success factors. In the research literature, success has normally been equated with the growth of an enterprise, and often only enterprises which are expanding are considered successful. However, it has been noted in several studies that only a very small proportion of companies wish to expand. At the same time, those enterprises which do not wish to expand their operations may regard themselves as successful. The metres in this event are subjective. They are more related to the entrepreneur's own way of life than to economic metres.

Hence, success in this study has not been defined, but a starting point has been the idea that success is a subjectively defined concept for each actor. The growth desire and the company's way of growth were also examined in this study. Two groups were made based on whether the companies wished to expand their operations slowly or fast, the latter specifically representing companies which in many other studies are likely to be labelled as successful companies in economic terms. Success factors were then examined separately in each group. The objective was

to discover whether there were differences in relation to what the fast or slowly growing enterprises regard as important success factors.

The results of this study indicate that there are no statistically significant differences in the views held by slowly or fast growing enterprises regarding the importance of the success factors. The same factors are considered important and less important in both slowly and fast growing enterprises in each branch of industry. Neither were there any statistically significant differences in these enterprises as to the expertise in these success factors.

However, there was one statistically significant difference throughout the whole data: enterprises with fast growth considered horizontal co-operation as clearly more important (mean 2,85) than companies with slow growth (mean 3,38). This is likely to be influenced by the fact that, particularly in tourism, business co-operation with other enterprises in the field is often a prerequisite for growth: with small capacities, companies' resources have to be united in order to be able to satisfy greater groups.

According to the analysis of the data, the respondents seem to emphasise the importance of customer orientation, good skills in leadership, internal marketing and a good reputation of the firm and the product. The impact of external advice (incubators, consultants, research organisations) was evaluated as the least important factor of success. Because these are, according to the above literature review, also the elements of market orientation, according to the results of this study it could be surmised that market orientation seems to play a key role in the performance of small and micro firms.

As compared the results of this study to those of Pasanen (1999 and 2003), one can note that there are plenty of similarities. In Pasanen's research results, the ten most important individual success factors were: good knowledge of customers and their needs, long term customer relations, good reputation of the firm, good knowledge of products/services, personnel with advanced knowledge, fast and reliable delivery, quality of raw materials and reliable suppliers, continuity of key persons, co-operative personnel, and an ability to respond flexibly to customers' needs (Pasanen 2003, 108). The least important factors were also almost the same as in this study: external owners (not included in our variables), private consultation, public consultation support, public financial support, weak competition (not included in our variables), and an acquaintance with an influential distribution channel (Pasanen 2003, 109). According to Pasanen's results, SME success seems to be a multidimensional phenomenon, but factors related to customer and

supplier relations, personnel, knowledge, flexibility, quality and planning were considered to be the success factors for all successful SMEs in his data. The single most important success variables were related to customer relations and personnel (ibid. 214).

Limitations and future research

The main purpose of this study was to identify factors that affect the performance of small and micro businesses in three different branches of industry in Eastern Finland. In the planning stage of this study, a special interest was to discover how the ideas of these branches of industry, particularly regarding success factors related to marketing, would possibly differ from one another. Due to the managerial research premises the objective of this study was not to specifically examine the effect of market orientation on the success of the company. So, an important part of market orientation, the dissemination of the knowledge to the entire organisation, was not investigated in this study, which is a limitation to interpretation of the results in terms of market orientation. Market intelligence and customer orientation in all lines of industry were factors which needed development when compared with what importance was placed on these in relation to the success of the industry, but the results do not explain how this expertise inside the company is divided. On the other hand, as the companies within the fields of tourism and ICT, in particular, are very small, the actors inside the organisation do not necessarily involve others than the owner-manager and the closest members of the family, so the dissemination of knowledge is not so relevant as in larger enterprises where the “tacit knowledge” of the both the owner-manager and the other employees should be made available for the whole organisation.

The research results do not show how the enterprises operate in reality, either. In other words, whether they aim to act in a market-oriented way, or whether their operations are more product- or production-oriented, or maybe sales-oriented (see also Avlonitis & Gounaris 1999).

Furthermore, the evaluation of the expertise in the various success factors of the companies is a vision, which is based on subjective images of success in the companies. Hence, when the mean values of expertise are compared against each other we should not assume that they objectively measure real expertise, but rather the average prevailing views in the industry on how this expertise is experienced in each enterprise. However, based on the results, we can draw

conclusions on which kind of development needs different branches of industry might have in general in the investigated area.

One limitation is that within the ICT branch the number of answers was clearly smaller than in other industries. This is why when this industry is examined in the light of the background variables we have to bear in mind that the number of observations in different categories is very small, so the results are statistically not reliable enough to be able to make generalisations regarding the whole industry. In addition, it has to be taken into consideration that definitions for this industry within this study were extremely restricted.

An interesting observation in this study is that the importance of market-orientation for the success of a line of industry has in all three branches been evaluated in practically the same way even though, as Gray & Hooley (2002) note that in theory, one would assume service firms, with their dependence on person to person interactions and relationships, to be more market-oriented than product firms (ibid 985-986). Gray and Hooley (2002) put forward that an important question that should create more interest in future research is that of the context specific role of the market environment (customers, competitors, technology) and the internal sources of competitive advantage, and how these factors may impact on the market orientation and performance relationship.

The results of this study will be further examined with a qualitative study, in which, in particular, those areas of market orientation which this study did not fully explore will be investigated more profoundly. Particular attention will be paid to the inner marketing component as well as to how market orientation can be observed in the daily practical operations of a company.

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Appendix 1

Question 19, differences
between the branches of
industry

	branch									
	Tourism(n=81)			Plastics/metal (n=85)			IT (n=26)			p
	mean	med	std.dev.	mean	med	std.dev.	mean	med	std.dev.	
variable 1	4,08	4,11	0,62	4,03	4,00	0,52	4,03	4,00	0,53	0,284
variable 2	2,98	2,86	0,85	2,88	3,00	0,76	2,71	2,86	0,81	0,323
variable 3	3,39	3,40	0,84	3,67	3,80	0,59	2,84	2,70	0,83	0,000*
variable 4	4,36	4,20	0,52	4,21	4,40	0,61	4,42	4,40	0,52	0,107
variable 5	3,63	3,60	0,67	3,40	3,40	0,73	3,88	4,00	0,61	0,004*
variable 6	3,86	4,00	1,00	3,35	3,50	1,11	3,42	3,75	1,22	0,003*
variable 7	4,03	4,00	0,65	3,83	4,00	0,62	3,75	3,83	0,64	0,044*
variable 8	3,76	4,00	0,95	2,93	3,00	1,06	2,88	3,00	0,91	0,000*
variable 9	4,00	4,00	0,70	3,97	4,00	0,58	3,95	3,83	0,64	0,452
variable 10	3,82	4,00	0,75	3,87	4,00	0,65	4,00	4,00	0,71	0,673
variable 11	4,16	4,00	0,60	4,02	4,00	0,56	3,85	4,00	0,74	0,031*
variable 12	3,46	4,00	1,26	3,20	3,00	1,36	2,92	3,00	1,41	0,598
variable 13	3,76	4,00	0,96	3,79	4,00	0,94	4,00	4,00	0,89	0,174

Appendix 2. Question 20: How well do you manage the factor in your own operations? Valid % of “no significance”

	TOURISM %	PLASTICS/ METAL %	ICT %
Availability of raw materials of accurate quality	7,9	0	36
Long term relationships with suppliers	9,1	1,2	20,8
Good knowledge (familiarity) of customers and their needs	0	0	0
Ability to respond flexibly to customers’ special needs and requirements	1,2	1,2	0
Low delivery and transportation costs	11,5	4,9	32
Low production costs	2,7	0	4
Accurate distribution channel	6,4	6,1	12
Personal relationships with representatives of the distribution channel	5,1	8,6	12
Long-term relationships with regular customers	1,2	1,2	0
Good skills in advertising and promotion	1,2	7,3	0
Good skills in personal sales	0	6,1	0
Post purchase service for the customer	3,7	3,7	0
Utilization of information technology in customer relationship management	1,3	2,4	4
Utilization of information technology in production	9,2	11	0
Difficult to imitate-product/service	5,5	4,9	4
The technical quality of products better than competitors’	2,5	0	4
The customer service better than competitors’	1,2	0	4
Good reputation of the product/service	0	0	0
Familiarity of the firm	0	2,4	0
Easy availability of the products/service, from the customer’s point of view	1,2	0	0
Price of the product/service	1,2	1,2	4
Customer’s possibilities to negotiate the terms of payment	13,8	3,7	4
Up to date facilities and equipment for product/service production	1,3	2,4	8
Continuous product development	2,5	2,4	0
Feed-back from customers	2,5	0	0
Strong value base of the company and commitment to these values	2,5	2,4	12
Well-being of the personnel	0	1,2	4,3
Simple organizational structure	1,3	1,3	0
Investments in personnel training	3,7	4,9	8
Availability of qualified personnel	6,3	6,1	4
Strong competence of the personnel	3,7	1,2	4,2
Strong solidarity among the personnel	2,5	2,5	4,2
A low turnover of personnel	1,2	2,5	4,2
Long range planning in management	1,2	0	0
Low financing costs	1,2	0	0
Strong self financing	0	0	0
Easy availability of out source financing	6,2	4,9	20
Public support for financing	13,6	11	24
Employment of public advisory services	12,5	13,4	28

Co-operation with educational organizations	13,4	11	16
Cooperation with research organisations	21	13,4	12
The impact of incubators	30,9	24,4	36
Employment of private consultants	29,3	23,2	20
Good cooperation with businesses in the same branch (horizontal cooperation)	2,4	7,3	16,7
Opportunity to specialize in a few niche products or segments	9,8	4,9	4
Expanding the domestic markets	1,2	9,9	4
Expanding to export markets	9,8	23,2	20
Good knowledge on the competitors	2,5	6,2	8
Ability to predict the changes in demand	3,7	1,2	8
Cooperation with competitors	6,2	15,9	16