



## **SUCCESS FACTORS AND THEIR EFFECTS ON THE PERFORMANCE OF (SMES) IN FOOD INDUSTRIES**

Toba MOHAMMADI<sup>1</sup>, Edris MAHMOODI<sup>2\*</sup>, Mohammad Hassan MOHSENI NASAB<sup>†</sup>

<sup>1</sup> Department of Business Management, Industrial Management Institute(IMI), KhoramShahr, Iran,

<sup>2</sup> Faculty member of Shahid Chamran University of Ahvaz, Ahvaz, Iran,

<sup>†</sup> Assistant Professor, Department of Business Management, Industrial Management Institute(IMI), KhoramShahr, Iran.

**\*Corresponding Author**

**E\_mail:ed.mahmoudi@scu.ac.ir**

### **ABSTRACT**

*The speed of changes and the intensity of competition between enterprises in different industries have made them face resource constraints. The sustainability and survival of organizations depend on achieving a competitive advantage in cost, quality, innovation and delivery simultaneously. Moreover, obtaining the competitive advantage is through identifying areas and sectors where the enterprises have superiority. Accordingly, for the first time, the study tried to design and explain these factors in the Iranian food industry. The research was applied in terms of purpose, descriptive-survey considering data collection, and its tools were interviews and questionnaires. The population of the study was Khuzestan food industries. Thompson and Strickland's Model, as the basis, was used to carry out the study. This model has defined critical success factors in seven different aspects, with some indices specified for each one. In this study, the ability to innovate in the product, the ability to use update information, quality raw material, the ability to produce order, internet distribution networks, low distribution cost, the provision of appropriate and timely services to the customers, innovation in products, experience and expertise of the management had a significant effect on the performance of SMEs. There was an exception for this that was fast, explicit market evaluation techniques, and the ability to make changes in previous products with no effects on the performance of industries.*

**Keywords:** Critical Success Factors, SMES, Food Industries.

### **INTRODUCTION**

The existence of a competitive environment among the organizations has made them stress the strengths bringing about competitive advantage to them. The organizations may use these points as capacities or opportunities to enhance competition with other organizations because in the long-run, the success of organizations and industries needs a steady and sustained competitive advantage.

The study has used the opinions of those believing that there are always sectors and areas in industry that the managers must pay special attention for gaining competitive advantage and improve the position of their firm compared to other competitors by showing good performance in those parts compared to them. These experts consider these factors and sections as “critical success factors.” The critical success factors (CSFs) are limited and certain factors whose presence ensures the successful move of the manager or organization (Benton et al., 1984). These factors are the main part of the competitive advantage for industries. Identifying these

factors enables the organizations to decide on “whether they are capable of building the conditions necessary to respond to CSFs” and helps them and employees understand the vital areas for resource and time allocation.

There are several definitions of CSFs, with one of most important definitions provided by Rockart in 1979: (Rockart, 1979).

“CSFs refer to limited areas in any project or business that if lead to desired results, will ensure an appropriate competitive advantage and performance for the organization.” Moreover, these factors are essential as reforms for an element essential for organizations or projects to accomplish their mission through them.

RawindarKamar et al. (2015) believe that 13 factors are effective in the successful implementation of a supply chain management system in SMEs, with the involvement of senior management, vision, focus on strengths, allocated sources to the supply chain, and the creation of an effective supply-chain management strategy as the most important success factors.

While there are many small industries in Iran, few studies have been conducted on their success factors. For instance, statistics released by the Ministry of Industries and Mines suggest that in 2009, 89% of the licenses issued have been for companies belonging to small industries compared to 10.2% for large industries (Maharati, Nazemi, 2011).

In terms of saving in production scale SMEs are superior to large industries in some parts of production. Studies have shown that if a production unit becomes larger than a certain value, it will lead to inefficiency. Examples of this economic legality are the reduction of economic units in Western countries and the division of large institutions into small independent entities. SMEs also play a very significant role in job creation, especially for less skilled workers and low-income women. SMEs provide an important driving force for achieving sustainable economic growth in line with the goals of poverty elimination. As SMEs are more dependent on local suppliers than large industries, they indirectly result in the creation of job opportunities. These industries need little capital per labor, whereas such conditions are not the case in large industries. In large industries, it is often tried to use less labor in production, and mainly the control systems and machine technology that control the production.

## LITERATURE REVIEW

Determining the strategy in different organizations is done in different ways, one of which is strategic planning. According to Ellsen and Eide, strategic planning means a systematic and organized effort to make decisions and to undertake fundamental actions by which what and organization is what it does, and why it does something will be specified. Plans have a direct relationship with policies, goals, missions, size, dynamics, degree of complexity, and the structure of the organization. Hence, strategic planning is determined by considering these factors. The strategic planning provides an attitude and analysis of the company and its environment, describes the status quo of the company and identifies the key factors affecting success (Fry and Stoner, 1995).

Thus, considering the above points, the organizations need success in gaining competitive advantage. This competitive advantage is created through the factors that ensure the success of the organization, known as CSFs, and the organizations need strategic planning based on these factors to be successful and stable. In the definition, CSFs are those components forming strategy



that the organization must have superiority in to gain competitive advantage (Johnson & Scholes, 1999).

**Table 1. Summary of the literature**

Row	Researcher name	Title	Study year	Results
1	Abdul Rani et al.	Evaluation of CSFs in Nigeria's oil and gas projects	2011	The project has identified thirteen factors as CSFs for deep-sea oil and gas projects, including risk allocation, appropriate project implementation, project real-time, project management capability, available resources, innovative technology, fast delivery of the project and so on
2	Shehu&Akintoye	CSFs in effective program management	2009	This study has identified and prioritized the identification of critical factors for effective management program with 22 factors, some of which are effective planning, effective communication, effective coordination of projects, effective team management, proper budgeting, good performance management, effective management of transfers and so on
4	Singh et al.	Modeling of critical success factors for AMT implementation	2007	After the examinations done, they have identified 14 factors, including senior management commitment, corporate culture, financial status, training and integration of units, and so on, development of competitive strategy and culture of the organization are among the factors enabling the implementation of AMTs and improvements in product quality, performance improvement were outlined by the main motivational factors.
6	Plant & Willcocks	CSFs in the implementation of International ERP	2007	This study has used Summers and Neslons' model to identify the success factors in implementing ERP and has introduced three factors of this model as effective factors before implementation.
7	Quesada &Gazo	Methodology for determining the key internal factors of the business process based on CSF method (case study of furniture industry)	2007	In this research, CSFs are related to four factors: serving customers, managing production, quality and price of products, as well as internal key factors for the business process. In this case study, customer engagement, product operations, and supply chain management have been identified and finally it is stated that if these points are considered at the highest level of management, the managers will achieved the best results.
9	Chen et al.	Identification of CSFs in the online gaming industry using Fuzzy AHP	2006	This study has been conducted to prioritize CSFs in the online gaming industry and has introduced two categories of factors as critical factors: operational strategies and game quality
10	Hung et al.	Critical factors in the adoption of a knowledge management system for the pharmaceutical industry	2005	This study has been done for the pharmaceutical industry and has described the modeling, organizational culture, information system infrastructure, conflict and training of employees as CSFs.
11	Longbottom et al.	Identifying CSFs and performance measurement	2003	This study has introduced CSFs in four general categories: strategy, human resource management, and information systems.



## INTRODUCING KHUZESTAN

With about 64 thousand square kilometers, Khuzestan covers about 4% of the total area of Iran, which is the tenth province of Iran in this regard. According to the latest divisions of the country, the province has 23 cities, 54 towns, and about 4400 rural settlements.

One of the main facilities and capabilities of the development of Khuzestan is the flow of a large part of the surface waters of Iran and the existence of the rivers and the existence of huge and numerous dams constructed or under construction in different regions of the province. They have the possibility of multipurpose use for the development of agricultural, fisheries, energy and drinking water supply purposes as well. Among the other facilities of the province are the significant sources of soil and vegetation, having a suitable climate and the possibility of planting and harvesting agricultural products in three times in a large part of the province. The existence of extensive palm trees in the province and the significant potential development of agricultural activities and related industries in this area are among the other features. There are valuable water reserves, fishing ports, fishing fleets and large fish farms and shrimp complexes, livestock farms, forage gardens, and nine large crops and sugar cane industry with an area of about 90,000 hectares and a wide variety of industries dependent on it among other capabilities of it with a significant role in the development of this region. Having higher education centers and specialized specialists in the agricultural sector, having half of the international and valuable wetlands of Iran have provided the context for the comprehensive development of agricultural, ranching, animal husbandry, fisheries and aquaculture, livestock, poultry, and other activities for the province.

## RESULTS

Designing the model is in line with designing and prioritizing CSFs in the Khuzestan food industries. The research is applied. The first stage used a qualitative (descriptive-exploratory) method to collect data and information by examining documents and books and scientific journals and online resources. Moreover, using the results of previous surveys, issues related to the subject matter of the research, in consultation with the professors and informed individuals, were planned and designed. In the first step, top 20 high-performance food companies were selected as the sample in the study and the required information was obtained using the questionnaire, observation and interview in order to collect information for answering research questions.

Figure 1 presents the conceptual model of study.



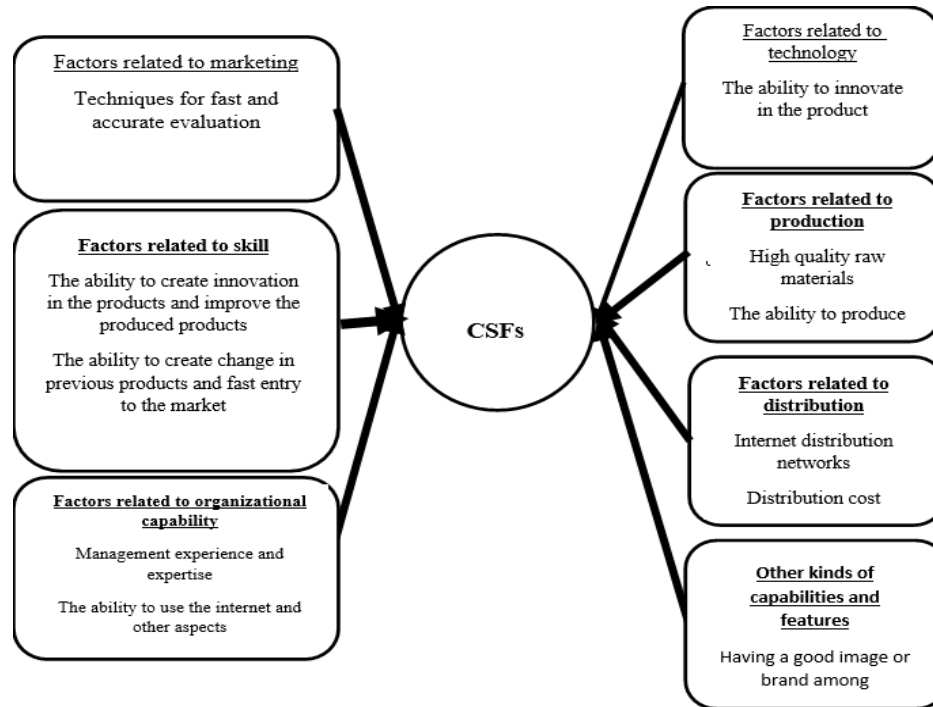


Figure 1. Conceptual Model (Writer)

***The first hypothesis***

HO: The ability to innovate in the product is effective in the performance of SMEs.

H1: The ability to innovate in the product is not effective in the performance of SMEs.

**Table 2. T-student test results of the effect of the ability to innovate in product**

	T statistic	Degree of freedom	Sig.	Meandifference	95% confidence level	
					Min.	Max.
V1	15.318	121	0.000	0.89508	0.7794	1.0108

**Table 3. Statistical results of the effect of product innovation ability**

	Frequency	Mean	SD	Standard error mean
V1	122	3.8951	0.64540	0.05843

T-Student test results in Table 2 show that the significance is less than 0.05, so one can conclude that the innovation in the product is effective in the performance of SMEs. As the ability to innovate in the product becomes better, SMEs performance will be better.

***The second hypothesis***

HO: The ability to use update information is effective in the performance of SMEs.

H1: The ability to use update information is not effective in the performance of SMEs.

**Table 4. T-student test results of the effect of the ability to use update information**

	T statistic	Degree of freedom	Sig.	Meandifference	95% confidence level	
					Min.	Max.
V2	-1.950	121	0.053	-0.15330	-0.3089	0.0023

**Table 9. Statistical Results of the effect of the ability to use update information**

	Frequency	Mean	SD	Standard error mean
V2	122	2.8467	0.86818	0.07860

The results of t-student test in the above tables show that the significance is greater than 0.05, so one can conclude that the ability to use update information is not effective in the performance of SMEs.

**The third hypothesis**

HO: high quality raw materials are effective in the performance of SMEs.

H1: high quality raw materials are not effective in the performance of SMEs.

**Table 10. T-student test results of the effect of quality raw materials**

	T statistic	Degree of freedom	Sig.	Meandifference	95% confidence level	
					Min.	Max.
V3	14.128	121	0.003	0.87204	0.7871	1.0954

**Table 11. Statistical results of the effect of quality raw materials**

	Frequency	Mean	SD	Standard error mean
V3	122	2.8721	1.04231	0.09725

T-student test results in the tables showed that the significance is less than 0.05 so on can conclude that quality raw materials are effective in the performance of SMEs. As the quality raw materials are more, the performance of SMEs becomes better.

**The fourth hypothesis**

HO: The ability to customize the product is effective in the performance of SMEs.

H1: The ability to customize the product is not effective in the performance of SMEs.

**Table 12. T-student test results of the effect of customized production capability**

	T statistic	Degree of freedom	Sig.	Meandifference	95% confidence level	
					Min.	Max.
V4	6.786	121	0.000	0.45219	0.3203	0.5841

**Table 13. Statistical results of the effect of customized production capacity**

	Frequency	Mean	SD	Standard error mean
V4	122	3.4522	0.73597	0.06663

T-student test results in the tables suggested that the significance is less than 0.05, so one can conclude that the ability of customized production affects the performance of SMEs. As the ability for customized production increases, the better the performance of SMEs becomes better.

**The fifth hypothesis**

HO: Internet distribution networks are effective in the performance of SMEs.

H1: Internet distribution networks are not effective in the performance of SMEs.

**Table 14. T-student test results of the effect of internet distribution networks**

	T statistic	Degree of freedom	Sig.	Meandifference	95% confidence level	
					Min.	Max.
V5	6.148	121	0.000	0.45902	0.3112	0.6068

Table 1 \. Statistical results of the effect of internet distribution networks

	Frequency	Mean	SD	Standard error mean
V5	122	3.4590	0.82470	0.07466

T-student test results in tables showed that the significance is less than 0.05, so one can conclude that internet distribution networks is effective in the performance of SMEs. The more the distribution networks are, the better the performance of the SMEs will be.

#### *The ability to innovate*

The study introduced the ability to innovate in the product as the most important factor. Innovation is a key factor in creating global competition ending in organizational growth, and the success of the future, allowing companies to enjoy a sustainable operating economy in the global economy. Accordingly, the following points are recommended.

- A. Offering encouraging incentives for organizations to attract creative ideas
- B. Increasing product diversity
- C. Using reverse engineering techniques for developing new products
- D. Using the update techniques for diversity
- E. Investing in nurturing creative and innovative people
- F. Using new techniques in the design and packaging of products

#### *Ability to use update information*

The second critical factor affecting the success of this industry is the ability to use update information.

- A. As the ability to use update information is the result of the years of efforts by the individuals, the organizations should try to provide a platform that always uses their former forces as advisers and a combination of old forces and their young people to help the organization grow and flourishing.
- B. Holding various specialized training courses
- C. Providing educational opportunities for science in countries with high levels of ability in this industry
- D. Creating a suitable environment for industry experts and thinkers to exchange information
- E. The possibility of joint venture with foreign companies

#### *Quality raw materials*

Another important factor affecting the success of the food industry is the quality of the materials. The issue of material quality has become very sensitive in global markets. The quality of production increases the credibility of the organization and people are more trusted to welcome new products, so the following suggestions are set forth:

- A. Using high quality raw materials
- B. Using advanced equipment
- C. Access and use of update science
- D. Targeting for obtaining validated European standard certificates (HACCP)

#### *Customized production capability*

Another important factor is the ability to produce customized products, which considering the international sanctions, for which the following is proposed:



- The technology and infrastructure required to cater for the food industry should be modeled by the reputable companies

#### *Internet distribution networks, low cost distribution and internet capacity*

Fifth, sixth, and seventh critical factors that active organizations in this industry should always pay attention to and invest to gain a competitive advantage are distribution networks, low-cost distribution networks, and using the Internet; the most important suggestions for which is the viral and Internet marketing approach. Organizations in the industry should plan the word of mouth marketing through the creation of online distribution networks.

#### *Providing timely and appropriate services*

Another critical factor in the food industry is the timely delivery of products, the most important suggestions for which are as follows:

- Establishing an optimal supply chain approach
- Managing and controlling the bullwhip effect
- Implementation of the Kanban and JIT systems

#### *Management experience and expertise*

The last critical factor is management experience and expertise, which can have significant effects on the management function of the organization as the most important factor in having a strategic approach and thinking. Thus, the most important suggestion will be to highlight the importance of teaching and promoting strategic thinking.

## CONCLUSION

There is no doubt that obtaining competitive advantage is not realized accidentally and in an unplanned way. However, to reach it, we need to identify and invest the factors and areas that ensure the success of organizations and industries. These factors are known as CFSs that determine the success and failure of a firm in an industry. If it is properly maintained and managed, it can have significant effects on the competitiveness of a company in a particular industry. Hence, due to the importance of this issue, this research aimed at designing and publishing the factors identified in the food industry of Khuzestan to provide a solution for the success of this industry and to obtain the competitive advantage for the organizations in this field.

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