

The Effects of the Moderator of Social Skills on Changing between Managerial Skills and the SME Performance

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Abstract

Purpose – This study aims to study the effect of moderator of social skills on a change between managerial skills and the performance of small and medium enterprises.

Research methodology – Descriptive statistic study was used in this study and model (SEM) was used to examine the postulated hypothesis (research questions). The research was conducted among the entrepreneurs by focusing on the characteristics of particular SME entrepreneurs' specific skills in Thailand. A total 400 usable responses by the subjects were received. The analysis was done by using the structural equation model.

Findings – This study found that managerial skills had the positive direct effect on the SME performance which consisted of cost reduction, customer growth and sale growth at 5.89, 13.32 and 16.25 respectively. The social skills had an effect on the change between managerial skills and SME performance. Finally, the leadership skills were the most important skill with the highest influence on SME performance at 0.84.

Conclusion and Recommendation – The result of this study would recommend that entrepreneurs prepare themselves before they start up their new business. According to the business developing stage, they should improve managerial skills and social skills by taking an entrepreneurship course or attending a leadership camp. They would learn how to develop entrepreneurial skills that are related to their business in order to increase their SME performance and enhance their competitiveness and capability towards global markets.

Originality/value - This paper introduces a practical model of moderator of social skills affecting changing between managerial skills and the performance of Thai SMEs.

Keywords: entrepreneurial skills, SME performance, social skills, managerial skills.



Introduction

The small and medium enterprise sector plays an important role in economic growth in the world. It is acknowledged that SMEs are the backbone of Thailand's long-term industrial development which is believed that SMEs contribute significantly to achieve national development. Some other researchers believe that SMEs bring about social benefits as a result of their greater competition and higher productivity in the economy. Much of researchers believe that SMEs bring about social benefits as a result of their greater competition and higher productivity in the economy. Therefore, governments in many countries focus on the development of the SME sector to support the economic growth. For successful management in the world of knowledge-based economy, an entrepreneur needs to equip themselves with new skills, enhance knowledge and competencies as the knowledge-based economy is an agenda for the development of a country today (Timmons, 2003). Since entrepreneurial skills influence implementation of sustainable growth of SMEs, the entrepreneur's success depends on the identification of crucial entrepreneurial skills for business startup, as well as for helping the business to survive and grow in the early years. However, achieving sustainable growth is a challenge that requires entrepreneurial skills.

There are several research studies that seek to identify the critical success factors of businesses. It is important that these factors are defined since business owners are concerned about the opportunities for success; their countries usually depend on information in relation to the success or failure of business for maintaining a stable economy (Gaskill et al., 1993). In addition, there are a number of empirically-based research studies that describe the attribute of entrepreneurship in terms of traits, social psychological and behavioral approaches. They are needed for improving managerial skills in order to motivate employees and carry a positive change in work attitude. Rahman (2001) studied that developing the quality of managerial skills would lead to an increase of the SME performance. Furthermore, many studies related to the present and future business entrepreneurs emphasized on the development of social skills in order to develop the SME performance. Therefore, the present study focuses more upon the success of business, which studies in-depth on entrepreneurial skills. The main objectives of this paper are: (1) to study the effect of managerial skills on the

SME performance (2) to study the effect of moderator of social skills on the change between managerial skills and the SME performance, and (3) to identify the important of skills development of entrepreneur's effects on the SME performance in Thailand. In order to achieve all objectives, it is necessary to define the characteristics of specific skills of SME entrepreneurs who have planned business growth in terms of cost reduction and the increase in customers and sales in Thailand.

Literature review

Literature of this study includes managerial skills, social skills and the SMEs performance.

Managerial skills

Managerial skills consist of seven dimensions such as management, finance, and marketing, and creativity, risk taking propensity, leadership and adaptability. Managerial skills are defined as an ability which can be developed and represented in the performance, not merely in potential, the ability to put knowledge into practice. Various studies claim that all managers require management skills and they are important for the success of the managers (Mintzberg, 1973; Whetten and Cameron, 2005). Practically, management, financial and marketing skills are the most often considered managerial skills in the study (Sieh, 1990; Hens 1987; Ken, 1990; Zaidatol and Habibah, 2004). Managerial skills are crucial for innovation and development of firm performance (Mabey, 2003). Numerous of researchers emphasize on the improvement of managerial skills to propel financial success and profitability for the SME (Guest, 2007; Carmeli, 2006; Samson and Draft, 2009).

Management is defined as the process of achieving organizational goals in an effective manner through planning, organizing, leading, and controlling (Daft, 2008). Management is the process of combination and coordinating a range of money – resource, implementation or people to achieve the goals of an organization (Lyman et al., 2007). Management regarding all activities and tasks are undertaken by one or more persons for the intention of planning and controlling the activities of others in order to achieve an objective (Wehrich and Koont, 1993).



Finance managing in an entrepreneurial venture may refer to acquiring resources and controlling finance (Fang et al., 2009 and Huck and McEwen, 1991). One of the techniques which help entrepreneurial ventures to overcome financial constraints is bootstrapping (Murphy et al., 2006). The successful entrepreneurs completely comprehend the demand and supply of entrepreneurial finance that assists them to narrow the “funding gap” and stable needed start – up capital (Lam, 2010). Most entrepreneurs fail because they do not have an ability to manage their sources of funds for their ventures. Hence, the derivative of knowledge in financial management is an important factor for entrepreneurial success.

Marketing skills are defined as essential activities, set of institutions and process for building, communicating, delivering and exchanging offerings that have value for customers, partners and society in a large scale. Effective marketing includes communication skills and the entrepreneurs’ ability to determine and target their markets or customers. Not only do the marketers serve the current needs and wants of customers, but also create more value and more innovation on products and services, anticipating and even creating their future needs and wants. Otherwise, marketing strategy needs close attention to both customers and competitors. Therefore, marketing skills are very important factor to all business because marketing is relevant with all other fields of business such as accounting, finance, production, engineering and human resources.

Creativity is the ability to produce work which is both latest original and unexpected and appropriate which is useful, adaptive and concerning task constraints (Sternberg and Lubart, 1999). Creativity is also defined as the ability to think differently to get outside the box that narrows solutions and several studies have determined motivational traits and creativity as crucial factors in entrepreneurial activity and success (Baum, Locke, and Smith, 2000; Stewart and Roth, 2001).

Risk taking is defined as an intention to commit significant resources to opportunities that have a proper chance of failure. (Covin and Slevin, 1998; Lumpkin and Dess, 1996). Moreover, risk taking propensity is defined as an individual’s willing to take or avoid risks (Sitkin and Weingart, 1995). It is believed that entrepreneurs prefer to take moderate risks in the situations where they have some degree of control and skills

in generating profits, compared to situations involving both extremes of risk and uncertainty which are not preferred (McClelland, 1961; McClelland and Winters, 1969). Numerous studies of economics and entrepreneurship literatures indicate risk-taking as the key factors of entrepreneurs' characteristics (Palmer, 1971; Kilby, 1971; Sarachek, 1978; Mill, 1984; Cunningham and Lischeron, 1991, Ho and Koh, 1992; Koh, 1996; Cromie, 2000).

Leadership is defined in various ways often based on specific disciplines and personal experiences (Rosenbach, 2003; Hartog et al., 1997). Leadership is defined as the acceptance by peers as someone to follow (Walter, 1999). Leadership occurs when one group member modifies the motivation or competencies of others in the group (Gibson et al., 2003). Leadership only happens when others willingly adopt, for a period of time, the goals of a group as their own (Hogan et al., 1994). Leaders are typically responsible for overall organizational effectiveness as measured by production, efficiency, quality, flexibility, satisfaction, competitiveness and organizational development (Gibson et al., 2003).

Adaptability has been defined as the entrepreneur's willingness and ability to change or adjust the business concepts as the venture develops (Stoica and Schindehutte, 1999). Adaptability is a concept that has its roots in biology and relates to the ways in which living systems achieve (Stoica and Schindehutte, 1999).

Moderator variable - Social skills

Social skills in this study consist of four dimensions namely collaboration, communication, social adaptability and networking suggested by a few experts in social skills and entrepreneurs' overall success in interacting with others (Baron and Markman, 2003). Social skills or the ability to effectively interact with others help professionals to show favorable self images, which is necessary for the stage of relationship development. Moreover, business people with strong social skills are found to be more satisfied and more successful at preservation intimate and developing good relationships (Riggio and Zimmerman, 1991). Entrepreneurs' social skills are also found to play a significant role in improving their individuals' financial success (Baron and Markman, 2003). Numerous findings and proposals in the literature on entrepreneurship show that entrepreneurs' social skills can affect their performance and success.



Collaboration is defined as the ability to jointly complete tasks with others. It is also known as group skills (Walter, 1999). Collaboration is also defined as a mutual benefits and relationships among two or more organizations to achieve preferable results to achieve together rather than staying alone (Kagin, 2000). Collaboration is widely defined as the interaction with many people who has diverse behaviors, such as communication, information sharing, coordination and problem solving (Winkler and Walozek, 2004). Collaboration happens when a group of stakeholders of a problem employs in an interactive procedure, using share rules, criterion, and structures, to operate and decide on issues in that scope (Wood, 1991).

Communication It is necessary that business professionals have effective communication skills in order to be successful and develop conventional wisdom within both institutions. Communication is defined as the ability to communicate thoughts and opinions with others in both verbal and written (Marx et al., 1998). Communication skills play important roles on entrepreneurs in the operation of interpersonal relationships, information and decision making (Mintzberg, 1973). Several studies suggest that trust is related to effective communication and is positively affected by effective communication (Paulraj and Chen, 2005).

Social adaptability was defined as the ability to adapt or feel comfortable in a wide range of social situations from a diverse background (Baron and Markman, 1999). People who have high social adaptability are able to virtually talk to anyone about almost anything. They are able to adapt their behavior in order to blend comfort into almost any social contexts. Many research findings suggest that people who have high social skills attain greater success and more rapid promotions in many different contexts than those who have low social skills. Social adaptability appears to be relevant to activities operated by entrepreneurs which are crucial to the success of their new ventures.

Networking has been defined as the ability of the entrepreneur to work effectively with and through other group members (Samson and Draft, 2009). Furthermore, networking is defined as an important social skill where entrepreneurs have abilities and skills to effectively interact with others (Baron and Shane, 2005). Networking is an activity in which entrepreneurs builds and manages personal relationships with particular individuals in their environments (Carson, et al., 1995). To become a

successful entrepreneur, building teams and developing networks are important (Samson and Draft, 2009).

SME performance

SME performance is defined as the ability of an object to produce outcomes in a dimension determined the priority, in relation to a target (Laitinen, 2002). Normally, performance measures include self-reported and judgmental evaluations of profitability (Kim 2003; Narver and Slater 1990). According to Morgan, Douglas, and Charlotte (2009), SME performance is defined as a central theory in the financial performance, marketing strategies and the marketing performance which comprises two distinct dimensions. Market performance is typically associated with market shares. Financial performance represents a firm's profitability, such as return on equity, sale growth, customer growth, etc.

Table 1 Summary of variables from reviewing the previous studies

Variables	Dimensions	References
Managerial skills	Management	Moss and Laing (1990)
	Finance	Zaidatol (2004)
	Marketing	Zaidatol (2004)
	Creativity	Moss and Laing (1990)
	Risk taking	Yusof, Sandhu and Jain (2007)
	Leadership	Nirenberg (2003)
	Adaptability	Stoica and Schindhutte (1999)
Social adaptability	Collaboration	Croker, Higgs and Trede (2007)
	Communication	Moss and Laing (1990); Nichols and Gray (2003)
	Social adaptability	Riggio and Zimmerman (1991)
	Networking	De Klerk, 2006; Krackardt (1987)
SME performance	Cost reduction	G. Davies, R. Chun and M.A Kamins (2010)
	Customer's growth	G. Davies, R. Chun and M.A Kamins (2010)
	Sales growth	G. Davies, R. Chun and M.A Kamins (2010)

Variables of the Research

Independence Variables: Managerial skills consist of management, financial, marketing, creativity, risk taking propensity, leadership and adaptability.

Dependent Variables: SME performance is measured in three dimensions such as percentage of cost reduction, percentage of customers' growth and percentage of the sales' growth. The data was collected to calculate these performances at least one year of the business.

Moderator Variable: Social skills consist of collaboration, communication, social adaptability and networking.

Hypothesis:

Hypothesis 1: Managerial skills have a direct positive effect on SME performance.

Hypothesis 2: Social skills have an effect on the relationship between Managerial and SME performance

Therefore, the conceptual framework of the research could be set into the structural equation modeling as figure 1:

Conceptual framewor

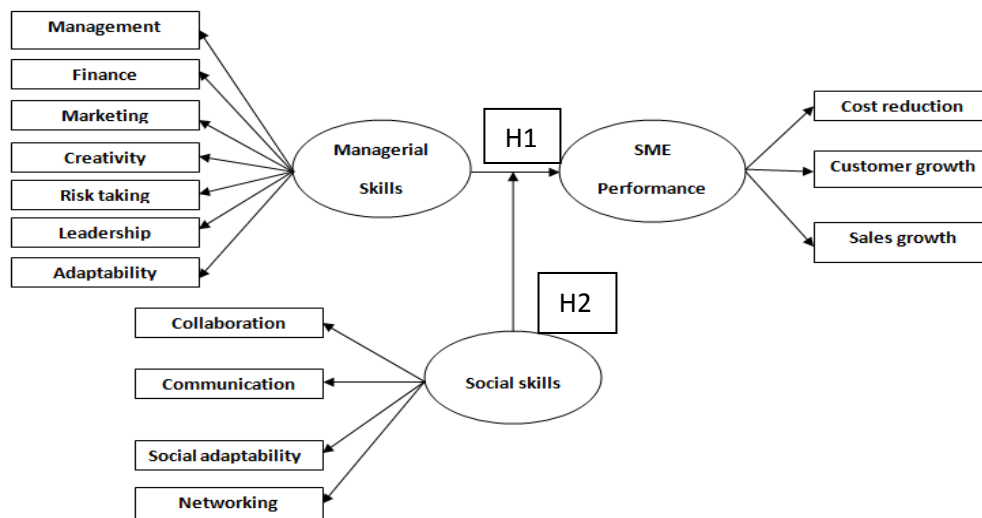


Figure 1 The structural equation modeling of the changing between managerial skills and the SME performance in Thailand

Methodology

Research design

Descriptive and confirm SEM model were used in this study

Population and sample size

The population of this study was entrepreneurs or business owners of small and medium enterprises in many types of business such as retails; wholesales; services, hotel and restaurant; manufacturing and others which had set up a business for at least one year. The sample size was 400 respondents. According to the survey result by National Statistical Office Thailand, Department of Public Welfare, and Department of Business Development in 2011, there were approximately 2,646,549 of Thai small medium and enterprises.

The sample size for entrepreneurs was calculated based on Yamane's formula (Yamane, 1967).

$$n = \frac{N}{1+N(e)^2}$$

Where, n = the sample size

N = the size of population

e = the error of 5 percentage points

So, the sample size for the study was calculated according to the recommendation as follows:

$$n = \frac{2,646,549}{1+2,646,549(0.05)^2}$$

n = 399.939 rounded up to 400 samples

Consequently, according with N= 2,646,549, e = 5% (at 95% confidence level), from calculation, the number of sample in this research is 400 respondents.

Research Instruments

Pre-test of the Research Instruments

The questionnaires were designed to measure independent variables managerial skills and dependent variables of SME performance. Questionnaires were adapted from who instruments with their permission to use. There were four sections in a set of questionnaire. Section one was demographic; section two was managerial skills, section three was social skills and the last section was SME performance which was examined by three professors.

Five-point Liker scale was used to measure all indicators where "1" indicates the least favorable response alternatively (Low managerial skills and low social skill). "5" was the most favorable response alternative (Highly managerial skills and highly social skills).



Validity Test

The index of objective congruence (IOC) test was done by three experts in English and Thai language reviewing, making corrections and giving scores. The IOC results of this study were all above 0.75 which means the data was acceptable. Finance, marketing, creativity, social adaptability, cost reduction, customer's growth and sales growth were 1; collaboration was 0.961, communication was 0.866; management, risk taking propensity and adaptability was 0.833. All variables got high scores in this study as table 2.

Table 2 Item – Objective congruence results

Item	Variable	IOC results	Item	Variable	IOC results
1	Managerial skills		2	Social skills	
	Management	0.833		Collaboration	0.916
	Finance	1		Communication	0.866
	Marketing	1		Social adaptability	1
	Creativity	1		Adaptability	0.833
	Risk taking propensity	0.833	3	SME performance	
	Leadership	0.916		Cost reduction	1
				Customer's growth	1
				Sale growth	1

Reliability test

The reliability of the questionnaires was measured by using the Cronbach's Alpha coefficient; it indicated the level of the items was correlated to each other. It established the internal reliability of the questionnaire responses (Fink and Jaruwacgirathanakul, 2005). The Cronbach's Alpha value with greater than 0.7 will be reliable enough to be used in the data collection. This study Cronbach's Alpha was ranked between 0.796 and 0.882. It could imply that the data were acceptable. The reliability testing sample groups were 40 samplings from entrepreneurs in retail and wholesale business, service, manufacturing and others. This was a different group from the sample group.

Data collection

The respondents were 400 from SME entrepreneurs in Thailand. 150 respondents were collected from SME seminars, 150 were collected from new

entrepreneur creation (NEC) and 100 were online questionnaires. The questionnaire was in Thai.

Data analysis

Descriptive analysis was used to describe the main features of a data collection, in that descriptive statistics were used to summarize data derived from the subjects; correlation was a statistical tool to measure the strength of relationships between two variables. It could be used to measure a liner relation between two or more variables. A sign and an absolute value correlation coefficient were used to describe a direction. A magnitude of the relationship between two variables and Structure Equation Model (SEM) was used to examine the postulated hypothesis. The structural relationships among managerial skills, social skills and SME performance were analyzed by LISREL 8.8 (Joreskog and Sorbom 2006). The purpose of LISREL 8.8 was used to evaluate the goodness of fit, as the absolute fit indices lie chi-square (χ^2), goodness of fit index (GFI), and average goodness of fit index (AGFI), and root means square error of approximation (RMSEA) index was used. In addition, good-of-fit also incremental and decrement indices such as norm fit index (NFI), non-norm fit index (NNFI), comparative fit index (CFI), and norm chi-square (χ^2) were used to assess the goodness-of-fit. It depicts in table 3.

Table 3 Acceptable threshold level of goodness of fit statistic

Fit Indices	Acceptable threshold levels
Norm Chi-square (χ^2)	p-value > 0.05
Root means square error of approximation (RMSEA)	Values < 0.05
Goodness of fit index (GFI)	Values > 0.95
Average goodness of fit index (AGFI)	Values > 0.95
RMR	Good model have small RMR

Result

Personal data of samples

The result shows that the samples were 214 females and 186 males. 37.6% of the entrepreneurs were between the ages of 31 – 40 years old. 32.6 % of the entrepreneurs were between the ages of 25 – 30 years old. 23.1 % of the entrepreneurs



were between the ages 41 – 50 years old and 6.2 % of the entrepreneurs were more than 50 years old.

Correlation among studied variables

A correlation matrix in table 4 shows relationship among management, finance, marketing, creativity, risk taking propensity, leadership, adaptability, collaboration, communication, social adaptability and networking. An interpretation of the correlations was based on a significant level of the correlation among the independent variables.

Table 4 Correlation matrix

	MGT	FIN	MKT	CTT	RTP	LDS	AD	CB	CM	SA	NW
MGT	1										
FIN	0.678**	1									
MKT	0.650**	0.612**	1								
CTT	0.625**	0.535**	0.671**	1							
RTP	0.571**	0.460**	0.543**	0.623**	1						
LDS	0.660**	0.583**	0.682**	0.666**	0.651**	1					
AD	0.551**	0.464**	0.582**	0.606**	0.575**	0.649**	1				
CB	0.601**	0.492**	0.619**	0.586**	0.596**	0.725**	0.622**	1			
CM	0.620**	0.569**	0.627**	0.557**	0.560**	0.668**	0.597**	0.726**	1		
SA	0.540**	0.440**	0.481**	0.528**	0.516**	0.542**	0.565**	0.532**	0.643**	1	
NW	0.565**	0.429**	0.555**	0.552**	0.545**	0.638**	0.656**	0.674**	0.678**	0.601**	1

Note: ** Correlation is significant at the 0.01 level (2-tailed).

Management (MGT) bases on the correlation matrix as tabulated in table 4.2, and the correlation is significant at 0.01 levels. It has a positive correlation with finance ($r=0.678$, $p=0.01$), marketing ($r=0.650$, $p=0.01$), creativity ($r=0.625$, $p=0.01$), risk taking propensity ($r=0.571$, $p=0.01$), leadership ($r=0.66$, $p=0.01$), adaptability ($r=0.551$, $p=0.01$), collaboration ($r=0.601$, $p=0.01$), communication ($r=0.620$, $p=0.01$), social adaptability ($r=0.540$, $p=0.01$) and networking ($r=0.565$, $p=0.01$).

Finance (FIN) has significant correlation at 0.01 levels. It has a positive correlation with marketing ($r=0.612$, $p=0.01$), creativity ($r=0.535$, $p=0.01$), risk taking propensity ($r=0.460$, $p=0.01$), leadership ($r=0.583$, $p=0.01$), adaptability ($r=0.464$, $p=0.01$), collaboration ($r=0.492$, $p=0.01$), communication ($r=0.569$, $p=0.01$), social adaptability ($r=0.44$, $p=0.01$) and networking ($r=0.429$, $p=0.01$).

Marketing (MKT) has a significant correlation at 0.01 levels. It has a positive correlation with creativity ($r=0.671$, $p=0.01$), risk taking propensity ($r=0.543$, $p=0.01$), leadership ($r=0.682$, $p=0.01$), adaptability ($r=0.582$, $p=0.01$), collaboration ($r=0.619$, $p=0.01$), communication ($r=0.627$, $p=0.01$), social adaptability ($r=0.481$, $p=0.01$) and networking ($r=0.555$, $p=0.01$).

Creativity (CTT) has a significant correlation at 0.01 levels. It has a positive correlation with risk taking propensity ($r=0.623$, $p=0.01$), leadership ($r=0.666$, $p=0.01$), adaptability ($r=0.606$, $p=0.01$), collaboration ($r=0.586$, $p=0.01$), communication ($r=0.557$, $p=0.01$), social adaptability ($r=0.528$, $p=0.01$) and networking ($r=0.552$, $p=0.01$).

Risk taking propensity (RTP) has significant correlation at 0.01 levels. It has a positive correlation with leadership ($r=0.651$, $p=0.01$), adaptability ($r=0.575$, $p=0.01$), collaboration ($r=0.596$, $p=0.01$), communication ($r=0.560$, $p=0.01$), social adaptability ($r=0.516$, $p=0.01$), and networking ($r=0.545$, $p=0.01$).

Leadership (LDS) has a significant correlation at 0.01 levels. It has positive correlation with adaptability ($r=0.649$, $p=0.01$), collaboration ($r=0.725$, $p=0.01$), communication ($r=0.668$, $p=0.01$), social adaptability ($r=0.542$, $p=0.01$) and networking ($r=0.638$, $p=0.01$).

Adaptability (AD) has a significant correlation at 0.01 levels. It has a positive correlation with collaboration ($r=0.622$, $p=0.01$), communication ($r=0.597$, $p=0.01$), social adaptability ($r=0.565$, $p=0.01$) and networking ($r=0.656$, $p=0.01$).

Collaboration (CB) has a significant correlation at 0.01 levels. It has a positive correlation with communication ($r=0.726$, $p=0.01$), social adaptability ($r=0.532$, $p=0.01$), and networking ($r=0.764$, $p=0.01$).

Communication (CM) has a significant correlation at 0.01 levels. It has a positive correlation with social adaptability ($r=0.643$, $p=0.01$) and networking ($r=0.678$, $p=0.01$).

Social adaptability (SA) has a significant correlation at 0.01 levels. It has a positive correlation with networking ($r=0.601$, $p=0.01$).

Structural Equation Model (SEM)

According to table 5 which the Goodness of fitness of this research is 0.98, Adjusted Goodness of Fit Index (AGFI) is 0.96 almost approached 1. The RMR of this

study is 0.029, and the RMSEA is 0.029 which means fit and the result is congruence with the empirical study.

Table 5 Table of goodness of fit Statistics

Fit Indices	Value
Norm Chi-square (χ^2)	Chi-square: 40.13, P-value = 0.102
Root means square error of approximation (RMSEA)	0.029
Goodness of fit index (GFI)	0.98
Average goodness of fit index (AGFI)	0.96
RMR	0.029

In figure 2, the full structural model of the managerial skills effecting SME performance in Thailand. The model shows that the managerial skills have positive direct effects to cost reduction at 5.89, customer growth at 13.32 and sales growth at 16.25. Therefore, a managerial skill is significant in terms of the structural model. Managerial skills have an influence on SME performance at 0.27.

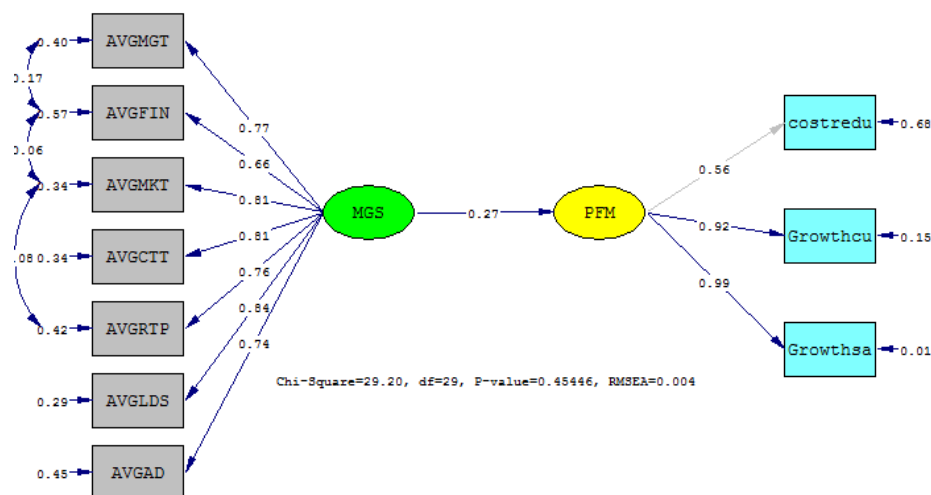


Figure 2 the full structural model

Moderator of social skills which consists of collaboration, communication, social adaptability and networking, Structural models of the two groups of high and low social skills and the congruence of the structural model, congruence of Lamda X matrix were used for testing. Lamda Y matrix and Gamma matrix confirm the congruence of the

models. The result shows that the models fit, if the entrepreneur has low or high social skills, it will affect a change in the relationships between managerial skills and SME performance. It means that if the entrepreneurs have both managerial skills and social skills, they will influence the higher SME performance.

Discussions and suggestions

This study presented the model of the moderator of social skill effects on changing between managerial skills and the SME performance in Thailand. The findings showed that managerial skills had positive direct effect on SME performance and social skills were the moderator effect on the changing between managerial skill and SME performance. Social skills were the moderator variables that convert people's intentions into observer evaluation. They had a facilitating effect, contributing to the demonstration of positive personality effects on performance. However, low social skill not only might keep personality from exhibiting favorable effect, but it could actually contribute to a decreased job performance among individuals in certain traits. It was found that the most important skill is leadership, which has the highest influence on SME performance. The entrepreneur should focus on leadership skills because the leaders have the ability to persuade and motivate their employees. In addition, leaders should also have the ability to make decisions, delegate, and do conflict management, which play key role in achieving business success. According to the survey, to the extent that these partners possess excellent social skills, face-to-face interactions between them should be facilitated, in turn, which may contribute to the success of their business. This study indicated that entrepreneurs who have managerial skills to manage their business still need more social skills in order to make their business more robust and competitive. They believe that having social skills will help expand business connections, new customers, suppliers as well as business partners as the social skills will create good relationships; thus, increase other business connections.

Conclusion

Findings showed that managerial skills had an effect on SME performance, and social skill had an effect on a change between managerial skills and SME performance, meaning that low and high levels in social skills could affect changing of SME



performance. Furthermore, the leadership skills were the most important skills with the highest influence on performance.

Future research

For further study, it is suggested that researchers study more on the others important skills which were not included in this study that could be very important factors affecting the SME performance, researchers should study more on the skills of entrepreneurs, which managerial skills should be developed together with social skills. Therefore, the entrepreneurs would focus on improving their skills.

Limitation research

The limitation of this study was the lack of cooperation from entrepreneurs because they were extremely concerned about the disclosure of their business, and it was inconvenient because of the time constraint.

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