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Sustainable Growth for Small and Medium-Sized Enterprises: Interpretive Structural Modeling Approach

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Abstract: Small and medium-sized enterprises (SMEs) are constantly under pressure to grow. This pressure forces everyone involved to think about how best to run their business. Although there is much research on SME growth, previous research is fragmented and only addresses internal or external enablers. This study aims to construct an interaction model for all enablers that promote sustainable SME growth. An interpretive structural modeling (ISM) analysis is conducted to formulate an interaction model of enablers for SME growth. The results show that both internal and external enablers are crucial for SME growth. This study shows that the following internal enablers that are interrelated and strongly influence SME growth are MS (managerial skills), EO (entrepreneurial orientation), and OwS (ownership structure). In addition, external enablers such as CIL (customer involvement and location) and GS (government support) also play an important role in improving the performance of other factors for SME growth. In addition, this study also provides a guide for formulating strategies for SME sustainability. Effective policy formulation must be based on a correct understanding of the interdependence between enablers as a unified model of interaction. The interaction between the enablers highlighted and the level of the model would be helpful to all shareholders in finding appropriate strategies for SME growth.

Keywords: small and medium-sized enterprise; interpretive structural modeling; SME growth; interaction model; business; management

1. Introduction

The dynamics of the business climate and fierce competition are the things perceived by SMEs. Within the same period, there is a newly established SME and a recently exited SME, as well as a developing SME and a non-developing SME [1]. Many SMEs are in the same situation. In general, many SMEs in Indonesia face the problem of ensuring the survival and expansion of their business [2,3]. There are also SMEs in Indonesia that are successful in their business. Moreover, there are several SMEs with international market share. The dynamism of SME growth is a consequence of a dynamic and competitive environment [4,5]. This situation requires stakeholders to consider sustainable business growth and its determinants seriously.

Studies on business growth have been conducted by researchers from various disciplines, e.g., economics, management, engineering, and public policy [6]. In addition to the study of SME growth, there have been many academic publications on critical issues of SMEs in recent decades. Development models, success factors, cooperation, and internationalization of SMEs have been extensively discussed and analyzed by researchers in industrialized countries (e.g., [7–9]); or in developing countries (e.g., [10–13]).

SMEs and their stakeholders should learn and adapt quickly so that they are not eliminated by economic competition. In other words, SMEs should be aware of the enablers that influence business development [14,15]. Some researchers try to understand the enablers that promote SME growth. However, the enablers analyzed are often fragmented and focus only on either internal or external enablers. In a previous study [16–21], the internal enablers of SME growth were examined. On the other hand, the authors in [22–24] analyzed the influence of external enablers that promote SME growth. Separating internal and external factors does not provide a complete understanding of SME growth. As a system, SME growth is influenced by the relationships between the individual enablers. These enablers affect SME growth.

The underlying premise of this research is that SMEs need to perceive both internal and external enablers to continue to grow. SME growth cannot be achieved solely through the owner's efforts in determining management style and the business direction. However, a company is a "social group" in which the growth is determined by many factors and actors [22]. By interacting with its society, the company can increase its competitiveness [23,24], especially for SMEs with few resources. Thus, internal or external factors are linked to other factors influencing SME growth. Therefore, a comprehensive interaction model for SME growth needs to be developed.

Recognizing the interactions between enabling factors can help decision-makers make the efforts needed for growth. This study proposes an interaction model based on the interpretive structural modeling (ISM) approach to understand SME growth using different enablers. ISM can help identify and evaluate the interactions between various factors and categorize the factors into varying levels of hierarchy. Several studies have used ISM to determine the interactions between factors, e.g., the interactions between enablers for green supply chain management [25,26], and the interactions between aspects of customer responsiveness [27]. Researchers in various disciplines have widely used the ISM method [28]. This approach provides a systematic and efficient step in developing the relationship between the factors studied. The basic premise of research using the ISM method is the interdependence of factors. Therefore, ISM is beneficial in determining the interdependence relationship.

The main objective of this study is to construct an interaction model of the enablers that promote SME growth. The internal and external enablers that promote SME growth are identified using a literature review. In addition, this study also provides a framework for formulating strategies for the sustainable growth of SMEs.

The contribution of this study is in terms of determining enablers for SME growth. SMEs have various weaknesses and are limited in the resources and ability to access markets widely. Therefore, to find out enablers for SME growth, it is important to look at it from two sides, namely internal enablers and external enablers. Internal enablers include important factors owned by business owners, managers, or the company itself. Meanwhile, external enablers include outside stakeholders who play a role in SME growth, including the government and customers. To determine the internal and external enablers, the researchers of this study conducted a literature review of previous studies. In addition, this study provides a practical contribution to SMEs and all stakeholders in identifying underperforming enablers to determine the right strategic actions for SME growth.

2. Literature Review

2.1. Growth of SME

Business growth is one of the fundamental constraints of all organizations [29]. Business growth is a crucial indicator of the "health" of an organization [30] and is the measure of a successful organization [31]. In the long run, business growth leads to an economic revolution [32]. Therefore, all industry players should always strive to grow their businesses.

Originally, society defined growth as "more", i.e., more productive, profitable, and prosperous [33]. During development, growth indicators are often used, especially in the study of business growth, including turnover, employment, profit, assets, and equity [34]. In particular, sales and employment are measures of business growth [35].

As the complexity of competition and business structure increases, so do the efforts to understand business growth. Business growth is an achievement because it shows the business's capabilities and society's contribution. In particular, business growth in the SME sector is significant for survival, creating new jobs and social welfare [36], and supporting the national economy [37].

SMEs with limited resources are not able to achieve maximum growth unless they cooperate with society. A previous study [33] states that high enterprise performance or growth can be achieved if there is a match between the enterprise and society. This fundamental idea underlines the importance of cooperation for enterprises, especially SMEs.

In addition to being required to continue improving their performance through increasing capabilities and collaboration, SMEs must also pursue sustainable growth. Sustainable growth can be achieved through the proper and comprehensive introduction of enablers for SME growth. The interaction between enablers can increase the capability and collaboration of SMEs. Therefore, careful analysis to determine enablers and their interactions is the basis for the sustainable growth of SMEs.

2.2. Identification of Enablers for SME Growth

There are many types of SMEs in Indonesia. However, this study does not focus on specific types, but can be generalized to all SMEs with a slight adjustment of the relevant enablers.

Researchers use Gibrat's Law as a guide when attempting to understand how businesses expand. Initially, this theory was applied to describe income distribution and then transferred to firm growth [38]. This theory is based on the idea that the growth of a company is independent of the company size. Every company, regardless of its size, has the same chance to grow. If companies start with the same size, they will be focused on the same situation. If companies begin with different sizes, they will grow to different sizes [39].

The author in [40] concludes that firm growth is the realization of productive opportunities created. However, they are also constrained by tangible and intangible resources under management's control. This idea focuses on the manager's or business owner's ability to identify the productive opportunities and do everything possible to realize them [41]. The disadvantages of this theory are that it does not take into account the professionalism of the management, the development of technology, and other institutions that influence business growth. Therefore, there is a need to look more closely at the enablers that promote the growth of firms, especially SMEs.

An intensive literature review of research discussing business growth was conducted to identify enablers for SME growth. Previous research was collected from various reputable journal databases over a long period to obtain maximum results. After identifying all the enablers for SME growth, a grouping of similar enablers was carried out. The results of the identification and group of all enablers for SME growth can be seen in Table 1. Ten enablers were identified as the essential enablers for SME growth. From these enablers, it can be seen that there are two types of enablers for SME growth: internal and external. This research develops an interaction model of these two types of enablers.

Table 1. List of enablers for SME growth.

Enablers	Definition	Reference
Business owner/manager characteristics (BC)	Background of the business owner, consisting of educational background, work experience, training experience, and experience in organizing businesses	[21,42–47]
Managerial skill (MS)	Human capital, which consists of technical skills and management in terms of understanding of technology, determination and achievement of goals, and understanding of the customer's wishes	[13,15,48–51]
Entrepreneurial orientation (EO)	The business owner's orientation in the development of the business, which relates to development, being proactive and taking risks	[9,17,52–55]
Ownership structure (OwS)	The ownership structure consists of various forms of ownership, such as family, an independent company or part of the company/branch of another company	[47,56–58]
Investments and intensity (II)	Corporate activity in the areas of capital, technology, process and product innovation, development, and marketing	[13,15,42,58–61]
Firm location (FL)	The choice of company location affects access to the market/distribution, access to raw materials and the accessibility and interest of the customer	[45,46,62–67]
Organizational structure (OrS)	Corporate governance shows the structure of the management team, the management style and the role of the company owners, as well as the choice of sales strategy	[45,55,68–75]
Government support (GS)	Supporting the government by protecting local industry, helping businesses, taking action for economic growth, and forming a strategic partnership	[13,15,48,49,76]
Networking (N)	The company's cooperation with other companies and suppliers, both technically and strategically	[65,76–80]
Customer involvement and location (CIL)	Cooperate with clients in business development as well as the geographical concentration of the client	[78,81,82]

Incorporating the essence of each enabler, the internal and external types of enablers were carefully scrutinized in order to develop the suitable framework for this research. The research variables were determined as a result of carefully selected target relationship between the enablers. The methodological scrutiny is further discussed in the following section as well as the processes involved while carrying out the research.

3. Method and Process

3.1. ISM Methodology

In this study, we interviewed a group of experts, two from academia and two from practitioners, to identify the contextual relationships between factors that promote SME growth. The differences between the experts' opinions were not significant. Thus, it is easy to come to a consensus opinion. ISM is part of the qualitative method, which constructs the contextual interrelationships defined by domain experts [28]. As with most qualitative methods, the selection of respondents tends to be small and not based on quantity but instead on quality. This study selected experts from academia and practitioners based on their experience and level of involvement in SMEs. Experts have a minimum of more than ten years of experience in managing SMEs directly or indirectly. The category of selection of experts in this study is beneficial in building an appropriate interaction model of the enablers.

3.1.1. Structural Self-Interaction Matrix (SSIM)

To develop a structural self-interaction matrix, the following four symbols are used to indicate the relationship between enabler *i* and *j*:

- V: Enabler *i* helps achieve enabler *j*;
- A: Enabler *j* helps achieve enabler *i*;
- X: Enabler *i* and *j* help achieve each other;
- O: Enabler *i* and *j* are unrelated.

The structural self-interaction matrix for enablers is presented in Table 2. Enabler BC helps achieve enabler CIL, so symbol "V" is assigned to the cell (1, 10); enabler GS helps achieve enabler EO, so symbol "A" is assigned to cell (3, 8); enabler FL and N help achieve each other; hence, symbol "X" is assigned to cell (6, 9); enabler II and OrS are unrelated; hence, symbol "O" is assigned to cell (5,7); and so forth.

Table 2. Structural self-interaction matrix.

No	Enabler	10	9	8	7	6	5	4	3	2
1	BC	V	A	A	V	V	X	V	V	V
2	MS	V	O	A	V	V	V	O	V	
3	EO	A	V	A	V	V	A	O		
4	OwS	V	V	V	V	O	O			
5	II	X	A	X	O	O				
6	FL	O	X	O	O					
7	OrS	O	O	V						
8	GS	O	O							
9	N	O								
10	CIL									

3.1.2. Initial Reachability Matrix

The initial reachability matrix is developed by converting the SSIM into a binary matrix. The initial reachability matrix presented in Table 3. The substitution of V, A, X, and O with 0 and 1 is achieved according to the following rules:

- If the (*i*,*j*) entry in the SSIM is V, then the (*i*,*j*) entry in the reachability matrix becomes 1 and the (*j*,*i*) entry becomes 0;
- If the (*i*,*j*) entry in the SSIM is A, then the (*i*,*j*) entry in the reachability matrix becomes 0 and the (*j*,*i*) entry becomes 1;
- If the (*i*,*j*) entry in the SSIM is X, then the (*i*,*j*) entry in the reachability matrix becomes 1 and the (*j*,*i*) entry becomes 1;
- If the (*i*,*j*) entry in the SSIM is O, then the (*i*,*j*) entry in the reachability matrix becomes 0 and the (*j*,*i*) entry becomes 0.

Table 3. Initial reachability matrix.

No	Enabler	1	2	3	4	5	6	7	8	9	10	Driving Power
1	BC	1	1	1	1	1	1	1	0	0	1	8
2	MS	0	1	1	0	1	1	1	0	0	1	6
3	EO	0	0	1	0	0	1	1	0	1	0	4
4	OwS	0	0	0	1	0	0	1	1	1	1	6
5	II	1	0	1	0	1	0	0	1	0	1	5
6	FL	0	0	0	0	0	1	0	0	1	0	2
7	OrS	0	0	0	0	0	0	1	1	0	0	3
8	GS	1	1	1	0	1	0	0	1	0	0	5
9	N	1	0	0	0	1	1	0	0	1	0	5
10	CIL	0	0	1	0	1	1	0	0	0	1	5
Dependence power		4	3	7	3	6	6	5	4	5	6	

3.1.3. Final Reachability Matrix

The final reachability matrix is developed from the SSIM and the initial reachability matrix, taking transitivity into account. Transitivity of the contextual relationship states that if enabler A is related to B and B is related to C, then A is necessarily related to C. After taking transitivity into account, the final reachability matrix is presented in Table 4. Enabler BC helps achieve enabler OwS and OwS helps achieve enabler GS, then enabler BC is necessarily related to enabler GS (symbol "*" is assigned to the cell (1,8)); enabler BC helps achieve enabler EO and EO helps achieve enabler N, then enabler BC is necessarily related to enabler N (symbol "*" is assigned to the cell (1,9)); enabler MS helps achieve enabler II and II helps achieve BC, then enabler MS is necessarily related to enabler BC (symbol "*" is assigned to the cell (2,1)); and so forth. The driving power of an enabler is defined as the total number of enablers it may lead to, while the dependence power is the total number of enablers responsible for this enabler.

Table 4. Final reachability matrix.

No	Enabler	1	2	3	4	5	6	7	8	9	10	Driving Power
1	BC	1	1	1	1	1	1	1	1 *	1 *	1	10
2	MS	1 *	1	1	0	1	1	1	1 *	1 *	1	9
3	EO	1 *	1 *	1	0	1 *	1	1	1 *	1	0	8
4	OwS	1 *	0	1 *	1	1 *	1 *	1	1	1	1	9
5	II	1	1 *	1	1 *	1	1 *	1 *	1	1 *	1	10
6	FL	1 *	0	0	0	1 *	1	0	0	1	0	4
7	OrS	1 *	1 *	1 *	1 *	1 *	1 *	1	1	1 *	1 *	10
8	GS	1	1	1	1 *	1	1 *	1 *	1	1 *	1 *	10
9	N	1	1 *	1 *	1 *	1	1	1 *	1 *	1	1 *	10
10	CIL	1 *	0	1	1 *	1	1 *	1 *	1 *	1 *	1	9
Dependence power		10	6	9	7	10	10	9	9	10	8	

* Transitivity symbol

3.1.4. Level Partitions

A level partition is developed from the final reachability matrix in Table 4. This is an essential step to develop the interaction model among the enablers. This step aims to reveal the importance level of each enabler [83]. First, the reachability and antecedent set for each enabler are determined. The reachability set consists of the enabler itself and other enablers it contributes to achieving. The antecedent set consists of the enabler itself and other enablers that contribute to achieving it. The intersection of these sets is then determined for all enablers. The enabler that has the same reachability set and intersection is placed at the top level of enablers in the ISM hierarchy. The identification of the reachability set, the antecedent set, and the top level of the enabler can be seen in Table 5.

Once the top enabler is identified, it is removed from the other enablers. This process is repeated to determine the next level and ends when every enabler is found. The levels of enablers can be seen in Table 6.

**Table 5.** Level Partition of first iteration.

No	Enabler	Reachability Set	Antecedent Set	Intersection Set	Level
1	BC	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1
2	MS	1, 2, 3, 5, 6, 7, 8, 9, 10	1, 2, 3, 5, 8, 9, 10	1, 2, 3, 5, 8, 9, 10	
3	EO	1, 2, 3, 5, 6, 7, 8, 9	1, 2, 3, 4, 5, 8, 9, 10	1, 2, 3, 5, 8, 9	
4	OwS	1, 3, 4, 5, 6, 7, 8, 9, 10	1, 4, 5, 7, 8, 9, 10	1, 4, 5, 7, 8, 9, 10	
5	II	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11	1
6	FL	1, 5, 6, 9	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 5, 6, 9	1
7	OrS	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 7, 8, 9, 10	1, 2, 3, 4, 5, 7, 8, 9, 10	
8	GS	1, 2, 3, 4, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 7, 8, 9, 10, 11	1, 2, 3, 4, 7, 8, 9, 10	
9	N	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1
10	CIL	1, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 4, 5, 7, 8, 9, 10	1, 4, 5, 7, 8, 9, 10	

Table 6. Level of enablers.

No	Enabler	Reachability Set	Antecedent Set	Intersection Set	Level
1	BC	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1
2	MS	2, 3, 10	2, 3, 10	2, 3, 10	3
3	EO	1, 2, 3, 5, 9	1, 2, 3, 4, 5, 9, 10	1, 2, 3, 5, 9	3
4	OwS	4, 10	4, 10	4, 10	3
5	II	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11	1
6	FL	1, 5, 6, 9	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 5, 6, 9	1
7	Ors	2, 3, 4, 7, 8, 10	2, 3, 4, 7, 8, 10	2, 3, 4, 7, 8, 10	2
8	GS	2, 3, 4, 7, 8, 10	2, 3, 4, 7, 8, 10, 11	2, 3, 4, 7, 8, 10	2
9	N	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1
10	CIL	4, 10	4, 10	4, 10	3

3.2. Building the Interaction Model

The interaction model is developed on the basis of the individual enabler level. The relationship between the enablers is identified using the final reachability matrix in Table 4. The relationship is represented by an arrow pointing from enabler *i* to enabler *j*. In addition, the interaction model is built based on the level of each enabler shown in Table 6. The levels are arranged hierarchically to show the relative influence of enablers for SME growth. The level at the bottom contains enablers that are very important for SME growth because they affect the enablers at the level above them. The interaction model between the enablers of SME growth can be seen in Figure 1.
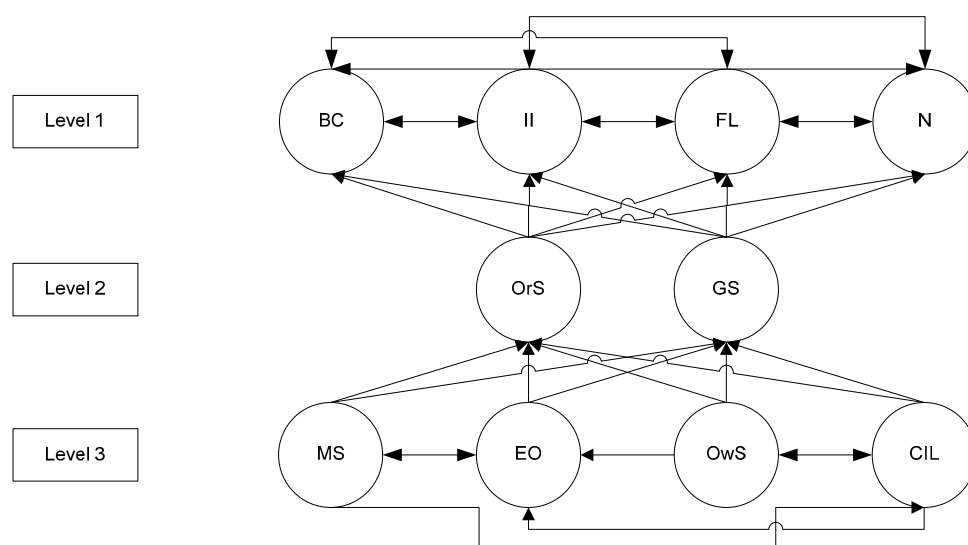
Figure 1. Interaction model of SME growth's enablers.

4. Results and Discussion

4.1. ISM-Based Interaction Model

Figure 1 represents the interaction between factors that promote SME growth. Several factors are divided into level 1, level 2, and level 3. Level 1 consists of BC (business owner/manager characteristics), II (investments and intensity), FL (firm location), and N (networking). Level 1 or top-level enablers generally have strong dependency performance. Therefore, they are most influenced by other enablers at the middle and lower levels. It is understandable why these enablers are dependent criteria. Higher performance and decisions related to these enablers are influenced at level 2 or the middle level by other enablers such as OrS (organizational structure) and GS (government support). On the other hand, at level 3 or lower level, several enablers such as MS (managerial skill), EO (entrepreneurial orientation), OwS (ownership structure), and CIL (customer involvement and location) are the most influential enablers for SME growth. Consequently, focusing on these enablers can lead to higher performance of the other enabler. Ultimately, higher SME growth can be achieved.

The method used in this study has succeeded in creating a model of interaction between internal and external enablers. The interaction model also has some similarities with the results of previous studies. For example, several authors have noted the importance of government support in increasing organizational capabilities [13] and creating networks [76]. In addition, another study [55] highlighted the crucial role of entrepreneurial orientation for SME growth. The importance of ownership structure, based on the findings of this study, is also confirmed by previous research [58]. Ownership structure (i.e., ownership concentration) is crucial for SME value creation. The findings of [82] also highlight the importance of customer involvement in improving SME performance. In addition, two studies [74,75] identified the impact of organizational structure (governance structure and leadership style) as a basis. However, this study has the advantage of combining all internal and external influencing enablers into a unified interaction model. These results provide more meaningful information for all stakeholders in formulating sustainable growth strategies for SMEs.

The interaction model of enablers for SME growth shown in Figure 1 is very relevant in the context of SMEs in Indonesia in particular. Even though the role of SMEs is very significant in supporting the economy of residents, most of the management in SMEs is still very traditional. Most SMEs only focus on short-term income, so they lack the consideration of long-term expansion strategies. The low level of education among the workers and owners and the lack of cooperation between SMEs and external parties are also factors that cause such conditions. The enabler interaction model provides explicit instructions about what internal and external enablers are essential for SME growth, making it easier for SMEs to evaluate their performance.

4.2. From Codependency to Interdependency

The problem with previous research lies in perspective. Previous studies are fragmentary in defining factors and observing how these factors separately affect business growth in SMEs. For example, two previous studies [84,85] only focus on the internal enablers for SMEs growth. Conversely, another [86] only focusses on the external enablers for SMEs growth. This perspective of codependency leads to concentrating on only one factor and ignoring other factors. The influence of only one determining factor on SME growth will not maximize growth. For example, if the owner of an SME has excellent leadership but is not supported by the cooperation and coordination of other parties, then the SME achieves limited growth. Collaboration with other parties determines the sustainability of the SME.

This research focuses on developing the simultaneous interaction of the internal and external factors that promote SME growth. The interaction between the enabling factors is appropriately defined by looking at them simultaneously. The result of this research shows that the enablers are interdependent. Good and well-functioning interaction are characterized by interdependence. Comprehensive knowledge of the interdependency

among the enablers is necessary to ensure business sustainability, especially to promote the growth of SMEs. The quality of an enabler is influenced by one or more other enabler(s). A deep understanding of this interaction enables SME growth. Even if fewer resources are available, effective management of these resources leads to higher growth.

5. Conclusions

In this study, the ISM approach was used to build an interaction model between the enablers that promote SME growth. This study achieved the main objective. The ISM method was applied to build the interaction model between the internal and external enablers for the sustainable growth of SMEs. This study also achieved the additional objective of providing a guide for formulating strategies for SME growth. The interaction model developed in this study was divided into three levels, namely level 3 (the foundations), level 2 (the intermediaries), and level 1 (the outcomes). Level 3 enablers, namely management skills, entrepreneurial orientation, ownership structure, customer involvement, and location, need to be improved to strengthen the other enablers.

This method can help certain SMEs that the government does fully support. For local governments, the enabler interaction identified in the study can guide the formulation of regional SME development programs. Figure 1 shows how the determinants interact based on the driving force and dependency performance. The result indicates that the independent enablers' determinants are managerial skill, entrepreneurial orientation, ownership structure, and customer involvement and location. In contrast, the dependent enablers' determinants consist of business owner or manager characteristics, investments and intensity, firm location, and networking. Various enablers such as organizational structure and government support influence the performance of the dependent enablers. External actors, including government and other partners, are essential for SME growth. Internal and external actors must jointly determine careful planning of the strategy for SME growth.

There are several limitations to this study. First, this study remains at the macro level and focuses on the general conditions for SME growth. This study is intended to provide guidance for the development of SME growth policies in general. Secondly, no additional empirical research was conducted in this study to examine the interaction of enablers. Therefore, further studies are needed to validate the research findings.

Further research needs to be conducted to substantiate the interaction model. Various analyses, such as the analytical network process and structural equation modeling, can be employed to support the findings. In addition, studies on the validity of the interaction model for each type of SME can be conducted for future studies.

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