

Guidelines for Small and Medium Enterprises (SMEs) Integration in Thailand

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Abstract

The purposes of this study were: (1) to study the direction of group development and network of Thai SMEs, (2) to analyze the approach method to build effective business group and network of Thai SMEs in future, and (3) to find the concept of creating group of business connection and building Thai SMEs network to achieve the sustained development. Data were collected from OSMEP Thai SMEs database, and the samples were collected from 7 clusters; 4 regions, of Thailand. The research was conducted by using focus-group approach, and the number of participants was set to 12 – 15 people per each group. The results indicated that; first, the direction of Thai SMEs group development and network started from the informal group and grown up themselves to be more formal one. Second, the appropriated method to build up an effective business group and network are; having quality communication channels, using introspection work process, and being in good collaboration of stakeholders. Lastly, the concept of creating group of Thai SMEs in which to achieve the sustained development is that, the SMEs entrepreneurs should maintain their product quality, being a part of their own community, and having growth mindset.

Keywords: *Business network; cluster; SMEs; social group*

1. Introduction

According to the direction of Thailand economic policies, SMEs policy is one of the main sector which Thai government emphasized on; since it was placed as a strategy aiming to sustain social equality and justice. The policy objectives were to develop and enable entrepreneurs to spotting the business opportunity, encouraging new SME establishment, supporting entrepreneurs with the most appropriate rules and regulations, facilitating accessibility of funds or financial capital, and strengthening community sustained growth.

Regarding the SME Promotion Plan of the Office of Small and Medium Enterprises Promotion (OSMEP) in 2016, the strategies were developed in order to support, subsidize, and promote Thai SMEs with the 2016th annual budget for networks of 18 provinces, by designing and promoting activities to fortify and enhance networks potential. OSMEP devoted much attention to the group of SME networks, since it was listed as a group of urgent development according to the policy and implementation plan in 2015. Moreover, OSMEP committed to improve beneficial policy and continuing develop the most appropriated and necessary promotional measures for underpinning Thailand SMEs. (OSMEP, 2017)

As stated by OSMEP, to promote and strengthen the integration of Thai SMEs, it could be contributed in various dimensions, for example; enhancing entrepreneurial knowledge, facilitating the accessibility of necessary databases, or even easing access to finance. All activities could help Thailand SMEs in many ways, such as surviving existing SMEs, reducing development costs, increasing productivity, encouraging new SME establishment, expanding both domestic and international market channels, and building up

business partnerships and networks, which leading to reinforce Thailand SMEs competitiveness in global state and sustain Thailand SMEs for future growth. However, from the previous result of the year plan evaluation, a committed SME promotion policy from the government and closer cooperation of the state and private sector still be needed for further development. The integration methods and models used by the government agencies, related to SME promotion, should be foremost to a whole-of-government approach and focusing on the quality of SMEs in which to sustain the development (Turner et al., 2016).

For promoting establishment of business partnership and enterprises network, OSMEP had raised a project for supporting SMEs in 18 provinces, with 53 cluster members. The project had been started in 2017 and its main objective was to increase Thai SMEs potential by combining the similar business operation in the same group as so called “cluster”, and let the government, private, and education sectors support those SMEs members. As a consequence of newly project born, the project still lacks of clear guideline. Therefore, finding the right project operation method and the appropriated concept of grouping network as cluster for Thai SMEs could enhance OSMEP operational efficiency in the future.

1.1 Research Objectives

To construct the guideline of OSMEP cluster project, creating group and social network which Thai SMEs could fruitfully utilize is needed. This exploratory research was conducted in order to accomplish the following objectives:

- 1.1.1 Study the direction of group development and network of Thai SMEs.
- 1.1.2 Analyze the approach method to build effective business group and network of Thai SMEs in future.
- 1.1.3 Find the concept of creating group of business connection and building Thai SMEs network to achieve the sustained development.

1.2 Benefits of the Research

Enable network establishment and cooperation of Thai SMEs and all parties; involved in whole business supply chain, which possibly bring Thai SMEs achieve quality growth and reach to sustainable development.

2. Review of Literature

Theories and concepts used in this study consist of social group, cluster and social network and business social network.

2.1 Social Groups and Clusters

Macionis (2017) has stated on his Sociology book since 1987 that people normally seeks for a sense of belonging. Besides, understanding the sense of being in a group, thus introducing us to one social science terminology – a social group. The social group refers to two or more people who interact with another, enjoy sharing same characteristics and having sense of unity. In addition, social group is also given in other definitions, which focus on the importance of interdependence or objective similarity among members of each group (Turner, 1982; Platow, Grace and Smithson, 2011). Regarding the group types, a group can be defined as the formal group and the informal group.

2.1.1 Formal Group

In this group type, the role and responsibilities of group members was defined hierarchical structures and these groups are consciously formed to serve an organizational

objective. Guideline and procedures are needed, in order to complete the tasks or accomplish the goals. The steps of working get along with policies, plans, procedures, schedules, and programs. However, doing work related activities is still the primary motive of the formal group. People in the group takes roles and responsibilities as the norms, governing the nature of interaction between members of the group and the duration of formal group is predetermined and could be continued for very long.

2.1.2 Informal Group

Informal groups are developed naturally among people with the absence of the direction from management or organization. It's constant happened with the interaction between group members. Besides, the personal relationship; rather than work related requirements, would dominate the formation on this group type. Moreover, the group goals are created by choice and specific interests of members. However, Marcionis (2017) indicated that the overall effectiveness of work inside an organization is greatly affected by informal group.

Kuah (2002) stated that an understanding of clusters adds an important dimension to the more commonly debated role of personal contact networks in the success for small entrepreneur. This might mean a "cluster" is striking and being a common feature in current economy than a "group". Nevertheless, this phenomenon is not exactly new and has been the objective of the attention from a wide variety of social scientists for much of this century. In the decade, this phenomenon has attracted renewed interest from academics, practitioners, and it is importance to form a competitive strategy in global scale. In Thailand, the group of SMEs is so called as "cluster". This is to represent the networking on grouping Thai SMEs separated by regions and business types.

2.2 Social network and business social network

Social network is referred to as the network of relationship between the individuals and friends, relatives, family, including the colleagues which could facilitate the availability of social capital toward entrepreneurs (Storey and Greene, 2010; Wu et al., 2009).

A business network is a type of business social network which is developed to help business people to connect with other entrepreneurs. Business Network also proposes a process-oriented model for business networking and the concept of networkability to develop realistic strategies for managing enterprise relationships (Alt, Fleisch, and Österle, 2001). Networking requires a group of individuals or organizations participate in certain activities to lead to the goal. This can be temporary activities as needed when the mission is accomplished or might be collapsed. However, if it is necessary, new missions might be re-assembled or might be continued for long-term activities.

Network, in general term has at least 7 key elements; perception and common perception, common vision, mutual interests/benefits, participation of all members in the network, mutual reinforcement, support for each other and interaction to each other (kearns, 2015). Business network can be conducted in a local business community, regional level, national level or an international level. It is also possible for people from a similar industry or sector could connect to each other although they live in different regions or countries. According to the benefits of business social network, Ljungguist and Ghannad (2012) pointed that network could finally provide the opportunities for entrepreneurs to access the financial and human resources, including the necessary business information which possibly facilitate business establishment and develop firms' potential.

3. Research Methodology

Gordon and Langmain (1988) classified basic qualitative methods into two approaches: focus group or the group discussion and in-depth interview. Focus group technique was used to gather for this study because the spontaneous response is supported in a group experiences of one person; can inspire the others, and the group environment puts participants under less pressure than the in-depth interview. For this study the list of Thai SMEs was chosen from OSMEP database. The request for joining in focus-group was made to participants who are the members in seven (7) clusters from four (4) regions by telephone. The number of participants was set as 12 to 15 participants in each group, and the number of clusters in each region presents in Table 1.

Regions	Number of clusters
North Eastern	2
North	2
South	2
Central	1

Table 1 Number of Clusters

Qualitative data; gathered from the focus groups, were analyzed by using the strategies of interview analysis which suggested by Patton (1990). Thus, group analysis of each discussion was chosen as the starting point and this was followed by cross-group analysis within each regions. The raw data were transcribed from short note by a note taker and mind mapping, and then the results were initially written group by group follow by cross-group analysis within the region (except the Central area which having only one cluster due to lack of cooperation). In addition, the data was analyzed by using the group answers from the participants and the researchers analyzed their viewpoints on the principal issues. Regarding to the confidentiality issue, name of each cluster could not be reported in this article.

4. Research Findings

From the focus group of discussion with seven (7) clusters in four (4) regions. Findings of this research will be represented based on objectives of the study.

4.1 The direction of group development and network of Thai SMEs.

From the North Eastern clusters discussion, participants from two clusters gave similar opinion that creating SMEs cluster is not necessary for them, since the members in clusters have connected to each other in the form of informal groups. There are stakeholders in their business supply chain from upstream to downstream before the Cluster project of OSMEP was performed. Both two clusters have members who are knowledgeable and able to be consultants for other members in the clusters. Thus, informal group seems to play an efficiency role for them.

For the group discussion of the Northern cluster, all participants in cluster 1 agreed that business cluster policy was a good policy but it might not be practical in the whole Northern area. There were informal groups of SMEs which having businesses in the same supply chain. However, the findings from cluster 2 were very similar to cluster 1. We later found that some of the informal groups were grown up from OTOP project (One Tambon One Product) or from the existing farmers' cooperative groups. The entrepreneurs in the groups help each other by giving advices and consulting among their members; for example, the Thai Medical Association which was established since 2011; composed with 80 members,

supporting each other without being members in a cluster. As the result from the group discussion in cluster 1, all participants agreed that it was difficult to build the SMEs cluster in the area they have lived because SMEs entrepreneurs had their own strong ideas and they believe that they can survive by themselves. The Cluster integration might not be the answer for them to do their businesses.

Regarding the discussion from the Southern part, the finding showed that participants from both clusters gave the comments as being members in the clusters was a good idea, since it helped them classify the business category, building their own brand, and strengthening their local products to the new market. Moreover, they indicated that clusters also help them to find another SMEs in the same area of supply chain. In addition, the participants in both clusters agreed that if the government sectors which involved in the cluster have better cooperation, the business cluster project would be more efficiently operate and SMEs entrepreneurs would be able to received more benefits.

The final group is the group discussion from Thailand's central area. It was found that all SMEs members agreed that business cluster was good idea, but there should be a strong channel for them to coordinate themselves, in order to increase their power to negotiate with the middle man or even the market. The government sector should classify SMEs into the appropriate criteria, and should not randomly selected by area, since some participants were not likely to be put in the same group just because they were living in the same area. From the group discussion, it was found that some SMEs entrepreneurs did not realized that their businesses were listed on OSMEP's database. Furthermore, some participants stated that SMES members in clusters should be separated by sizes; because, the firms' management styles and operation types were quite different.

4.2 Effective business cluster and network of Thai SMEs in future.

Participants from both clusters in North Eastern cluster area agreed that the SMEs clusters had no continuance, no linkage in both; within and between the clusters. There should be a better integration and more clear objectives of working process. Government sectors should support by preparing specialized consultants for them. Moreover, the cluster fundraising or loan with the low interest rates should be provided to help SMEs entrepreneurs when they faced with money problems. Furthermore, the related government sectors should also group the SMEs entrepreneurs in which their business were operated within the same supply chain into the same clusters.

According to the research, the findings from participants of both clusters in the Northern cluster, agreed that the activities in which government agencies tried to arrange for them were not quite useful. They need specific work shop rather than seminar in the large scale. In addition, the results from participants in cluster 1 showed that government agencies should provide effective communication channels with strong SMEs database for clusters' members to find appropriate business matching. Moreover, some participants in cluster 2 said that the government agencies should not intervene in prices of the agricultural products if they really want to have a strong Thai SMEs to improve themselves.

From the finding of discussion in the Southern part, the participants from both clusters agreed that clusters were very important for them to compete in the today market, and no one can survive by themselves without the partners. In addition, both clusters stated that government sectors should provide accessible money channels, with low interest rates for them. Some participants in cluster 1 said that SMEs and clusters law might help them to be able to have a good organization management and might result in a better work. From the finding of discussion in cluster 2, the participants gave their ideas on activities in which government agencies should try. They said that, they need more specific work shop rather

than seminar with lots of audiences. They also said it costly to arrange seminars which finally did not solve the SMEs problems.

Regarding to the point of view of the Central cluster discussion, regards how to develop effective business cluster and network of Thai SMEs, some participants gave the comments that the government should have better collaboration between their sectors, since better collaboration would really help Thai SMEs to compete in the global scale.

4.3 Creating group of business connection and building Thai SMEs network to achieve the sustained development

The participants of both clusters from the North Eastern area presented their opinions in a very similar concept. They indicated that in order to make Thai SMEs grow sustainably, it should start from own community by sharing local wisdom and knowledge. For example, teaching people in the community to know how to make fertilizer, how to reduce cost of their products. In addition, the finding of discussion in cluster 2, which one of the participants said that she already started the learning center to support other members in her own cluster. However, the participants from both clusters agreed that to enhance the quality of SMEs, each entrepreneur should survive by themselves, not only waiting for the support from the government.

According to the discussion in the Northern part, it was found that the participants from both clusters agreed that Thai SMEs brought benefits to their communities. Some SMEs entrepreneurs can create a sustainable community; for example, they use and buy raw materials/ingredients from people who live in their own community, which is a way to help people in their community earning some money. From the finding of discussion in cluster 1, one of participants stated that SMEs should learn new things all the time and inspire themselves by fostering themselves and people in their community to have the growth mindset. Besides, the finding of discussion in both clusters agreed that if Thai SMEs want to achieve the sustained development, they have to survive by themselves, and should not focus too much on the government's support.

Based on the discussion from the Southern part, the participants from both clusters gave opinions that if Thai SMEs wanted to grow sustainably, the related government and private sectors should facilitate by creating the applicable clusters. Thus, it might be created in the form of the registered association instead of the cluster. Finally, the participants from both clusters agreed that to enhance the quality of SMEs, each entrepreneur should survive by themselves, and do not wait for the government support.

Regarding the group discussion from the Central area, most participants stated that if SMEs would like to achieve the sustained development, the most important factor is to maintain their product quality consistently. In addition, they said that each entrepreneur should survive by themselves; however, if the government agencies would like to help SMEs, the government should support by increasing the distribution channels or making international agreement with other countries in which could be the real benefits for Thai SMEs, and these would really help Thai entrepreneurs possibly achieve the sustainable growth.

5. Conclusion, Discussion and Suggestion

From the research findings, the informal groups seem to be more efficiency integration than formal groups/clusters for Thai SMEs which is supported by theory of Marcionis (2017) who indicated that the overall effectiveness of work inside an organization is greatly affected by the informal group. Although, Kuah (2002) stated a "cluster" is striking and being a common feature in current economy than a "group". The research was also

found that Thai SMEs could not access to financial fund because the clusters/social networks provided by the government were not in appropriated.

Being effective business cluster and network of Thai SMEs in future, it's needed the quality communication channels, good working process, and the collaboration of stakeholders. In addition, in order to create a strong network to achieve the sustained development, Thai SMEs should manage their business by 1) maintaining the product quality 2) getting involve with the community, and 3) having an inspiration and growth mindset; and lastly, the attitude toward helping yourselves as much as you can, is another important thing we can't ignore.

Likewise, for the government agencies, they should: 1) focus on activities which meet SMEs' needs 2) support Thai SMEs by making the existing informal groups become a stronger business groups, rather than try to create the new groups/clusters, and 3) set up the potential social business network to help Thai SMEs, especially provide them the opportunity to access to the financial resources.

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