

The Entrepreneurial Challenge for the Development Program on Export Performance of Thai Small and Medium Enterprises (SME)

Panidhan Panyanidhikul¹, Ithikorn Khamdej², Vorravee Pattaravongvisut³
panidhanpnk@yahoo.com¹, aj.ithikorn@gmail.com², winaaron@hotmail.com³

^{1,3}B.B.A. International Program (Faculty of Business Administration), KasemBundit University.

²Faculty of Master of Public Administration, KasemBundit University.

Abstract

The purpose of this paper is to investigate the Entrepreneurial Challenge for the Development Program on Export Performance of Thai Small and Medium Enterprises (SMEs). Population and Sampling: The data are collected via personal questionnaires from 120 samples of Thai SME representatives that attended a Training Course of Smart Exporters. Design/methodology/approach: The paper reviewed the international trade-related papers and books to find out the specific aspects of Thai SME for the export program of the New Entrepreneur Creation of Export Promotion Department, Ministry of Commerce. Finally, the paper provided the Entrepreneurial Challenge for Export Performance for future studies. Findings: Many small enterprises are unable to market their goods effectively in existing markets. It is crucial that small firms are not having proper knowledge of marketing channels and are failing to establish marketing networks, and unable to enter to market of existing customers effectively. Key issues are found that the lack of availability of business operators and the public sectors are not providing adequate supports to SMEs. New exporters are unable to export goods directly, due to a lack of governmental support for the integration of businesses and having no establishment of a systematic business network as well.

Keywords: Thai SME, Thai Government Policy, Operational performance

1. Introduction

In the current business environment, exporting is a major economic mechanism to grow business for many companies while for others, exporting offers the advantages of a larger market with greater economies of scale as the international market are considerably larger and more competitive than the domestic market and the economic growth rates of many of these markets far outpace the local market levels. For small-to-medium-sized enterprises in many industries in Thailand, the exporting is an opportunity for economic growth and profitability revenues or income. For these reasons, many enterprises want to go foreign markets, because of the heavy competition in the domestic markets. Exporting goods can provide some companies with opportunities to develop new products of the local market, as it is a learning experience that can benefit the country while at the same time

generating greater profit opportunities for the company itself. Exporting is increasingly seen as an opportunity for corporate growth and increased profitability among small-to-medium-sized firms in many industries. Many companies look for foreign markets because of intensified competition at domestic markets, or limited domestic market opportunities. Exporting products is another channel that helps SMEs to earn more revenue and helps growth economy of the country. Although we can see many export successes for examples, it is believed that there are many producers have no chance to export their products to foreign countries. Because they do not know the market channel well and are worried about the complicated steps to follow the export process and procedure. Exporters need many skills including marketing and distribution channels.

In the year 2013 (2556), Thailand exported a total of 7,550,704.07 million baht, an increase of 4.50 percent from the previous year. The small and medium-sized enterprises: 2,190,550.40 million-baht, accounting for 29.01% of the total export value. The import value of Thailand was 6,888,186.70 million baht, a decrease of 0.26 percent from the previous year. The import value of small and medium enterprises was 2,445,832.98 million baht or 35.51 percent. The total value of imports was increased by 2.67% in 2016. In 2016, Thailand's total trade surplus was 662, 517.37 million baht. Exports of SME's were still growing. The average annual growth rate was 3.1% over the past five years. The highest growth categories in the period were fruits, jewelry, and electrical appliances and components. The growth rate was 24.2%, 10.6%, and 9.3%, respectively. However, in 2017, the export of SME was experiencing a sharp contraction. The export shrinkage rate was 9.2%. Exports of the country grew by 9.9% percent, due to the export of gemstones. In particular, gold was down by 20.8%. Gemstones are the most valuable commodity of the country. As a result, 18.8% of the total export revenue value was earned by Thai Gemstones SMEs as the most important exporters. The value of gems exported to the SMEs value accounted for 85.7% of the total export of gemstones. The key success of the strategy is to accelerate the potentiality and create more opportunities for SMEs by expanding distribution channels through standard procurement systems. Thai Government must support the Thai SMEs to use strong marketing channels that reach the target customers effectively and efficiently throughout the ASEAN region.

Purpose: The purpose of this paper is to investigate the entrepreneurial challenge for development program on export performance of the Thai small and medium enterprises (SMEs).

Population and Sampling: 120 of Thai SMEs who attended a training Course of Smart Exporters during January - November 2016.

II. Research Scope

120 samples of Thai SME representatives who attended a Training Course of Smart Exporters. However Thai Small and Medium-sized enterprises (SMEs) are still unable to implement the policy laid down, because there are many constraints, such as the products are unable to meet the standard quality, price and needs of consumers, and international trade practices which are directly related to OEM (original equipment manufacturer) or sales at the factory, because of the lack of knowledge and understanding of the export process. It may be the reason that the SMEs management has no standard system including knowledge and skills in various exporting business fields as the large companies are well equipped. The new entrepreneurs need to know about the SME supporting government agencies first in order to solve all business problems. However, some entrepreneurial problems may be solved by SMEs by themselves. Therefore, this study focuses on the potential for exporters to support them in the expansion of trade and to create a commercial advantage for SMEs, to prepare them for export business including for advantage as well as the potential and competitiveness of business enterprises (SMEs) of Thailand as good and successful exporters.

III. Design/Methodology/Approach

This paper reviewed the international trade-related papers and books to find out the specific aspects of the Thai SMEs for the development of the export program from the New Entrepreneur Creation of Export Promotion Department of the Thai Ministry of Commerce. The quantitative and qualitative mixed research methods are used to analyze the survey and statistical outcomes. The questionnaire provided the entrepreneurial challenge to export performance of the Thai SMEs where the in-depth interview was conducted for authentication.

Research Question

Do the direct influence of specific policy of the Thai Government such as funds, technology, and human resources support impact to SMEs ' performance?

IV. Literature Review

It is found that the exporting process has several steps and a broad range of subjects that are encompassed in this process. So, in order to cover the subject in a meaningful way, the following concepts will be applied:

- Export strategy - taking the decision, assessing a product's export potential, the value of the planning process, and approaches to exporting.
- Market research - identifying international markets methods, approach, and source of market research.

- Selling overseas responding to inquiries, business practices, building working relationships and developing strategic alliances.
- Preparing products of exporting - product preparation considerations, product adaptation, engineering/redesign, branding, labeling, and packaging.
- Pricing, quotations and terms - the export transaction, price considerations, costs, market to demand, Competition, terms of sale, and methods of payments.
- Methods of exporting & channel into distribution - indirect or direct exporting and distribution considerations.
- Documentation, shipping, and logistics - freight forwarding, packing, labeling, documentation, shipping, insurance.

International competitive advantage theory is the theory of Michael E. Porter. It is found that factors related to the international competitive advantage are four factors: factor endowments; demand conditions; related and supporting industries; business strategy; organizational structure and organizational competitors (firm strategy, structure, and rivalry), which are factors that attempt to explain the survival of the international business. The most important theory of export is the theory of Prof. Michael E. Porter that applied to a theory called "Diamond Model" so that exporters can get the benefit of their own capabilities. According to this theory, exporters can improve the competitiveness of the organization to survive, can use as a guideline to prevent and solve problems of the operation to the maximum benefit, including both the public and private sectors involved in this export and know how to prevent and correct to help the industry to achieve a higher sustainable export value as well.

This is a particular concept for the widely researched subject of export performance and the factors related to the export success of companies (Cavusgil & Zou, 1994) that accumulate foreign exchange reserves, increase productivity levels, improve productivity, and enhance social appropriateness (Czinkota, 1994) in product distribution and marketing promotion. The study of product decision-making has found that the importance of tailor-made products (Cavusgil & Zou, 1994; Zou, Andrus, & Norvell, 1997) in the international market (Theodosius & Katsikeas, 2001). When comparing products and prices, the difference in economic factors, Government control and cost structure, the price of goods is the reason for the difference between domestic and foreign markets based on the empirical study of Zou and Stan (1998), a summary of export performance indicators published in the Top 10 Marketing Journals since 1887 to 1997. There are two types of financial ratios, namely, Financial Measurement and Quantitative Measurement. This is a measurement of the actual performance percentage. Non-financial measurement is a qualitative measurement (Zou and Stan, 1998), concluded that it should be measured at 1) Sales/export measurement 2) Profit measurement and 3) Growth metrics. This research is intended to study the market, especially the international market to understand consumers with monetary value or price

value, so they must understand about the income levels of consumers in the international market including income conditions influence the determination of international marketing strategies (Theodosius & Katsikeas, 2001). Overall, the level of the national economy and the industry development determine customer preferences (Jain, 1989). Moreover, country development may be seen as a necessity or spending money on consumer spending is an economic measure (Hill & Still, 1984).

This is particularly true for the wide research topic of export performance and the factors related to the firm's export success (Cavusgil & Zou, 1994). The superior export performance is of vital interest to three major groups, such as public policy makers who view exporting as a way to accumulate foreign exchange reserves; increase employment levels, improve productivity and enhance society's property (Czinkota, 1994).

It is found that the exporting trade is increasingly seen as an opportunity for corporate growth and increased profitability among the small-to-medium-sized (SMEs) firms in many firms. In fact, the U.S. consumer and industrial markets are becoming international, because of reduced market differences among all major trade powers such as the United States, Japan, and the European countries. There are many companies also finding for foreign markets, because of intensified competition in the domestic markets. Therefore, exporting as a means to corporate growth is necessary for industrial or consumer products manufacturers with standard innovative advantages. But smaller firms cannot operate the international market without sufficiency in financial and managerial resources. (Namiki, 1988).

The determinants of export performance: A review of the research in the literature between 1998 and 2005, Wiley Online Library, first published on November 12, 2008. As a result, this study reviews and evaluates 52 articles published between 1998 and 2005 to assess the determinants of export performance. The assessment reveals that: (a) more studies have been conducted outside the USA; (b) the majority of the studies focus on manufacturing firms, with relatively few studies examining the service sector; (c) the majority of the export studies continue to focus on small to medium-sized firms; (d) there is a continuous increase in the sample size; (e) despite the problems that may arise from the use of single informants, it seems that none of the studies reviewed here collected data from more than one informant in the firm; (f) an increasing number of studies have been using the export venture as the unit of analysis; (g) the level of statistical sophistication has improved; (h) the use of control and moderating variables in export performance studies has increased; (i) more studies have started to include the external environment in their models, including domestic market characteristics; and (j) market orientation as a key determinant of export performance emerges in this review (Carlos M.P. Sousa Francisco J. Martínez & López Filipe Coelho, 2008). Finally, conclusions are drawn, along with some suggestions for further research.

The study focused on the internal process through which the market orientation influence performance in export markets, and develops a model of market orientation capacities-competitive advantage-performance relationship (Murray, J Y., Gao, G. Y., & Kotabe, M, 2011).

On a broader basis, exporting companies also needs to address their reasons for wanting to export, in terms of: (a) strategy why export, (b) research getting to know the various marketplaces, (c) sales and marketing in identifying customers and markets, (d) finance ensuring payment for goods supplied, (d) freight and documentation minimizing delivery delays, and (e) after-sales support system for providing spares, servicing, warranty claims, etc.

V. Findings/ Results.

Populations and Sampling - 120 of Thai SMEs who attend a Smart Course Training - during January to November 2016. The respondents are in Bangkok and vicinity. Female, age over 40 years old. There were less than 5 years of business activity. The potential of the five operators is the availability of strategic marketing personnel. Production and financial problems and other business-related obstacles that entrepreneurs need to get help from the Thai government agencies in the export business performance.

Table 1: Personnel Readiness

1. Personnel Readiness	Average	Std. Dev.	Result.
1.1 International business experts:	2.89	0.84	Low
1.2 English or neighboring languages speaking personnel:	2.82	1.14	Low
1.3 Well understanding business personnel:	3.33	0.60	High

In the interview, it was found that most of the entrepreneurs were very talented in doing international business, but the employees were insufficiently skilled and needed to be trained to be skillful in advanced level.

Table 2: Marketing

2. Marketing	Average	Std. Dev.	Result
2.1, Entrepreneur's brand is well known:	2.33	0.89	Low
2.2. Marketing channels	2.57	1.07	Low
2.3 Market share growth:	2.22	0.91	Low

In the interview, it is found that most of the entrepreneurs sold their products through foreign agents or traders. Most of the small enterprises were lacking knowledge of

marketing channels and failed to establish marketing networks, or didn't enter into the strong customer-driven relationship market with their existing foreign customers.

Table 3: Main Strategy of the Entrepreneur

3. Main Business Strategy of the entrepreneur	Average	Std. Dev.	Result
3.1 Focused on competitive product differentiation:	3.5	0.89	High
3.2 Expansion of business to foreign countries:	2.89	1.32	Low
3.3 Creation of new business opportunities with venture partners:	2.61	0.92	Low
3.4 Creation of new business opportunities with innovative products:	3.11	0.96	High
3.5 Expansion of other businesses that not directly related to the main business:	2.63	0.91	Low

The company's main strategy is to focus on product differentiation from competitors which is 3.50 and the supportive strategy is the creation of new business opportunities based on innovation which is 3.11. According to Namiki (1988), the competitive strategy is essential for the export market of the same industry or within a similar environment. The competitive strategy should be applied more than one strategy for a better performance of the business over other competitors.

Table 4: Products or Services

4. Products or Services	Average	Std. Dev.	Result
4.1 Competitive lower cost than competitors:	3.09	0.55.	High
4.2. Competitive logistics and supply chains management:	2.9	0.85	High
4.3. Unique production technique or technology of the company:	3.03	0.68	High
4.4 Standard products ready for export:	3.43	1.16	High

It is found that the product or services of the manufacturers or entrepreneurs' standards products are ready for export 3.43% and products of competitive lower cost than competitors 3.09 only.

Table 5: Finance and Accounting

5. Finance and Accounting	Average	Std. Dev.	Result
5.1 Credibility of financial investments from financial institutions:	2.70	0.82	Low
5.2 Lower financial cost management:	3.09	1.05	High
5.3 Understanding of the financial transactions of the export business, such as the credit limit for the purchase of tickets:	2.65	0.92	Low

The financial and accounting aspects of the entrepreneurs were found that the management of financial cost was lower than competitors at the high level of 3.09 and the credibility of financial investments from the financial institutions that were accounted for low of 2.70 only.

The five aspects of competitiveness of business operators are human resources, marketing, strategy, production, finance and accounting which are also found in the research work of Ling-yee and Ogunmokon (2001). The researchers found that Ling-Yee and Ogunmongkon (2001) studied on the influence of interfirm relational capabilities on export advantage and performance with an empirical analysis of a sample of export companies in the South of China where two significant aspects of controlling internal and relational factors have influential roles in the competitive advantages and export performance successfully.

VI. Results and Discussion.

Based on interviews with the Thai SME entrepreneurs, it was found that the major problem was the inadequate support of Thai Government Agencies who are directly responsible for supporting international trade activities for entrepreneurs on finding out foreign trade partners and customers in abroad, especially for the new trade operators. However, it was found that in the past, the Thai government supported foreign trade fair activities and encouraged the business integration of the Thai traders on many occasions abroad. Anyway, it was expected that an establishment of a standard systematic business network system might facilitate and encourage more new Thai exporters to emerge in the export marketing business. There are important implications for business managers seeking to pursue an international marketing strategy. Our findings suggested that if the managers planned to internationalize their businesses, they should assess their resource bases and developed a strategy for acquiring a social connection, customer-driven marketing, financial resources in addition to their own human resources.

The result of in-depth interview found that SMEs entrepreneurs didn't know how to get started exporting businesses. Second, companies claimed that they didn't have the human resources or personnel with adequate exporting knowledge about how to go about entering the export market and how to follow or handle the export process when orders were received. Online marketing was just as crucial today for an export business as it was for a national economy as well. Since people in most countries had some level of access to the Internet and its benefits, and online shopping is still a growing trend in the modern borderless market.

Thai Government encouraged Thai SMEs by setting up public funds', financial incentives (tax breaks, concessionary finance) for trading companies or exporting companies in every regional province throughout the country that measurably demonstrated for the

SMEs' export promotion. This study result is believed to be the evidence of data for planning an export strategy for the Thai SMEs in the future.

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