

Guideline to Thailand-Malaysia Border SME Entrepreneurs' Management Capacity to Create Competitive Advantage for Songkhla Province, Thailand

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Abstract—The study of guideline to Thailand-Malaysia border small and medium entrepreneurs management capacity to create competitive advantage for Songkhla Province, Thailand has the following objectives: 1) to assess Thai and Malaysian small and medium entrepreneurs' management capacity in Thailand-Malaysia border areas 2) to compare Thai and Malaysian entrepreneurs' management capacity in Thailand-Malaysia border areas 3) to determine approaches to capacity development of Thai small and medium entrepreneurs management in Thailand-Malaysia border areas in order to create competitive advantage. The samples used in this study were 200 small and medium entrepreneurs within the Thai border, namely in Songkhla Province and 200 small and medium entrepreneurs within the Malaysia border, at the border with Songkhla Province. The research tool used was questionnaire. The statistics used for analysis were mean, standard deviation, t-test, and in-dept interview with 20 Thai small and medium entrepreneurs in Thailand-Malaysia border areas. The results revealed that Thai entrepreneurs possessed generally moderate management capacity and Malaysian entrepreneurs possessed high management capacity. The result of the hypothesis shows that in terms of international law, Thai and Malaysian entrepreneurs possessed different capacities at the statistical significance level of 0.05. Approaches to capacity development of small and medium entrepreneurs in Thailand-Malaysia border areas in order to create competitive advantage are 1) conducting marketing promotion should be increased 2) information on raw materials must be studied before placing orders 3) principles of accounting record, profit and loss statement and balance sheet, must be studied in order to understand business' financial status 4) entrepreneurs should continually study tax benefit for ASEAN Member Countries. 5) entrepreneurs must recruit employees with knowledge of systems thinking development. 6) entrepreneurs should continually acquire new knowledge.

Index Terms—SME entrepreneurs, management capacity, the border between Thailand-Malaysia, competitive advantage.

I. INTRODUCTION

Border crossing management has become increasingly important because the sheer volume of global travel puts border management systems under constant pressure. The total number of international tourist arrivals worldwide surged from 69.3 million in 1960 to 687 million in 2000 [1]. Thailand has border with its neighboring countries over a

distance of approximately 8,167 kilometers. These frontiers are divided over land crossing Myanmar, Laos, Cambodia and Malaysia over 5,462 kilometers, which means that foreigners can travel across border easily [2].

Small and Medium Enterprises (SMEs) play a vital role in economic development of many countries around the world [3]. Thailand is a developing country; its fundamental economic system is still predominantly driven by small and medium business units. Thus, giving support and encouragement to small and medium enterprises (SMEs) is the most important policy in strengthening the Thai economy, in order to be able to grow and develop like others countries such as Germany, Japan, Australia, Sweden and Malaysia [4]. In Thailand, the percentage of SME employment to total employment grew steadily from 76.0% in 2007 to 83.9% in 2011, but fell back to 80.4% in 2012. During the same period, the service, trade, and manufacturing sectors each contributed to more than 30% of employment by SMEs. Sector wise, employment by trading SMEs increased by about 5%, but that of manufacturing declined by 6.2%, which can be attributed to the decline in the growth rate of SMEs in the sector. The growth rate of employment by SMEs dropped from 8.3% in 2010 to 7.3% in 2012. While the contribution of SMEs to total GDP in Thailand, at 37%, is higher than in Malaysia, at 32.7% of GDP in 2012. The contribution of SMEs to GDP in Thailand declined by 1.7% in the period 2007-2012, while Malaysia saw a rise in the contribution of SMEs to their GDPs in the same period [5].

Currently, the Thai government has tried to trade with neighboring countries such as Laos, Cambodia, Myanmar and Malaysia at average level of 70% of total trade. Thailand and neighboring countries' trade and economic development was in an average level from 2009-2012, with the average growth rate of 13.13%. On the other hand, the Thai government found that Malaysia is the most important trade of Thailand. [6] The Thailand-Malaysia border trade and economic development was in an average level of 67.81%. The government and those involved in Thailand-Malaysia border trade were ready to prepare for the past business growth in an average level on 54.11%. At present, the government section has been promoting and supporting Thailand-Malaysia border trade at an average level of 41.10%. The opening and closing of border checkpoint have affected the border trade development. Most of the businesses are stores, tourism and hotels while the merchandises purchased and sold are consumer goods, clothes, vegetables, fruits and snacks. Most of the business premises are row buildings, houses, stalls, including display

Manuscript received May 20, 2016; revised July 5, 2016.

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in vehicle trunks. The trading transactions are made at a certain spot of the market while most of the transactions are made directly without any broker. Those who make the purchase are local people and local travelers while the selling prices of the products along Thailand-Malaysia border have been fluctuating and subject to the exchange rate. Some merchandises are displayed with price tags but some are not. The border trade business now has a tendency to grow at 34.25% [7].

Songkhla Province is one of the provinces in the south of Thailand and has border with Kedah State of Malaysia. In 2002, Songkhla Province started 1,500 new entrepreneurs. [8] Some of them conducted business at the Thailand-Malaysia border and became successful entrepreneurs by seeking for opportunities and to improve their management capacity. In addition, they are from various kinds of backgrounds in terms of resources, cultures and societies. Then, it is vital to recognize the SME entrepreneurs' approaches to the development of management capacity to be more competitiveness than Malaysian SME entrepreneurs. We are interested to study guideline to SME entrepreneurs' management capacity at the Thailand-Malaysia border to create competitive advantage for Songkhla Province, Thailand.

Given the above scenario, the relevant and interesting issues for researchers are 1) to study SME entrepreneurs' management capacity at the border of Thailand and Malaysia. 2) to compare Thai and Malaysian SME entrepreneurs' management capacity at the border of Thailand and Malaysia. 3) to study guideline to SME entrepreneurs' management capacity at the border of Thailand and Malaysia.

II. LITERATURE REVIEWS

A. *The Definition of Small and Medium Enterprises (SMEs)*

The definition of SMEs is given as follows: an SME shall refer to an enterprise that has completed company registration or business registration in accordance which the requirements of the law, and which conforms to the following criteria:

Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers. Financial assets are also used to define SMEs. In the European Union, a new definition came into force on 1 January 2005 applying to all Community acts and funding programmes as well as in the field of State aid where SMEs can be granted higher intensity of national and regional aid than large companies. The new definition provides for an increase in the financial ceilings: the turnover of medium-sized enterprises (50-249 employees) should not exceed EUR 50 million; that of small

enterprises (10-49 employees) should not exceed EUR 10 million while that of micro firms (less than 10 employees) should not exceed EUR 2 million. Alternatively, balance sheets for medium, small and micro enterprises should not exceed EUR 43 million, EUR 10 million and EUR 2 million, respectively [9].

B. *Definition of Small and Medium Enterprises (SMEs) in Thailand*

Small and medium enterprises (SMEs) are the lifeblood essential to Thailand's economic vitality. Defined as companies with no more than 200 employees and 2 million baht in assets, SMEs make up 99.6% of total enterprises in the country, creating jobs for more than 10.5 million people. That's three-fourths of the national workforce. "The best way to check the health of the economy is to check the SMEs," said Wimonkan Kosumas, Deputy Director General of the Office of Small and Medium Enterprises Promotion (OSMEP) [10].

C. *Definition of Management Capacity*

Managerial capacity can be defined as the inner ability to manage, develop and coordinate the financial/material, human, information or any other kind of capital in order to implement the policies and the programs. In their opinion, the managerial capacity refers to the allocation of resources in the right place and at the right time and generally resides in management subsystems: internal processes and administrative structures meant to support the demands and the needs concerning the financial, material, human or informational capital of the public organizations [11].

D. *Management Practices in SMEs*

Firm performance and growth are dependent upon the development of organizational capabilities, for example, for organizational control, continuous improvement, innovation, and market development. The skills of the management team drive and shape decisions to make the investments in developing these capabilities. There is evidence to suggest that an important aspect of management practice is the capacity of organization. Two types of practice are of universal applicability across industry sectors and relevant to these capabilities: strategic management and human resource management (HRM) [12].

III. RESEARCH METHODOLOGY

This research is participatory action research (PAR) by using SME enterprises at the border of Thailand and Malaysia.

A. *Populations and Sampling*

The populations used in this study are the Thai and Malaysian SME enterprises at the border of Songkhla Province. Due to the fact that the number of population cannot certainly be found, and thus some calculation by using W.G. Cochran (1953) was made in order to determine the size of sampling. Purposive sampling used for the qualitative data with the sampling of 400 respondents include 200 Thai SME enterprises and 200 Malaysian SME enterprises. The populations in this study are managers of

SME banks in Songkhla and Thai SME enterprises at the Songkhla Province border.

B. Instrument

The data were collected by using face-to-face structured questionnaire. The questionnaire consisted of two parts. The first part dealt with characteristics of the SME enterprises. The second part included questions of management capacity such as marketing, procurement, accounting, international law, human resource management, and management. Regarding the management capacity, the respondents were asked to self-assess their capacity on a five-point Likert scale (1-lowest capacity to 5-highest capacity). Content validity of these questionnaire items was evaluated by lecturers from Rajabhat Nakhon Si Thammarat and Rajamangala University of Technology Srivijaya. A pilot test was conducted to assess how well the instrument captured the constructs it was supposed to measure and to test the comprehension of the questionnaire items. The reliability of the measurements in this study was 0.91, which was acceptable based on the Cronbach’s alpha.

C. Data Analysis

The data were analyzed by applying statistical program. Descriptive analysis was used to measure means and standard deviation of management capacity, T-test was used to compare SME entrepreneurs’ management capacity at the border of Thailand and Malaysia.

IV. RESULT

The results showed the summary of mean and standard deviation of all variables. As can be seen from the table that the mean score values of all management capacity of Thai SME entrepreneurs’ (See Table I-Table III).

TABLE I: THAI SME ENTREPRENEURS’ MANAGEMENT CAPACITY

Variables	\bar{X}	S.D	Capacity
Marketing	3.95	0.52	high
Procurement	3.60	0.57	high
Accounting	3.04	0.80	moderate
International Law	2.83	0.76	moderate
Human Resource Management	3.33	0.74	moderate
Management	3.49	0.64	moderate
Total	3.37	0.67	moderate

TABLE II: MALAYSIAN SME ENTREPRENEURS’ MANAGEMENT CAPACITY

Variables	\bar{X}	S.D	Capacity
Marketing	3.95	0.84	high
Procurement	4.06	0.77	high
Accounting	3.68	0.96	high
International Law	3.04	0.97	moderate
Human Resource Management	3.33	1.22	moderate
Management	3.81	0.79	high
Total	3.65	0.93	high

Table I showed that Thai SME entrepreneurs’ at the border of Thailand and Malaysia had moderate management capacity (\bar{X} = 3.37). In addition, it is also revealed that Thai SME entrepreneurs at the border of Thailand and Malaysia

had high capacity in marketing (\bar{X} = 3.95), followed by procurement (\bar{X} = 3.60). International law was at the lowest capacity (\bar{X} = 2.83).

Table II showed that Malaysian SME entrepreneurs at the border of Thailand and Malaysia had high capacity in management (\bar{X} = 3.65). In addition, it is also revealed that Malaysian SME entrepreneurs at the border of Thailand and Malaysia had high capacity of procurement (\bar{X} =4.06), followed by marketing (\bar{X} = 3.95). International law was also at the lowest capacity (\bar{X} = 3.04).

TABLE III: COMPARISON OF THAI AND MALAYSIAN SME ENTREPRENEURS’ MANAGEMENT CAPACITY

Variables	SS	df	MS	F	Sig
1. Thailand	2.624	15	0.175	0.413	0.974
2. Malaysia	76.666	181	0.424		
Total	79.290	196			

Table III compares Thai and Malaysian SME entrepreneurs’ capacity at the statistically significant level of 0.05. The study revealed that there was no difference in management capacity between Thai SME entrepreneurs and Malaysian SME entrepreneurs at the Thailand-Malaysia border at the significant level of 0.05.

Approaches to capacity development of SME entrepreneurs in Thailand - Malaysia border areas in order to create competitive advantage are

1) in terms of marketing, the capacity in finding marketing channels and conducting marketing promotion should be increased.

2) in terms of procurement, it is recommended that information on raw materials must be studied before placing orders, by studying information available on the internet or enquiring information from other businesses.

3) in terms of accounting, principles of accounting record, profit and loss statement and balance sheet, must be studied in order to understand business’ financial status and to be able to manage finance and accounting efficiently.

4) in terms of international law, entrepreneurs should continually study tax benefits for ASEAN Member Countries, business transactions with Malaysia through banking systems and exchange rates.

5) in terms of human resources management, SME entrepreneurs must recruit employees with knowledge of systems thinking development and work-related skills.

6) in terms of management, entrepreneurs should continually acquire new knowledge by attending SME management trainings organized by both public and private sectors.

V. CONCLUSION

In conclusion, ‘guideline to SME entrepreneurs to develop higher management capacity should enhance the skills and capacities of SMEs to manage their processes. This requires ‘soft’ measures, i.e. consulting support, that starts with refining the company’s strategy; and includes raising the ability to define projects in collaboration with its staff, clients, suppliers, external knowledge providers and support agencies, the ability to manage (and abandon) projects. It ends with the generation of profits on markets (also by better marketing and through new business models).

Despite its potential, such a broad understanding of ‘supporting management in SMEs’ is so far not well developed in many support agencies and in SMEs themselves. Management capacity support to SMEs still faces considerable challenges in designing specific programs to help SMEs to develop higher management capacity and explore new pathways to jobs and growth.

ACKNOWLEDGEMENTS

The authors would like to thank the Rajamangala University of Technology Srivijaya, fund for supporting the study. Also, we would like to thank Rajabhat Songkhla University for supporting Mr. Chanwit Chanin to be co-researcher and co-author. In addition, we most gratefully acknowledge our parents and our friends for all their support throughout the period of this research.

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