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BUSINESS ADAPTATION STRATEGIES USED BY SMALL AND MEDIUM RETAILERS IN AN INCREASINGLY COMPETITIVE ENVIRONMENT: A STUDY OF UBON RATCHATHANI, THAILAND

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ABSTRACT

This thesis presents a study of business adaptation strategies employed by small and medium retailers in order to be sustainable in a climate of rapid and significant environmental change in regional Thailand. The study was carried out in Ubon Ratchathani, a large regional city in North Eastern Thailand which shares many of the difficulties encountered by regional businesses in regional Thailand. Changes over the last ten years have been considered in this work and recent strategies adopted by the small and medium retailers have been investigated. Using extensive input from a study group which represented approximately 10% of all small and medium retailers, the study attempts to isolate the successful strategies for the region.

Data obtained through survey and in-depth interview revealed that difficulties encountered by small and medium retailers were independent of the type of business. The study observed an increase in overall business performance which appears to be linked to the general population growth and improvement in the local economy. Young businesses were found to be growing faster than older businesses but are at risk because of their lack of sustainable practice resulting in many young businesses collapsing. The impact of larger chain stores has forced the small and medium retailers to focus on service, rather than price, in order to remain competitive. Since many of the small and medium retailers have originated from traditional family businesses, there has been little emphasis on accounting and management control and this is a major factor contributing to the lack of sustainability in such businesses. The study also makes a comparison between the different sizes of businesses in Ubon Ratchathani and considers factors that contribute to the relative success or failure of the different businesses.

The study shows there are major deficiencies in the capabilities of many of the small businesses and that these need to be addressed by Government. Smaller businesses do not have the same access to the resources of larger businesses and chain stores but can become more competitive through effective use of networks or business associations which the government needs to support. The author proposes that an existing government initiative to promote One Tambon One Product could be expanded to provide resources and networks which could be utilised by small

businesses to become more sustainable and make a greater contribution to the economy.

The findings of this study also show that the main lack of capability is in the accounting and management area in the smaller businesses and the author advocates provision of an extensive training program through regional educational institutions with associated government support for such programs.

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CHAPTER 1

INTRODUCTION

This thesis studied the management strategies of small and medium retailers (SMRs) in Ubon Ratchathani, Thailand, including the relationships between business environments, strategies and business performance. It also investigated the perceived problems and the benefits of business networks and government support as seen by Thai SMR managers.

The purpose of this chapter is to provide an overview of the thesis and its organization. The first section provides background to the research, followed by the research objectives and questions. Next, the justification for the research is provided along with a brief overview of the research methodology used. The chapter concludes with an outline of the organization of the thesis.

1.1 Background to the Research

Small and medium enterprises (SMEs) are the backbone of any economy as they not only create new jobs, but they are also considered as major channels of innovation and technological change (Storey, 1994, p. 7). The features of many small businesses (e.g., flexibility, innovativeness, problem-solving, action orientation) were also important for success in the 1990s (Lin, 1998). Since 1997, the promotion of SME development has been widespread in most of the countries in South East Asia. SMEs are an important part of a nation's economic and social structure as they play a very important role in creating employment opportunities for the growing labour force (Storey, 1983). Successful SMEs can enhance rural and small community development through activities such as manufacturing, finance, transportation, construction, as well as the distribution of both agricultural and consumer related goods and services. This is applied to the economic development at

the national, regional and community levels. For example, when small community businesses successfully meet consumers' needs, high local spending increases the community's tax base, which in turn is used to provide a better quality of life for rural residents (Milwaukee, Miller, McLeod, & Oh, 2001).

The Thai retailing industry has played a significant role in the Thai national economy. However, it faces challenges particularly since 1997 when the Asian financial crisis occurred. Globalization brings trade liberalization coupled with quality standards and business environmental issues that need to be considered by Thai retailers. The slow but steady recovery in the Thai economy since 1997 has been affected by the national, regional and global business environment. At the national level, the advances in production technology and information technology have increased the productive capacity of manufacturers and service providers. However, at the same time, the impact of the economic downturn has negatively affected the buying patterns of consumers, causing a decline in the demand for various goods and services. The report from White, (1999) stated that the creation of job opportunities and expansion of economic activities in the rural and urban sectors are considered the key development strategies in response to the impact of the crisis.

The Royal Thai Government has been involved in the promotion of the SME sector over the past 20 years. Recently it has assigned considerable priority to the promotion and development of this sector, with the expectation that the sector can make a positive contribution to economic growth and employment, and overcome the worst impact of the financial and economic problems affecting Thailand. Many policy measures have been formulated to support and promote SME development; however, it appeared that only formal and larger enterprises could take advantage of this. The smaller and micro enterprises, especially SMRs in rural and urban sectors, still cannot satisfactorily access this support (White, 1999).

Trends of Thai and foreign retail trades

The wholesale and retail sector is a service business that is important to the economy of Thailand. Since the value added of wholesale and retail business is growing in the same direction as the Private Consumption Expenditure at 1988 price and so is its ratio. During 1993-2001, the ratio was 30.40% annually as an average. The ratio of private consumption compared to Gross Domestic Product (GDP) in 1988 prices was 54.49%. This was a high rate, which is crucial to change in the GDP and country's total economic growth. Therefore, a direct ratio of wholesale and retail business to GDP in 2002 was 14.93% which was the second highest after the industrial manufacturing sector in terms of employment opportunity. During 1993-2002, wholesale and retail business brought the domestic employment up to 4.46 million employees annually or 14.23 % of total employment in 2002 (Office of Small and Medium Enterprises Promotion (OSMEP), 2002).

From the general survey of trade and service businesses in 2002, the National Statistics Office of Thailand reported that the total number of retail businesses was 734,748. This can be divided into SMEs and large enterprises. There were 732,593 SMEs accounting for 99.71 %. Among these SMRs, 728,522 or 99.44 % were small ones with the rest of them being medium enterprise (4,071 or 0.56 %).

With regard to the spread of SMR businesses, the top three areas are as follows: the North-East area (26.67 the North area (17.11), and the Bangkok area (16.67%). The area with the smallest number of SMRs is the East at 5.93 % (National Statistics Office, 2002).

Currently, there are many changes taking place in the retailing industry, as globalization impacts on retailers of all sizes and all over the world (T. E. Dana, 1999). The trend in retail trade is likely to be more competitive, particularly in terms of prices. The survey of the Thailand Productivity Institute (2003) reported that small business has a net profit level at the rate of 1% in 2001, whereas it used to be a net loss of 1% in 2000. In the meantime, the net profit level of medium businesses hit zero for both years which means that the market was very competitive especially with modern trade from big discount chain stores and medium businesses. The small

business has less power in negotiating price and sells products with higher costs compared with their medium-sized counterparts. Therefore, the medium business was not in a loss making situation. In addition, overhead costs are very high when compared to total cost and normally account for almost 41%. Therefore, if business is able to lower unnecessary expenses, the ratio of costs to total sales will be lowered and the retailers will be able to generate more net revenues for their business.

The rapid expansion of the large-scale foreign-owned discount stores, hypermarkets, and cash and carry stores, has somewhat threatened small Thai traditional retailers. Thai retailers are now in an unstable situation as foreign retailers have seized a significant portion of the market share. According to Siamwalla and Poapongsakorn (2003), 8.5% of retailers have been shut down annually since 1997. Those traditional small retailers and wholesalers that are still operating have faced a decline in their business with sales and gross profits down by 7% per year. The decline is caused not only by the rapid expansion of the large hypermarket and convenience stores, but also by other factors such as economic recession and changes in consumer purchasing behaviour (Siamwalla & Poapongsakorn, 2003). A discount chain store's entry into a local community market clearly has an impact on existing local retailers (McGee & Peterson, 2000a). Moreover, with the reduction of trade barriers, the increasing effects of modernization and the decrease in government intervention, even the small local retailers can be adversely affected.

According to Dana (1999), key variables influencing business performance for the traditional family-run retailing business in Thailand are: government policy, such as the legal and regulatory environment; the trends of modernisation, especially through cultural values and technology; and societal make-up, which includes the industry structure. Dana also stated that the effect of modernisation and the decreasing level of government intervention are the major causes of the changing of Thai societal and industry structures. As a result of these powerful interactive variables, there has been a steady decline in the number of traditional local family-run businesses in Thailand. According to Watson and Everett (1999) many may continue operating even though they would be classified as having failed. Similar to SMRs in Ubon Ratchathani, many small retailers that are middle and old-aged just

sell goods or services as a way of life not for a commercial profit and they may not consider changing or closing their shops.

In urban and rural areas like Ubon Ratchathani province, labour intensive SMEs are a major source of income for the population. The SMEs are the primary places for the new venture to gather valuable business experience. In addition, the rural population learns and practices their work skills from these work places. The low cost of setting up a small business unit creates a new class of small capitalists (Storey, 1994). It also offers much employment for both skilled and unskilled labour. Attempting to create a wider distribution of income and to reduce unemployment, the Department of Supporting Industry in The Ministry of Industry allocated large financial resources in the form of loans to support SMEs and the newcomers, especially the graduate students who make up a number of unemployed. Nevertheless, SMEs cannot keep up with the rapid advances in technology or even all the happenings in their business environment. SME managers often lack the skills necessary to begin strategic planning and do not have or want to spend the money necessary to bring in consultants (Giaoutzi, Nijkamp, & Storey, 1988). The SMEs are often family businesses or partnerships among close friends. They are unlikely to develop an objective viewpoint or employ professional advice. Since many SMEs have been closed, or are slowing down while others have survived, there is a need for understanding the root causes of the problems.

Although several papers (Klemz & Boshoff, 1999; Lowry, 2000; McIntosh & Love, 1997) have focused on the general relationships between business environments, strategies and enterprise performance, there are few providing an in depth analysis of the relationships between these variables. Most existing literature has consistently focused on Western economies, with just a few examining the Thai economy. In Thailand, particularly for local areas, limited research has focused on specific environmental factors, characteristics of SMEs in the retail sectors and specific local strategies of management styles. No matter how many Thai researchers have been addressing the impact of these factors, only general or broad perspectives have been examined. It is also in the interest of all SME operators to be able to identify suitable strategies for their particular business. It is therefore in the interest

of academicians and economists to search for particular strategies for SMEs to go through the problems of survival and to prosper in the long run. This research attempts to examine the relationships of these factors.

1.2 Research Objectives

The objectives of this study are as follows:

- To investigate how the business environment in Ubon Ratchathani has changed;

- To investigate how SMRs in Ubon Ratchathani perceive the impact of business environmental change;

- To identify business adaptation strategies, used by SMRs in the area of Marketing, Finance, Product, and Human Resources, as well as the use of government support and business networks;

- To assess what strategies yield the most successful impact on SMR business performance; and

- To identify the type of government support needed by SMRs.

1.3 Research Questions

The purpose of this study was to investigate management strategies used by SMRs in regional locations. The project proposes to study the relationships between business environment factors, internal factors, management practices, and the performance of Thai SMRs during such periods (1997-2002). The specific research questions are:

1. How has the business environment in Ubon Ratchathani changed during the last ten years?

2. What do SMRs perceive to be the impact of present business environment on their business?

3. What strategies have SMRs in Ubon Ratchathani adopted during recent periods of significant business environmental change?

4. What strategies and tactics have produced success?

5. How do SMRs evaluate available agencies' support programs and what types of support do SMRs see as urgently needed?

1.4 Justification for the Research

Until recently, SMRs represented a significant component of the Thai neighbourhood (Thai Retail Association, 2000). However, SMRs could not avoid the uncertainties and inherent unknowns when competing in foreign markets by simply staying small and local, thus refraining from expanding internationally (L. P. Dana & Etemad, 1994). Nowadays, with the reduction in trade barriers, even the small local business is threatened by international competitors penetrating formerly protected domestic markets.

As a result of the economic crisis since 1997 and the policy to promote investment for retail business, discount stores have come in to existence (e.g. Big C from France, Tesco-Lotus from the UK and Makro from the Netherlands). Their branches extend throughout Bangkok and provincial areas. This expansion has seized a large proportion of market share especially from traditional retailers and department stores. The big three foreign investors in general merchandise discount chain stores (Tesco-Lotus, Big-C, and Makro) have already opened their shops in the middle of the town in Ubon Ratchathani, and there will be more big foreign stores opening in the near future. Sukin (2001) stated that the expansion of modern retail stores into the provinces would destroy local economies and it contradicted the government's policy of promoting small and medium enterprises.

Thai SMRs cannot always keep up with the rapid advances in technology or even with all the changes in their business environments. Many retailers face difficulties arising from liberalization-induced adjustments. They have also had to be very competitive. Much activity has taken place in the retail sector in terms of the

changing consumer preferences, improvements in technology and intensifying competition (T. E. Dana, 1999).

Many organizations, both public and private, have tried continually to support and develop measures to help and improve small business operations. For example, there is an attempt to provide infrastructure service to traditional retailers through its supply-chain system by Win-Store Co Ltd, a private infrastructure services provider company. By coordinating with the Ministry of Commerce and other government agencies, Wins-Store had launched its infrastructure services and aimed to be a total retailing service provider for both suppliers and small community retail shops. It will provide a link to suppliers for the small retailers (Jitpleecheep, 2002). Another example is support from a government agency. The Ministry of Industry has established a clear policy on supporting and helping SMEs by setting up the Bureau of Industrial Promotion Policy and Planning such as the Department of Industry Promotion (DIP) which provide services in the areas of marketing, networking assistance, and training programs for SMEs.

It seems that few SMRs have indicated their wish for improvement and many are reluctant to do so. In fact, Lim (1995) has found that the retailers would only make improvements that enhance the value of their property. Generally, retailer managers or owners between the ages of 31-40 are the ones most likely to upgrade their operations; the older ones, who are poorly educated and near retirement, are generally resistant to change.

Only big companies have the resources to upgrade themselves in anticipation of the full impact of the rapidly changing business environment. Medium-sized and small traditional family owned shops are gradually disappearing in Thailand, as they cannot cope with competition from multiple retailers, changing customer tastes and financial difficulties. Particularly, the replacement of traditional forms of retail trade with hyper markets can shift the allocation of trade circulating money at the local level so that a large amount of it go to a few big retailers owned by foreign-owned multinational companies (Sukin, 2001). If the problems persist, many small local retailers would have to shut down. Consequently, many young people will move to

bigger cities for seeking employment. That is because big businesses generally use high levels of technology and need fewer employees.

There are many studies on the success and performance of small businesses. For example, Gadenne (1998) focused on the success factors that are unique to each industry. Peterson et, al. (1983) studied the life span of small business relating to the rate business or failure. However, very few have focused on the survival strategies of SMRs in time of rapid and significant business environment change (in this case the period of 1997-2004). Small businesses normally struggle in times of rapid economic change. However, some businesses survive the rapid change and are very successful. Yet, there is little reference in the literature to the coping strategies of the SMRs, even though retailers need to identify themselves by their characteristics, product offerings and target customers (Rungfapaisarn, 2002). They also need to develop strategies to offer new type of products and services to the customers. Therefore it is in the interests of both academics and economists to search for particular strategies to help SMRs survive the rapid and significant business environment change including the changing characteristics of consumers, economic recession, improvements in technology and intensifying competition, and to help them prosper in the long term.

1.5 Research Methodology

This study used a multi-method approach, which consisted of a questionnaire and interviews. A questionnaire was developed and sent to a sample of small and medium retailers in Ubon Ratchathani. A number of SMRs were selected from this sample for case studies and more detailed information has been gained through the use of in-depth interviews.

This study used both primary and secondary data sources. Secondary data such as official statistics, reports and announcements were used to investigate the impact of the economy on the SMRs. The demographic data and primary data in the business sample selected were collected with a questionnaire. To gain an understanding of how business operators view their competitive environment, how and why they adopt particular adaptation strategies, and how they evaluate the

available support programs provided by the Thai government, in-depth structured interviews were conducted with a representative sample of the business population.

1.5.1 Pilot study

A pilot study was conducted to check the validity and reliability of the questionnaire. A total of sixty SMR managers/owners in the Warin Chumrab District participated in the pilot study. Before the final collection of data, the questionnaire was modified based on the results of this pilot study.

1.5.2 Sampling and data collection

Stage 1: Sampling consideration and the construction of sampling frame

A database was constructed to collect data on the SMR population in Ubon Ratchathani. The data was drawn from the Yellow Pages Telephone Book and Office of Provincial Trade Registration in Ubon Ratchathani. There are approximately 2,200 enterprises registered in the Ubon municipal area and suburbs. For the trade sector only, there are estimated to be 800 businesses. These comprise about 50% individual proprietors, 30% juristic partnerships and 20% private limited companies or public limited (Office of Ubon Registering Commerce, 2003). The report from the OURC survey did not classify the specific type of goods sold.

Observations were also made of the type of business and size of premises, which are found on the 10 main business streets in the Muang municipality of Ubon Ratchathani (Muang is the name for the central/main district in a Thai Province). From these observations, businesses were categorized into 6 main groups according to the type of business. A stratified random sampling technique was used whereby 100 businesses within each category were randomly selected, except for the department store group where all 4 department stores in Ubon Ratchathani were sampled. A total of 500 surveys were distributed. This represents 25% of the total designated small businesses in Ubon Ratchathani.

Stage 2: Questionnaire survey

Questionnaires were distributed to the selected respondents as selected in Stage 1 above. A total of 200 replies were received within the given time frame for responses (8 weeks). This represents a 40% return rate on this survey and the total response represents 10% of the total designated SMRs in Ubon Ratchathani. The questionnaire utilised a five point Likert scale and was comprised of four parts:

1. The profile of the retailer being surveyed

2. Business strategies used by SMRs

3. Problems impacting on SMR performance

4. Open ended suggestion section

Data was collated and then underwent a statistical analysis.

Stage 3: In-depth interviews with selected SMRs

All surveyed businesses were asked if they would be willing to participate in a further in-depth interview to on the issues concerned so as to gather further relevant data. Two businesses were selected from each type of business for case study analysis involving semi-structured, in-depth interviews.

The interviews were undertaken with a semi-structured format covering key themes such as the strategies used by the owners, the scale and scope of business operation and the respondents' perception of internal and external factors affecting the performance of their businesses, using a SWOT analysis framework (strengths, weaknesses. opportunities and threats). Interviews were taped and transcribed and the analysis was carried out using standard theme and content analysis techniques (Bryman, 1988; Cavana, Delahaye, & Sekaran, 2001).

1.5.3 Instruments

A broad survey served to provide general information about the stores. Questions on the survey collected data on the name of the stores, type of goods/services, number of employees, customers and the size of the stores.

Quantitative data on company operations and qualitative data on performance of survival/success measures was collected by using questionnaires based on a Likert scale. Questionnaires were provided to owner-managers or managers and consisted of a range of demographic factors (e.g. size, age, form and type of business, marketing location, number of employees, owner's age, educational). Other factors that were investigated through the interviews were internal managerial factors relating to managerial style, organizational structure, owner characteristics, human resources, and product/market. In addition, their perceptions of business environmental factors such as market/industry specific, uncertainty/economic downturn, government intervention, and international/ globalization were also be gathered through the questionnaires and interview.

1.6 Limitations

Due to time and resource constraints the study focused only on 200 SMRs in the Ubon Ratchathani province which are located on the 10 main business streets in Muang Ubon municipal. Hence generalization of results to all Thai SMRs needs to be treated with caution.

The business performance measurements used in this study focused primarily on financial data, which may underestimate the importance of the soft aspects of business performance such as image of the company, employee satisfaction and the business ethics of the owner/manager.

1.7 Definitions

Small and Medium Enterprises (SMEs)

On September 11, 2002, the Ministry of Industry introduced the definition of Thai small and medium-sized enterprise (SME). The definition is based on the number of salaried workers, and fixed capital. An enterprise is categorized as an SME if it has less than 200 employees and fixed capital of less than 200 million baht, excluding land and buildings. SME in Thailand are classified in four sectors: 1) Product sector (which includes agriculture and manufacturing; 2) Service sector; 3) Wholesale; and 4) Retail, as shown in Table 1.1.

Table 1.1 The definition of SME provided by the Ministry of Industry, Thailand

	Small		Medium	
Type	Employees	Capital (million Baht)	Employees	Capital (million Baht)
Production	Not more than 50	Not more than 50	51-200	51-200
Service	Not more than 50	Not more than 50	51-200	51-200
Wholesale	Not more than 25	Not more than 50	26-50	51-100
Retail	Not more than 15	Not more than 50	16-30	31-60

(Source: http://www.sme.go.th)

Note: 1 Australian Dollar = 28.60 Baht (2004)

The principal criterion for classifying an SME is its independence. This characteristic indicates that no more than 25% of SME capital should be owned by one or more large companies.

In this study, the definition of a Thai SME is as follows: (1) the number of employee is not more than 200, (2) fixed capital is not more than 200 million baht, (3) less than 25% owned by one or join several enterprise(s), and (4) less than 50% is owned by foreigners.

Small and Medium Retailers (SMRs)

For the purpose of this study, a micro, small or medium retailer is defined as any business that is independently owned and operated, and not dominant in its field

of operation. The following classification of enterprises in the retail sector is based on number of employees and turnover (yearly value of gross receipts):

- Micro retailers: 1- 4 persons engaged, and value of receipts is less than 1 million Baht

- Small retailers: 5-19 persons engaged, and value of receipts is from 1 million Baht to less than 20 million Baht.

- Medium retailers: 20-99 persons engaged, and value of receipts is from 20 million Baht to less than 140 million Baht.

- Large retailers: 100 persons engage and above, and 140 million Baht of receipts and above.

The above classification of retailers is different from the Ministry of Industry's definition because the samples in this study are mostly in micro and small size. They are reluctant to report their fixed capital or assets. It may be because they either do not know or do not want to reveal their real financial status. Thus, instead of asking about their fixed capital, we asked them to report the number of employees and size of shops.

Traditional retail trades

The characteristics of the traditional trade can be defined as follows: being family-oriented in nature and owned by Thais; providing old-fashioned services and exhibiting outdated displays; running the business with non-standardised management systems and limited investment; and being located in small commercial buildings or in a local community.

Modern retail trades

The characteristics of modern trade are as follows: providing modern services and displays; running business with standardised management systems; and putting large investment in technology and innovation to attract customers

Strategic Management

Strategic management is defined as a task of the manager/owner to determine how the business will deploy its resources within its environment and so satisfy its long-term goals, and how to organise itself to implement that strategy.

Business performance

The business performance in this study is measured by: 1) profit, 2) total sales, 3) goods turnover 4) market share or number of customers, and 5) margin on sales. The overview of business performance in this study will be called "Total Growth".

1.8 Outline of the Study

Chapter one of this thesis provides an overview of the research, including the background to the research, a summary of the key areas of the study and an overview of the integration of the various sections into an overall research framework.

Chapter two reports the details and background of Thai SMRs and describes how business environments and Thai culture impact on the way they run business particularly in Ubon Ratchathani province.

Chapter three provides the theoretical and research background for this study. The research issues in the area of study are outlined, concluding with the argument that there are several key areas of research that are missing from the field.

Chapter four the research methodology is presented in detail. The primary aim of this chapter is to provide a research framework that can then be duplicated by other researchers. This chapter also includes the methodology used in both phases of the study: survey and the in-depth interview case studies.

Chapter five analyses the data collected from the questionnaires and the presents the findings. The chapter concludes with the profile of SMRs in Ubon Ratchathani and the impact of functional strategies on business performance.

Chapter six reports the problems and perception on the effect of business networks and government support programs on business performance in Thai SMRs.

Chapter seven presents the conclusions from this study and outline areas for further research. Included in this chapter are the findings for the research questions, the contribution this research has made to theory, and the implications for the theoretical framework and managerial practice.

1.9 Summary

This chapter described the background, significance and purpose of the study that aimed to investigate how SMRs perceive the present context in which they need to survive and succeed with the focus on current trends which influence Thai SMRs in Ubon Ratchathani province. Although many previous researchers have studied SMEs, very few focused on SMRs in regional areas. This chapter also outlined the research methodology used in the study.

CHAPTER 2

SMALL AND MEDIUM RETAILERS IN THAILAND

2.1 Introduction

This chapter gives an overview of Thailand and Ubon Ratchathani and some details of aspects that have an influence on businesses in the region. The literature pertaining to Thai small and medium retailers is reviewed and then describes how business environments and Thai culture impact on the way they run business particularly in Ubon Ratchathani province.

Section 2.2 provides background information on small and medium retailers in Thailand. This discusses the real situation of Thai small and medium retailers in regard to various figures: poor professional management strategies, old fashioned services, exhibiting outdates displays and limited investment.

2.2 Country Profile: Thailand

Thailand is located centrally in South East Asia and shares borders with Laos and Cambodia to the East, Myanmar to the West and Malaysia to the South. Thailand is unique among the neighbouring countries in that it has never been colonized and as a result, does not have a strong English speaking background. On the other hand, Thailand has retained much of its original culture without the western influence to which its neighbours have been exposed.

Figure 2.1 **Map of South East Asia**

Figure 2.2 **Map of Thailand**

Thailand has an area of 513,115 square kilometers which is approximately the area of France. The distance from the northern border to the southern border is 1,620 kilometers and from the eastern boundary to the western boundary is 750 kilometers.

Topographically, Thailand is divided into 4 main regions: the North, the North East, the Central and the South. The North consists mainly of a mountainous area including the end of the Himalaya range. The Central region consists of the Chao Praya Basin which contains the main river in Thailand, the Chao Praya River. The basin is extremely fertile and is the richest and most extensive rice-producing area in Thailand. The North East consists of mainly highlands known as the Korat Plateau and contains the Moon River which is a tributary of the Mekhong River. The North East region is the country's poorest region with the dry soil, arid winters and frequent floods in the rainy season largely contributing to the economic state of the region.

The South consists largely of a peninsula and is the wettest region of Thailand as it is subjected to the monsoons. Rubber is the predominant crop in the South. The South contains one of the major tourist areas of Thailand in Phuket which is on the western coast.

Thailand's climate is ruled by the monsoons and has 3 seasons: rainy season (June to October in the Central, North and North East regions), cool and dry (November to February) and hot (March to May). The rainy season in the South varies from the other 3 regions and is dependent on whether it is on the East coast or West coast as to when the major rainy season occurs (monsoons are from the South West or North East).

The population of Thailand is currently almost 66 million with almost 12 million of those located in Bangkok. Religion is predominantly Buddhist which represents 94.6% of the population, with 4.6% Muslim mainly located in the South (from 2000 census). Ethnic groups in Thailand consist of Malays in the South, Khmer (from Cambodia) and Lao in the North East, Mon in the West and Hill Tribes (originating from Southern China around 100 years ago) in the North. There is also ethnic Chinese people throughout Thailand and this group is prominent in the business area throughout Thailand. There is a series of hierarchical divisions of districts in Thailand. Thailand consists of 72 Provinces. Each Province is made up

of a series of Amphur (districts) with Amphur Muang being the main/central district in each province. Each Amphur consists of a number of Tambon, with each Tambon consisting of a number of Moo (villages).

The World Bank considers the Thai economy as a lower middle class income group economy. Historically, the Thai economy has been reliant on the agricultural sector originating from the subsistence agriculture practiced over centuries. Many of these agricultural activities have evolved into cash crop agriculture and more recently has been supplemented by manufacturing.

A recent Government initiative to help the economic development of regional Thailand is the One Tambon One Product (OTOP) strategy. This initiative is important to regional Thailand and has special significance in this work in that it focuses on assisting the economic well-being of regional Thailand. The OTOP strategy is a mechanism aimed to empower the local villages with the capacity to develop one unique major product of their own that also possesses strong characteristics attributable to each of the local areas. The process of creating income via self-reliance is an approach that focuses on the ability of the local community to generate sustained income from effective commercialization of unique products possessing strong geographical attributes. The approach seeks to provide adequate support and to promote local capacity building with the view to ensuring that the local people can successfully develop and market their distinctive village products, relying primarily on local expertise, human resources, natural resources, as well as creativity.

The main thrust behind the One Tambon One Product Project is therefore community empowerment. It forms the pillar, as well as an important criterion for evaluating the relevance of the project and its associated plans and strategies. Community empowerment through unique product development, however, requires that we have in place an effective supporting process such as the provision of encouragement, facilitation mechanisms and logistical support by the Government in order to ensure that the local people can meaningfully participate in all dimensions of their community development.

Strategies used for this initiative are:

- Utilizing traditional knowledge, local labour and resources in the production of local products with strong and distinctive local attributes.
- Focusing on products that do not produce undesirable externalities to the environment and natural resources.
- Promoting local and regional economic development.
- Establishing strong network of professional associations.
- Emphasizing close cooperation and collaboration between central government agencies and local governing bodies in the production process
- Expansion of national and international market bases through retail and internet systems.

2.3 Regional Profile: Ubon Ratchathani

Ubon Ratchathani is Thailand's easternmost province with much of the province's border being shared with Laos and Cambodia. The eastern border is the Mekhong River which constitutes the border between Thailand and Laos and the province consists of 25 districts. The provincial capital is about 630 kilometers from Bangkok and is about 200 years old having been established by the Lao ethnic group. The province is 16,111 square kilometers with a current population of 1.7 million which is almost entirely Buddhist and engaged in agriculture and other related activities.

Ubon Ratchathani is known as the 'City of the Lotus' and is unique in its culture which is largely drawn from the Lao ethic group. The Lao influence is seen in the language of the area which is a Lao dialect and the province has a very strong Buddhist tradition. In keeping with this tradition, there are a number of major festivals one being the Candle festival in July which celebrates the beginning of Buddhist Lent and another being the Songkran festival which celebrates Thai New Year and occurs during the hottest time of the year. Songkran is a significant time in

the Thai calendar and is a time when Thai people return home to be with their families for 3–4 days and take leave from employment.

Ubon Ratchathani is known for its natural beauty and historical sites including some 4000 year old rock paintings in caves adjoining the Mekhong River. There are also many popular national parks and the confluence of the Moon River and Mekhong River known as the 'Two Colour River' because of its mixing of waters from the two distinctly different catchments.

Figure 2.3 **Map of Ubon Ratchathani**

Economically, Ubon Ratchathani is heavily reliant on agriculture, predominantly rice, and silk which is very much a village based industry. Ubon Ratchathani received a boost in its economy during the Vietnam War when the airfield at Ubon Ratchathani served as a base for US forces. Ubon Ratchathani remains a significant region with the Thai air force because of its common borders with Laos and Cambodia and the air force still maintains a base at Ubon Ratchathani. There is a current initiative of the Thai government in conjunction with the Lao PDR and Cambodian governments to promote the 'Emerald Triangle' whereby each country has identified 2 provinces in each country – Ubon Ratchathani and neighbouring Sisaket in Thailand, Preah Vihear and Odor Meanchey in Cambodia and Champasak and Salavanh in Lao PDR. The intention of this initiative is to utilize the combined tourism resources of the three countries to promote tourism in the area. The resulting tourism is seen as being an effective instrument for socio-economic development, increase economic growth and reducing income disparity in what are seen as the poorer regions of the three respective countries.

2.4 Background of Thai Small and Medium Retailers

Thai customers have been familiar to buy goods from "the shop house which sold general merchandise on the ground floor, stored inventory on the second floor and provided accommodation for its owner on the third floor" (Mandhachitara, 2000). This kind of shop is popularly called the 'mom and pop shop' which is a traditional Thai grocery store. This kind of store has traditionally been a passive retailer with very little, if any, marketing and often served as a 'side business' operated by the family whilst members of the family earned an income elsewhere. These shops were highly 'disorganised' and were often not the primary income source for the family, consequently, they have suffered from the competition of newer shopping malls which people find more attractive and parking is easier.

Since 1950s, a globalizing economy had been obviously seen as having effects on local economics and retail businesses. It had opened trade boundaries for multinational retail business. Multinational corporations in various forms,

multinational firms, chains, or franchises branched out from their origins towards developing country such as Thailand. Those multinational chains operated in larger-scale retail businesses and spaces and addressed customers from wider market areas than local retailers did. These have impacted on the structure of small local businesses.

In the retail system, multinational chains have an advantage over smaller retailers by centralizing retail and distribution systems resulting in more competitive pricing and more distribution power over small local businesses. The power to control the production and distribution of products was transferred from large numbers of local retail businesses to small numbers of large business corporations (Shils & Taylor, 1997). Large centralized retail businesses have their own lines of manufacture, distribution, and retail outlets. In addition, these multinational retailers are advantaged in terms of having privilege in tariff reduction. Thus they can sell a variety of products and have lower costs due to the buying power and use of technology. Within this advantage, multinational retailers are taking away a large proportion of business from the small local retailers. According to Siam Future Development PLC report, the number of small local retailers in the first half of 2004 was projected to decline by 10% in the major cities such as Ubon Ratchathani.

2.4.1 Competitive environment of retailers in Ubon Ratchathani Province

In the 1960s, the first department store came to Thailand then it becomes a typical of multinational retailers which were consolidated with Thai department store. The 1980s was a period of economic boom in Thailand. As a result of this economic boom, Thais have more purchasing power particularly people in Bangkok and some big cities. The rising incomes and changing lifestyles of the people in Bangkok have stimulated the development and modernization of retail trade. The same trends are now spreading and bringing changes to the competitiveness of retail trade in Ubon Ratchathani. In particular, the higher income level has promoted an increase in investment. This in turn matches the needs of major companies to achieve

continuous growth without concerning the traditional 'mom and pop shop' in the past.

The leading multinational retailers that deploy their investments in Thailand have also expanded to Ubon Ratchathani province and are the United Kingdom based Tescon with its Tesco Lotus stores; the French based Casino Group with the Big C of France named Big C; the Netherlands based Royal Ahold called Top supermarkets and Makro; a big Belgian based Food Lion and 24-hour convenience store ubiquitous near bus stops, in service stations and on many street corners named 7-Eleven.

Currently there are 100 discount stores across the country including Tesco Lotus (33), Big C (30), Makro (21) and 7-Eleven (200), compared with 50 outlets in 1997 (Bank of Thailand, 2004) Discount stores not only play a role as retailers but also as wholesalers, selling products to smaller grocery stores. About 30-35% of total retail space was controlled by major chains including Tesco Lotus, Carrefour, Big C and Makro, up from 10% to 20% five years ago. The number of small grocery stores, meanwhile, has been steadily declining by 10-20% per year, according to the estimates (Siamwalla & Poapongsakorn, 2003).

Local retail businesses that lack the financial resources to maintain and improve their businesses have fallen further behind in competition with the larger retail businesses. This is also due to their lack of purchasing power when compared with the larger businesses. The smaller businesses have not had the benefit of foreign participation and the associated injection of foreign capital. These multinational retailers' strategies are all similar, focusing on low prices, wide selection of stock and aggressive marketing. This results in the customer being persuaded to buy from the larger retail businesses and reduces the turnover with the smaller businesses. This has a flow on effect which results in the small retailer being left overstocked and often having stock reach its expiry date before being sold. Compared to the more competitive and efficient multi-national retailers, smaller Thai-owned retail business are unable to compete and tend to disappear (Panprasong, 2000).

The major transition in the Ubon Ratchathani retail environment during recent years has resulted from many Thais adopting Western style consumer characteristics by visiting shopping malls, eating fast food and shopping at modern retail outlets. Four large multinational companies dominate the retail sector in Ubon Ratchathani namely:

Siam Makro

Siam Makro commenced trading in Thailand in 1989 as a joint venture between Makro SHV and Charoen Pokphand Group, the country's largest agribusiness conglomerate. It can be differentiated from the other companies in that it is primarily a wholesaler, targeting small businesses that make bulk purchases, and does not focus on individual consumers.

Tesco Lotus

Tesco Lotus was established in 1998, when Tesco UK purchased the Lotus chain from the CP Group. Tesco Lotus has developed three smaller alternatives to its giant flagship superstores, being Tesco Express-mini supermarket at Exxon-Mobil service stations, Tesco Supermarket and Tesco Value Stores in small towns. Tesco has expanded to 48 branches across Thailand and running a strategy to deliver lower prices (with a reduction of 7-20% on normal prices) to customers.

Big C

Big C commenced trading in Thailand in 1993 under the control of the Central Retail Corporation (CRC); however, after the financial crisis in 1997, the majority of the shares were sold to the French retailer, Casino Group. On the 10th anniversary, the company had set up a big marketing campaign to boost sales and thank customers using the campaign which highlighted the successful concept For Thais, Fun and Price. As core customers are price sensitive, Big C launched its own brand stores under the name "Leader Price". Those stores sell in-house or generic brands at 15-20% lower than general brands.

7-Eleven, 24-hour convenience store

The master franchise of 7-Eleven for Thailand is held by Charoen Pokapand (CP), the biggest agribusiness conglomerate. The impact of 7-Eleven convenience stores has been enormous. The advantage in existing location is mostly near bus stops or in service stations and on many streets together with bright lighting, cleanliness efficient service and a limited range of reliable goods including such as drinks and other easy take away items and also twenty four hours service is attractive for customers. Not surprisingly, in only six years it has grown to a network of over 2,050 stores in 76 provinces across the country and Thailand is now the fourth largest 7-Eleven chain in the world after the USA and Canada, Japan and Taiwan (Data at 2002). This trend has continued and is evidenced by many mom and pop shops have opted for a 7-Eleven franchise, which requires an investment of about US$ 120,000 excluding the land price.

The degree of competition can be seen from the comparison of total sales between Thai–owned retail businesses and the multinational companies including Tesco Lotus, Big C, Makro and 7-Eleven convenience store below:

Table 2.1 Comparative sale volume between the total retail sale and multinational retail business

Type and name of business	2001		2002		2003	
	Sale	Market share	Sale	Market share	Sale	Market share
Total retail sale	536,507	100%	532,491	100%	542,142	100%
Multinational retail businesses	120,412	22.44%	154,028	28.93%	166,972	30.80%
Tesco Lotus	45,087	8.40%	54,340	10.20%	57,040	10.52%
Big C	17,381	3.24%	32,846	6.17%	38,132	7.03%
Makro	36,030	6.72%	36,678	6.89%	39,500	7.29%
7-Eleven convenience store	21,914	4.08%	30,164	5.66%	32,300	5.96%

Source: Bank of Thailand (Bank of Thailand (BOT), 2004)

Table 2.1 shows that the market shares of multinational retail businesses were significantly increasing from 22.44% in 2001 to 30.80% in 2003. With increased mobility of global competitiveness, the local retail market has changed; increasing

the market shares of the large-scale foreign owned retail businesses. This trend is quite apparent from Table 2.1. Reasons that Thai local retail businesses are unable to compete are given below:

- Inability to use modern management techniques such as bar codes and business management software;
- Old fashioned services where there is less focus on customer needs;
- Exhibiting outdated displays because of the inability to move stock quickly;
- Limited investment because of the lack of availability of finance.

(Panprasong, 2000)

***Figure 2.4* Map of chain stores locations in Ubon Ratchathani**

2.4.2 Management strategies

Local retail businesses in Thailand have faced many problems, several of which are similar to their counterparts in other countries. These problems are inadequacies in the trading environment; modern retail styles; and management (A Smith & Sparks, 1997).

In the past, Thai retail businesses had been typically acting as social centers for the community as their locations were close to consumers' homes. Moreover, their personal service and long opening hours were offered in order to maintain customer satisfaction (Sim, 1999). However, the effects of globalization, advances in new technology, improvement of transportation made great changes on the Thai retail scene.

The rise of multinational supermarkets and chain stores tends to dominate over local retails businesses especially in their use of advanced technology of retailing, purchasing advantages, economies of scale in operation, and a high standard of management.

Thai local retail businesses are based on management through its owner's experience such as procurement, accounting, service, which is mostly characterized by family-styled management. Generally, these businesses were set up on the main floor of the home and the living quarters were located above. This permitted the strong family ties that were integral to the social fabric of the people and a very traditional part of Thai culture. Mostly, the owners are the old generations who have little knowledge of the latest technology and modern business management. Not surprisingly, there is no attractive shop display or more choice of goods in stimulating consumer interest. General merchandise are conveniently placed for selling by the owner-style and no computer or other technology is used in their businesses.

From the general survey of Trade and Service business in 2002, the National Statistical office of Thailand discovered that the numbers of retail businesses in

Thailand are approximately 732,593. Most of them are located in North East region (26.67%) whilst 17.11% are in North, 16.11% and 5.93% are in Bangkok and the East respectively. This study showed that the top three business costs included employee benefit such as:

- salary, wage bonus or fringe benefit (37%);
- overhead costs (36%); and
- promotion cost (14%).

Not surprisingly, the overhead costs are important expenses for Thai retail business as they have little control over them and are often not negotiable. The chain of supply depends on a 'middle man' with an associated extra cost built into the final price of goods. When SMRs experienced competitive pressure, they felt a need to upgrade their operations in order to maintain their competitiveness.

Due to more competition, the role of local retail businesses in Thailand began to decline and tended to attract only the poorer, more elderly and less mobile sections of the community (Sim, 1999). The new generation of local retail businesses who want to keep and develop their businesses, want to have more than just basic necessities. Added pressure to the survival of local retail businesses is that children do not want to stay in a small family business. These children are now looking to professional / service careers in order to attain their newly found dreams (T. E. Dana, 1999). These trends are leading to a decreasing role of 'mom and pop shop' in Thailand.

2.4.3 Service and Exhibiting Display

In the past decade, consumers would pick up products as needed from the 'mom and pop shop' and fresh food from fresh markets which were located near their places. As a result of recent Thai economic policy, younger generations of Thais are more educated and have higher income. There is also a strong trend for Thai women to move out of the house and take up full time employment. As a result, the purchasing patterns are changing and women tend to have more purchasing power. Modern consumers are now demanding higher quality goods and services,

the changing patterns of purchasing include what, when, where and how of their buying. Many people now prefer to shop in Western-style supermarkets and in department stores given the convenient and cleaner environment rather than 'mom and pop shops'(T. E. Dana, 1999). The convenience of using the newer Western-style retail stores includes using credit card facilities, more variety of products to choose from a given store and a large variety of stores in the shopping precinct, parking and also considering saving time through doing all the shopping in the one place are the factors influencing their consumption patterns.

Most 'mom and pop shop' are located along the public road resulting in limited space for parking services and customers find it inconvenient to do their shopping at these stores. The lack of parking is an additional disadvantage for the older small retailers together with the changing purchasing patterns their provision of services (Siamwalla & Poapongsakorn, 2003).

2.4.4 Limited Investment

From the general survey of trade and service businesses in 2002, the National Statistical Office of Thailand discovered that the total number of retail businesses is 732,593. Of these, 99.71% are small and medium enterprises (SMEs) and 0.29% are large enterprises.

A study on the impact of the large scale multinational corporation retailers on the retail business in Thailand showed that the number of 'mom and pop shops' has decreased by an average of 2-5 % per year. This is due to an inability to compete with multinational retail businesses (Siamwalla & Poapongsakorn, 2003) . This study also points out that the economic crisis of 1997 dramatically affected Thai local retail businesses. Many larger retailers in Thailand suffered major debt problems and took on capital investment from multinational partners. The Thai currency value was dramatically devalued compared to foreign currency during the crisis of 1997. This led to most Thai retailers being taken over by large scale multinational retailers, not only in the Bangkok area but also nationwide. This was also seen in Ubon Ratchathani with the taking over of an old department store named

Yin Yong department store by Robinsons and many grocery shops becoming a franchise of 7-Eleven convenience stores.

The need to develop their 'mom and pop shop' and become a modernized and attractive shop has become the priority of the owner who wants to survive in their business. They realize that a lot of money has to be invested to make their shops look modern and clean. However, most local retailers face problems with regard to the development of their business. Problems include a lack of funds for business development and a reluctance to adapt to open management systems in case they had to pay more tax.

Lack of funds is deemed to be a crucial problem for local retailers. From the report of National Statistic Office of Thailand (1999), the problem of insufficient capital to run their businesses is approximately 38.48% whilst 37.27% is labor shortage, 15.94% raw material shortage, 22.76% marketing and 17.34% uncertain government policies. The most frequent complaints are about problems of high interest rates. The highest priority required is to reduce interest rates or increase the supply of cheaper loans.

To solve this problem, the Thai government has launched financial projects to support small and medium sized enterprises such as encouraging all lending institutions to increase lending to SMEs. This is administered through the Government Saving Bank (GSB), the People's Bank program to offer loans up to 30,000 Baht for small retailing. The more formal and larger enterprises within the small and medium-sized enterprise sector are those who benefit most from this government project. The retailers that are smaller or less formal are unable to benefit from this project because they do not meet banks' collateral requirements (White, 1999).

In addition, the attempt to help traditional retailers, the Chamber of Commerce and Commerce Ministry started up Allied Retail Trade Co (ART). ART, a logistics and distribution company was established so as to try and combine the purchasing power of the smaller retailers. This strategy can help them in negotiating prices, achieving economies of scale and being able to compete more efficiently with

large scale multinational retailers. The small retailers were unable to achieve any benefit from this strategy as they had little interest in participation. This is largely attributed to the lack of education and awareness of the small retailer with regard to modern business practices. Paetkau (1999b) reported that most participants who are involved with ART were well educated and took full advantage of the available information PricewaterhouseCoopers, (2003/2004). It seems the provision of credit and other forms of financial support services still has much to achieve in helping small retailers adapt to the new competitive environment (Paetkau, 1999).

2.5 Summary

This chapter described the business environment associated with specific variables influencing the operation of local retailers in Ubon Ratchathani. There are some significant situations that reduce local retailers' competitiveness through poor professional management, unattractive display of goods. It is quite evident that Thailand is in a unique position in the retail area because of the large effect of both traditional culture and the developing culture resulting from western influence. The combination of these variables is so powerful that they are shaping a new Thailand's societal and industry structure. It becomes extremely important for small retailers to be able to recognize these changes and respond quickly if they are to be sustainable. As a result of these, the number of traditional local retailers has seen a steady decline. The following chapter will provide a review of literature of studies that are related to SME strategic management for SME survival and success. A theoretical framework of factors influencing Thai SME strategic management practices and business outcomes is designed based on the research questions developed in this work and the literature review.

CHAPTER 3

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

3.1 Introduction

This chapter reviews the research issues in extant publications that are relevant to SME management. It gives specific attention to the issues of strategic management in small and medium retailers (SMRs) including business performance and presents a research framework to be used for the remainder of this study. The first section presents research issues in SME management and the measures of business performance used by SMEs are covered next. The body of knowledge of this research is divided into areas of measures of SME success and failure and their influencing factors, and relationships between business environment, strategic management practices and business performance. It concludes with a discussion of other research perspectives on SMR strategic management, discusses the research on the performance resulting from the rapid change in the environment and the strategies used by SMRs in local areas, and shows where further research is needed in order to better understand the relationships between strategic management and business performance. The final section of this chapter outlines the key areas requiring research and develops a research framework that is used in the remainder of this study. This becomes the basis for the development of research questions and methodology used in this study as outlined in chapter 4.

3.2 Small Business Management Approaches

Management practices in SMEs are typically those strategies and operational process options chosen by a business owner or operator to ensure the superior performance and competitiveness of their business. The majority of the studies involving small business management were conducted in the 1980's and 1990's and many of their implications are still valid in Thailand contexts. At a business unit level, they include the selection of strategies that competitively position the business in their environment (Porter, 1985). Whilst at a functional level, they include managers' choices of marketing, operational and human resource strategies and business processes that facilitate the achievement of the organisation's strategic goals. For the smaller business, Storey (1994) concluded that six factors significantly impact upon the performance of the business: legal structure, business size, age, industry sector and markets, location and ownership. Selecting strategies for success is one of the most important decisions for small businesses (Borch, Huse, & Senneseth, 1999). Many researchers have studied successful strategies for small businesses (Atkins & Lowe, 1994; Bergin-seers, 2000; Collins & Lazier, 1995; Giaoutzi et al., 1988; Harker & Kotey, 1999). For example, Harker (1999) studied the activities that constitute a strategy and found that they can be grouped into functional areas. Therefore, the overall business strategy can be thought of in terms of functional areas strategies (Galbraith & Schendel, 1983). Key functional areas and associated activities in SMEs are:

1. Marketing – It includes selecting customer target groups and gathering information on them to determine acceptable products and quality levels. It also covers price setting and choice of appropriate promotion techniques and distribution channels. Marketing also involves decisions on customer service and support (Vorhies & Harker, 2000).

2. Finance – It covers decisions on capital structure, methods of raising capital, capital expenditure, profit distribution and retention and working capital levels. It also includes performance monitoring, that is, budget preparation and variance analyses (Pierson, Brown, Easton, & Howard, 1998).

3. Human resources – It deals with staff recruitment and selection, employee training, performance assessment and remuneration, compensation, reward and disciplinary systems, industrial relations and levels of employee participation in decision-making (Schuler, Dowling, Smart, & Huber, 1992).

4. Production – It covers selection of location and suppliers, inventory and productivity levels, production technology and capacities, plant size and levels of efficiency in production (Atkins & Lowe, 1994).

The key functional areas and their associated activities are portrayed in Figure 3.1

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                    ┌─────────────────────────┐
                    │   Business Strategy     │
                    └────────────┬────────────┘
                                 │
              ┌──────────────────┴──────────────────┐
              │ Strategy is a network of interrelated│
              │ activities group into functional areas│
              └──────────────────┬──────────────────┘
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Marketing	Financial	Human Resources	Production
Target market Identification Information Gathering Pricing Promotion Quality Distribution Customer	Equity and Debt levels Profits Retention Working Capital Capital Investment Control and Monitoring	Recruitment Selection Training Performance Evaluation Compensation Discipline Involvement in Decision-making	Suppliers Productivity Inventory Plant size Production capacity process technology Location

Strategies are not explicitly divided into functional areas or departments in small firms. However, activities and decisions can be grouped into functional areas for analytical purposes.

Source: Harker, (1999, P. 50), "A Framework for Examining Strategy and Strategy-types in Small Firm", Sunshine Cost University, Australia.

Figure 3.1 **Key functional areas and their associated activities**

3.3 Retail Operations

The philosophy of operating retail stores is to serve the customer. This means that a retailer should be the purchasing agent for the customer rather than the distributing agent for the manufacturer. Therefore, the store merchandise should be purchased that customers want rather than the merchandise that the manufacturer wants the retailer to carry. Retailers that can satisfy their customer needs assure themselves as a greater probability of success. Harris and Walters (1992) have classified the various tasks involved in retail operations. Their work with a former director of Tesco has led to the development of a positioning for profit model specifically for use by retailers (Harris & Walter, 1992). Their work identifies the functional strategies that make up the model:

1. merchandise;
2. customer service;
3. trading format and store environment; and
4. customer communications.

Many studies of small retailers and, in particular, independently owned companies have become the focus for recent work. For instance, Megick (2001) identified six retail operations clusters in his analysis:

1. merchandise and range;
2. service and quality lines;
3. active marketing;
4. low price and incentives;
5. local involvement; and
6. unique products.

Archer and Taylor (1994) provide ten survival strategies for small retailers to consider in competing with mega-discount chains. These precepts are (Archer & Taylor, 1994):

1. focus completely on satisfying the customers;
2. study the success of others;
3. gather and analyze management information regularly;
4. sharpen marketing skills;

5. increase the customer's perception of value;

6. position the business uniquely;

7. eliminate waste;

8. find something to improve every day;

9. embrace change with a positive attitude;

10. pull the trigger and start the battle.

According to McGee and Finney (1997) distinctive competencies is a particular instrument that can increase an SMR's competitive advantage. More importantly, they suggested that there are five factors in the area of distinctive competence. These are:

1. quality image;

2. effective differentiation;

3. effectiveness of key merchandising practices;

4. civic involvement; and

5. control of retail program.

McGee and Finney (1997) also emphasized that certain areas of distinctive competence do in fact serve as viable sources of competitive advantage for small retailers. In other words, there is a positive correlation between better performance and possession of specific distinctive capabilities or competencies, namely effective merchandising practices and a superior ability to control overall retail program activities.

More recent research has focused on strategies for small independent retailers as a whole as opposed to specifically rural retailers (A. Smith & Sparks, 2000). Jussila et al. (1992) in their study of retail strategies in rural Finland, identify three strategic directions available to retailers, namely 'adaptation', (i.e. operating as effectively as possible with in the prevailing, often hostile, market conditions), 'diversification' (i.e. expanding product ranges and/or offering other services in order to maintain or increase market share in what may be declining market), and 'expansion', (i.e. increasing the number of customers apparently through a focus on attracting custom from tourist visitors to the locality).

According to Ansoff (1987), cited in Byrom et, al., (2003), the need for a 'common thread' between the present and future direction of the business, through the specification of what he termed the growth vector. This indicates the direction in which the firm is moving with respect to its current product-market positioning (which, of course, will be influenced by such factors as, for example, the firm's objectives, management preferences, its competences and previous strategic decisions). The frame work developed to illustrate this was the Ansoff matrix, using the dimensions of product and market, as shown in Figure 3.2.
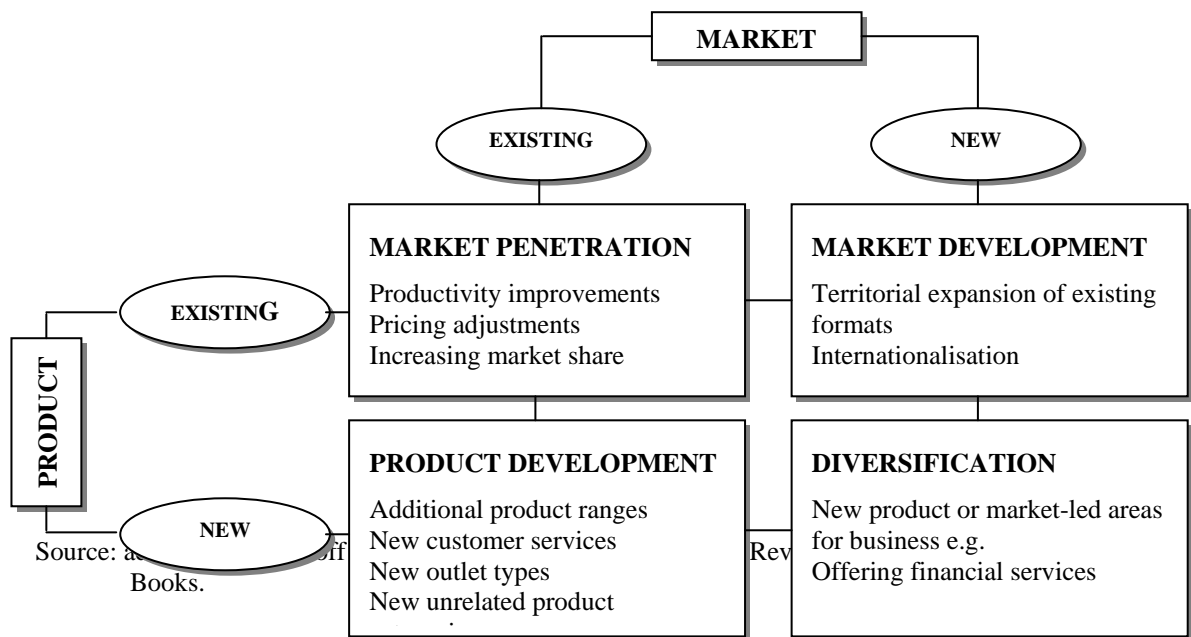
Figure 3.2 **The Ansoff matrix with indicative retail strategies**

Byrom (2003) claimed that Ansoff's basic four-box matrix has subsequently been developed and refined. In his later work, he added a third, explicitly geographical, dimension to the matrix, and there have been a number of industry specific variations on the basic matrix. The matrix has been modified for retail con-text by various researchers (Knee & Walters, 1985; Kristenson, 1983; Omura, 1986). The basic purpose of these variations is to describe retail-specific strategy options, ranging in level of risk from low at the top left of matrix to high at the bottom right, coupled with the growth vector (or direction of growth across the matrix) to give strategic direction to the firm, both with in, as well as across the quadrants, in the line with its strategic capabilities.

3.4 The Context of Business Environmental Change

All organizations, large and small, are today struggling to growth in an external operating environment which is epitomised by turbulence and uncertainty. In order to make a living for themselves and for their employees and to maintain competitive advantage in such an uncertain environment, owner-managers in SMEs have to focus on the need for effective utilization of their limited resources (Wyer & Mason, 1999). The external environment consists of variables (economic, political, technological, socio-cultural, legal, physic environment, etc) that are outside the organization and not typically within the short-run control of top management. These variables form the context within which the organisation exists. The external environment has two parts: Task Environment and Macro Environment. The Task Environment includes those environments of groups that directly affect and affected by an organization's major operations. Some of these elements are shareholders, governments, suppliers, local communities, competitors, customers, creditors, labour unions, special interest groups, and trade associations. The Macro Environmental includes more general forces-those that do not directly touch the short-run decisions or short-run activities of organization but those can, and often do, influence its long-run decisions (Hunger & Wheelen, 1996). They are:

- Economic forces that regulate the exchange of materials, money, energy, and information;

- Technological forces that generate problem-solving inventions;

- Political-legal forces that allocate power and provide constraining and protecting laws and regulations; and

- Sociocultural forces that regulate the values, mores, and custom of society. (Hunger and Wheelen, P. 85)

Table 3.1 depicts these economic, sociocultural, technological, and political-legal forces in relation to a firm's total environment.

Table 3.1 Some Important Variables in the Macro Environment

Economic	Technological	Political-Legal	Sociocultural
GNP trends Interest rates Money supply Inflation rates Unemployment levels Wage/price controls Devaluation/revaluation Energy availability and cost Disposable and discretionary income	Total federal spending for R&D Total industry spending for R&D Focus on technological efforts Patent protection New products New developments in technology transfer from lab to market place Productivity improvements through automation	Antitrust regulations Environmental protection laws Tax laws Special incentives Foreign trade regulations Law on hiring and promotion Stability of government	Life style changes Career expectations Consumer activism Rate of family formation Growth rate of population Regional shifts in population Life expectancies Birth rates

Source: Hunger and Wheelen, "Strategic management" P.89. Copyright 1996 by Addison Wesley Publishing Company, Inc.

Table 3.1 shows that the macro environment in one geographic region can be divided into four categories and that organisations can focus their scanning in each category on trends that have relevance to the entire organisation. Obviously, trends in any one category may be important to the firms in one industry but less important to firms in other industries.

Whilst Porter (1980) defined that environment largely in terms of industry and in particular, the degree to which an industry was relevant, the context facing a business is not only the competitors within industry. It includes the influence of the expectations of external stakeholders, demographic characteristic of the market or markets in which a business operates plus those general forces, politic-legal, economic, socio-cultural, and technological, at local, state, national and global levels, that buffet a business and that in turn may influence a business manager to choose one strategy over another. By understanding their environment, business operators gain information they need to understand the present and predict the future (Correia

& Wilson, 1997). For the retailing industry, the environmental changes that affect SMRs are identified and described in the following subsections.

3.4.1 Progress in globalization

The globalization movement have been making a rapid progress. This has been made possible as a result of a sharp increase in the volume, scope and speed of international movement of "people, goods, money, technology, and information" brought about by the liberalization of trade, investment and capital and the communication innovation brought about by recent information technology (IT) revolution (Kaibori, 2001). Recent globalization has largely been bolstered by economic developments around the world and the relaxing of restrictive trade barriers between nations and foreign firms (Hitt, 1999). For example Thailand has initiated bilateral trade agreements with both developing countries such as Bahrain, China and India, as well as developed countries such as the United States of America, Japan and Australia. These Free Trade Agreements (FTA), in particular with the major industrialized countries such as the USA, are likely to have major implications for the investment regime in Thailand. The investment provisions contained in FTAs include advanced commitments to open up the investment regime described in detailed legalistic texts (TAFTA, 2004).

Every business in the world, regardless of size and type of business, cannot avoid intensifying competition on a global scale. Consequently, they have to seek the most effective way of business practice and management resource for low-cost production and development of goods. Furthermore, the explosive growth of information and communications technology in the last 20 years has reduced transactions costs and geographic barriers, thus enabled improved cross-border productivity while decreasing globalization of economic markets suggests that new means of competitive advantage may be necessary (Hitt, 2001). One specific example of the globalization movement can be observed in China's costal regions, where world-leading "manufacturing places" are now being concentrated. The goods produced in the regions, mostly low-priced goods, are increasing their market share

in South East Asia, the Middle East, South and Central America, and even in the U.S., posing a threat to Japanese companies (Kaibori, 2001).

Recently, experts agree that more businesses face an unstable business environment. Improvements in information processing and telecommunications have made major changes in most industries (Byrom et al., 2003; Kirby, 1987). Along with this, improvements in transportation and growth of foreign economies (specifically in Europe and Asia) have created a global market place and redefined certain industries. In addition, as consumers are exposed to more choices, loyalty has become less important than it was; a slightly better deal or temporary shortage of stock can easily result in the loss of customers. Competitors also can change rapidly, with new ones appearing from outside the country. With the instability of the global market, SMRs encounter declining sales (Kirby, 1987).

A similar approach by Mudambi (1994) identified business environmental forces that impact on the operations of retailing. Mudambi stated that "political change and alliances affect retail decision making, as do demographic, socio-economic and lifestyle trends. The characteristics of retail environments, including trends in customer age profile, household structure, women in the work force and income and expenditure patterns, all influence strategic choices. The firm's capability and resources are a unique restraint. Timing is also critical, as the best strategy must be implemented at the appropriate time, when a "window of opportunity appears" (Mudambi, 1994).

3.4.2 Impacts of large discount stores on small and medium retailers

The empirical findings of the impact of large discount chains on local merchants have been widely reported. For example Taylor and Smalling-Archer (1994) reported that the expansion of large retail chains affects negatively local retailers in small towns. SMRs in small towns face increased competition for customers and pressure has been placed on them to pay more attention to relationships with customers. It has been widely stated that the retailing giants' success has apparently often come at the expense of local merchants (Mammarella, 1994; K. E Stone, 1998; Welles, 1993). Most small retailers cannot compete with large chain stores. For example, the chains' retailing prices are frequently lower than the wholesale prices that local retailers pay for their merchandise. As a result, many small stores are forced to adapt quickly or go out of business.

Recent studies discussed the impact of discount chain stores on small retailers. Many of them identified the negative impact of this (Arnold, 1998; Shils & Taylor, 1997; Siamwalla & Poapongsakorn, 2003). One of the studies by Shils and Taylor (1997), identified that the entering of mega-retail discount chains has an economic impact not only on jobs and the jobless in America, but also has the sociological impact of these changes. In the city, the loss of retail stores creates social instability. Many of the eastern cities historically consisted of ethnic enclaves. The ethnic and minority population had depended on the pharmacies, groceries, shoe stores, apparel stores variety stores, book stores, not only to meet consumer needs, but to supply jobs for teenagers and adults. As the Mega-retail chains enter the urban and suburban areas, job opportunities in small retail establishment began to disappear as small retailers, wholesaler, and service activities began to suffer and eventually closed, not being able to compete with the "giant" on a basis of price, national brands, and almost 24 hours of open store services, often on a seven day basis. As a result, crime and violence increase and unemployed youth often turn to underground employment, drugs, crime, school truancy and eventual "drop outs" from both school and society.

Similar studies have found that large retailers not only increase the overall competitiveness of the local retail market place, but they may also act as a retailing magnet by drawing in consumers from surrounding communities. The results of these studies consistently indicate that a community's retail sales volume tends to

increase when a large format retailer enters the local market place, while the retailing activities in surrounding communities decreases (Franz & Robb, 1989; McGee, 1996; Ozment & Martine, 1990).

On the other hand, Arnold' s (1998) research stated that the entry of Mega-retail chains has both positive and negative impacts on communities. In his research he found that the market entry of large format retailer:

1. offered consumer benefits;
2. had varying appeals to different demographic segments;
3. increased sales and market share growth;
4. offered economic growth;
5. caused growth and decline in various commercial sectors in the down town business core;
6. result in economic decline in nearby markets;
7. change the mix of jobs;
8. disrupted market efficiency; and
9. increased environmental pollution.

Other studies conducted on the social values of small shops (Bromley & Thomas, 1995; Dawson & Kirby, 1979) showed how the decline in the retail and service functions of small towns has resulted in a poor shopping environment for the less mobile, aged and low-income households. Research has also been done on the operational characteristics of small shops (G. Davies & Harris, 1990).

Nowadays consumers shop not only for goods and services they needed but also for many reasons such as enjoyment, relaxation and socializing. Whereas discount chain stores aggressively attract consumers from different areas, the local community retailers have to adjust their abilities for survival and fight to keep their customers from shopping from outside their local market (Lumkin, Hawes, & Darden, 1986).

More recent studies, e.g., (Herman & Beik, 1968; Reynolds & Darden, 1972; Samli & Uhr, 1974; Thomson, 1971) have reported that a more exciting shopping environment is the key factor that encourages consumers to shop outside their local or home areas rather than other factors, i.e., price, quality, services, merchandise selection or convenient store hours.

Choe et al (2000) investigate the impact of retail customer's attitudes towards local establishments and their impact on local retail trading behaviour. Findings indicate there is a strong positive correlation between attitudes of customers and local economic performance. Poor attitudes of consumers towards local business result in a higher percentage of incomes spent outside the community, which may reduce the growth of local business and employment opportunity. The findings suggested that small businesses and local retailers should have more competitive conceptions and provide services that meet their customers' satisfaction, instead of following the traditional practices (Choe, Pitman, & Collins, 1997).

In Thailand many research teams studied the impact of large scale multinational corporation retailers. For example Siamwalla et al (2003) investigate both the negative and positive impact of the rapid expansion of large-scale retailers, particularly the foreign owned hypermarkets on consumers, traditional retailers and suppliers in the Thai retail trade industry. The study found that about 8.5 percent of retailers have been shut down annually since 1997. Those traditional small retailers and wholesalers who are still operating have faced a decline in their business. The sales and gross profits were down by 7 percent per year. The decline is not only caused by the rapid expansion of large hypermarkets and convenience stores, but other factors such as an economic crisis and children's unwillingness to continue their parents' business. The rapid growth of large-scale retailers has also affected the suppliers of goods in both positive and negative ways. The giant retailers have adopted successful strategies to expand rapidly. After acquiring the necessary buying power, the giant retailers have begun to bargain for large trade discounts and demand that suppliers have to share some of the retailers cost, e.g., entrance fee, advertising cost and slotting allowance for limited shelf-space. However, the suppliers also benefit from the increased volume of business with giant retailers and from the cost

saving from modern logistics and supply chain management introduced by the retailers. Moreover, small retailers in the village can also have access to cheaper supplies of goods from the giant retailers (Siamwalla & Poapongsakorn, 2003).

3.5 Competitive Advantages and Disadvantages of SMRs

Even though large retailers have many advantages over SMRs, there are, however, certain competitive advantages that SMRs have over large retailers. In principle, SMRs are well equipped to adapt to changes in the business environment. They are also in a position, at local level, to take advantage of their ability to put weight behind their aims and apply their expertise in product specialization. There are many excellent opportunities for SMRs, such as in the recruitment of unskilled employees who can fairy easily be trained to become semi-skilled labourers, or eventually fully-skilled professionals. Anther advantage for SMRs is that doing business (in particular in Thailand) tends to be relatively free from restrictions, while there is ample availability of services to promote and market product lines (Office of Small and Medium Enterprises Promotion (OSMEP), 2002). Particularly, Lowry (2000) stated that the advantage that SMRs have over large ones are:

1. Selling prices are minimized because the owner and other family members often derived their compensation from the profit of business, rather than salary payments. While this may be a business advantage, many owners would be better off working for someone else at a reasonable wage than relying on the uncertain profits of their stores for their income.
2. SMRs can hire employees at minimum wage because the employees are mostly unskilled or part time workers.
3. Rental costs tend to be low because many SMRs located in neighbourhood and rural locations outside of the high rent shopping centers and other major shopping districts.
4. SMRs have an advantage for convenient location. Many offer the types of consumer goods that individuals want to purchase immediately. To

accommodate this market, they make themselves accessible by locating in the neighbourhoods of their customers.

5. The owners of SMRs have the opportunity to build close personal relationships with customers. As a result, they can stimulate repeat buying and know demand of their customers.

In contrast, there are many studies which have identified the disadvantages of SMRs when compared to the larger ones (Achua & Lussier, 2001; Anderson, 1996; Archer & Taylor, 1994; Arnold, 1998; Byron & Friedlob, 1984; T. E. Dana, 1999). For example, Wasontiwong (1999) stated that the small retailers, especially when operating in the same environment as medium-sized and large-sized, are usually at a disadvantage when tapping into normal services provided by both the government and private sectors, such as those provided by financial institutions, government agencies, consultants, marketing channels, marketing promotions, etc. The problems concern the lack of access to finance; access to wider markets; skilled workers or poor access to skill development for workers; access to better technology and equipment; access to information vital to business management; and business managerial skills. Another study by Kaibori, (2001) supports that SMRs are more likely to face various difficulties in raising funds and securing human resources than big retailers for many years. SMRs are placed in a disadvantageous position in borrowing funds from banks from the very beginning due in part to reasons on their side (insufficient collateral, credibility, lack of business achievement, lack of know how and experience in fund raising) and due in part to reasons on the bank side (obtaining information on borrowers, credit screening capability and experience, monitoring, back-office cost, etc.). Moreover, given the function and nature of private financial institutions, it is often difficult for banks to lend long-term funds and start up money. In Ubon Ratchathani, the situation for SMRs is quite similar to that described above. Moreover, the reasons why SMRs have disadvantages when compare to the larger one are as follows:

1. The inability to make quantity purchases and obtain the lowest prices from suppliers because they purchase in small quantities.

2. The lack of specialized personnel to perform different activities. The SMRs must handle many duties such as hiring, buying, selling and accounting, as well as maintenance and custodial.

3. SMRs are limited in their ability to advertise and use all available media. They have neither the funds nor the talent to produce effective layouts and copy.

4. SMRs are unable to use their personnel and capital resources efficiently. The employee turnover rate is very high because of the low wage paid.

5. SMRs lack of ability to use information technology as good as the large ones.

In addition, Shils and Taylor (1997) reported that the Mega-Retail Discount Chains have many advantages as compared to the small retailers because of these characteristics: (Shils & Taylor, 1997, p.50)

1. Lower price resulting in great part from direct mass purchasing of the manufacturers' or suppliers' products.

2. Aggressive pricing policies in which small retailers lack sophistication and information.

3. Strong promotion and advertising budgets managed by professionals that can put the small retailer out of the game.

4. Tremendous line of products, which, widens consumer choices.

5. Constant investment in closing old stores, renovating and enlarging new ones and building challenging and imaginative super centers. Aggressive design, both externally and internally, creates curiosity in the mind of the shopper who appreciates "newness".

6. Use of automobile-ease of access and free parking facilities.

7. Product lines that replicate or expand on product lines that can be found in all the traditional and specialty "Main street" stores; i.e., men's, women's, children's and infants clothing; sportswear; fishing and hunting items; pet food; groceries; meats and poultry; frozen foods; electronics; games and hobbies; furniture; paper products and many others.

8. Mega-chains are generally open 7 days and on a longer hours basis.

9. Shopping, eating, buying groceries, meat, apparel drugs, filling prescriptions all offer "one stop" shopping that is convenient.

10. Having large inventories and always available.

3.6 Measuring Organizational Performance

Numerous studies have focused on measures of success and failure of small businesses (Ali, Breen, & Sims, 2001; T. E. Dana, 1999; Gardenne, 1998; Lin, 1998; Simon & Hermann, 1996). Several of these have attempted to indicate the factors responsible for business success, while others have addressed the issue from the point of view of business failure.

Small business success has been defined by tangible extrinsic performance such as financial performance, increased personal income, and wealth (Anderson, 1996). Similarly Robbins and Stobaugh (1973) claim that the three techniques used most to evaluate international performance are return on investment (ROI), budget analysis, and historical comparisons. In their study, 95 % of the corporate officers interviewed stated that they used the same evaluation techniques for foreign and domestic operations. They mention rate of return as the single most important measure (Robbins & Stobaugh, 1973). In addition, Kelmar, (1991) stated that 'growth', which includes business growth, employment growth, organizational growth, and productivity growth, is the most predominant indicator of success. Anderson (1996, p.25) claims that the seven key areas of business success are:

1. customer services;
2. marketing;
3. merchandising;
4. store operations;
5. management;
6. human resources;
7. finance.

Some mention is also made of intrinsic factors such as freedom and independence (Boyd & Gumpert, 1983), controlling one's own future, and being one's boss (Bird, 1989). McGee and Peterson (2000b), in their study about the multidimensional character of distinctive competencies by measuring the resources and capabilities possessed by a sample of 255 independent drug stores, stated that it is reasonable to use the following four dimensions to measure a firm performance:

1. gross profit;
2. net income after taxes;
3. total sale growth over the past three years;
4. overall pharmacy performance and success.

Although the merits and potential short comings of this measurement approach have been debated in the literature, subjective performance measures were chosen for the following reasons. Firstly, small firms are often reluctant to provide financial data (Sapenza, Smith, & Gannon, 1988). Secondly, objective financial data were not publicly available. Thirdly, the performance measures used in the study are quite similar to the National Association of the industry. Finally, previous research has demonstrated that managerial assessments are generally quite consistent with objective performance data, both internal (Dess & Robinson, 1984) and external (Venkatraman & V.Ramanujam, 1987) to the organization.

Factors affecting business failure have been studied by and Watson and Everett (1999), Bruno and Leidecker (1987) summarized that small business failure is defined by 'bankruptcy, organizational death, merger, or acquisition'. Furthermore, if a firm fails to meet its responsibilities to the stakeholders of the organization, including the employees, suppliers, the community as a whole, and customers, it is also defined as a failure.

Watson and Everett (1999) on the other hand, were able to demonstrate small business failure rates by using a definition of failure as follows:

1. discontinuance of ownership;
2. discontinuance of business;

3. bankruptcy/Loss to creditors;

4. prevention of further losses;

5. failure to meet the business goal.

They have found that these factors can have a significant impact on reported failure rates.

3.7 Small Business Success or Failure Factors

This section is concerned with the identification of business success or failure factors. There have been many previous studies which have attempted to provide some insight into what the combination of controllable business success factors are (Anderson, 1996; Berman, Gordon, & Sussman, 1997; Dreux, 1999; Dumaine, 1989; Gardenne, 1998; Ibrahim & Goodwin, 1986). Whereas, many of them focused on views about the inherent weakness in small business they examined the problems that small business are facing such as the lack of financial management skills, inability to understand technical information and weakness in marketing (Gerber, 1994; Huang & Brown, 1999; Keeble & Walker, 1994; Kelmar., 1991).

3.7.1 Business success factors

It would be impossible to create a complete list of all the factors that have helped small independent retailers become successful. Indeed, new avenues to success are being discovered every day. According to a report by Simpson, et al, (2004, p.485) there are five factors which are generally considered so critical to success that no small independent retailer can succeed without implementing at least one of them. They are:

1. dedicated customer service;

2. expertise in, and enthusiasm for, the merchandise sold;

3. a sense of social responsibility and community spirit;

4. a hands-on management style; and

5. unique merchandising ideas.

Similarly, Taylor and Archer (1994) are among those writers and researchers who attribute the failure of traditional "Main Street" retailers to causes other than the price competition of the mega-retail discount chains. Taylor and Archer authored a proactive and interesting volume which appears well meaning in identifying ten survival strategies to enable the small retailer to compete more effectively with a giant Wal-Mart or other mega-chain retailers. These precepts are:

1. Focus completely on satisfying the customers.
2. Study the success of others.
3. Gather and analyze management information regularly.
4. Sharpen marketing skill.
5. Increase the customer's perception of value.
6. Position the business uniquely.
7. Eliminate waste.
8. Find something to improve everyday.
9. Embrace change with a positive attitude.
10. Pull the trigger and start the battle.

Technology plays a vital role behind the successful SMEs' competitive advantage. Lin (1998) and Simon and Hermann (1996), supported the view that technology is the most important factor for success. Lin (1998, p.45) does state that people-related events occur at a rate of more than triple those related to structure and technology. Lin's four major findings are that:

1. Activities related to structure, technology and people are still important for success.

2. Managing people softly is more important than managing with strict rules.

3. The management skills and management concepts of business founders are much more important than their technical skills.

4. Employees' skills are important and can be effectively developed.

Lin claims that these findings can be useful for both large and small businesses to examine their positions. In addition, there have been many previous

studies which attempt to identify growth firm characteristics based on features of firms such as size, age turnover, employment size and industry type (Keeble & Walker, 1994; Watson & Everett, 1999). The age of a business seems to correlate with failure. For example, it has been found that over 90 per cent of failed businesses are less than ten years old (Watson & Everett, 1999). In fact Peterson, et, al. (1983) have also claimed that the life span of a small business is, on average, five years or less.

On the other hand, many researchers pay attention to the personal traits of the owner-managers such as background, experience, age, gender and level of education (Ali et al., 2001; Gardenne, 1998; Lin, 1998). The contact person is an important service to the consumers (Boom & Nyquist, 1981) and plays a critical role in the consumption experience (Bendapudi & Berry, 1997; Bitner, Boom, & Mohr, 1994; Suprenant & Solomon, 1987). Supporting this finding, Klemz and Boshoff (1999, p.70) asserted that the contact person's role in the retailing mix varies with the nature of the retail environment. They stated that "the contact people in the downtown retail district focus primarily on empathy to influence willingness to buy, where the contact people in the large one-stop retail district jointly focus on assurance and responsiveness to influence willingness to buy. Therefore when competing with a large national competitor, contact people in small retailers should be encouraged to supply empathetic and personalized service because of its strong influence on customer's wiliness to buy" (Klemz, 1999, p.202).

However, many studies stated that both characteristics of the owner and the business practice are important to business success. For example, Ali et al. (2001), in their study of successful small businesses in the Western region of Melbourne during late 2000, identify characteristics of growth businesses. These characteristic are divided in two groups, those associated with the business operator referred to as being a 'Smart Business Operator' and those associated with business activity referred to as 'Good business Practices' (Ali et al., 2001, p. 7).

Firstly, the smart business operator group comprised of four aspects of operating. They are:

1. Having an entrepreneurial outlook. This involves a range of attributes from being flexible in outlook, visionary, passionate about one's business energetic and opportunistic.

2. Searching for innovation. This involves in a continuous searching for better and newer ways to run business and searching for product and services that would complement and allow business to grow.

3. Attuning to the market. This concerns external factors and takes interest in general market conditions, including having good relations with clients and trying to meet customer expectations.

4. Understanding the industry. This means having more experience in that specific area of business. This experience helps operators to understand the industry and to see where opportunities exist.

Secondly, the 'Good business practice' involves five business practices:

1. Encouraging staff. This means encouraging staff to be involved in training to increase their skills that support a benefit to the whole firm. In addition, rewarding staff or providing for a staff members family is also important.

2. Recognizing the importance of planning. This concerns a written plan and also being regularly reviewed. Good written planning can help to identify what needs to be done and to clarify priorities.

3. Being involving in a network. This relates to keeping in touch with other businesses. It can be done by joining industry associations or receiving industry information via industry newsletters. This can help firms learn from experiences of other businesses in industries apart from their own.

4. Knowing the financial picture. This means to understand the financial status thoroughly. It is essential that the operators know what drove their profit and understood how to price products and services to ensure there was an appropriate margin.

5. Having good relations with customers. This includes being aware of their needs, and having a service orientation. It is necessary to use pro-active strategies with customers and work to retain good customers through regular contract.

According Hofer and Sandberg (1987), three factors have a substantial impact on a new venture's performance. In order of importance, they are (1) the structure of

industry entered, (2) the new venture business strategy, and (3) the behavioural characteristics of entrepreneur.

1. Industry structure. Research shows that the chances for success are greater for entrepreneurial ventures that enter rapidly growing industries than for those that enter stable industries. In addition prospects are better in industries that are in the early, high growth stages of development because the competition often is less intense. Fast market growth also allows new ventures to make some mistakes without serious penalty. New ventures also increase their chances of success when they enter markets in which they can erect entry barriers to keep out competitors.

2. Business strategy. The key to success for most new ventures is (1) to differentiate the product from other competitors in terms of quality and service and (2) to focus the products on customer needs in a segment of the market to achieve a dominant share of that segment.

3. Entrepreneurial characteristics. Four behavioural factors are keys to a new venture's success. They are (1) identifying potential venture opportunities; (2) having a sense of urgency that make them action oriented (3) having detailed knowledge of the key factors needed for success in the industry and the physical stamina needed to make their work their lives; and (4) seeking outside help to supplement their skills, knowledge, and abilities.

In addition, the literature also suggests that for small business to grow there need to be favourable market conditions, favourable government policy, individual enterprise and entrepreneurship and the implementation of good business practices (Epstein, 1985; Gibb, 2000; Lado & Wilson, 1994; McGee & Love, 1999; Mohan-Neill, 1995; Sim, 2000). Many explanations identified the importance of government support that can influence the success of small businesses. For example, Clute and Garman (1980) have found that small business owners in the USA believe that the Federal Reserve policies that affect the supply of money greatly influence their survival. This is also reflected by Thai small businesses nowadays.

Apart from the success factors mentioned above, the unique strategies for each industry sector have been studied by Harker (1999) and Gardenne (1998) . Their studies found that every industry has its own unique variation of strategies that result in high performance, as each industry is unique with its own critical or key factors and environmental requirements. Gardenne (1998) reported that for the retail industry, value of money (lower price, high sale turnover, cost reduction and checking quality of product) is positively related to firm performance.

In summary, the business success factors can be grouped into two aspects, internal factors and external factors. The internal factors are concerned with owner-manager characteristics and good business practices. The external environment consists of variables (Opportunities and Threats) that are outside the organization and not typically within the short-run control of top management associated with competitors, business environment including government intervention.

3.7.2 Small business failure factors

Several researcher investigating the characteristics and business performances of small retailers have highlighted their poor performance and problems. For example, Bruno and Leidecker, (1987) have found that the perceived causes of failure can be categorised into product/market (external), financial (external), and managerial (internal). Andrew and Zacharakis, (1999) have noted that entrepreneurs and venture capitalists (VCs) appear to view causes of failure differently. Entrepreneurs more frequently attribute failure to external factors (competitive market conditions and financing problems), whilst VCs more frequently attribute failure to internal factors (management problems). The internal causes for business failure are usually poor management strategy, the lack of research and information about products and markets, lack of knowledge, lack of education and lack of experience in the field. (Andrew & Zacharakis, 1999) For the external causes (e.g., competitors, customers, suppliers, government interventions, market and economic) the most frequently cited cause was poor external conditions.

Research shows that strategic planning is strongly related to small business financial performance (Bracker, Keats, & Pearson, 1988). There are four reasons

widely cited for the apparent lack of strategic planning by many small-business firms (Hunger & Wheelen, 1996). Firstly, they often claim that they are too busy and don't have enough time for strategic planning. Secondly, they are not aware of the importance of strategic planning. Thirdly, they often lack the skills necessary to begin strategic planning and don't have or want to spend the money necessary to bring in consultants. Finally, many small-business owner-managers are very sensitive about the business's key information and are unwilling to share strategic planning with employees or outsiders. For this reason also, boards of directors often are composed of only close friends and relatives of the owners and/or managers and are unlikely to provide an objective viewpoint or professional advice (Shrader, Mulford, & Blackburn, 1989).

A comparative study was done by Gerber (1994) in an attempt to find the causes of small business failure. He described ten reasons for small business failure. They are: 1. Lack of management systems; 2. Lack of vision and purpose by the principals; 3. Lack of financial planning and review; 4. Overdependence on specific individuals in the business; 5. Poor market segmentation or strategy; 6. Failure to establish or communicate company goals; 7. Competition or lack of market knowledge; 8. Inadequate capitalization/under funded; 9. Absence of a standardized quality program; and 10. Owners concentrate on the technical rather than the strategic work at hand.

The need to manage day-to-day problems limits their opportunity for thorough strategic thinking. Enterprises that are more resourceful may have the capacity to plan creative business solutions and develop innovative environments, even a small enterprise with sufficient resource survival.

3.8 Relationships Between Business Environment, Strategic Management Practices and Business Performance.

According to Lasher (1999), a strategy is how the business interacts with its environment to achieve its mission and associated objectives. More specifically, a strategy is an action plan that guides resource investments to capitalize on potential business opportunities. Wise strategy selections are guided by a solid rationale grounded in the firm's situation rather than by decision based on the momentum of past choices or whatever feels right at the time (Longenecker, Moore, & Petty, 2000). As such, the business strategy is simply reflected in the way it operates. The firm's actions are its strategies (Lasher, 1999). The strategic choice perspective suggests that a firm needs to have different strategic responses to adapt to different types of competition (R. E. Miles & Snow, 1978). Organizational adaptability involves a firm's innovativeness, and riskiness (Miller & Friesen, 1983). These responses affect the firm's orientation in scanning, identifying, and capitalizing on market opportunities as well as an ability to respond to market and contextual changes (Hambric, 1983). Thus the challenge confronting small business managers is how to achieve organizational goals in environments of uncertainty.

Another study by Harker (1999) proposed a framework for examining strategy and strategy types in small firms. Their study suggested that all small firms could be placed on a proactive-reactive continuum based on their strategic orientation. It was also proposed that proactive strategies were associated with higher performance levels than reactive strategies. According to Miller (1983), proactiveness is the extent to which firms attempt to lead rather than follow competitors in key business areas such as the introduction of new products or services, operating technologies and administrative techniques. Reactive strategies are generally characterized by reactions to events in the environment as opposed to initiative taking. Firms pursuing this strategy avoids risk and undertake little innovation (Karagozoglu, 1988). Prough et al (1988) supported that a manager can respond in two ways: (1) the manager can be reactive by responding to (a) specific problem(s) or (2) the manager can attempt to change the environment or anticipate

the change(s), which focus on more proactive stance. Taking the second approach means decisions are planned and implemented. This approach helps create environments that complement the firm's strengths. On the other hand, the reactive strategies are a "wait and see" attitude (Prough et al., 1988). Thus, given an intensely competitive and complex environment, a mixed strategic response, encompassing both proactiveness and defensiveness, is appropriate when opportunities or threats occur (R. E. Miles & Snow, 1978).

A similar study by Watson and Everett (1999) pointed out that the general economic climate in a country can impact on the performance of small businesses, and in particular affect their mortality rates. According to their study, levels of bankruptcy or failure rates were positively related to national interest rates and the rate of employment. Thus, improvements in the economy on the whole tend to support a small business's chance of survival (Watson & Everett, 1999).

Recently, researchers have investigated the effects of formal strategic planning on financial performance in small firms. Many have concluded that there is no consistent association between the strategic planning process and performance (Cappel, 1990; Greenley, 1986; Orpen, 1985). Many management writers have reported causal relationships between the strategic management practices of small and medium sized enterprises and their business performance. For example, Kotey and Meredith (1997) studied Australian small businesses and found that business performance was linked to the personal profiles of business managers. Small businesses in which manager/owners had high entrepreneurial cultures tended to perform well. This was related to the types of strategies that these managers adopted in running their businesses. Similar to the 'competitive forces model' where the focus is on the industry and firm's external environment, this model stresses the importance of the resources in defining the identity of the firm in terms of what it is capable of. The second is the profits are ultimately a return to resources owned/controlled by the firm (Grant, 1993). Grant (1993) offers the key stages of resource and analysis in a flow diagram (see Figure 3.3). Grant's model explores the

relationship between the firm's resource base, its capabilities (potential competitive advantage), and its strategy.
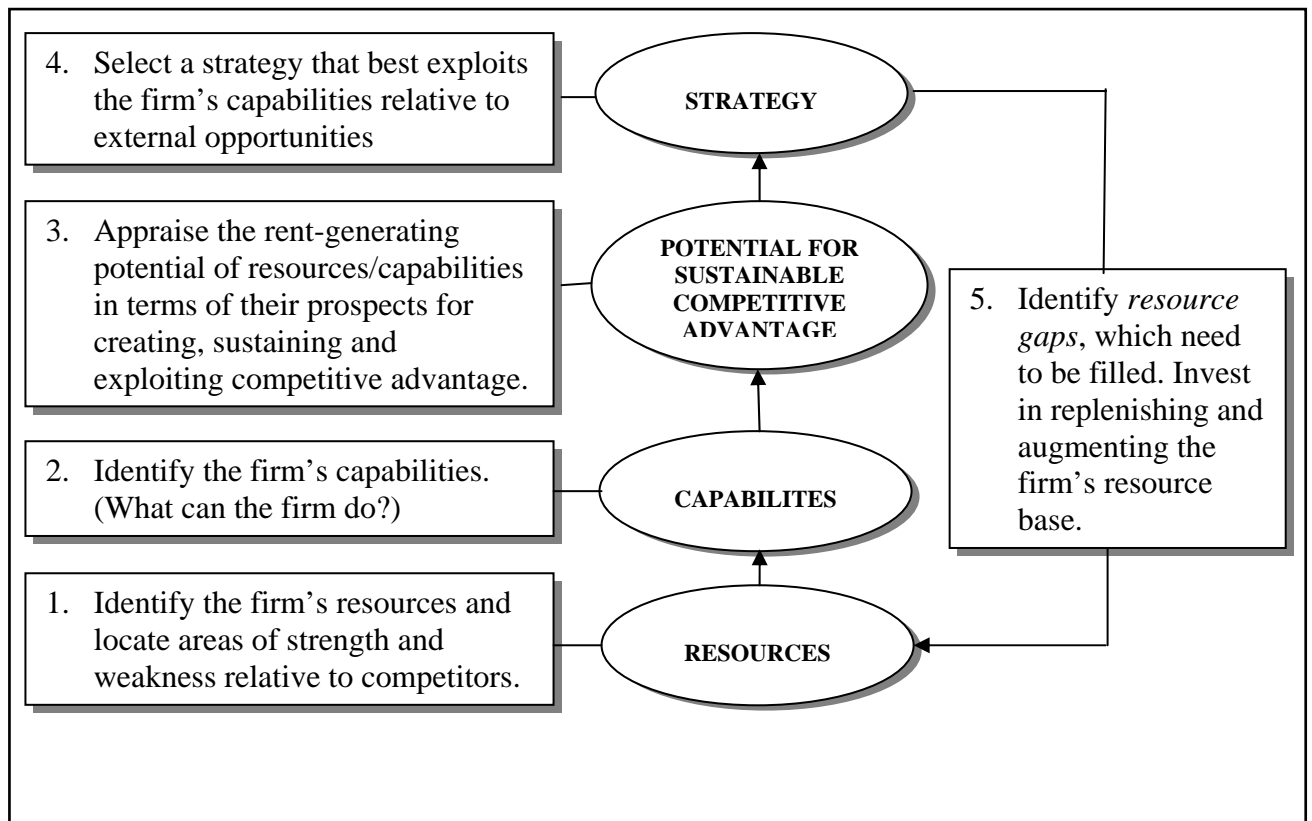
Figure 3.3: **A Framework for Resource Analysis**

In addition, Lowry (2000) studied the SMR survival strategies. The study reported that many SMRs are fighting to survive by pursuing a three-step strategy that includes communication, legislation, and adaptation. First, they attempt to communicate that the large chains are unwelcome intruders who have no real loyalty to the community and should not be patronized. They stress that a chain store obtains its goods from distant suppliers and sends its earnings outside the community. They label the store managers as nomads who will reside in the community only until their next promotion. For this reason, they point out that chain store managers have little interest in contributing to the welfare of the local area. This campaign might affect the chain in the short term, but in the long term consumers still enjoy buying lower price from large chains.

A second strategy is to use regulatory and legal authorities to sterilise the operations of large chains. Local merchants are trying to force the government or related organizations to place regulations in place to stop the expansion of large chains. These range from zoning regulations and building restrictions to environmental rules, private legislation, and community activism.

The third strategy involves adapting an independent's operation to compete with the chains. SMRs in the same line of trade and in close relations can join together to make volume purchases from suppliers, allow them to take advantage of quantity discounts and promotional support. Some SMRs had formed a type of cooperation. Some SMRs can gain more competitive power by becoming a franchise of an established franchise organization such as Seven-Eleven, Watson, and Boots.

3.8.1 Business Environment Influencing Thai Local Retailers

Since 1986, Thailand's economic grew consistently at a rate exceeding 7 percent per annum and reached the peak in the late 1980s. The inflation rate also increased substantially over time (Ministry of Finance, 1994). However, recent changes in the business environment has influenced Thai local retailers. The following section describes external environmental changes.

Economic crisis

Traditional Thai local retailers are scattered around every community throughout Thailand and influence the way of Thai daily life particularly in the provincial cities and smaller towns. During the economic boom in the early to mid 1990's, modern retailers dominated the market. The retail landscape has changed significantly and many have invested in their businesses in order to boost their customer satisfaction and try to maintain competitiveness. The high volume of capital inflow during the economic boom also supported banks to increase lending. A consequence of this was the ease of obtaining extra finance for upgrades, which in turn led to financial difficulties with the crash of 1997. This excessive demand led to the current account deficit and a resultant decline in the real exchange rate. Thai banks and finance companies played an important role in channelling saving and investment. Their lending portfolio was loosely controlled by the central bank. In addition, Thailand did not implement the deposit insurance system. When the economic crisis occurred in 1997, Thai banks and finance companies were subject to stringent regulations according to their vulnerable ratio of combined net foreign assets. The obvious consequence of massive external outstanding debt led banks and financial institutions to have stringent regulations for lending. The banks' stringent regulations made it difficult for Thai retailers to raise funds to expand. Problems also occurred on the domestic demand side which was weak from the decline in consumer purchasing power. Thus there was a decrease in the retailers' sale volume and increases in their debt problems.

Global competition and low government intervention

Multinational retail businesses had become some of the largest investors in the country. These multinational retail businesses such as Tesco Lotus, Big C, Makro and 7-Eleven convenience stores had become an increasingly common sight both in upcountry Thailand and in Bangkok and dominated the local retail market. The aggressive expansion of multinational retail business had severely affected a number of their competitors, particularly local retail trades. Consequently, many had closed down because they were unable to compete because multinational retail businesses sold goods on average 10% cheaper than local retailers. In addition,

consumers were more likely to shop in a big store due to a greater variety of goods, cleanliness and modern facilities that are provided over 'mom and pop shops'.

As a result of the inability to compete with multinational retailers, local small retailers requested the Thai government to limit foreign retailers. In the meantime, Dr. Taksin Shinnawatra, the Prime Minister was adopting the policy to amend laws that would protect Thai interests. Dr. Taksin's policy aimed to protect local retailers from multinational retailers rather than forcing local retailers change through improving modern technology and know-how which is perhaps a better long term solution.

The retail trade in Thailand is one of the most important economic sectors, accounting for 43% of total consumer expenditure with total retail sales at 1,515 billion Thai Baht in 2003. The retail market is very dynamic and highly competitive. Its competitiveness is intensified with the Government's policy to liberalize trade.

After the economic crisis in 1997, free and fair trade was one of the major economic policies adopted by the Thai government. The liberalization policy was developed such that it could stimulate economic growth (Siamwalla, Vajragupta, & Vichyanond, 1999). This led to the welcoming of foreign retail investment and is highly discriminatory against traditional local retailers like 'mom and pop shops'.

The issue of liberalization policy was commented on by Mr Narong Chockwatana, the president of Saha Pathanapibul Public Company Limited, the largest Thai distribution company. He stated "Thailand was too welcoming of foreigners" and that "it was the only country in the world that allows foreigners to invest without seeking the Government's permission" (Rungfapaisarn, 2001). He also called on Government to limit foreign owner retail trades, ban any further expansion and promote local retailers. He reasoned that promoting local retailers would create jobs and provide a good start for anyone who wants to learn how to be a business person.

This request of Thai owned retailers was brought in line with the new government's policy. As a part of landslide victory which swept the Thai Rak Thai

(means, Thais Love Thais) Party, the Prime Minister, Dr Taksin Shinnawatra launched the policy aimed to protect local retailers from multinational retailers. The new regulations were included with tough new zoning laws and restrictions on hours of operation.

Even with the new programs promised by Taksin's government aimed to protect local retailers from multinational traders, local retailers are still facing the pressure from powerful multinational retailers. The reason is the implementation of Taksin's policy deemed to protect local retailers rather than to force them changing through improving modern technology and know-how and increase their competitiveness. Thus the more policy is implemented; the weaker local retailers are obviously seen according to their inability to compete with the larger multinational retailers. The focus should be on making the small retailers more competitive by increasing their management capability and capacity to develop their business rather than try to restrict the larger retailers. This would have an end result of lower prices for the consumers and would benefit the economy in the longer term and is more sustainable.

3.8.2 Thai Culture Influencing Consumer Behavior and SMR Strategies

According to Adizes (Adizes, 1988), for a product life cycle of goods and products there are 5 steps involved: introduction; growth; competition; maturity and decline. It seems small Thai retail traders are already mature and reaching a decline stage. The maturity in retailing involves the notion that some maximum possible number of profitable stores exists in a consumer market (Guy, 1994). Any further new stores cannot gain a sufficient share of the local market, and the least competitive stores are then forced to close down due to a highly competitive environment. Major problems such as finance, inadequate knowledge or information on technology and skill of professional management increase the lack of competitiveness for Thai retailers. It seems that they have only regular customers who traditionally buy goods and services for years. It becomes difficult to attract new customers to shop in 'mom-and-pop' shops. The changing patterns of consumer behaviour are also a major contributing factor to the decline of small retailers.

Demographically, the industrial and service sectors have been boosted in the provincial cities and Bangkok. This stimulates population migration from rural agricultural areas to provincial cities such as Ubon Ratchathani, which in turn, has an effect on lifestyle and behaviour. People who live in cities have higher per capita incomes and a resultant growth in consumption and retail needs. They spend more money in exchange for a better standard of living. In addition, the liberalization of government policy has influenced the labor market. The economic growth had driven the marketplace to increase the employment of women leading to an increasing number of educated women who are taking higher positions in business. As a result of this trend, women have less time with their family and fewer hours for shopping. Thus they mostly desire to purchase value-packed convenience items and tend to purchase in large quantities. Not surprisingly, they are likely to shop at discount stores which offer them cheaper prices and more convenience such as cleanness, air-conditioning, and parking. There is also a flow-on effect of more women in the business area through households employing nannies/housekeepers further increasing the disposable income of women in the lower income groups.

In addition to the demographics, the cultural context has changed consumer behaviour from shopping in 'mom and pop shops' to the multinational owned retailers. The Thai cultural context involves the way Thai people think, act and communicate. The element of the cultural context that affects consumer behavior is traditional values and beliefs, materialism and the class structure, (T. E. Dana, 1999). The role of culture has an impact on consumer purchasing decisions. It is important to have an understanding of this culture and its effect on the Ubon Ratchathani population.

Previous research (Hofstede, 2001; MaKenna, 1995; Yukongdi, 2001) confirmed that Thai people accepted a hierarchical authority system with emphasis on status differentiation and unequal power distribution. According to a poll conducted by Dana (1999), financial success is the most important value for Thai people, as compared to harmony for the Japanese and an orderly society for Singaporeans.

Dana (1999) stated: " When capitalist values and wealth are introduced to a hierarchical society, such as that of Thailand, and where "face" is so important, materialism becomes extreme". It is not surprising then, that Thai people will judge others by the way they look and dress. This has obvious implications with regard to the retail trade and small retailers should be very conscious of their appearance in order to maintain customer confidence.

The materialism is obviously seen through social classes who are rich enough to buy a brand-name and luxury products. This way of life can give much satisfaction to the Thais. In addition, Thais who cannot afford such an expensive item will purchase an imitation item in order to maintain the appearance. Middle and upper income level consumers in Ubon Ratchathani who are more educated and have higher income levels are demanding the higher quality, convenient and more expensive imported goods. They prefer to shop in Western-style supermarkets and in department stores like Tesco Lotus, Big C or Makro rather than pick up products as needed in 'mom and pop shops'. This Thai culture is then further contributing to the changing of consumers' purchase pattern in Ubon Ratchathani.

Moreover, Thai culture is manifest as a tight family which members have strong relationship. This is different from the western culture which is a more distant family. Thus the workers wherever they are always go back home to participate in festivals such as Songkran festival, the Thai tradition Thai New Year.

Demographically, even Thailand is typically agriculturally oriented but the industrial and service sectors have been boosted in the provincial cities and Bangkok. This stimulates population migration from rural agricultural areas to provincial cities for finding a higher-paid job so they become industrial and service workers. However, in the rice harvesting season, they always go back home to help their families to harvest rice. The activity might take about 2-3 weeks.

Another interesting relationship among family members is due to Thai customs about a Buddhist. This can be seen as a custom rule that Thai male should be ordained into Buddhist monkhood from a week or two weeks to a few months. However, if they find the monkhood experience rewarding, they may extend the period infinitely. Ideally, having a spiritual experience is considered an important

part of man's total education and personal development. It is especially seen as a way for a young man to make merit for his parents. This is the reason why government, organization and private sectors make it policy to allow a man to take a there month leave for the purpose of the ordination.

Even though several papers have focused on the general relationships between business environments, strategies and enterprise performance, there are few providing an in-depth analysis of the relationships between these variables. Most existing literature has consistently focussed on Western economies, with just a few examining the Thai economy. In Thailand, particularly for local areas, limited research has focused on specific environmental factors such as the impact of government intervention and market dynamism on small business survival. Also the impact of firm-specific internal factors such as management style, financial capability, and owner characteristics on firm survival in the context of rapid business environmental change have not received much attention in Thailand. No matter how many Thai researchers have addressed the impact of these factors, only general or broad perspectives were examined. Thus, this research attempts to examine the relationships existing between these environmental factors and the strategic behaviour of Thai SMEs, particularly in the retail sector.

In the next section, a conceptual model of the relationships is presented. This conceptual model provides the research framework linking environment, Thai small business strategies and business performances. (See Figure 3.4). The model will form the basis of data collection and analysis.

Business Environment

- Trade liberalization
- Economic downturn
- Changing customer behaviour
- Government intervention
- Technological change
- Domestic competitors

SMR Sector Characteristics

- Family-oriented
- Owned by Thais
- Providing old-fashioned services
- Exhibiting outdated displays
- Running business with non-standardised management systems
- Limited investment
- Located in small commercial building or in local community

Ubon SMR specific

- Operated from their own premises
- Owned by Thai/Proprietorship/ Private company/ Partnership
- Running business with simple traditional technology
- using past experience for operating
- Often financed by bank loans using owned assets as collateral.
- local province market

Influence

Influence

Influence

Modify

Modify

SMR Strategies

♦ **Marketing strategies**
- Explore new methods for marketing
- Improve existing products/services
- Advertise own products
- Extend credit to customers

♦**Financial strategies**
- Use outside borrowed funds
- Search for cheaper sources of finance
- Maintain large cash balances
- Used trade credit

♦**Product strategies**
- Price products lower than competitors
- Emphasis high sales turnover
- Emphasis provision of customer services

♦ **Human resource management strategies**
- Consult/employ professions in Management e.g. accountants
- Emphasis reward and discipline System for all employees
- Assess performance of employees/ staff training

♦ **Use of Government support**
- Marketing/networking assistance
- Training programs/ low interest rate loan
- Advisory and information services on tax/law

♦ **Business network**
- Co-operative
- Finding business alliance
- Being member of business associations

Influence

Re-assess

Business performances

(Total Growth)

- Profit
- Total Sales
- Goods Turnover
- Market Shares/number of customers
- Margin on Sales

Figure 3.4 **Research frameworks of factors influencing Thai SMR strategies and business performances**

3.9 The Development of a Conceptual Framework for This Study

The framework displays the relationship between the business environments, the characteristics of SMRs, specific management strategies and business performances. These three major factors play a vital role on small and medium retail strategies as follows:

3.9.1 Specific business environments

The items listed under business environment highlights the fact that the specific business environments have been changing rapidly and influenced functional strategies of Thai SMRs. They include trade liberalisation that comes as a result from globalisation, an economic downturn and changing customer behaviour which is affected by modernisation, government intervention such as SME-promotion to stimulate economic, technological change and more competition both from domestic and multinational investment.

3.9.2 Small retail sector specific

The specific characteristics of SMRs in Thailand will influence business strategies used by Thai businesses. These features include that most Thai SMRs are family-run businesses and that the owners are all Thais. Moreover, they often provide old-fashion services/exhibit outdated displays and run the business with a non-standardised management system. The investment of SMRs is very limited. Their locations are always in small commercial buildings.

The combination of business environment and enterprise characteristics influence SMEs in their choice of appropriate strategies for selecting markets, the type of funds for financial support, what type of product strategies they use and also what kind of human resource management strategies are employed. These changing factors stimulate SMRs to adjust their status and strategies in order to survive and succeed in the long run. The specific types of strategies typically used by SMEs in Thailand are outlined next section.

3.9.3 SMR Strategies

In the conceptual framework, strategies are grouped into six areas. Marketing strategies can be addressed in ways such as exploring new methods for marketing, improving existing products/services, advertising products and extending credit to customers. Another type of strategy is in the area of finance which includes, use of outside borrowed funds, searching for cheap sources of finance, maintaining large cash balances, and using trade credit.

A third possible strategy concerns products. To cope with the current situation, SMRs might use a price cutting policy to compete with competitors, emphasise high sales turnover rather than high margin per unit sale or else they may emphasise provision of customer services.

The alternative strategies that SMRs might use for the present business environment are in the area of human resource management. This area includes consulting or employing professionals in management e.g., accountants, emphasising reward and discipline systems for all employees which includes assessing performance of employees and staff training or they may maintain a traditional management style. The changing environment may be a significant indicator for governments to issue policies to support SMEs in many ways such as the Department of Industry promotion in the Ministry of Industry which has provided marketing and networking assistance, and training programs. The government agency can also recommend low interest rate loans and provide advisory and information services on tax and law.

SMRs that are more successful may also effectively use business networks compared with those who are not successful. The possible business networks that SMRs use include: setting up co-operatives, finding business alliances and being a member of business associations.

3.9.4 Business Performance

Strategies used by SMRs influence business performance and the reverse way, SMRs will re-assess their strategies based on business performance. The following indicators can be used to measure business performance: profit, total sales, goods turnover, market share and margin on sales. All of these indicators will show positive or negative performances such as success in making profits; for example, its rate must be ten percent higher than for the last five years. The other example of an indicator is market share. The number of customers will tell whether they are a success or failure.

3.10 Research Questions

It is assumed that the strategic management approaches of SMRs are influenced by the existing economic situation within an economy, and that influences their ability to survive or succeed. There is a major difference in the way small retailers manage in times of significant change as opposed to strategies employed during economic growth periods. Also, there are unique factors associated with the economic downturn and significant change for Thai small retailers who required unique strategies different from those applicable in other regions of the world. Strategies adopted by SMRs are largely informed by the historic circumstances of the small business before the 1997 recession and globalisation period, for example their perceptions about business, credit worthiness and their relationship with the global economic context. It can be expected that the success of strategies of most small retailers depends on their specific type of marketing, human resource management, product management, and financial management and capabilities and their ability to attract financial resources on very flexible loan terms during periods of rapid business environmental change. In addition, the government support and business networks are also the success factors for Thai SMRs.

Based on this, the following five research questions will be explored using a questionnaire survey and interviews of a sample of regional SMRs in Thailand:

The specific research questions are:

1. How has the business environment in Ubon Ratchathani changed during the last ten years?

2. What do SMRs perceive to be the impact of present business environment on their business?

3. What strategies have SMRs in Ubon Ratchathani adopted during recent periods of significant business environmental change?

4. What strategies and tactics have produced success?

5. How do SMRs evaluate available agencies' support programs and what types of support do SMRs see as urgently needed?

3.11 Summary

This chapter has examined the existing literature and research issues associated with SME management, particularly the specific management for SMRs. The history of strategic management shows that researchers have examined how business owners and operators can manage their business practices. Although most previous studies are based on Western businesses, there are some significant ideas used as fundamental issues to determine which strategies produce success for Thai SMRs.

A new model has been developed as part of this study, which is a hybrid of existing models and based on the key components, found to be relevant for this current study. This model is much more appropriate for Thai SMRs in the context of business environmental changes. The next chapter discusses the research methodology that is used in the analysis of the research questions.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

In the previous chapter, the literature was reviewed with regard to the strategies SMRs used and the problems they face and the theoretical framework used in this study was developed. This chapter describes the research methods used in this study, including the research design, the measurement of variables, and the data collection procedures. Mouton (1998) makes it clear that the choice of methodology depends on the research problems and objectives. Consequently, the methodology used in this study is based on the research problems and objectives stated in Chapter one. This chapter is organized in four sections. The first section justifies the use of a multi-methodology approach. The data collection procedures and response rates are presented in section two. Variable measurements are described in section three and the final section outlines the analytical techniques used.

4.2 Research Design

One objective of this research is to identify detailed information about the variables and possible relationships between these variables as identified in the theoretical framework (Chapter3). Accordingly, a combination of quantitative and qualitative approaches through interviews and questionnaires was used. Qualitative and quantitative techniques provide a trade off between breadth and depth and between generalisability and targeting specific populations. Each technique has its advantages and disadvantages. Quantitative research can provide rich details on the processes, which links the variables together (Brannen, 1992). This is also confirmed by Moody (2002) who states that the quantitative research method is used to collect

numerical data or data in the form of numbers that can be analyzed by using statistical techniques. Moody (2002) states that the most common quantitative methods are:

- Experiment: This includes the application of a treatment and measurement of results (before and/or after). This is the only method that can demonstrate causal relationships between variables.

- Survey: It asks questions (face to face interview, telephone, mail, internet); and

- Historical data: they are investigated to look for patterns in the data.

The qualitative research method is used to search for a pattern of inter-relationships between an unspecified set of concepts (Brannen, 1992). The literature in the previous chapter suggests some understanding of the factors affecting the success of SMRs but contributed little to the understanding of how they operate and adopt particular adaptation strategies. Using in-depth structured interviews with a representative sample of the business population allows the researcher to gather in-depth and new information (Cavana et al., 2001; M. B. Miles & Huberman, 1994; Sparrow, 1999).

In the same way, Patton (1990) advocated that qualitative research presupposes examination upon processes and meanings that do not gain sufficient description for the investigator by using quantitative methods or where quantitative methods alone are inappropriate. Quantitative methods tend to be more appropriate than qualitative when theory is well developed and for purposes of theory testing and refinement. In practice, no research method is entirely qualitative or quantitative (Yin, 1994). Similarly, when investigating human behaviour and attitudes, it is most fruitful to use a variety of data collection methods. Within the strength of each type of data collection and different sources and methods, it can build on the strength of each type of data collection and minimise the weaknesses of any single approach. For example, a survey may collect qualitative data using open-ended questions as

well as quantitative data using closed questions, a case study may incorporate quantitative data (e.g. a frequency strategy practices) as well as qualitative data (e.g. interviews with owner/manager). Likewise, Bryman, (1988) stated that there are three types of process to combine qualitative and quantitative:

1. qualitative work as a facilitator of quantitative work;

2. quantitative work as a facilitator of qualitative work; and

3. equal emphasis given to both approaches.

In this research, qualitative work was placed as a facilitator of quantitative work. This study used a multi-methodology approach, which consisted of questionnaires and interviews. The literature in the previous chapter represented serval important concepts that are related to SME strategic management for survival and success. Figure 4.1 provides an overview of the research process, which involves a series of rational decision making choices. The steps of research design are shown in Figure 4.1.
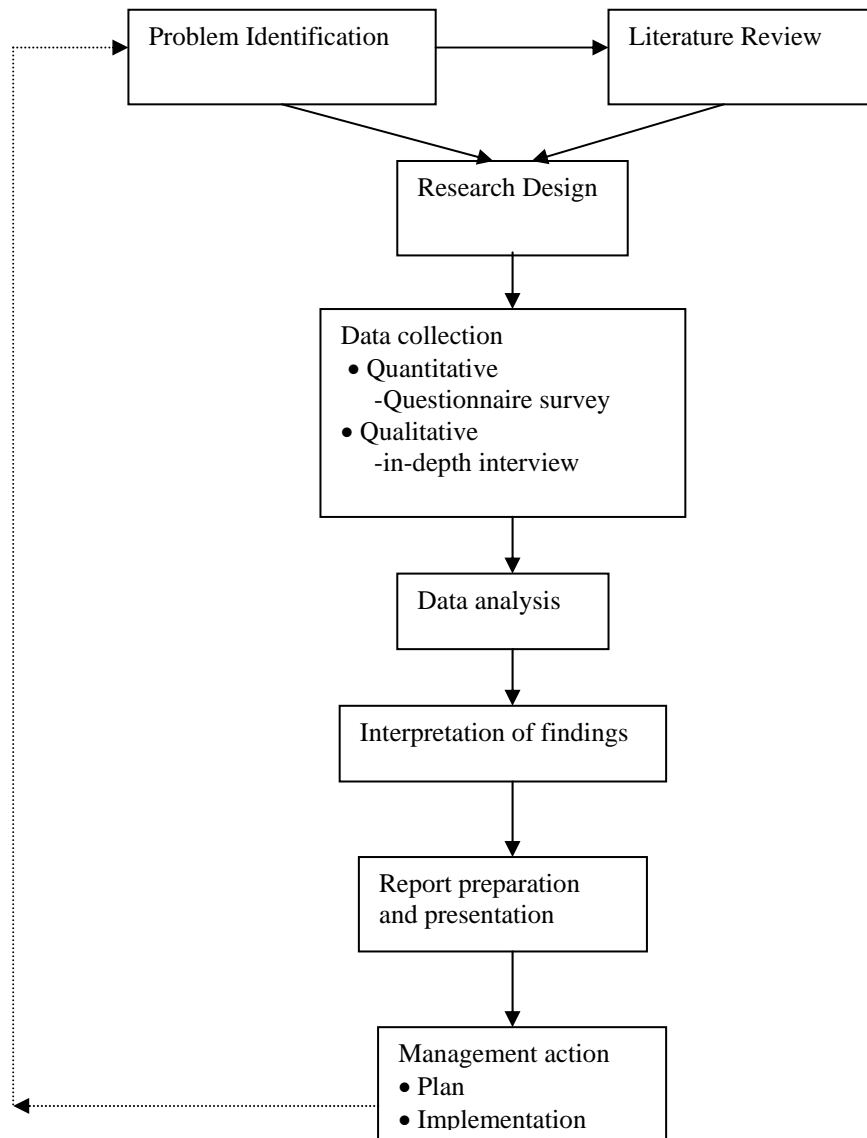
Figure 4.1 **The research process used in this study**

To enhance the richness of the research and validity of the results, a combination of quantitative and qualitative approach was used in this study. In addition, data from many sources enable the confirmation of each other and provide new ideas and fresh insights (M. B. Miles & Huberman, 1994). Using multiple sources of evidence is rated more highly in terms of their overall quality than those that rely only on single sources of information (Yin, 1994). The diagram in Figure 4.2 illustrates the convergence of multiple sources of evidence
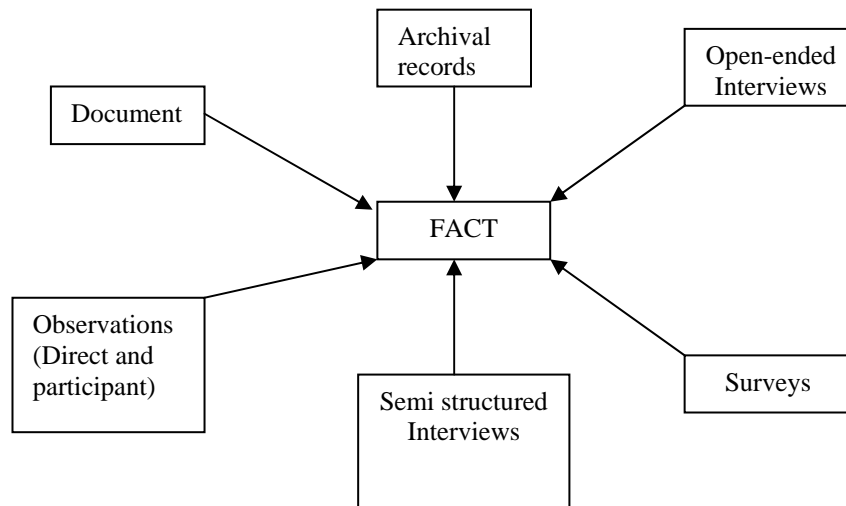
Figure 4.2 **Convergence of multiple sources of evidence source**

Source: COSMOS corporation, cited in Yin, (1994)

In this research data on the SMR population in Ubon Ratchathani were collected from documents and archival records (Office of Ubon Ratchathani Registering Commerce, 2002). There are approximately 2,200 enterprises registered in the Ubon Municipal area and suburbs. Due to the specific type of goods sold being unclassified, observations were used for categorizing the type of business. In order to gather further relevant data from the selected respondents, the questionnaire survey comprised three parts: the profile of retailer; their business strategies and their problems. To find detailed information about how the respondents used strategies and their perception of any factors affecting the performance of their business, semi-structured and in-depth interviews were used.

4.3 Data Collection Procedures

The data collection process comprised two steps. These were:

- questionnaire surveys

- in-depth interviews.

4.3.1 Data collection using a questionnaire survey

In order to get accurate answers without missing any important details, the questionnaire was first developed in English, then translated into Thai by a Thai lecturer who is an expert in questionnaire design and also English. The researcher used personally administered questionnaires as the mode of data collection (Cavana et al., 2001). The process of questionnaire development is described and discussed below.

4.3.1.1Questionnaire Development

The literature on quantitative methods is extensive. For example, the studies found in Oppenheim (2001) and Sudman and Norman (1982) stated that in the first stage researchers reviewed literature for the two main aims which were to identify appropriate questionnaires based on previous findings and to identify valid methodologies which have already been developed. In this study the survey instrument was developed based on an extensive review of the retail management literature and specifically that relevant to SME strategic management.

Deciding aims

Based on the results of literature review, research gaps in the extant literature on strategic management in SMRs, particularly those Thai SMRs, were identified. These research gaps have been used as the major inputs in determining the research objectives for this research. Such research objectives outline the key concepts to be investigated. These main concepts have been adapted from the literature reviewed. The main aim of the questionnaire was to carry out the investigative surveys.

Operationalising concepts

Once the research objectives were determined and the major concepts were conceptually defined, the next step was to operationalise these concepts by turning them into one or more measures. For example, business outcome can collectively be measured from profit, total sales, margin on sales, goods turnover and number of customers. This is defined as 'total growth' for the business.

Questionnaire Design

In this study the questionnaire was designed around the topics to be covered and their sequence. The primary consideration was that, as a whole, it should adequately capture all the information needed to answer the research questions (Dunn & Huss, 2004). The questions used included dichotomous, multi-choice, attitudinal scaled questions and a small number of open-ended questions and covered the various characteristics deemed to be important from the literature and for the purpose of this study. Besides the main purpose of a questionnaire being to gain information, Oppenheim (2001) maintained that each question has a covert function of motivating the respondent to continue to co-operate in a questionnaire.

Factors considered in the design of the written questionnaires used in this study are:

- Appropriate questions were used and arranged in a relatively easy to answer format;
- They provided both qualitative and quantitative data;
- They were standardised so that all participants were asked a core set of the same questions;
- The study can be duplicated, if required at a later time;
- Some questions from previous studies were included to provide comparative data;
- Questionnaires were constructed such that results could be analysed quickly and efficiently using available resources; and
- Questionnaire responses were input into SPSS over time without any reduction in the quality of the data (i.e. the data is not affected by memory loss of the researcher).

The first draft questionnaire was constructed based on a thorough review of literature and an analysis of previously published questionnaires and existing questionnaires used for other studies in Thailand. The questionnaire was pre-tested by sending to 10 owners or managers who were able to give constructive criticism. After being reviewed by specialists in the management field, the final draft was issued. The questionnaire was translated into Thai by a senior experienced English instructor in Ubon Ratchathani Rajabhat University. This translation of the

instrument into the local language needed to be addressed to ensure that the researcher obtained accurate answers without missing any important details. Sekaran (2000) stated that the instrument to collect data from different countries must be translated to the local language. This can ensure that the same instrument was deployed. The questionnaire was then given to an independent party to translate back into English to check the validity of the initial translation. A senior experienced English instructor in Ubon Ratchathani Rajabhat University carried out this process.

It should be noted at this point that the questionnaire components listed below are a direct literal translation back from the Thai language questionnaire. The author recognises that the English expression used in the following section is not strictly correct. The Thai language in the questionnaire was grammatically correct and whilst the English translation presented below is not correct, it accurately represents the translation from the Thai version.

The questionnaire comprised the following sections:
1. The Profiles of SME retailers in Ubon Ratchathani Province;
2. Business strategies used by SME retailers;
3. Problems impacting on small retailer performance; and
4. Suggestions of appropriate government support for SMRs' success

The first section was designed to obtain the profiles of SMRs in Ubon Ratchathani Province. Data collected from this process included a range of information such as the type of goods it provided and its exact geographical location. This section is divided into two parts. The first part is to classify the questions in a special type of factual question concerning personal characteristics, the clientele and size of premises. (e.g., gender, position in the shop, age, education of the participant ,years of running business, type of store, feature and display, location, size, and number of employees). The answers allowed the data to be divided up (stratified) for analysis. These questions used multi-choices and were asked to investigate the SMR phenomenon in Ubon Ratchathani and to determine the relationships between these factors and the strategies that had been used.

The second part was to obtain the information about the business outcomes or the growth of the business for the current year and the previous year. Both results were compared with those in the period of 1997-2000 (the period of economic crisis). The performance of year 2002 was used to analyze the significant difference between SMRs who used marketing, financial, human resource, production strategies and those who seldom used these strategies. It was also used to analyze the difference based on the business network and government supports that they used. The business performance of the previous year was used to determine the trend and the relationship between those two periods. The indicators used to measure the business performance were:

1. Total profit per year;

2. Total sale per year;

3. Margin on sales;

4. Goods turnover; and

5. Number of customers (market share)

This was one of the most difficult parts in the data collection because most Thai owners are reluctant to disclose the real state of their business status. Thai business people are extremely wary and often work outside the legal taxation laws and as a consequence, they are concerned about their confidentiality, particularly with regard to things such as tax payment and the disclosure of their business strategies. This required the author to spend considerable time in gaining the confidence of the SMRs to maximise the response rate of the questionnaire. To overcome the participants' resistance to disclosing actual profits, the questions asked respondents to select one of five indicators according to the scale:

5 = large increase

4 = slight increase

3 = no change

2 = slight decrease

1 = large decrease

The questions in the second section comprised two parts. The first part asked about business strategies used by SMRs. This section asked the respondent to choose the frequency of use of different business practices or strategies that they may have adopted in their business. The strategies were grouped into four types. They were:

- Marketing Strategies (further divided into eighteen different types of marketing strategies)

    1. Provide various types of goods

    2. Price of goods lower than competitors

    3. Giving negotiable price

    4. Extend credit to customer

    5. Deliver to home service

    6. Provide order by phone

    7. Provide self service

    8. Give full service for customers

    9. Create good relationship with customers

    10. Advertise by cut out sign, radio broadcasting, local newspaper.

    11. Decorate name of the store

    12. Rearrange display

    13. Promote discount, Bonus, Free gift

    14. Quick post sale service

    15. Find new groups of customers (Present goods at home or office)

    16. Training staff for polite service

    17. Training staff for wearing clean clothes or uniform

    18. Training staff for greeting, describing good detail

- Finance and accounting strategies (further divided into eight different types of strategies)

  1. Search for cheaper sources of finance

  2. Re-invest profits earned and use own funds rather than use outside borrow funds

  3. Maintain large cash balances

  4. Use trade credit from suppliers

  5. Consult/employ professions in accounting

  6. Note / record revenue, expenses, inventory continuously

  7. Check and control receivable account

  8. Use new technology for accounting

- Human resource management strategies (further divided into six different types of strategies)

  1. Emphasis recruitment and employ only qualified staffs.
  2. Emphasis staff training (e.g. accounting, marketing training)
  3. Assess performance of employees
  4. Emphasis reward and discipline system for all employees
  5. Involve employee in decision making
  6. Owner or manager joins short course seminar or training

- Product strategies (further divided into nine different types of strategies)

  1. Analysing location for moving or open new branch

  2. Finding cheaper suppliers

  3. Reviewing inventory or stock control continuously

  4. Adding new goods in the same product line

  5. Adding new product line

  6. Provide goods insurance or goods can be returned

  7. Provide few lines of products but have every size and every colour

8. Emphasis high turnover / reduce price to loose stock

9. Follow up customer complaints

With a rating scale, the respondent gave a numerical value to some type of judgments. There is a wide variety of rating scale types: Guttman scale, Thurstone scale, rankings etc. (Nunnally, 1970). The rating scale type in this part was the Likert scale, which was the most commonly used. The questioning in this study used a five-item scale anchored by 1 = never, 2 = rarely (less than 50% of the time), 3 = sometimes (about half the times), 4 = often (more than half the time but not always), 5 = always (continuously or all the time). There is an argument against having a mid-point being that people usually hold opinions or judgments one way or the other. A four-item scale will force respondents to express an opinion. This forced choice makes data analysis easier since respondents can be divided into those expressing a positive opinion and those expressing a negative opinion. The support for the idea of having a mid-point is that neutrality represents a genuine alternative judgment and so it does not force respondents to express their opinions if they have no genuine position. This part of the questionnaire aimed to investigate the strategies that SMRs in Ubon Ratchathani adopted during recent periods of significant business environmental change.

Questions in the second part asked whether the owners used any business network and whether any government support was used. The questions in this part were dichotomous and consisted of yes/no questions. The purpose of asking questions in this part was to determine the relationship between the use of business network/government support and the business performance. If the respondent used the government support then they were asked to identify how useful they found various types of government support. Responses for this part of the question were also divided into a five-item scale: 1 = not at all useful; 2 = partly useful; 3 = useful; 4 = very useful; and 5 = most useful. The purpose of the questions in this part was to identify which government support was most successful for SMRs.

The third section asked about the impact of the problems facing SMRs. The questions were carefully designed and developed from the initial survey and literature. The aim of this section was to identify which problems most seriously impacting on the business performance. The questions in this section were measured with a five-item scale: 5 = most serious; 4 = very much serious; 3 = serious; 2 = somewhat serious; and 1 = no effect at all.

The last section consisted of open-ended questions which asked the respondent to give suggestions about which services or government support should be improved in order to help with an SMRs' success. Open-ended questions are those that do not restrict the answers and allow the respondents to have a wide choice of possible answers. The advantages of such questions are that they enable the researcher to explore data in more depth and respondents are able to qualify or explain their answers. Respondents also have the opportunity to express ambivalent or contradictory feelings. Furthermore, their initial responses are less influenced by the researcher's framework. Respondents are free to answer as they wish, using their own spontaneous language (Delahaye & Smith, 1998). Questions in this part aimed to obtain the information for assistant programs that SMRs urgently need. Consequently, it can be reported to the appropriate organisation.

4.3.2 Samples

The basic principle of sampling is that by selecting some of the elements in a population, a researcher may draw conclusions about the entire population (Malhotra, 1996). The data for this study were derived from the initial survey. Qualifying SMRs to undertake the survey had been in business for at least 2 years, independently owned and did not include chain stores or franchises with total assets less than twenty million baht. Based on the initial survey, there were approximately 2,200 businesses registered in Ubon Ratchathani municipal area and immediate surrounds (Office of Ubon Ratchathani Registering Commerce, 2002). According to Neuman (1994), the process of sampling involves any procedure using a small number of items or parts of the whole population to make conclusions regarding the

entire population. Sudman and Blair (1999) identified several issues that distinguish business samples from consumer samples:

1. The most significant distinguishable issue is the enormous variability in the size of business organisations. The most commonly used method to sample business is based on its annual sales

2. The second sampling issue is the determination of the appropriate unit within the organization to study.

3. The third issue is the selection of the appropriate respondents or informant within the organization.

Thus, in this research the businesses were screened by an initial survey to determine whether the business was suitable for the purpose of the study. A broad survey served to provide general information about the stores. This initial survey collected data on the SMR population including names of the stores, type of goods/services, number of employees, and size of the stores. The initial survey classified the nature of business and focussed only on small and medium sized retailers.

Data for the study were collected through a survey questionnaire. That is, five hundred questionnaires were distributed to the selected respondents in a stratified random sample from the initial survey. There were 200 questionnaires returned representing a 40% response rate and 11% of the SMRs population in Ubon Ratchathani.

4.4 Questionnaire Distribution and Collection

According to Malhotra et al (1996); Aaker, Kumar, and Day, (1998), the problem of non-response can commonly be as high as 70-80 per cent. In order to minimise the non-response issue, the following guidelines, as recommended by Aaker and Day 1980; Malhotra (1996); Mangione, (1995) were used:

1. Each questionnaire was accompanied with a covering letter explaining the research and written instructions for completing the questionnaire, together with an endorsement letter from Ubon Ratchathani Rajabhat University, which is well known and respected within the community.

2. To ensure the respondents' anonymity, a written assurance was included on the cover of the questionnaire. It also clearly state that this information will not affect their tax payment.

3. The potential respondents were allowed to complete the questionnaire in their own time and return it directly to the researcher once completed. According to Dana and Etemad (1994) who stated that in Thailand, when doing research and acquiring any type of information, either verbally or in writing, takes time, as the development of personal relationship is essential. Although Thais ask considerable questions, they will ignore many questions asked directly to them, by pretending that they do not understand what is being requested. Not knowing the answer would imply losing face, an extremely undesirable situation for any Thais.

4. In order to encourage a better response rate, the researcher needed to be well connected with store-owners by attending various activities in the community such as wedding or funeral ceremonies, and charity functions. The researcher also contacted the Provincial Chamber of Commerce to help build the relationship with members of the Chamber. Once the researcher was known to the potential respondents, they were more willing to be involved in the research project as they considered that the research would benefit their businesses and the wider community. Some respondents were very co-operative as they asked for more explanation of the questions that they did not understand clearly, to avoid any misunderstandings.

5. Participants were offered a copy of summary or research results if they completed and returned the questionnaire.

4.5 Analytical Considerations and Techniques for Analyzing the Quantitative Data

To test the goodness of the data and to strengthen the quality of the research design, a pilot study was conducted. The measurement reliability and validity of the items in the questionnaire were also examined before conducting various data analyses.

4.5.1 Validity and reliability

Validity and reliability tests were conducted to determine whether or not the items truly measured what was intended to be measured.

4.5.1.1 Validity

Validity deals with the degree of fit between a construct and its indicators (e.g. questionnaire). It refers to how well the conceptual and operational definitions mesh with each other. According to Davis (1996), "A measurement scale is valid if it does what it supposes to do and measures what it is supposed to measure". Three types of validity were considered: content, criterion-related, and construct.

Content Validity

Content validity ensures that the measures include an adequate and representative set of items and the clarity of the definition and concept used. As Kerlinger (1986) notes, "content validation is guided by the question: is the substance or content of this measure representative of the content of the universe of the property being measured?" A major threat to content validity is ill-defined terms and or concepts. The variable measurements of the study were consistent with prior studies and hence there did not seem to be any threat to content validity. To find a procedure that creates the critical dimensions of the variable being measured, Davis (1996, p.173) suggests the following procedure:

1. Conduct an exhaustive search of literature for all possible items to be included in the scale. Enumerate these dimensions and put them in a scaling format similar to the one that the researcher utilizes in the study.

2. Solicit expert opinions on the inclusion of items. Find experts in the field and ask for suggestions as to any additions or deletions to the scale.

3. Pre-test the scale on a set of respondents similar to the population to be studied. Encourage suggestions and criticisms as to the contents and/or wording of the scale.

4. Modify as necessary. Suggestion 2 and 3 should be used to modify the device to ensure Nunnally's criteria for content validity: the adequacy with which important content has been sampled, and the adequacy with which the content has been cast in the form of test items.

In this study a pilot study of the questionnaire was conducted to determine whether or not any alterations or rewording of questionnaires was necessary due to any jargon, inconsistencies or leading questions. The sample of the pilot study involved sixty respondents in Ubon Ratchathani (not included in the analyzed sample). In addition to testing the actual questionnaire items, the pre-test included in-depth conversations with some of the participants. This was carried out not only to ascertain direct feedback on specific sections or items of the questionnaire, but also served as an opportunity to give opinion on the structure and appropriateness of the instrument. The data from the pretest was also used to facilitate a trial of the codification, programming and statistical analyses using SPSS. As a result of the pilot study, changes were made to the instrument including as mentioned previously, the deletion of some inappropriate questions.

Criterion-Related Validity

Criterion-related validity deals with the instrument's ability to measure an item accurately and analyze it. As Grove and Savich (1979) note, a major aspect of criterion-related validity is performance measure. According to Grove and Savich (1979), "the type of response scale is an important attitude research factor in

measuring performance". Measurement in this study is mainly with a five-point Likert-type scale. This is a popular scaling technique and is used widely in management research. Grove and Savich (1979), drawing on the work of Osgood et al (1957), note that the use of a five-point scale tends to provide roughly equal frequencies. On the other hand, the use of a seven-point scale may provide quite lower frequencies, and the use of a three-point scale may cause subjects' frustration "at not being able to discriminate finely enough"(Grove & Savich, 1979).

Construct Validity

Construct validity testifies as to how "the possibility that the operational definition of a cause or effect can be construed in terms of more than one construct, all of which are stated at the same level of reduction" (Cook & Campbell, 1976). It is assessed through convergent and discriminant validities. In determining the convergent validity, the researcher must confirm that evidence from different resources gathered in different ways all indicate the same or similar meaning of the construct (Kerlinger, 1986). In determining discriminant validity, the researcher must confirm that one can empirically differentiate the construct from other constructs that may be similar, and that one can point out what is unrelated to the construct (Kerlinger, 1986). The measures used in this study have been found to have acceptable convergent and discriminant validities. Furthermore, this study used factor analysis to test the construct validity of the measures.

In order to assess discriminant validity, factor loadings are obtained for each item. The loadings reflect the strength of the relationship between an item and particular item has on the factor. Hair et al, (1998, p.111) recommended that factor loadings greater than 0.30 are the minimum requirement; loadings of 0.40 are considered more important; and loadings of 0.50 or greater are considered significant (Hair et al., 1998).

In this study, the factor analysis procedure of SPSS version 11.5 was performed to determine the constructs. Although there are a variety of combinations of extraction and rotation techniques, Tabachnick and Fidell (1996) argued that the

results of extraction are similar regardless of which method is used. This study used the combination of principal components as a method of extraction and oblique rotation.

4.5.1.2 Reliability

Reliability is the extent to which measurements of the particular test are repeatable. In other words, the measuring procedure should yield consistent results on repeated tests (Nunnally, 1970). The more consistent the results given by repeated measurements, the higher the reliability of measurement procedures (Carmines & Zeller, 1979).

Nunnally (1970) suggested that there are at least four methods of estimating the reliability coefficient: test-retest method, alternative form, subdivided-test method (refer to as the split-half method) and methods concerning internal consistency. In the test-retest method, the same set of measures is administered at two different times to the same respondent. The scores obtained from the two different times are then correlated. In alternative forms, two equivalent forms of scale are constructed and then administered at two different times to the same respondents. For the third method, the subdivided test or the split-half method, the scale is divided into two sets of items and given to the same respondents. The reliability coefficient is estimated by correlating the score of two halves. According to Osgood et al (1957), "the reliability of an instrument is said to be the degree to which the same score can be reproduced when the same objects are measured repeatedly". Three types of reliability were considered in dealing with the questionnaire: content sampling, content heterogeneity, and discriminant reliability.

Content sampling

Content sampling, as one type of instrument reliability check, deals with the ability of the questionnaire to produce a consistent answer for similar questions (i.e., consistency of response to different item samples). As Grove and Savich (1979) note that instrument reliability can be statistically tested by performing split-half or odd-

even correlation upon two sets of independent, but similar, items within the instrument. In this study, the split-half procedure (Spearman Brown reliability coefficient) was employed to check instrument reliability. The results are presented in Table 4.1. The lowest Spearman Brown reliability coefficient attained was 0.770 for the financial and accounting strategies practices and the highest was 0.985 for government support section. In general, the variables of the study seem to have adequate reliability with regard to content sampling.

Content heterogeneity

Content heterogeneity deals with heterogeneity of the behaviour domain sampled. That is, the more homogeneous the items of the scale, the higher the inter-item consistency. The internal consistency of the variables was determined by Cronbach's coefficient alpha for each scale (Nunnally, 1970). Coefficient alpha treats both content sampling and content heterogeneity as the sources of variance. The Cronbach's alpha is based on the average correlation of items within a test if the items are standardised. If the items are not standardised, it is based on the average covariance among items.

In this study, the Cronbach's alpha was calculated. The results are presented in Table 4.1. The Cronbach's coefficient alpha observed ranged from 0.770 to 0.985, which are well above the acceptance level. This argument is also supported by Sekaran (2000). They stated that in general, reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable, and those over 0.80 good. Thus, the inter-item consistency (content sampling and content homogeneity) of the measures used in this study can be considered to be good.

Table 4.1 Reliability of scales

Scales	Number of items	Alpha
Growth of year 2002	5	.922
Growth of year 2001	5	.966
Marketing strategies	19	.900
Financial strategies	8	.770
Human resource strategies	7	.857
Product strategies	10	.843
Government supports	8	.985
Problems	15	.911
Total	81	.932

Discriminant reliability

Discriminant reliability deals with significant differences in response to a particular question by respondents. If more than 90 percent of respondents answer a question similarly, the discriminating ability of that question is suspect (Grove & Savich, 1979). A histogram analysis was conducted separately on each item of the questionnaire. Except as noted below, all items showed adequate discriminating ability (i.e., in general, less than 50 percent of respondents answered a question similarly). The exceptions were:

1. Feature of store: 70% of the respondents were traditional stores.
2. Size of business or number of employees: 64% of the respondents indicated that they had less than 5 employees.
3. Location: 62% of the stores located on the main streets.
4. Position in the business: 77% of respondents were owner/managers.

4.5.2 Analytical procedures for quantitative data

The Pearson's product moment correlation analysis is a parametric technique, which was used to measure the strength of association within five business performance measures in this study. Before the data was submitted to the analysis, individual distinctive competence variables and the five performance measures were factor analyzed to produce a more parsimonious set of variables and examine

whether theses five measures belong to the same dimension. An exploratory factor analysis was also used to explore how many dimensions are contained in the four function areas: Marketing, Financing, Human resource and Production. Principle component factor analysis was used since it detects the existing latent structure in data and serves as a useful data reduction technique.

According to Berenson and David (1996, p.90):

> "Factor analysis is a generic name given to a class of multivariate statistical methods whose primary purpose is to define the underlying structure in a data matrix. Broadly speaking, it addresses the problem of analysing the structure of the interrelationships (correlations) among a large number of variables (e.g., test scores, test items, questionnaire responses) by defining a set of common underlying dimensions, known as factors".

The study examined the assumptions underlying factor analysis based on statistical and conceptual standpoints. Statistical analysis is to test whether they depart from normality, homoscedascity, and linearity, and applies only to the extent that they diminish the observed correlation (Hair et al., 1998). Other methods to testify the appropriateness of factor analyses are by computing partial and entire correlations. Hair et al (1998) note "the partial correlations should be small because the variable can be explained by the factor (variates with loadings for each variable). If the partial correlations are high, then there are no 'true' underlying factors and factor analysis is inappropriateness (Hair et al., 1998, p. 99).

Multiple regression techniques were used to identify the areas distinctive competencies that are related to SMR performances. Multiple regression techniques were also used to examine the relationships between the distinctive competence construct and performance. In order to control for the effects of exogenous demographic variable (McGee & Love, 1999).

ANOVA analysis was used to compare the mean score of performance among size, type and age of firm and also was conduct to examine the difference of functional practicing among categories of SMRs.

4.6 Follow-up In-depth Interviews

According to Burns (2000), questionnaires and follow-up interviews are administered to confirm and further explain participants' behaviours and their opinions of the events that occur in the study sessions. The data collected from questionnaires does not provide sufficient description for the investigator by using quantitative methods alone and needs to be supplemented with interviews to provide the detail (Denzin & Lincoln, 1998).

Interviews provided the context and further insight to the study that a questionnaire could rarely provide. Moreover, interviews allowed for questions and issues that may have been overlooked in the questionnaire to be asked. Furthermore, interviews allow issues which arose in the questionnaire to be investigated further.

4.6.1 Rationality for using the interview method

To complement the findings from the questionnaire, the interview method was used in this study for three reasons:

- to gain an understanding of how business operators view their competitive environment
- how and why they adopt particular adaptation strategies
- how they evaluate available support programs

4.6.2 Collecting data from in-depth interviews

The in-depth structured interviews investigated how SMR managers view their competitive environment and adapt their particular strategies in a real-live context (Yin, 1994). The aim of the in-depth structured interview was to provide a multi-dimensional picture by interviewing 12 small business owner-managers. This included 6 types of stores: grocery store; general store; luxury and small items, expensive items; special store; and department store. All interviewees were contacted by telephone to make an appointment for the interviews. Letters explaining the purpose and background of the research were shown to have them

clearly understand the purpose of the researcher. The interviews were conducted face-to-face and a tape recorder was used to record the interview where the interviewees granted their permission.

The interviews were conducted by the researcher in Thai. In order to get accurate information without missing any important details, a second bilingual person, who grew up in Thailand and migrated to Australia and obtained her degree and job at Edith Cowan University for many years, translated the Thai back into English. In-depth structured interviews were conducted with a selected, representative sample of the business population. However, most small business owner-mangers are reluctant to disclose their financial positions. Some of those interviewed refused to discuss in depth these areas because they did not want to take the chance of any of their information and secrets leaking out into the community.

Data was translated to text and analysed by using content analysis in an attempt to identify the insights and relationships of the factors influencing the success of SMRs. The results from the interviews provided a detailed understanding that came from directly observing small business owner-managers and listening to what they said and how they felt about their business environments.

4.7 Conclusions

This chapter described the research methodology used in this study including overall research design, data collection process, and survey instrument which have been discussed in detail. The methodology used in this study encompassed both a qualitative and quantitative approach. The use of multiple methods provided convergence and triangulation in which the values of the research were enriched (Bryman, 1988). Moreover, the validity of the research was improved due to the various sources of data collection.

This research used a qualitative approach as a complement to support the quantitative approach. In the quantitative approach, the questionnaire survey was used to gather data from SMR owner-managers. This was used to examine the cause and effect relationships of the factors that influenced SMR success. While in the qualitative approach, in-depth structured interviews were used to explore the insights and relationships of the factors influencing the success of SMRs. The next two chapters provide a detailed analysis of data and the presentation of the results from the survey questionnaire and in-depth interviews respectively.

CHAPTER 5

RESULTS OF HOW FUNCTIONAL STRATEGIES IMPACT ON THAI SME'S BUSINESS PERFORMANCE

1.1 Introduction

This chapter presents and discusses the results of the study based on the questionnaires. The first section presents the profile of the respondents and their organizations. The subsequent sections outline and discuss the results from the analysis of demographic data, the descriptive statistics and the correlation of business performances and their management strategies. Finally, the results are summarized and the conclusions with regard to the study's hypotheses are presented in the last section. The problems and perception of the effect of business networks and government support will be discussed in the following chapter.

1.2 The Profile of the Respondents and Their Organizations

The following two sections list the attributes that characterize the respondents for the survey and give an overview as to the demographics of the survey group in Ubon Ratchathani. This includes the number and type of stores and the type of goods sold.

5.2.1 The demographic characteristics of Thai SMRs in Ubon Ratchathani

The purpose of the questions in part I of the questionnaires was to obtain information on the profile of small retailers in Ubon Ratchathani. The firm's characteristics are summarized and presented in Table 5.1 "Characteristic of respondents and their business" including type of goods sold, feature of store, location, age of firm, and number of employees. The table also presents owner or manager's characteristics, including their gender, position in the store, age and educational level.

Table 5.1 Characteristics of respondents and their businesses

Demographic characteristic of the businesses	Number of stores	Percentage
Feature of store		
• Traditional without air conditioning	140	70%
• Modern style with air conditioning	40	20%
• Other	20	10%
Number of employees		
• 5 people or less (micro business)	128	64%
• 6-19 people (small business)	36	18%
• 20 people or more (medium business)	36	18%
Location		
• On the main street	124	62%
• Near community	58	29%
• Near business office	18	9%
Age of firm		
• 2-7 years	72	36%
• 8-20 years	76	38%
• more than 20 years	52	26%
Age of respondent		
• less than 30 years	40	20%
• 31-40 years	62	31%
• more than 40 years	98	49%
Gender		
• Male	108	54%
• Female	92	46%
Position in the business		
• Owner/manager	154	77%
• Employed manager	46	23%
Educational level		
• Vocational or high school	94	47%
• Bachelor degree	98	49%
• Higher than bachelor degree	8	4%

As shown in Table 5.1 the majority of the stores were traditional and accounting for 70 percent of the sample. This proportion is quite similar to the proportion in the population of businesses in Ubon Ratchathani (referred to chapter 2). There were 32 grocery stores and another 168 SMRs, invited to engage in this study. The

size of business was classified by number of employees as 'micro', 'small' and 'medium' with the proportion in each group being 64 percent, 18 percent and 18 percent respectively. A large number (62%) of stores were located on the main street. The age of the firm was mostly more than 10 years (52%), age of firm "between 6-10 year" was 26% and 22% age of firm less than 5 years. Respondents were mostly the business owners (77%) and only (23%) were employed managers. This could be expected since most were micro or small businesses and therefore run by the owner/manager. Almost half of the owners were more than 40 years old (49%). The genders of the respondents were almost equal (male 54% and female 46%). Predominantly the educational backgrounds were either vocational (47%) or bachelor's degree (49%). There were very few who had an educational background higher than a bachelor degree (4%).

5.2.2 The overview of types of goods sold

To examine the type of store, the respondents were asked to identify the major goods that they normally sell. The results are presented in

Table 5.2 Classification of organizations by the type of goods sold

Type of goods sold	Frequency	Percentage
Grocery	32	16
Building supplies	22	11
General stores	20	10
Alcohol and Beverage	12	6
Books and Stationery	11	5.5
Gold & Jewellery	9	4.5
Eye glasses	8	4
Drug store / Pharmacy	8	4
Electric Equipment	6	3
Bike / Motorbike & Equipment	6	3
Automobile spare parts	6	3
Sewing & Fabrics	5	2.5
Food products	5	2.5
Computers / Equipment / Office products	5	2.5
Men & women's clothes	4	2
Electronic	4	2
Buddhism accessories	4	2
Communication Equipment	4	2
Department store	4	2
Animal food/ Agriculture	3	1.5
Pictures & Frames	3	1.5
Furniture / Appliances	3	1.5
Films / Cameras / Photo processing	3	1.5
Silk, Handy craft	3	1.5
Agriculture machine & Equipment	2	1
Shoes & Leather	2	1
Auto supplies / Services	2	1
Tapes / CD / VDO	1	0.5
Plastic/ Kitchen wares	1	0.5
Gift shop	1	0.5
Cosmetic & Beauty accessories	1	0.5
Total	**200**	**100**

5.2.3 The segment of businesses in retail industry.

The retail businesses were classified into categories to consolidate the types in into 6 types for further analysis. Table 5.3 presents the 6 types of stores (classified by the Office of SME Promotion, OSMEP, 2002).

Table 5.3 Type of stores

Type of store (N=200)					
(1) Grocery store	(2) General store	(3) Luxury & small items	(4) Expensive items	(5) Specialty store	(6) Department store
Grocery (n=32)	Plastic, Kitchen wares (n=1)	Men & women's clothes (n=4)	Electric Equipment (n=6)	Tapes / CD / VDO (n=1)	Department store (n=4)
	Animal food, agriculture (n=3)	Gold & Jewelry (n=9)	Electronic (n=4)	Buddhism accessories (n=4)	
	Alcohol & Beverage (n=12)	eye glass (n=8)	Building Supplies (n=22)	Sewing & Fabrics (n=5)	
	Food products (n=5)	Communication Equipment (n=4)	Furniture / Appliances (n=3)	Bike / motorbike &equipment (n=6)	
	Others (n=20)	Gift shop (n=1)	Auto supplies / services (n=2)	Books and stationery (n=11)	
		Pictures & frames (n=3)	Computers/ Equipment/ office products (n=5)	Agriculture machine & equipment (n=2)	
		Films/Cameras/Photo processing (n=3)	Automobile spare parts (n=6)	Shoe & Leather (n=2)	
		Silk, Handy craft (n=3)		Drug store / Pharmacy (n=8)	
		Cosmetic & Beauty accessories (n=1)			
N=32	N=41	N=36	N=48	N=39	N=4
16%	20.5%	18%	24%	18.5%	2%
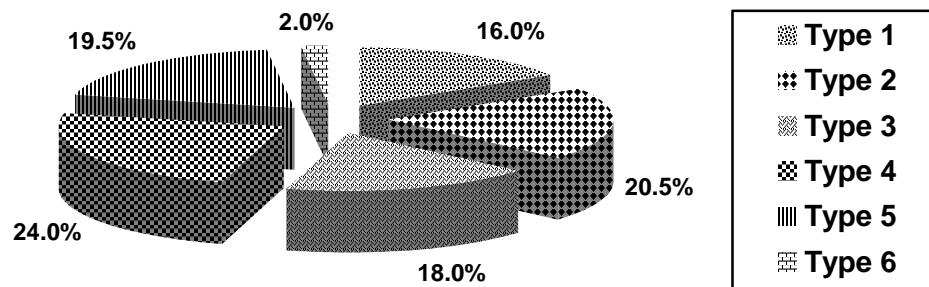
Figure 5.1 **Type of stores**

As can be seen in Table 5.3 and Figure 5.1, 16 per cent of the respondents were grocery stores. The second type was the general store (20.5 %) which included: Plastic, utensils/ Kitchen wares, Animal food, agriculture, Alcohol & Beverage, Food products, and others. The third section was Luxury and small item (18%). This section included: Men & women's clothes, Gold & Jewellery, Eye glasses, Communication Equipment, Gift shop, Pictures & Frame, Films / Cameras / Photo processing, Silk / Handy craft, and Cosmetic & Beauty accessories. The fourth group was Expensive items. (24%) This included: Electric equipment, Electronic, Building Supplies, Furniture & appliance, Auto supplies & service, Computers & Equipment/ Office products, and Automobile spare parts. The fifth section was the Specialty store. (19.5%) This section included: Tape cassettes/CD/Video, Buddhism accessories, Sewing & Fabrics, Bike / Motorbike & Equipment, Books and Stationery, Agriculture machine & Equipment, Shoes & Leather, and Drug store / Pharmacy. The last section was Department store (2%). The study includes all 4 department stores in Ubon Ratchathani at the time of the study.

5.3 The Business Performance and the Impact of Functional Strategies on the Performance

This section examines the business performance and investigates how the functional strategies adopted by the businesses have impacted on the business performance. The first section examines how SMRs in Ubon Ratchathani evaluated their performance in two years.

5.3.1 The business performance of Thai SMRs in Ubon Ratchathani.

In the questionnaires five indicators of business performance were listed and the respondents were asked to indicate how well they had performed in two years (2001 and 2002). Five measures were used to indicate how businesses had performed in these two years compared with the period of economic crisis (1997-2000). These measures were Total profit; Total sales; Margin on sales; Goods turn over; and Number of customers. The mean of each measure ranges from 2.74 to 3.17 for both years.

Table 5.4 The overall perceived change in business performances of year 2001 and 2002, compared to 1997-2000.

Measures of business performance	Performance of year		Substantial decreased		Slightly decreased		No change		Slightly increased		Considerably increased	
		Mean	N	%	N	%	N	%	N	%	N	%
Total profit	2001	3.01	28	14	43	21.5	42	21	73	36.5	14	7
	2002	3.17	20	10	46	23	30	15	87	43.5	17	8.5
Total amount of sale	2001	2.82	33	16.5	56	28	34	17	68	34	9	4.5
	2002	2.93	27	13.5	59	29.5	24	12	80	40	10	5
Margin on sales	2001	2.74	36	18	54	27	46	23	55	27.5	9	4.5
	2002	2.72	38	19	55	27.5	44	22	50	25	13	6.5
Goods turn over	2001	2.87	27	13.5	53	26.5	53	26.5	53	26.5	14	7
	2002	2.97	27	13.5	49	24.5	40	20	70	35	14	7
Number of customers	2001	2.94	31	15.5	47	23.5	43	21.5	62	31	17	8.5
	2002	3.03	30	15	47	23.5	29	14.5	75	37.5	19	9.5

Note: Mean score on a five-point Likert scale with 1 denoting a substantial decrease, 2 for slightly decrease, 3 for no change, 4 for slight increase, and 5 for considerable increase.

To examine whether these measurements are related or not and whether they belong to the same dimension, correlation analysis and factor analysis were conducted on the five performance measures for 2001 and 2002 respectively. The results of correlation analysis are presented in Table 5.5 and Table 5.6

Table 5.5 The correlation coefficients matrix for business performance year 2001

Measures of business performance	Profit	Sale	Margin	Turn over
Total profit of year 2001	.			
Total amount of sale 2001	0.885***			
Margin on sales 2001	0.658***	0.727**		
Goods turn over 2001	0.798***	0.775***	0.729***	
Number of customers 2001	0.783***	0.772***	0.709***	0.894***

Note: *** Correlation is significant at 0.001 level (2-tailed)

Table 5.6 The correlation coefficients matrix for business performance year 2002

Measures of business performance	Profit	Sale	Margin	Turn over
Total profit of year 2002	.			
Total amount of sale 2002	0.846***			
Margin on sales 2002	0.438***	0.529**		
Goods turn over 2002	0.685***	0.702***	0.609***	
Number of customers 2002	0.654***	0.647***	0.477***	0.831***

Note: *** Correlation is significant at 0.001 level (2-tailed)

Table 5.5and Table 5.6 show the correlation coefficient matrix for business performance for the years 2001 and 2002, respectively. As illustrated in Table 5.5 and Table 5.6 these five measurements were significantly correlated for both years. The result of factor analysis shows that all five measures load on one factor based on the criterion of the Eigen value being larger than 1. Because all five measures belong to the same dimension, a total score can be calculated on these five performance measurements, as shown in Table 5.7. Then the scores can be added up into a factor which is called here "Total Growth". The Total Growth was divided by 5 to derive a result shown as a composite score.

Table 5.7 The overall Total Growth of business performance as a composite score

Business growth	N	Total of mean score	Composite score
Total Growth year 2001	200	14.37	2.874
Total Growth year 2002	200	14.83	2.966

Table 5.7 shows the Total growth as a composite score. The result indicated that over the year 2001 and 2002 total growth rate is a broad average, a decline (14.37 and 14.83). A composite score of 3 = no change, less than 3 = decrease. However, there is not much change rate in the growth rate when compare between the year 2001 and 2002. This can be explained by these reasons. First, the period of running business is not long enough to see the difference. Second, the business environment in this period was not change much. In addition, the people income did not change much to affect buying pattern.

5.3.2 The impact of industry segment on Total Growth

To further examine the business performance in different segments of Thai SMEs, the sample was broken into six segments based on type of goods sold. Table 5.8 shows the number of SMEs in each segment and their performances in years 2001 and 2002.

Table 5.8 Total Growth and Composite score of year 2001 and 2002 in each segment.

Type of stores	Composite score 2001	Composite scores 2002
Grocery store (N=32)	2.56	2.66
General store (N=41)	3.16	3.36
Luxury & small items (N=36)	3.06	3.00
Expensive items (N=48)	2.98	3.12
Specialty store (N=39)	2.54	2.68
Department store (N=4)	2.70	2.65

ANOVA analysis was conducted to compare the mean scores of performance across segments in the retail industry. However, there were no statistically significant differences in perceived performance change among these six segments. Therefore, it is interesting to find that the type of stores does not contribute to the perceived business performance change.

5.3.3 The impact of firm age on business performance

An ANOVA was conducted to explore whether there is difference among the three groups based on the business age and the results are shown in Table 5.9.

Table 5.9 The differences of business performance among ages of firms.

Business performance	Mean	Age of firm			ANOVA (Scheffe)
		Group1 (1-7 years) (n=72)	Group2 (8-20 years) (n=77)	Group3 (> 20 years) (n=51)	
Total growth 2001	14.39	16.8	13.0	13.0	1>2,3
Composite score 2001	2.87	3.36	2.60	2.60	1>2,3
Total growth 2002	14.83	17.4	13.8	12.6	1>2,3
Composite score 2002	2.96	3.48	2.77	2.52	1>2,3

* The mean difference is significant at the .05 level

Table 5.9 shows that the firm age does have an impact on reported business performance. It is interesting to find that the businesses which have operated for a shorter period of time reported higher performances than those that have operated for a longer time. Some plausible explanations for this result are as follows. Firstly, the business life cycle is a potential explanation. Adizes (1988) stated that all businesses must pass through a process of a life cycle. In the early stages of business, entrepreneurs create products and services that should result in sales. As sales rise, it produces more sales and orders to generate high performance. Once the performance situation is under control the company moves into the growth stage, where it expands its product lines to acquire market share. Younger businesses are mostly in the stage of growth and expansion; therefore their business growth was relatively "high", while the older businesses may be in the maturity or declining

stage. Thus, in their point of view they justified that their over all performance had recently stabilized or even decreased. Another explanation is that the base number for calculating profit growth used by the young business is smaller than that used by the older one. Consequently, the perception of changed in a young company is higher than in an older one.

5.3.4 The impact of firm size on the business performance.

Furthermore, to investigate how size of businesses impacts on business performance, ANOVA analysis was conducted to compare the mean scores of performance in the year 2001 and 2002 among size of business. Table 5.10 shows the difference of business performance among sizes of organizations.

Table 5.10 The differences of business performance for size of business.

Measurements	Year	Micro business N=128	Small business N=37	Medium business N=35	ANOVA (Scheffe)
Total growth	2001	13.47	14.72	17.40	(3)>(1)
Composite score	2001	2.69	2.94	3.48	(3)>(1)
Total growth	2002	14.01	15.05	17.57	(3)>(1)
Composite score	2002	2.80	3.01	3.51	(3)>(1)

The mean difference is significant at the .05 level

As can be seen in Table 5.10 medium size retailers, which had more than nineteen people, reported higher performance than the micro and small size businesses. It is evident that bigger retailers introduce more efficiency in distribution networks which are directly beneficial to the consumer so they have bigger sale volume than the smaller one. Further more, big business has more business capacity such as better management and better technology. This could explain why, the medium size retailers reported higher performance than the micro and small size retailers.

5.4 The Functional Strategies Impact on the Business Performances

The entry of major retail chains creates a very competitive environment for SMRs. Owing to immense marketing and distribution power wielded by the major discount chain stores. There is a need for SMRs to review the traditional tools of marketing mix- price, product, place, and promotion- and also strategies they use. SMRs may therefore need to develop alternative strategies which respond to customers' need and expectations in order to effectively compete and differentiate their offering from that of their competitors (Doyle & Broadbridge, 1999). To investigate how the functional strategies impact on business performance, four functional strategies, namely, marketing, financial, human resources, and product, are examined. The following four sections discuss the impact of each functional strategy on repotted business performance.

5.4.1 The impact of marketing strategy on business performance in Thai SMEs

To investigate how marketing strategy impacts on the business performance in Thai SMRs, a total of eighteen questions describing a range of marketing strategies were listed in the questionnaire (see appendix A). To explore how many dimensions are contained in these eighteen measurements of marketing strategies, an exploratory factor analysis was conducted and the result is shown in Table 5.11.

The result showed that there are four dimensions for these eighteen measurements. A principle components analysis with a varimax rotation was used because this procedure is the most widely used in business research and seemed to provide reasonable results with data of this sort. Using the commonly accepted "Eigen values greater than one" rule to determine the number of factors to retain, four factors emerged that together explain 61.8 percent of the variance in the data (shown in Table 5.11). The rotated factor loading, communalities and percent of variance explained by each factor are shown in Table 5.11.

Table 5.11 The results of factor analysis for marketing strategy

Name of factors	Factor 1	Factor 2	Factor 3	Factor 4	Communalities
In-store promotion strategies					
Advertising, cut-out sign, radio, newspaper	**0.619**	0.464	0.180	0.046	0.633
Decorative store sign	**0.795**	0.152	0.208	0.038	0.709
Attractive display arrangement	**0.779**	0.045	0.141	-0.051	0.661
Polite customer service	**0.651**	0.301	0.101	0.255	0.597
Clean and neat staff uniform	**0.721**	0.253	-0.023	0.194	0.625
Eye-catching and informative display of goods	**0.592**	0.198	0.018	0.429	0.586
Convenient service strategies					
Extension of credit to customers	0.212	**0.662**	0.339	0.131	0.620
Home delivery service	0.117	**0.886**	0.044	0.089	0.811
Phone order	0.169	**0.820**	0.118	0.019	0.726
Customers visit	0.420	**0.669**	0.086	0.015	0.627
Product variety and pricing strategies					
Various type of goods	0.275	-0.031	**0.688**	0.121	0.541
Lower price	0.245	0.185	**0.750**	-0.055	0.647
Negotiable price	-0.144	0.258	**0.659**	0.181	0.571
Creating customer relationship strategies					
Creation of good relationship with customers	-0.126	0.140	0.279	**0.724**	0.506
Promotion, discount, Bonus, free gift	0.257	-0.099	-0.048	**0.614**	0.683
Post sale service	0.353	0.362	0.105	**0.478**	0.567

As can be seen from Table 5.11 six measures loading in factor 1, are related to in-store promotion. Thus, the first factor can be called In-store promotion. The second factor shows four measures loading closely and relate to convenient service for customers, so it can be called convenient service. The third factor comprised three measures which related to product and pricing. Thus it can be called product variety and pricing. Finally, the last three measures loading in factor four related to the creation of relationships with customer. Thus this factor will be called creating customer relationship.

Table 5.12 Percent of variance in the data explained by factors

Name of factors	% of Variance	Cumulative %
Factor 1: In-store promotion strategies	36.008	36.00
Factor 2: Convenient service strategies	10.384	46.39
Factor 3: Creating customer relationship strategies	8.482	54.87
Factor 4: Product variety &pricing strategies	6.940	61.81

Table 5.11 and Table 5.12 show that the communalities range from 0.506 to 0.811, suggesting that the four factors explained an acceptable amount of variance in each item. The alpha coefficients from the summated scales suggested by the four factors ranged from 0.436 to 0.859 (Table 5.13) suggesting that the "in-store promotion" and "convenient service" factors were sufficiently reliable for further analysis. The reliability of "Creating customer relationship" and "Product variety & pricing" are questionable because of the low value of the alpha coefficients. (less than .60) Thus, this issue should be examined in the future research.

Table 5.13 Marketing strategies adequacy factors

Name of factors	Composite score	Mean score	Standard deviation	Alpha Coefficient
In-store promotion strategies	0.69	3.16	0.981	.859
Convenient service strategies	0.76	2.49	1.148	.837
Creating customer relationship strategies	0.70	3.23	0.795	.585
Product variety & pricing strategies	0.61	3.26	1.345	.436

To examine how marketing strategies impact on the business performance, a multiple regression was conducted based on the factor score of these four factors and the composite score of Total Growth. The results are presented in Table 5.14.

Table 5.14 The impact of marketing strategy on the business performance year 2002

Name of factors	Beta (β)	P
In-store promotion strategies	0.302	0.000
Convenient service strategies	0.152	0.011
Creating customer relationship strategies	0.200	0.001
Product variety & pricing strategies	0.115	0.040

Note: R = .409, Adjust R^2 = 0.151 p = 0.000

As shown in Table 5.14, the impact of these four factors on the reported business performance are statistically significant (p<0.05). The most powerful factor that has an impact on business performance is in-store promotion strategy (0.302), followed by the creating customer relationship (0.200), convenient service (0.152), and product variety & pricing strategies (0.115) respectively.

The main finding is that, the in-store promotion in the area of marketing strategies has a major impact on business performance for SMRs. The in-store promotion factor comprised of seven business practices which are shown in Table 5.11.

Many researchers describe how retailers are using promotion programs to build repeat buying and store royalty. In a retail store, behind-the-scenes work consists of receiving merchandise, preparing it for display, maintaining display counters and shelves and keeping the store clean and attractive to customers. In addition, Day (1994) stated that to encourage people to buy, self-service stores rely on layout, attractive displays, signs and clearly mark prices on items offered or sale. Small retailers can combine these techniques with personal selling. Many studies suggest that personal attention to customers is one competitive tool for a small store. They also state that retailers used five approaches in a "promotion mix" to communicate with customers. These approaches include advertising, sales promotion, publicity, store atmosphere and visual merchandising, and personal selling (Achua & Lussier, 2001; McGee & Peterson, 2000a; Winninger, 1995). Even

though small independent retailers are often at a disadvantage in the area of promotion because of their limited resources, they can employ marketing strategies different from those used by large retailers. Small independent retailers mostly rely on word-of-mouth, some local events sponsorship, and limited radio/newspaper advertising. According to Achua and Lussier (2001), local merchants are much more likely to be successful if they are able to satisfy their customers by offering a better selection of higher quality products and superior customer service at a premium price. Most recently, Klemz and Boshoff (1999) found that small retailers, being in a better position to interact with their customers on a regular basis, can provide a more personalized service by recognizing the individuality of their customers and can serve their customers promptly and courteously. Smaller firms can therefore personalize their service delivery to better compete against large one-stop retailers. This may explain why the in-store promotion has a major impact on business performance for SMRs.

5.4.2 The impact of financial strategy on business performance

To investigate how financial strategy impacts on the business performance, a total of eight questions describing financial strategy were listed in the questionnaire. An exploratory factor analysis was conducted to explore how many dimensions are contained in these eight measurements of financial strategies, and the result is shown in Table 5.15. The rotated factor loading, communality and percent of variance explained by each factor are shown in Table 5.15.

Table 5.15 The results of factor analysis for financial strategy

Name of factors	Factor 1	Factor 2	Factor 3	Communality
1: Accounting and management control				
Engaging consultants or employing accounting and management professionals	**0.638**	0.441	0.059	0.600
Record revenue, expenses, inventory continuously	**0.839**	-0.006	0.240	
Check and control receivable account	**0.843**	0.135	0.038	0.722
Use computer for accounting	**0.813**	0.231	0.004	0.708
2: Reducing cost of goods sold				
Use trade credit from suppliers	0.234	**0.734**	0.252	0.657
Search for cheaper cost of fund	0.106	**0.867**	0.005	0.762
3: Conservative investment				
Re-invest profit not borrow from outside	0.001	0.127	**0.806**	0.662
Maintain large cash balances	0.166	0.058	**0.790**	0.656

As can be seen from Table 5.15, four measures loading in factor 1. They are related to accounting system and management. Thus, the first factor can be called "Accounting and management control". The second factor shows two measures which are related to suppliers, so can be called "Reducing cost of goods sold". The last factor comprised two measures relating to investment, thus it can be called "Conservative investment". The result shows that the communalities range from 0.600 to 0.762, suggesting that the three factors explained an acceptable amount of variance in each of the items.

Table 5.16 Percent of variance in the data of financial strategies.

Factors	% of Variance	Cumulative %
1:Accounting and management control	32.204	32.204
2:Reducing cost of good sold	19.696	51.900
3:Conservative investment	17.499	69.400

A principle components analysis with a varimax rotation was performed using the commonly accepted "Eigen values greater than one" rule to determine the number of factors to retain. Three factors emerged that together explain 69.4 percent of the variance in the data (shown in Table 5.16).

Table 5.17 Financial strategies adequacy factors

Factors	Composite score	Mean score	Standard deviation	Alpha coefficient
1:Accounting and management control	0.78	2.741	1.108	.824
2:Reducing cost of good sold	0.80	2.745	1.143	.602
3:Conservative investment	0.80	3.517	0.909	.488

Table 5.17 shows the alpha coefficients from the summated scales suggested by the first two factors range from 0.602 to 0.824, suggesting that the three factors were sufficiently reliable for further analysis. Consequently, the three factors solutions were accepted. The reliability of conservative investment factor is certainly questionable because of the low value of the reliability coefficients. The reason could be that individual SMEs are reluctant to disclose their real finance situation, and potentially the measures may be not very reliable. This issue needs to be examined in the future research.

To examine how financial strategies impact on business performance, a multiple regression was conducted based on the factor score of these three factors and the total score of the performance. The results are presented in Table 5.18.

Table 5.18 The impact of financial strategy on the business performance year 2002

Factors	Beta (β)	P
1:Accounting and management control	.351	.000
2:Conservative investment	.204	.002
3:Reducing cost of good sold	.155	.017

Note: R = .434, Adjust R^2 = 0.176 p = 0.000

As shown in Table 5.18 the impact of these three factors on the report business performance are statistically significant ($p<0.05$). The most powerful factor that impacts on business performance is "Accounting and management control" (0.351), followed by "Conservative investment" (0.204) and Reducing cost of goods sold (0.155) respectively.

The main finding is that, the technology and management control in the area of financial strategies has a major impact on business performance for SMRs. The technology and management knowledge factor comprised of four business practices which are: 1) Consult/employ professionals in accounting and management; 2) Record revenue, expenses, inventory continuously; 3) Check and control receivable account; 4) Use computer for accounting. This finding is supported by many studies, For example, Julien and Raymond (1994) stated that in order to be competitive in today's market, SMRs need to master management and production information technologies. These techniques must be linked to the firm's operations, such as inventory distribution and the technology used for financial and accounting systems, particularly for inventory management. (Julien & Raymond, 1994).

Other studies reported that many SME retailer have begun to systematically install new point-of sales (POS) terminals or link up to wholesalers by tele-computing or electronic data interchange (EDI) (Bill & Raymond, 1993; Sweeney et al., 1990).

5.4.3 The impact of human resource strategy on business performance

To investigate how human resource strategy impacts on business performance, a total of six questions relating to human resource strategy were listed in the questionnaire. They are: 1) Employ only qualified staff; 2) Staff training; 3) Assess employee performance; 4) Reward, penalty for employees; 5) Involve employees in decision making; 6) Owner attended short course seminar. To explore how many dimensions are contained in these six measurements of human resource strategies, an exploratory factor analysis was conducted. The finding showed there is

only one dimension for these six measurements, to be called "human resource strategy".

To examine how a human resource strategy impact on business performance, a multiple regression was conducted based on the composite score of all variables in human resource strategy and the total score of the performance. The result shows Beta is .366 and the statistically significant (P<.000) with Adjust R^2 = 0.129. The main finding is that the human resource strategy has a major impact on business performance for SMRs (.366). Similarly, Litz and Stewart (2000) stated that human resource management is an important source of competitive advantage and it has a strong effect on business performance. Human resource management is about creating and sustaining superior human resource contribution to firm offerings. Recently, Lado and Wilson (1994) defined the systematic activity of human resource management more comprehensively as ' a set of distinct but interrelated , activities, functions and process that are directed at attracting, developing and maintaining a firm's human resources. The management of firm's human resource is important because human resources contribute to the formation of an organization's competencies, that is "the firm specific resources and capabilities that enable the organizations to develop, choose, and implement value-enhancing strategies" (Lado & Wilson, 1994). Even though small retailers have limited resources to manage human resources, they can form a strategic alliance or network to share a pool of trained of human resource managers. Hardy and Magarth (1987) asserted that through inter-organizational alliances small firms can realized advantages from a business network and receive helpful assistance such as store administration and staff training by joining with other similarly constrained operations.

5.4.4 The importance of product strategy on business performance

To investigate how product strategy impacts on the business performance, a total of nine questions describing product strategy were listed in the questionnaire. To explore how many dimensions are contained in these nine measurements of product strategies, an exploratory factor analysis was conducted and the result is shown in Table 5.19. Findings show that there are two dimensions for these nine

measurements. A principle components analysis with a varimax rotation and the "Eigen values greater than one" rule was used to determine the number of factors to retain. Two factors emerged that together explain 52.11 percent of the variance in the data (shown in Table 5.20). The rotated factors loadings, communalities and percent of variance explained by each factor are shown in Table 5.21.

Table 5.19 The results of factor analysis for product strategy

Name of factors	Factor 1	Factor 2	Communality
1:Product preference			
Finding cheaper suppliers	**0.493**	0.445	0.412
Goods with warranty and can be returned	**0.592**	0.428	0.511
Fewer products but have every size and colour	**0.789**	0.080	0.409
Reducing price to sell superfluous / obsolete stock	**0.717**	0.170	0.431
Following up customer complaints	**0.770**	0.121	0.455
2:Product innovation			
Analysing location	0.225	**0.619**	0.345
Reviewing stock control	-0.074	**0.605**	0.451
Adding news goods	0.310	**0.720**	0.529
Adding new product line	0.257	**0.672**	0.448

As can be seen from Table 5.19 the five measures loading in factor 1, are related to product sold. Thus, the first factor can be called "Product preference strategy". The second factor shows four measures loading which related to innovation, so it can be called "Product innovation strategy".

Table 5.20 Percent of variance of the data in product strategies.

Name of factors	% of Variance	Cumulative %
1: Product preference	28.237	28.237
2: Product innovation	23.879	52.116

Table 5.20 shows the two factors can explain 52.116 % of the variable.Table 5.19 shows that the communalities range from 0.451 to 0.529, suggesting that the two factors explained an acceptable amount of variance in each of items.

Table 5.21 Product strategies adequacy factors

Name of factors	Composite score	Mean score	Standard deviation	Alpha coefficient
1: Product preference	0.672	3.117	0.929	.769
2: Product innovation	0.654	2.888	1.085	.626

Table 5.21 shows the alpha coefficients from the summated scales suggested by the two factors range from 0.626 to 0.769 suggesting that all factors were sufficiently reliable for further analysis. Consequently, the two factors solution was accepted.

Table 5.22 The impact of product strategy on the business performance

Name of factors	Beta	P-level
Product innovation	0.284	0.000
Product preference	0.199	0.003

Note: R = .347, Adjust R^2 = 0.111 p = 0.000

The two factors of product strategies can forecast the reported business performances by using linear equation at a statistical level of 0.01. The most powerful factor that impacts on business performance is: Product innovation strategies (0.284) followed by Product preference (0.199), respectively.

The main finding is that product innovation strategies have a major impact on business performance for SMRs. This finding is similar to the finding from many studies. For example, Stone (1993), found that small merchants had to create specializing in unique products. Local merchants can separate themselves from the usual discount products sold in retail chains and prevent themselves from entering in

a perfectly competitive situation, competing solely on price and marginal cost. The low price strategy must be left to the mega-discount retial chains. The small retailers, to survive, must create their own image and differentiate themselves as unique, rather than follow the large chain store. By competing with the large stores service and product differentiation small retailers might survive and increase their business performance. With unique, individualistic strategies and by maintaining fewer inventories, the surviving small retailers must take advantage of flexibility in rapidly changing inventories; an advantage not generally available to the large corporate retailers with more complicated supplier-retailer distribution methods (Kenneth E. Stone, 1993). Another finding by Barnara (1991) reporting that SMEs could be competitive in international markets, by using the appropriate niches which was resulted in overall positive organizational performance.

1.5 The Business Performance and Functional Strategies among Firm's Size and Their Segment Categories.

In this section, three dimensions, namely, size, type, and level of business performance, are examined to explore how often different kind of firms practiced each type of functional strategy. The following three sections describe the difference of business practice strategy in each category.

5.5.1 The difference of business performance and the impact of the functional strategies among size of business.

In this study SMRs are classified into three sizes: micro, small, and medium. The criteria selected to categorize size of business is number of employee. To examine the interaction of reported performance and the different functional strategies among size of business, ANOVA analysis was conducted. The result is shown in Table 5.23.

Table 5.23 The differences of business performance and functional strategies among size

Functional strategies	Micro business (1)	Small business (2)	Medium business (3)	ANOVA (Scheffe)
Business performance	2.69	2.94	3.48	3>1
Total Growth composite score year 2002				
Marketing strategy				
1:In-store promotion strategy	-0.258	0.041	0.862	3>1, 2
2:Convenient service strategy	-0.294	0.257	0.758	3, 2>1
3:Creating customer relationship strategy	-0.016	-0.095	0.161	No sig
4:Product variety and pricing strategy	0.030	-0.121	0.024	No sig
Financial strategy				
1:Accounting and management control	-0.424	0.249	1.239	3,2>1
2:Reducing cost of goods sold	-0.042	0.042	0.094	No sig
3:Conservative investment	-0.119	0.163	0.272	No sig
Human resource strategy				
1:Human resource strategies	-0.429	0.322	1.186	3,2>1
Production strategy				
1:Product preference	-0.207	0.096	0.607	3>1
2:Product innovation	-0.170	0.052	0.519	3>1

In the Table 5.23 there are five main points of difference in business performance and functional strategies in term of business size which need to be explained. In relation to business size, it appears that the medium businesses reported "In-store promotion" more than the micro and small business. The phenomenal emphasized the matter of business size impact on its performance and functional strategies. In other words, the bigger the size is the better performance and more functional practice. However, the small and medium businesses employed "Convenient service" more than micro businesses in term of marketing strategies. Resources could explain this because medium size enterprises usually have more resources for developing marketing activities. They can spend more money in marketing strategies than the small and micro businesses.

For the financial strategies, the small and medium businesses used "Accounting and management control" more than micro businesses. This is could be because medium businesses mostly have more financial resources to up date the technology and invest in training program to improve technology knowledge. There is no significant difference in "Reducing cost of goods sold" and "Conservative investment".

In regard to the human resource strategy, the small and medium businesses employed this strategy more than did in the micro ones. This is also related with resources. The medium businesses can allocate a budget for human resource management or arrange time for joining training courses if are available.

In terms of product strategy, the medium businesses used "Product preference" and "Product innovation" more than the micro businesses. The medium businesses have more power to negotiate with suppliers/manufacturers to get the best deal in the products and to get new products in the stores.

5.5.2 The difference of business performance and the impact of the functional strategies among type of business.

To examine the mean scores for performance and the different functional strategies among different types of store or segment in the retail industry, an ANOVA analysis was conducted. The results are shown in Table 5.24.

Table 5.24 Differences in business performance and functional strategies among type of store.

Functional strategies	Grocery store (1)	General store (2)	Luxury & small items (3)	Expensive items (4)	Specialty store (5)	Department store (6)	ANOVA (Scheffe)
Business performance Total Growth composite score year 2002	2.66	3.7	3.04	3.3	2.7	2.7	NS
Marketing strategies							
1:In-store promotion strategy	-0.6	0.17	0.18	0.22	-0.15	0.18	4,2>1
2:Convenient service strategy	-0.345	0.321	-0.525	0.37	-0.058	0.20	4>1,3 2>3
3:Creating customer relationship strategy	-0.11	-0.33	0.05	0.07	0.26	0.09	NS
4:Product variety and pricing strategy	-0.23	-0.09	0.04	-0.04	0.31	0.30	NS
Financial strategies							
1:Accounting and management control	-0.61	0.20	-0.18	0.327	0.035	0.18	2,4>1
2:Reducing cost of goods sold	.019	-.014	-.213	.081	.098	0.95	NS
3:Conservative investment	-.0577	.286	.047	-.181	-.104	0.45	NS
Human resource strategies							
1:Human resource strategies	-0.53	0.20	-0.27	0.318	0.06	0.19	2,4>1
Production strategies							
1:Product preference	-.446	.078	-.014	.270	.048	.18	4>1
2:Product innovation	-.063	.022	-.095	.055	.047	0.050	NS

As shown in Table 5.24 there is no significant difference in perceiving Total growth change among types of stores.

In term of business types, there is not much difference among type of business in related to the strategies. However, there are some significant differences in business performance and functional strategies. As seen in Table 5.24, general stores and expensive item stores used "In-store promotion" more than the grocery stores. Also, "Convenient service" was used more in general and expensive item stores than did in the grocery and the luxury and small items stores. Expensive item stores usually adopt strategies to differentiate their products to attract their customers. It is necessary to put their product in proper position and create high customer satisfaction and also good image for the shop environment because they have high margin. In contrast, a grocery store with low profit margin and limited resources both in finance and non-finance has no need to invest large amount for the in-store promotion.

For financial strategies, only "Accounting and management control" was employed more often in general stores and the expensive item stores than in the grocery stores. The limited resources and low margin on sales can also explain this event. No other business performance and functional strategies were found significant.

With regard to the remaining performance and strategies, that is human resource and the production strategies, the former was used in general and expensive item stores more than in the grocery, whereas the latter, specially "Product preference", was performed more in expensive item stores than in the grocery. This difference might be derived from the limited resources and the image of products and stores.

5.5.3 The impact of the functional strategies on level of business performance.

To compare the functional strategies between groups of businesses which have perceived high performance and lower performance, the businesses were grouped into three groups according to their level of performance, namely high performance, medium performance and low performance. The level of three groups performance is shown in Table 5.25.

Table 5.25 Group of business categorized by level of performance year 2002

Level of reported performance	Total growth (range)	Composite score	Number (N)	Percentage
Low performance	1-8	1.00-1.64	21	10.5%
Medium performance	9-17	1.65-3.34	102	51.0%
High performance	18-25	3.35-5.0	77	38.5%

The total growth range from 1-25 and the composite score range from 1-5, was then divided by 3 for each group. The businesses that had a total growth range from 1-8 or composite score range from 1-1.64 are categorized as a low performance group. The second group that had total growth between 9-17 or composite score between 1.65-3.34 is in a group of medium performance and the last group which has a total growth range from 18-25 or composite score range from 3.35-5.0 is categorized as a high performance group The proportion of these three groups are 10.5%, 51.0% and 38.5% respectively.

An ANOVA was conducted to investigate the differences of business performance and functional strategies among groups of businesses that have different levels of performance. The results are shown in Table 5.26.

Table 5.26 Differences in business practice among groups of level performance

Functional strategies	Low performance (1) n=21	Medium performance (2) n=102	High performance (3) n=77	ANOVA (Scheffe)
Marketing strategies				
1:In-store promotion strategy	-.476	-.189	.380	3>1,2
2:Convenient service strategy	-.287	-.046	.139	No sig
3:Creating customer relationship strategy	-.157	-.226	.256	3>2
4:Product variety and pricing strategy	-.327	.003	.084	No sig
Financial strategies				
1:Accounting and management control	-.612	-.155	.373	3>1,2)
2:Reducing cost of goods sold	-.193	-.067	.141	No sig
3:Conservative investment	-.180	-.191	.302	3>2
Human resource strategies				
1:Human resource strategies	-.660	-.143	.370	3>1,2
Production strategies				
1:Product preference	-.049	-.199	.278	3>2
2:Product innovation	-.740	-.043	.262	3,2>1

As seen in Table 5.26, the businesses reporting high performance used the "In-store promotion" factor more than those of medium and low performance. Moreover, those with high performance also used the "Creating customer relationship more than the businesses with medium level. For the Financial strategies the "Accounting and management control" factor was used in business with high performance level more than with medium and so was the "Conservative investment" factor. Relatively to the human resource factor, the business with high performance used the "Human resource strategies more than those with medium and low level. For the production strategies, the businesses having high performance level

employed the "Production strategies" factor more than those with medium level. They also used the "Production innovation strategies" more than the businesses with low level performance.

In other words, the result shows that high performance firms used more strategies than the average performance one and the lower ones. This result supported by the previous finding that business strategies in all functional strategies have a major impact on business performance. More of the detail activities of using strategies such as in marketing strategy what kind of activity is the most frequently practice could be explored in the future research.

1.6 Summary

This chapter focuses on the results of the study based on the questionnaires. The chapter discusses the profile of the SMRs in Ubon Ratchathani, the descriptive statistics and the correlation of business performances and their management strategies. Based on the findings discussed above, eight conclusions can be drawn. These are in the area of measurement of business growth; the age of firm, size and type of business that have affected on performance; and the functional strategies that can affected business performance.

First, the indicator used to measure business performance in this study was "Total growth". The total growth comprised of five measures which were; Total sales; Total profit; Margin on sales; Goods turn over; and number of customers. The "Total Growth" was divided by 5 then the result was shown as a composite score. The result showed these five measurements were significantly correlated for the year 2001 and 2002. It is interesting to find that the type of store or segment does not contribute to the perceived business performance change. However, there were some trends of an increasing growth from year 2001 to 2002.

Next, age of firm does have an impact on business growth. The result showed that the businesses that have operated for a shorter period of time perceived higher

performances than those that have operated for a longer time. These can be explained by the concept of the stage of business life cycle and because of the base number for calculating profit growth used by the young business is smaller than that used by the older one.

In addition, the result showed that size of business impacts on business performance. The larger business, the higher performance the business owners perceived. This may be due to the bigger sales volume, a better management and better technology.

Marketing strategy that SMRs used can be grouped into 4 factors, they are 1) In-store promotion strategies; 2) Convenient service strategies; 3) Creating customer relation strategies; and 4) Product variety and pricing strategies. Among these four factors, the In-store promotion has a major impact on business performance for SMRs. The In-store promotion factor comprised of six business practice, they are; 1) Advertising, cut-out sign, radio, newspaper; 2) Decorative store sign; 3) Attractive display arrangement; 4) Polite customer service; 5) Clean and neat staff uniform; and 6) Eye-catching descriptions of goods.

The financial strategy used by SMRs can be grouped into 3 factors; 1) Accounting and management control; 2) Reducing cost of goods sold; 3) Conservative investment. The result showed that the most powerful factor that impacts on business performance is 'Accounting and management control'. The technology and management knowledge factor comprised of four business practices which are; 1) Consult/employ professionals in accounting and management; 2) Record revenue, expenses, inventory continuously; 3) Check and control receivable account; and 4) Use computer for accounting.

In the area of human resources, the finding showed only one dimension for six measurements, they are; 1) Employ only qualified staff; 2) Staff training; 3) Assess employee performance; 4) Reward / penalty for employees; 5) Involve employees in decision making; and 6) Owner attended short course seminar.The human resource strategy has a major impact on business performance for SMRs.

Furthermore, the results from the study showed that there are two dimensions for the nine measurements in the area of product strategy. The first factor is 'Product preference' which composed of 5 measurements, they are; 1) Finding cheaper

suppliers; 2) Goods insurance and can be returned; 3) Few products but have every size and colour; 4) Reducing price to loose stock; 5) Following up customer complaints. The second factor is 'Product innovation' which composed of four measurements, they are; 1) Analysing location; 2) Reviewing stock control; 3) Adding news goods;4) Adding new product line. The main finding is that production innovation strategies have a major impact on business performance for SMRs.

Finally, results showed that the mean of performance of larger businesses have higher business performance than smaller business. It is clearly shows that the medium size retailers used all four types of strategies more often than the smaller sizes retailers. When we classified type of stores, grocery stores tend to have lower performance than other type of stores. Over all, the grocery store used all types of strategies such as marketing, financial, human resource and product strategies less frequently than other types of stores. The results suggest a relationship between the levels of performance and the frequency of using strategies in all functions. The higher performance levels, the more often they used all types of functional strategies.

The next chapter will discuss the problems faced by SMRs, ways to improve their business performance, perceptions of the effect of business network and government support on business operation. The suggestion and recommendations from the respondents were included in the last section.

CHAPTER 6

RESULT OF PERCEIVED PROBLEMS AND THE EFFECT OF BUSINESS NETWORKS AND GOVERNMENT SUPPORT ON SMALL TO MEDIUM RETAILERS

1.1 Introduction

This chapter discusses the perceived problems and the effect of business networks and government support on the business operations of the study sample of 200 SMRs in Ubon Ratchathani. The purpose of this chapter is to identify ways government and other agencies can effectively interact with SMRs to improve their business performance. The chapter begins with an examination of the problems that face SMRs in Ubon Ratchathani, and then follows with an investigation of the impact of key factors on the performance of SMRs, the use of business networks followed by the analysis of the use of business support from government. The final section outlines some suggestions and recommendations from the respondents along with the conclusion.

SMRs are facing difficult business circumstances with the economic crisis of the past few years dealing a severe blow to all businesses, including the retail sector. The financial crisis of 1997 has shaken retail business in Thailand and in addition, the growth of foreign-owned large discount chain stores has increased neighborhood competition, particularly in regional locations. Following a trade deregulation and stated in the Announcement No. 281 of the Revolutionary Council, Thailand has welcomed powerful foreign retailers, increasing competition, especially among discount stores. After opening up to foreign investment, the country has witnessed major Thai retailers moving into the hands of foreigners either through joint ventures or business takeovers. These foreign investors possess comparative advantages in

terms of a sound financial base and high negotiation powers from large order volumes.

Given their plunging ability to remain competitive, local retailers have called on the public sector for assistance. The public sector has creatively sought ways to protect minor retailers. Besides the relaxation of government policies towards SMEs, the provision of assistance for SME owner/operators has usually been motivated by economic needs and has focused on improving business performance, increasing employment and creating conducive work places for employees. This is not only a difficult economic issue but also an important social and political issue since SMRs employ the breadwinners for many Thai families (Rungfapaisarn & Thalang, 2002).

Thai government and business support agencies have struggled to find effective ways of assisting the development of SME owner/operators for many years (Vinitchaikul, 2002). They have developed many measures to help SMRs, for example, the proposed Retail Trade Act. The Act would govern retail trade and promote the competitiveness of SMRs. The law, aimed at controlling large retailers, focuses on the following key issues: control large retailers regarding locations, service hours, employment, investment and profits. The law also covers the aspect of environmental management so as to avoid traffic congestion, facilitate service users, and ensure adequate parking spaces.

However, government and small business providers or supporters often fail to either get the right message to owner/operators or to get the SME owner/operator onside in order to bring about change and improvement in the workplace (Bergin-seers, 2000). According to the Thai Farmer Research Center (2002), competition is inevitable for existing retailers. Small retailers have to develop new strategies to capture market share and to build their investment capital to catch up with rising competition in the long run.

This analysis will help identify the major problems and the impacts of these problems on their performance of SMRs and will, therefore, provide decision-makers with the information they need for designing effective policies and support programmes in favor of the SME retail sector.

6.2 The Problems that SMRs Faced in 2001 and 2002.

The dynamics of changing demographics and consumer purchasing patterns, coupled with ever stronger competition, are putting increased pressure on the local merchant (McGee & Love, 1999). Large numbers of merchandisers and discount chain stores are appearing everywhere. As the number of discount stores continue to grow, the number of family shop houses and family-run retail stores still operating has fallen. In 2001 alone, according to the Commerce Ministry of Thailand, more than 900 local retail operators ceased operations because they could not compete, the highest casualty rate of any sector. From 2002 to 2003 the number of family-owned shop-house retailers had decreased 10% because of high competition from hypermarket and convenience stores. (OSMEP, 2002) The impact has been most pronounced in major centers such as Bangkok, Hat Yai and Ubon Ratchathani (Jitpleecheep, 2000). Although the problems facing independent retailers are well documented, many local shopkeepers are managing to survive and actually thrive. There is little empirical research that identifies what specific size or type of store needs help or support from assistance agencies. The government has taken some measures aimed at protecting local retailers from the foreign giants by introducing various trade regulations, setting up Allied Retail Trade, a state-owned operator of franchised shops, and issuing updated fair business practice guidelines along with new retail zoning laws. But local retailers, particularly family-run shops, have seen little benefit from the government's measures to date as they have been impractical to implement. For example, they cannot afford to invest in high technology equipment or lack knowledge of management (Jitpleecheep, 2002).

In this study, to investigate the types of problems that SMRs face and the intensity of those problems, a total of 15 questions were included in the questionnaire to ask the respondents to rate these problems. The respondents were asked to rate

from 1 to 5 the problems that have impacted on their performance. The results of the problems encountered by the SMRs are shown in Table 6.1

Table 6.1 The rating order of SMR problems.

Problems	Mean	Standard Deviation
1. Economic downturn	3.73	0.95
2. Changing consumer behavior	3.56	1.15
3. Increase overall operating expenses	3.50	1.02
4. Over supplies from neighbour competitors	3.43	1.09
5. Price cutting of discount chain stores	3.38	1.35
6. High cost of goods sold	3.23	1.02
7. More strict government regulations	2.92	1.18
8. Difficulty in obtaining finance and financial problems	2.83	1.10
9. Recruitment/ selection	2.72	1.19
10. Vender commercial selling lower price	2.69	1.34
11. Lack of management knowledge	2.66	1.03
12. Lack of ability to use information technology	2.61	1.06
13. Interest burden of old debt since economic crisis	2.56	1.30
14. Lack of workers	2.51	1.19
15. Lack of business successor to run business	2.30	1.13

Note: 5-point scale, with 5 denoting to the most serious and 1 to not serious at all.

Table 6.1 shows a list of problems faced by SMRs in Ubon Ratchathani. The first three major problems are concerned about macro economics which related to economic downturn in Thailand, the changing of consumer behavior and increasing overall operating expenses (mean 3.73, 3.56 and 3.50). In other words, these problems related to the environmental factors resulting from the 1997 Asian crisis. Clearly, many small business owners still perceive the negative impact of that situation. The firm level factors were rated quite high (mean 3.43, 3.38, and 3.23) and are problems of high competition with the threatening of over supply from neighbouring competitors, price cutting of discount chain stores and higher cost of good sold from suppliers.

It is interesting to find that small businesses believe the environmental factors have a more serious impact than the factors at the organization level.

The problems of government regulations (mean 2.92), as well as the difficulty in obtaining finance (mean 2.83) have been rated moderately. This is probably because the Thai government has been attempting to amend regulations to help SMEs and has been focusing on credit and financial support for small enterprises (Paetkau, 1999).

It is surprising to find that the lack of management knowledge and ability to use information and technology were found to be less important when compared with macro economic problems. Many studies stated that smaller businesses mostly have serious problems with the lack of ability to use information technology (Julien & Thibodeau, 1991; Robertson & Gatignon, 1986; Treadgol, 1989). However, the SMRs in this study reported less pressure in this area. This may be due to certain small businesses having an advantage in terms of location, knowledge of their clients and their merchandise, or profit from niche created market segmentation. They are thus under less pressure to become computerized; they may also be less likely to do so and may not believe new information technologies to be even useful because, for example in merchandise analysis, they know their customers and merchandise intimately (Julien & Raymond, 1994).

As may be expected, SMEs may have many problems in term of lack of management knowledge. Research by Wasontiwong (1999), in his study of the needs of SMEs in Thailand, found that most SMEs are not operating in those businesses that require a high level of operational technology, and they seem satisfied with their present technology and management. Most claim that their service quality is satisfactory to their customers while only a few of them reported their equipment as old and inadequate so they do not see operational technology as very important.

Many small retailers with relatively few items of inventory use a manual inventory control system. They use manual card records, inventory tags and accounting data to capture the information necessary to establish economic order

quantities, order points, and other parameters for effective inventory control. However, as the number of items, supplies, and general importance of inventory increases, it is often desirable to consider use of a computerized system for inventory control. Many successful small retailers have increased capital investment in point-of-sale (POS) equipment, scanning devices and massive central processing systems to keep track of sale patterns and customer needs. To keep the right merchandise in the stores in the appropriate quantities, the retailers have to reduce or eliminate slow selling items and reduce labour content by substituting automated tools (Chavie, 1989).

Nowadays, the use of computer systems to control inventory is far more feasible for small business than in the past, both through the widespread existence of computer services organizations and the decreasing cost of micro computers. In addition, computer service companies as well as government support agencies often have material readily available describing the use of their particular computer "software" programs for inventory, accounting and billing process management. These organizations provide a good source of information on general descriptions of particular inventory management techniques, as well as help on specific inventory management problems. Despite the importance of the usefulness of information and technologies, not many SMRs appear able to realize the distinct advantages of technology investment. However, small retailers regard buying computers or high technology equipment as big investments and not worth buying. Even though the government supports some allowance for them to borrow the money to buy computers, they choose not to have more debt.

However, perhaps the most important reason why the small retailers are reluctant to adapt to use computerized system for accounting, billing and inventory control is the disclosing of income tax payments. Due to the evidence from computer system, they cannot avoid revenue and stock volumes and as a result, they have to pay more tax (Sithikong, 1999).

The finding in this section shows that many SMRs do not recognize the importance of these problems. On the other hand, using technologies is a big problem for them. It is emphasized (Chaston & Badger, 1999; Massey & Walker, 1999) that learning is important to small business survival, innovation and profitability. Thus, one of the government support programs currently in place is to promote the awareness among SME owners of the importance of management skills and how the information and technology can be used. The result here suggests government support agencies need to provide more training programs to enhance or improve their skill in using technologies.

On the issue of financial management problems, even though finance is one of the most important problems for SMEs, such as inadequate capital and cash flow, (Storey, 1994), and the interest burden of old debt (Bank of Thailand, 2002), overall these problems were not rated very high in this study. This can be explained by several factors. Firstly, the establishment of the SMEs Bank: The bank was set up to support SME finance and because interest rates of marginal retail rates (MRR) has come down from 18% (since 1997) to 6-9.5%. Secondly, the establishment of the Thai Asset Management Corporation (TAMC): The establishment of TAMC is a central organization for solving Non-Performing Loans (NPLs) systematically, quickly and fairly. At the end of August 2002, TAMC had managed non-performing assets in 800 separate cases to an amount of 293,922 million baht. Thirdly, the Thai government and central national bank of Thailand (BOT) asked for the cooperation from commercial banks to decrease the amount of debt for SMEs by supporting SMEs' debt restructuring process and negotiating with the customers who had non-performing loans (NPL). These processes were:

1.   Increase credits or expand long term credit to SME;
2.   Reduce SMEs' financial costs; and
3.   Reduce amount of interest and debts.

Besides these three measures, the Government Saving Bank has a significant role of extending financial services to rural communities under the government's people's bank scheme. Aside from specialized financial institutions and the commercial bank, there are other forms of financial assistance for rural communities,

such as savings groups, the poverty alleviation project, and social investment fund. This can bring SMRs much relief from the problems of old debts so that the owners in this study perceived this problem as not so serious. Another possible explanation is that SMEs that can overcome their financial problems are mostly those having their own funds from their families or relatives (Treerapongpichit, 2002b). Many studies showed that the large majority of micro-enterprises, and to some extent small enterprises, used their own savings for establishing a business or they accumulated profits to expand an existing one. They do not attempt to obtain finance from external sources. Furthermore, micro and small enterprises are often discouraged by banks from applying for finance, and available credit schemes usually only reach a small proportion of the total population of micro and small enterprises (Finnegan, 1999b).

In the area of human resource management, the problem of recruitment/ selection was rated moderate (mean 2.72). This is similar to the study by Huang and Brown (1999), which reported that the most significant human resource issue encountered by small business operators was training and development, with recruitment and selection playing a less important role. Hess (1987) found that small business owners consider personnel management to be the second most important activity next to general management. In contrast, Deshpande and Golhar (1994) reported that small business owners are not aware of their failure to deal with personnel issues.

The respondents in this study rated the problem of labour shortages as having a low impact on performance. Because most SMRs are micro size, they operate businesses by themselves or among relatives in their families. They do not have to employ many people.

In the past, the problems of lack of a business successor to run the business had serious affects on the SMRs. However, after the economic crisis occurred in 1997, by contrast, this problem has been rated the lowest (mean 2.30). Because of the stagnant economy, the unemployment rate is quite high. In this situation the young

graduates have less chance to get good jobs outside of their family business. Thus they have to continue working on their family businesses. This explains the moderate rating of this problem.

6.3 Problems Based on Size, Type of Stores, Age of Firms, and Level of Performance

To determine whether there are different perceived impacts of the problems on performance according to size, type of store, age of firm and level of performance, four ANOVA analyses were conducted. The results are shown in Tables 6.2

6.3.1 Management problems and size of business.

To investigate whether the perceived level of seriousness of these problems differs by size of the business, ANOVA analysis was conducted.

Table 6.2 Management problems and size of business

Problems	Mean N=200	Business size			ANOVA (Scheffe)
		(1) Micro N=128	(2) Small N=37	(3) Medium N=35	
1.Economic downturn	3.73	3.73	3.76	3.71	NS
2.Changing consumer behavior	3.56	3.52	3.54	3.69	NS
3.Increase overall operating expenses	3.50	3.40	3.59	3.74	NS
4. Increase competition from neighbour competitors	3.43	3.38	3.57	3.49	NS
5.Price cutting of discount chain stores	3.38	3.39	3.14	3.57	NS
6.High cost of goods sold	3.23	3.16	3.03	3.69	3>1,2
7.More strictly government regulations	2.92	2.78	3.00	3.31	NS
8. Difficulties in obtaining finance	2.83	2.88	2.81	2.67	1,2>3
9. Recruitment/ selection	2.72	2.50	3.05	3.14	3,2>1
10 Vender commercial selling lower price	2.69	2.81	2.32	2.63	NS
11.Lack of management knowledge	2.66	2.66	2.70	2.57	NS
12.Lack of ability to use information technology	2.61	2.62	2.81	2.34	NS
13.Interest burden of old debt since economic crisis	2.55	2.49	2.65	2.63	NS
14. Labour shortage	2.51	2.29	2.76	3.06	3>1
15.Lack of business successor to run business	2.30	2.28	2.43	2.23	NS

Note: 5 denotes to the most serious; 1 to not serious at all; NS – not significant

Table 6.2 shows a list of problems faced by firms of different size. Overall, there are not many differences among micro, small, and medium sized businesses regarding the seriousness of the problems in the organizations. SMRs of all size rated the same level of seriousness was affected from all problems. However, there are some statistically significant differences as indicated in Table 6.2, including the high cost of goods sold, the recruitment/selection, and the labour shortage. These results show that medium businesses are more seriously impacted by these three problems than the small and micro sized ones. In other words, these three problems decrease with size. This finding would not appear to be all that surprising because of following reasons.

Firstly, for the problems of high cost of goods sold, medium businesses are more likely to import or involve the sale of imported goods. With the depreciation of the Thai currency over the past few years, they have felt the financial pressure. Whereas, the goods that are sold by the small and micro business are mainly from domestic providers so there is no effect from the depreciation of the Thai currency.

Secondly, the prevailing costs for the small enterprises are the cost of labour, which can be varied according to sales performance. In the large enterprises fixed costs, related in part to the higher use of technical equipment as being more important.

Thirdly, large businesses are more concerned about problems in recruitment/ selection, than smaller businesses because micro businesses are often family businesses. They mostly run businesses by themselves or among relatives so the recruitment/selection is not so important. On the other hand, the larger businesses face the difficulties of obtaining employees with the right mix of skills and attitude. Larger employers also face the problems of increasing costs of employee entitlements, staff turnover and training.

Finally, larger businesses are more concerned with labour shortages than smaller businesses because they need more people in different functions. They have to employ workers from outside their families. The temporary labour shortage is also another problem that larger businesses are facing. In the rice harvesting season, the shortage of labour becomes more serious. The workers always go back home to help their families to harvest rice. This activity might take about 2-3 weeks. Moreover, workers sometimes have to return homes to participate in festivals such as Songkran festival, the traditional Thai New Year. Most workers who work in big cities such as Bangkok, Chiengmai and Ubon Ratchathani will take leave from their work to join their home town to celebrate these occasions.

In addition, it is a custom in Thailand, particular in the rural areas, for male workers to be ordained into Buddhist monkhood. Ordination can last from a week or two to a few months. However, if they find the monkhood experience rewarding, they may extend the period indefinitely. Ideally, having a spiritual experience is considered an important part of a man's total education and personal development. It is especially seen as a way for a young man to make merit for his parents. Most organizations, government or private, make it policy to allow a man to take a three month leave for the purpose of the ordination. As this custom is widely followed in the rural areas and somewhat less so in the cities, business organizations which have large numbers of employees with rural backgrounds will face the occasional extended absences of young male employees (Holmes & Tangtongtavy, 1995).

Another interesting finding is the problem of difficulties in obtaining finance. The result shows the micro and small sized retailers are facing more serious problems than the medium sized ones. This may be due to the limitations related to their characteristics such as small size, lack of fixed assets, lack of systematic accounting, and lack of business plans. Such limitations lead to difficulties in obtaining loans from financial institutions. Similarly, Finnegan's (1999a) study found that one of the most serious problems facing small and micro businesses is difficulties in obtaining finance. Small and micro businesses mostly deal with commercial banks for financing which usually require collateral and more

complicated processes to obtain a loan. Also, because they don't know how to write a business plan it reduces their ability to ask for loan. As previously mentioned, micro and small enterprises do not attempt to attain finance from external sources because of these difficulties. Even though the government has been attempting to alleviate SMEs' financial problems through specialized financial institutions and commercial banks, the problems still persist especially with micro and community enterprises. Furthermore, the government has been pouring money and resources into SME manufacturers and exporters but not small retailers (Finnegan, 1999b). These are possible reasons why small retailers rated this problem more seriously than did the medium businesses.

6.3.2 Management problems and type of stores

The impact of problems on type of stores or segments in retailing is also examined in this study. This section investigates whether owners of different types of stores perceived differently the impacts from the problems. The results are shown in Table 6.3

Table 6.3 The difference of management problems that affected type of stores

Problems	Mean N=200	(1) Grocery store N=32	(2) General store N=42	(3) Luxury & small items N=35	(4) Expensive items N=48	(5) Specialty store N=39	(6) Department store N=4	ANOVA (Scheffe)
1.Economic downturn	3.73	3.44	3.78	3.81	3.81	3.74	4.00	NS
2.Changing consumer behavior	3.56	4.00	3.62	3.11	3.48	3.62	4.00	1>3
3.Increase overall operating expenses	3.50	3.47	3.84	3.47	3.38	3.28	3.50	NS
4.Increase competition from neighbour competitors	3.43	3.63	3.58	3.25	3.31	3.41	3.25	NS
5.Price cutting of discount chain stores	3.37	4.09	3.38	2.83	3.10	3.59	3.75	1>3,4
6.High cost of goods sold	3.23	3.03	3.60	3.03	3.23	3.13	3.25	NS
7.More strictly government regulations	2.91	2.97	3.02	2.64	3.06	2.79	2.75	NS
8. Difficulty in obtaining finance	2.83	2.66	3.18	2.86	2.79	2.56	3.25	NS
9. Recruitment/ selection	2.72	2.56	3.13	2.42	2.81	2.51	3.75	NS
10 Vender commercial selling lower price	2.69	3.13	2.93	2.44	2.31	2.74	2.25	NS
11.Lack of management knowledge	2.66	2.81	2.64	2.64	2.60	2.62	2.00	NS
12.Lack of ability to use information technology	2.61	2.59	2.67	2.61	2.60	2.54	3.00	NS
13.Interest burden of old debt since economic crisis	2.55	1.94	2.82	2.50	2.79	2.46	2.25	NS
14. Lack of unskilled labour	2.51	2.63	2.80	2.17	2.67	2.21	3.25	NS
15.Lack of business successor to run business	2.30	1.97	2.47	2.17	2.35	2.41	2.00	NS

Note: 5 denotes to the most serious; 1 to not serious at all; NS – not significant.

Table 6.3 shows that overall, there are not many statistically significant differences among type of businesses regarding the seriousness of the problems to the organizations. However, two types of problems apparently impact on grocery stores more than the other type of stores. The first one is the problem of changing consumer behavior and the other is the price cutting from discount chain stores.

To understand why grocery stores, in particular, should be most affected by changing consumer behavior, it is worthwhile examining how consumer behavior has changed in the recent past. In the past small shops tended to attract the poorer, more elderly and less mobile sections of the community who usually buy lower quality products and smaller quantities (Sim, 2000). In a similar study Dana (1999), reported that purchasing patterns in Thailand are changing, including where people shop. The consumers are now younger, more educated and have higher income levels than in the past. These consumers are now demanding higher quality goods and services. They are changing the what, when, where and how of buying.

The expansion of large multinational discount stores has been a major factor behind the closure of a growing number of small retail businesses, according to the research carried out by the Institute for Small and Medium Enterprise Development (ISMED) and Thammasat University. Most major multinational retail stores now offer their own credit or store cards allowing discounts of up to 5 per cent to attract customers and retain their loyalty (Feeny, Vongpatanasin, & Soonsatham, 1996). Furthermore, large chain stores can provide better customer services. Customer service is the set of activities and programs undertaken by retailers to make the shopping experience more rewarding for their customers. These activities increase the value customers receive from the merchandise and services they purchase. In a broad sense, all elements of the retailing mix provide services that increase the value of merchandise. For example, location, in-stock position, and assortment all increase customer convenience (Achua & Lussier, 2001). As a result, large chain stores are considered more convenient and cleaner than the traditional stores. Consumers now buy large quantities in fewer shopping trips because they have less leisure and to avoid the increasing traffic congestion. In addition, large retailers have been able to

maintain the consumers' need for low price and convenience of having "one-stop shopping". As discussed by Danutra (1995), small independent grocery stores are often at a disadvantage in the area of customer services as well as promotion mix elements: advertising, sales promotion, publicity, store atmosphere and visual merchandising, and personal selling. From this description of how consumer behavior has changed it can be seen that the customer service activities of large stores has contributed substantially to this change. Moreover, the changes are with factors in which it is hardest for an independent grocery store to compete with. Consequently, consumer behavior has been changed; they are motivated to shop in large retail stores. Nowadays, Thai people go shopping for relaxation during their free time and shopping malls and department stores can be very crowded at weekends. Malls are particularly crowded at the beginning of the month just after salaries have been paid. This is when retailing promotional campaigns are most prevalent since workers have just been paid. In addition, in very recent times, credit cards have ceased to be a luxury. Most major big chain stores (e.g., Big C, Makro and Tesco Lotus) in big cities now offer their own credit or store cards allowing discounts of up to 5 percent to attract customers and retain their loyalty (Phupoksakul, 2003).

Regarding the problem of price cutting of discount chain stores, there is a statistically significant difference between grocery stores and other types of stores. This is not a surprising finding. The grocery store is facing increasing competition from foreign discount chain stores entering the market with extremely aggressive prices. The large retail stores can sell at a lower price for the following reasons:

1. Large chains can use their purchasing power to buy merchandise at lower prices than small local stores can.
2. They have successful inventory management that can reduce the cost of inventory.
3. The use of high technology and computer-based system for accounting and billing procedures can also reduce selling and operating expenses.

4. The large discount stores continue to fight price wars among themselves. For example, many discount stores (e.g. Tesco Lotus, Big-C, etc) promise to refund double the difference between their price and that charged by their competitor for any product where their rival has charged less (Jitpleecheep, 2002).

6.3.3 Management problems and age of firms

It is of interest to examine whether the age of the firm has an effect on the perceived impact of the problems faced by SMRs. As seen in Table 6.4 the businesses surveyed perceived the same level of impact on average, regardless of the age of the business, with one exception.

Table 6.4 Management problem and age of firms

Problems	Mean N=200	Group1 (age=1-7) (N=72)	Group2 (age=8-20) (N=77)	Group3 (age> 20) (N=51)	ANOVA (Scheffe)
1.Economic downturn	3.73	3.67	3.70	3.86	NS
2.Changing consumer behavior	3.56	3.46	3.47	3.82	NS
3.Increase overall operating expenses	3.50	3.46	3.52	3.51	NS
4.Increase competition from neighbour competitors	3.43	3.44	3.42	3.43	NS
5.Price cutting of discount chain stores	3.38	3.19	3.34	3.69	NS
6.High cost of goods sold	3.23	3.33	3.10	3.25	NS
7.More strictly government regulations	2.92	2.74	3.00	3.04	NS
8.Difficulty in obtaining finance	2.83	3.08	2.71	2.63	NS
9.Recruitment/ selection	2.72	2.62	2.82	2.69	NS
10 Vender commercial selling lower price	2.69	2.85	2.47	2.80	NS
11.Lack of management knowledge	2.66	2.51	2.69	2.80	NS
12.Lack of ability to use information technology	2.61	2.32	2.75	2.78	2>1
13.Interest burden of old debt since economic crisis	2.55	2.44	2.55	2.69	NS
14.Lack of unskilled labour	2.51	2.58	2.49	2.43	NS
15.Lack of business successor to run business	2.30	2.17	2.31	2.47	NS

Note: 5 denotes to the most serious; 1 to not serious at all; NS – not significant.

Table 6.4 shows that the only statistically significant difference is the lack of ability to use information technology. Younger businesses may be simple and not have to use high level of information technology to manage. Another reason may be that the founders or owners are young to middle age, and can perform well with technology, if they need. Instead, most of them have difficulties in implementing marketing-related activities (Huang & Brown, 1999). While older businesses (age>20) are more stable, they have adequate resources such as finance and human resources to deal with information and technology. Whereas the businesses in middle age (8-20 years), with the owners mostly in middle to old age, are resistant to change or learn new technology. In addition, they have limited resources both in finance and human resources.

6.3.4 Management problems and levels of business performance

The perceived level of performance is another interesting variable to compare with the problems in businesses. An ANOVA was conducted to investigate the different management problems and their effect on business performance levels. The AVOVA results are presented in Table 6.5.

Table 6.5 Management problems and business performance levels

Problems	Mean	Performance level (1) Low	(2) Medium	(3) High	ANOVA (Scheffe)
1.Economic downturn	3.73	4.19	3.75	3.57	1>3
2.Changing consumer behavior	3.23	3.52	3.13	3.27	NS
3.Increase overall operating expenses	3.38	4.00	3.41	3.16	1>3
4.Increase competition from neighbour competitors	3.56	4.00	3.57	3.42	NS
5.Price cutting of discount chain stores	3.43	3.38	3.44	3.43	NS
6.High cost of goods sold	2.69	3.05	2.70	2.58	NS
7.More strictly government regulations	2.83	3.05	2.72	2.91	NS
8.Difficulty in obtaining finance	3.50	3.90	3.39	3.52	NS
9.Recruitment/ selection	2.72	2.29	2.66	2.91	NS
10Vender commercial selling lower price	2.51	1.95	2.61	2.53	NS
11.Lack of management knowledge	2.92	3.00	3.01	2.77	NS
12.Lack of ability to use information technology	2.66	2.81	2.71	2.55	NS
13.Interest burden of old debt since economic crisis	2.61	2.95	2.64	2.47	NS
14.Lack of unskilled labour	2.30	2.48	2.40	2.12	NS
15.Lack of business successor to run business	2.55	3.10	2.51	2.44	NS

Note: 5 denotes to the most serious; 1 to not serious at all; NS – not significant.

Table 6.5 indicates that overall SMRs with different levels of performance have similar problems. However, there are two types of problems for which there is a statistically significant difference. It is not surprising to find that the business with a lower level of performance identifies the problems of economic downturn and the problem of increase overall operating expenses more than the businesses with high performance. It emerges that the businesses perceived as having low performance or failure mostly blamed the external environment rather than internal management. In other words, they prefer to externalise this responsibility rather than to recognize that it is their own problem. In addition, the problem of increasing overall operating expenses that seriously affected the low performance group can be explained by the same reason. That is, they did not know how to reduce costs or use resources effectively. As a result, they perceived that the overall expenses are increasing and that is not their fault. They did not realize that they have to improve their operations rather than blame the outside environment.

In conclusion, the overall result shows that there were only a few statistical differences of ANOVA analyses in Table 6.2-6.5. This indicates that the problems faced by SMRs are very similar across different characteristic of SMRs. The severities of the problems basically applied to all SMRs. This might be because most of them are all in small size.

6.4 Government Support and Business Networks

The SME sector contributes to job creation including, other important socio-economic objectives, such as the gross national product, value adding and foreign savings. Thus, support for the SME sector in Thailand is not only justified for its important contributions to employment, but also for its contributions to other important economic objectives, such as the increase in Gross National Products (GNP) and value added. As a result, the Thai government had provided many support agencies. For example, business development services (BDS) which provides information, knowledge and skills, as well as advice on the various aspects of business. BDS are provided to help owners of enterprises get new ideas on how to

improve their business to increase productivity, reduce costs, or access a more profitable market. These services include the transfer of information in various forms through, for example, counseling services or special events (e.g. exhibitions and trade fairs). The impact of this category of BDS depends on how the owners of enterprises make use of the ideas. Formal BDS are those provided by public and private sector organizations, private sector consultants and consulting firms, as well as services specifically including a contract between the owners of the enterprises and a supplier or contractor. Informal BDS are those that are not provided by service providers. They include information and advice provided by relatives, friends or employees of the owner of the enterprises. Informal BDS also include information obtained from media programs (e.g. radio and television). These services are usually obtained free-of-charge. In many situations, these are generally the most important sources of BDS used by micro and small enterprises (Finnegan, 1999a). As previously mentioned, small and medium enterprises are increasingly seen as potential creators of new employment opportunities and additional incomes contributing to improved social and economic growth, as well as to reduce poverty (Finnegan, 1999b). Promoting and supporting operators of SMEs is now one of the Thai government's key policies. The Office of Small and Medium Enterprises Promotion (OSMEP) acts as the main coordinator for activities of different agencies with an objective to make policy become a reality. The SME Promotion office has a duty of "creating more entrepreneurs in Thailand and to enable SMEs to reach international standards in strength and stability and to become the major instrument in the general economy and community (Office of Small and Medium Enterprises Promotion (OSMEP), 2002). Other duties include boosting the efficiency of operators in SMEs business as well as other sectors with the aim of obtaining a sustainable foundation, creating a business environment which would facilitate SMEs, improving market efficiency and competitiveness, and to promote grass-root business so that they could play a more prominent role in income distribution and bring prosperity to provinces (Vinitchaikul, 2002). To support these purposes the Thai government has to review its policy for promoting and supporting SMEs in Thailand (Wasontiwongse, 1999).

Like many countries in Europe and Asia, Thailand's legal and regulatory environment contains all relevant protection and enforcement mechanisms that SMEs require (White, 1999). In Thailand, the short term guideline is applied to the Building Control Act as tool to monitor large retailers, prior to the completion of Retail Trade Act. It is expected the Retail Trade Act will come into force in 2005. The Act would govern retail trade and promote competitiveness of the medium and small scale retailers. The law, aims to control large retailers by focusing on issues such as controlling large retailers regarding locations, service hours, employment, investments and profits. The law also covers the aspect of environmental management so as to avoid traffic congestion, facilitate service users, and ensure adequate parking spaces. It also allows micro and small scale retailers to compete with the large ones by upgrading administration and financial management (Thai Retail News, 2002). The public sector had brainstormed to seek ways to protect minor retailers. For example, Finance Minister Somkid Jatusripituk, reported that Thai Cabinet approved 395-million-Baht for the department of business development (Jatusripituk, 2002). They plan to strengthen Thailand's small scale retailers in the face of growing competition from large foreign owned hypermarkets. He stated that the budget fitted the government's grass-root level development policy and would help strengthen retailers all over the country. To achieve this goal, the following activities have been carried out:

Retailer Training: The Ministry of Commerce, the Thai Retailers' association and the Thai Chamber of Commerce had cooperated in conducting a training program for SMRs. In this training program, the guidelines were given to the retailers to adapt themselves to the current situation and to improve their efficiency in managing a business, taking into account the demand of customers. It also taught retailers to use modern retailing techniques.

Establishment of Model Retail Shops: The establishment of model retail shops is one way to assist the Thai retailers in improving the style and system in managing their business to a professional standard. Under this activity, knowledge and advice was given to the retailers in designing their shops and business

management system. After that, the shops with greatest potential were selected as the model for other shops. In addition, support will be given in future to retailers who want their shops to be the model for others. For this purpose, an advisor will be appointed to give advice to them from forming to opening the shop with a modern business management style and system.

Establishment of a Retail Clinic: The purpose of the retail clinic is to give advice to the retailers in the central and regional parts of the country on how to improve the design of their shops and the arrangement of products on the shelves, and to demonstrate and provide knowledge on modern business management.

Creation of Network Connecting Retailers, Wholesalers and Manufacturers / Distributors: Support has been given to assist small retailers to come together in doing marketing activities. Networks will be created to connect the wholesalers, the manufacturers and the distributors together to join hands in ordering and distributing goods and to cooperate in doing other marketing activities.

Project to Create Strength for Small Retailers: The Ministry of Commerce launched the project to create strength for small retailers. Under this project, promotion and support had been given to create the center for goods ordering and distribution for Thai business operators. For this purpose, the Cabinet has approved the establishment of Allied Retail Trade Co., LTD. (ATR) (see Chapter2.).

Development of Franchise Business: The objective of this activity is to give knowledge to Thai business operators in order that they can develop their business to a franchise system with acceptable standards and appropriate to the nature of their business. In addition, knowledge and understanding in franchise business will be disseminated to the people who want to have their own business.

The Institute for SME Development has also set up a public organization to oversee information and technology (IT) management to reduce costs for retailers. This institute has also made agreement with the SME Bank to provide special loans

to retailers who did not have sufficient money to renovate their shops (Treerapongpichit, 2002a). The Department of Trade Development in the Ministry of Commerce is developing "Point of Scale" (POS) software for small retailers. When it is completely developed, it will be distributed to SMRs for free. They also prepare for training how to use this program in every province.

To investigate how SMRs in Ubon Ratchathani used networks and government support for their business improvement, three types of networks were listed in the questionnaire along with an item on government support. Table 6.6 shows the results of businesses that used government support and business networks.

Table 6.6 The use of government support and business networks

Type of network	Yes		No	
	(N)	(%)	(N)	(%)
Networking among business peers	64	32%	136	68%
Networking with consultants and trainers	78	39%	122	61%
Networking with friends and family	90	45%	110	55%
Use government support	82	41%	118	59%

As illustrated in Table 6.6, more than 50% of firms neither used government support nor attended business networks. The finding is not surprising because most of the respondents were in micro and small sized businesses. This confirms Finnegan's study (1999b), which found that small and micro business mostly lack an awareness of existing support schemes, both financial and non-financial. They may have negative perceptions about the utility and accessibility of some of the support services (Sims, Breen, & Ali, 2001). In addition, the support provided had inappropriate design and delivery of support mechanisms, and consequently minimal take-up by SMEs, particularly micro business. Many researchers have studied obstacles to small business participation in support programs such as (Hull, 1987; Maki & Pukkinen, 2000) who suggested that lack of awareness of support services was an impediment to small business growth. In particular Hull (1987) found that from the perspective of the owner/manager, business support programs have failed to consider the individual attitudinal and behavioral characteristics of small firms, the business characteristics of individual firms, and the specific and often unique nature

of the support provision needed. The same study by Ali et al., (2001) supported this view. They reported that relatively few of the businesses had made used of the range of services available from the various governments, semi-government and private bodies and few expected a high level of government or other support. Even though the owners/operators were aware there were a number of government and other organizations "out there", they were unaware of specific services or how to access them. Sims also stated that many small businesses had some initial difficulty in identifying and articulating the support they would like to see provided for them (Ali et al., 2001).

Business networks are another strategy that SMRs used to improve their performance and solve their problems. The study by Milwaukee et al., (2001) found that there were three factors of networking that businesses used to improve their performance. The first factor is "net working among business peers" and comprises five activities. They are: 1) meeting with other small retailers in the neighbourhood; 2) talking with other business persons; 3) meeting through business associations; 4) acquiring information from internet Web sites; and 5) attending trade fairs and shows. The second factor of networks is "net working with consultants and trainers". This factor comprises three activities. They are: 1) meeting with outside consultants; 2) attending business seminars; and 3) meeting with small-business development centres. The third factor is "Net working with friends and family". This factor comprises two activities. They are: 1) discussing important decisions with friends and 2) discussing important decisions with relatives.

6.4.1 The impact of government support and business network on business performance

To investigate whether there are different impacts of attending business networks and using government support on business performance, a t-test analysis was conducted. The results are shown in Table 6.7.

Table 6.7 The impact of government support and business networks on business performance

Type of network	Business performance (composite score 2002)		t-test (p)
	Yes	No	
Net working among business peers	3.20	2.70	0.003
Net working with consultant and trainers	3.20	2.57	0.000
Net working with friends and family	3.00	2.76	NS
Use government support	2.80	2.89	NS

Note: 5-point scale with 5 denoting to very much increase and 1 to completely decrease.

As shown in Table 6.7, there is no significant difference in perceived business performances between the businesses that used networking with friends and family and the ones that did not. Nor is there a significant difference in the perceived business performance between the businesses that have used government support and those that have not. However, there is a statistically significant difference in perceiving business performance between the businesses that used "networking among business peers" (p=.003) as well as "networking with consultant and trainers" (p =.000) and the ones that did not attend. The creation of networks of firm as self-help devices for SMEs is based on the idea that contacts and co-operation with other firms are the best way for an SME to solve its problems and this mutual learning process could be facilitated by some kind of external assistance or agencies. Successful retailers mostly cooperate with other firms specialized in various complementary functions, interacting and collaborating by pooling services, training and technology-diffusion among themselves (Chavie, 1989). The studies by Alizadeh (2000) and Shaw and Conway (2000) have shown involvement in formal and informal business networks is a common characteristic of growth firms, and a key source of organizational learning. The network system is based not only on economies of scale but also on a system of learning and organizing that arises through interdependence and mutual exchanges between firms (Alizadeh, 2000;

Shaw & Conway, 2000). Taking the same point of view Arzeni and Pellegrin (1997) stated that a firm that wanted to derived an advantage from local external economies so as to improve its competitiveness must itself participate in these collective learning processes and establish roots in the community.

6.4.2 The use of government support functions.

An understanding of the use of government support and the nature of SMRs in Ubon Ratchathani will help policy makers to find suitable measures to support or assist them. In this section, the study will focus on the importance of government support and business networks. This will suggest new forms of enterprise development strategies, services and delivery mechanisms that could be adopted.

Table 6.8 The size and type of businesses that have used government supports

| Type of stores | Business size | | | Ratio | Percent |
	(1) Micro	(2) Small	(3) Medium		
Grocery store	8 (28)	2(3)	0(1)	10/32	31.2
General store	6 (17)	1(8)	8(16)	15/41	35.7
Luxury & small items	12 (30)	3(5)	0(1)	15/35	42.8
Expensive items	7(21)	5(14)	10(13)	22/48	45.8
Specialty store	14(30)	3(7)	1(2)	18/39	46.1
Department store	-(0)	-(0)	2(4)	2/4	50.0
Total	47	14	21	82/200	
Ratio	47/126	14/37	21/37	82/128	
Percent	36.7%	37.8%	60.0	64.0%	

As shown in Table 6.8, there were 82 businesses that used government support. The result showed that "department stores", "specialty stores", and those selling "expensive items" and "luxury and small items mostly used government support (50.0%, 46.1%, 45.8%, and 42.8%). Grocery stores and general stores used less government support (31.2% and 35.7%). Some possible reasons are that the owners/managers in the four types that used more government support, have a higher educational back ground. Thus, they are aware of the importance of information or support provided by government. In contrast, most owners of grocery stores and

general stores have quite a low educational back ground. They did not know about the support structure available nor are they aware of the necessity to join commercial business services, chambers, educational institutions and government subsidized programs (Bergin-seers, 2000). Regarding the size of businesses, medium businesses used government support much more than small and micro sized ones (60.0%, 37.8% and 36.7%). This can be explained by the same reasons mentioned above, namely, that the micro and small business was not aware of the advantage from using government support. In addition, because of their limited resources they do not have enough time or persons to join government programs, and because of the lack of management knowledge, they mostly have difficulty to learn or keep up with what government agencies had provided.

6.4.3 The perceived usefulness of government support

To obtain as complete a picture as possible, and to acquire comprehensive results on the usefulness of government assistance, the respondents were asked to rate the various forms of assistance that have been provided by government or related agencies. The result (Table 6.9) showed that the most useful type of support was provision of information by government (mean = 3.55). The next most useful support was *management training* (mean = 3.45), followed by *short course seminars for finance and accounting*, and *helping in reducing costs* (mean = 3.40 and 3.39). This is not surprising, especially for management training because the lack of training people working in the retail trade (retailers and employees) is an accepted fact even at an international level (Finnegan, 1999b). Thus, SMRs found that it was very useful when they joined management training program, provided by government. In addition, as almost all businesses would have an external accountant, and it is to be expected that many businesses would perceive that they had more benefits from the assistance of an external accountant in growing their businesses. Normally, they use their accountant more for annual taxation and reporting rather than for decision making or business planning. Thus, when retailers joined the management training or joined short courses for finance and accounting, they found it more useful than other types of support. The less useful government support is seen in the area of "credit guarantee for export" and "providing low rate of income tax" (mean = 2.78 and 2. 87). However, other types of support were rated above average (more than 2.5).

To investigate the difference of usefulness among groups, retailers were classified by: type of store; size of business and level of performance. An ANOVA was conducted to see whether there were any significant differences of usefulness among type of store.

Table 6.9 The perceived usefulness of government support by types of stores.

The usefulness of government support activities	Mean	Grocery store	General store	Luxury & small items	Expensive items	Specialty store	Department store	ANOVA (Scheffe)
	(N) = 82	(N) = 10	(N) = 17	(N) = 15	(N) = 22	(N) = 18	(N) = 4	
Information provided	3.55	3.20	3.65	3.40	3.82	3.44	2.50	NS
Management training	3.45	3.20	3.82	3.27	3.64	3.17	3.50	NS
Short course seminar for finance and accounting	3.40	3.88	2.67	3.77	3.17	3.40	3.50	NS
Helping in reducing cost	3.39	3.00	3.88	3.00	3.68	3.11	3.00	NS
Short course seminar for business technology	3.30	3.30	3.88	2.53	3.50	3.22	3.50	NS
Providing low interest loan	3.12	3.30	3.47	2.40	3.27	3.11	3.00	NS
Providing low rate of income tax	2.87	2.60	3.35	2.33	3.00	2.83	3.50	NS
Credit guarantee for export	2.78	2.70	3.29	2.20	2.82	2.78	3.00	NS

Note: 5 denotes to most useful; 1 to not useful at all

The result of the ANOVA (Table 6.9) showed that there is no significant difference among types of store in perceived usefulness of government support. This could be explained that when retailers used government support they mostly found it useful, no matter what kind of businesses they are running. In addition, this support was equally important for retailers of all type/sector of stores. In other words, this need is sector-specific, and it is applicable to all types of small retailers.

Many business owners, regardless of the size of their businesses, believe that the various support from the government have benefited their business. This support has helped them manage and run their business better and therefore increased its success or profitability. It is interesting to see that it is not the financial support that are perceived to be useful by the business communities but rather it is the provision of information, training and seminars that are felt to be somewhat more important. Table 6.10 shows the different levels of usefulness of government support amongst different sizes of business.

Table 6.10 The perception of usefulness of government support among size of businesses

The usefulness of government support activities	Mean (N) = 82	Business size			ANOVA (Scheffe)
		(1) Micro N = 49	(2) Small N = 14	(3) Medium N = 19	
Information provided	3.55	3.33	3.64	4.05	3>1
Management training	3.45	3.20	3.36	4.16	3>1
Short course seminar for finance and accounting	3.40	3.02	3.50	4.32	3>1
Helping in reduce cost	3.39	3.12	3.36	4.11	3>1
Short course seminar for business technology	3.30	2.92	3.43	4.21	3>1
Providing low interest loan	3.12	2.84	3.07	3.89	3>1
Providing low rate of income tax	2.87	2.53	2.64	3.89	3>1,2
Credit guarantee for export	2.78	2.53	2.43	3.68	3>1,2

Note: 5 denotes to most useful; 1 to not useful at all

Table 6.10 displays the perceived usefulness of government activities among different sizes of businesses. It is not surprising to find that the micro businesses benefited less from all types of government support. All of the usefulness values rated by micro businesses are less than the mean average. This can be due to the

following reasons: Firstly, micro businesses are mostly family businesses. They run their business by themselves. Many studies carried out by the International Labour Organization (ILO) and other organizations (Allal, 1999; Finnegan, 1999a; White, 1999) show that the majority of owners of SMEs used informal sources of information, such as relatives, friends and employees. Information is also accessed through commercial transactions with clients and suppliers. Entrepreneurs prefer to get information from people they trust and from those who are knowledgeable about their business, such as clients, relatives and suppliers. The information they get through these sources is also more relevant to their needs. These sources constitute over 90 per cent of all information sources accessed by SMEs (Allal, 1999). This demonstrates that formal information sources are rarely used by SME managers/owners. Some public and private organizations have established costly information centers for the benefit of SMRs, but few micro and small owners use them (Finnegan, 1999b). For the less value of seminars and training courses, most participants reasoned that no one was in charge of their business while they were attending the seminars. The low interest loans do not attract much value because these micro businesses face difficulties in applying for loans, either the amount of loan is too small or the collateral required by the bank is too high. The low rate of income tax payment attracts low responses because the micro businesses pay lump-sum tax that is the fixed rate for the approximate annual income. Only a few micro business participants reach the beneficial rate offered by the government. In addition, these micro businesses do not involve international trade, therefore, they do not benefit from this support even though the mean score is quite high (2.78). The satisfaction is the lowest compared to other types of support.

In addition, They also face difficulties in obtaining particular types of information, especially in relation to production techniques and high technology or complicated system. Others may be unaware that such information could help them improve their business. This is indicative of the inadequate promotion of formal information sources and shows that there is little awareness amongst small business owners about the importance of using government support.

Finally, most of them cannot afford the time to participate in the training or other government programs because they have to look after their businesses all the time. Another limitation is the lack of specialized personnel to perform different activities. In many cases, a micro or small retailer must handle the hiring, advertising, buying, selling, and accounting, as well as maintenance and custodial duties (Lowry, 2000), while the medium business has more employees. Thus, the owners or managers can better afford the time to participate in government programs and can attend training seminars or other government support functions.

Medium retailers are more effective operating and using more high-technologies than the small ones. Thus, the medium business regards government support as more useful than the micro businesses, suggesting the content or the delivery methods are more appropriate to them, although these have been questioned by the micro business sector. According to Chen and William (1999), small business development assistance programs tend to improve small business survival rates for high-technology industries while they are ineffective for the low-technology industries. Consequently, in the future when government provides support or formulates policy, the government needs to consider the following issues. Firstly, the government has to consider how the micro businesses can access these support programs. The policy maker should pay substantial attention to the type of assistance programs (such as free counseling services for marketing research, marketing positions, and cost-saving strategy) that can be designed to alleviate the problem of business failures for specific industries. Secondly, the communication and organization of this training program must be suitable for micro businesses. For example, the content of the seminar must be much more basic, understandable and practical and should be structured in steps. Finally, in terms of government support programs or functions, it seems there are big differences in terms of size of business rather than in terms of the goods they sell. In other words, types of store do not reveal a significantly different pattern in the businesses needs and the required government support. In contrast, size does demonstrate very different perceptions in what is expected from a government support program.

Level of performance is another interesting variable that we investigated. As previously categorized in Chapter 5, the businesses were placed into three groups

according to their level of performance, namely low, medium and high performance. These groups have Total Growth ranges from 1-8, 9-17, and 18-25 respectively. An ANOVA was conducted to investigate the difference of perceived usefulness of government activities among these three groups.

Table 6. 11 The perceived usefulness of government activities across the level of performance

The usefulness of government support activities	Mean (N)=82	Performance level			ANOVA (Scheffe)
		(1) Low N=8	(2) Medium N=42	(3) High N=32	
Information provided	3.55	3.13	3.50	3.72	NS
Management training	3.45	3.25	3.19	3.84	NS
Short course seminar for finance and accounting	3.39	3.38	3.07	3.81	3>1
Helping in reduce cost	3.40	3.25	3.02	3.94	3>1
Short course seminar for business technology	3.30	3.38	2.90	3.81	3>1
Providing low interest loan	3.12	3.13	2.74	3.63	3>1
Credit guarantee for export	2.78	2.75	2.38	3.31	3>1
Providing low rate of income tax	2.87	2.75	2.40	3.50	3>1

Note: 5 denotes to most useful; 1 to not useful at all

Table 6.11 shows that among organizations that had attended the government support programs; those in the high performance group regarded the government support programs more useful than those in the lower performance group. The government program may be especially targeted to some business functions or activities, where these functions and activities may be more relevant to the success factors, for example, a government provided training seminar about how to use information technology where information technology is very important to that sector, particularly those big businesses. In this case, that sector will perceive much more benefit than other sectors. According to the Institute of Small and Medium Enterprise Development (ISMED), business education courses are part of a new initiative to help small retailers upgrade in order to compete more effectively. In relation to the value in Table 6.10, the high performers are those businesses including medium businesses who perceive the usefulness of government supports on low interest rate loans, credit guarantee for export and low rates of income tax.

For further analysis and better understanding, we examined whether or not there are any differences in performance between the attending and non-attending organizations, using the Chi-square test. The result showed that there is no difference in performance between these three different performance level groups. This implies that the policy makers should include every group in their training courses.

6.5 Type of Support that SMRs Needed

This section aims to identify the best ways in which the SMRs can receive the most effective type of support from the government and those involved in SME development. Finnegan (1999a) stated that there are a number of important reasons why government should continue support Thai SMEs. Firstly, it is a dynamic sub-sector of the economy, frequently characterized by "ease of entry and ease of exit", but also sometimes ignored by policy-makers for what they see as high birth or mortality rates. Secondly, the dynamism brings innovation, adaptability and flexibility, all of which are important for economic growth. Additionally, as has been well documented from evidence in the USA and many developed countries, that small enterprises generate most of the new employment opportunities in the economy. Finally, SMEs also play an active supporting role for large scale industries both directly (through sub-contracting) and indirectly (through transportation, catering and personal service) (Finnegan, 1999b). Therefore, the efficiency, productivity and profitability of small-scale firms have positive implications and effects for the wider economy. Many studies have discussed problems faced by small-scale retailers arising from their inefficiency, low productivity and inability to compete with multiple retailers and supermarkets, and measures taken by various governments to help them (Sim, 1993; A Smith & Sparks, 1997). The Thai government, like the government of many developed countries, has given the SMRs various forms of assistance such as subsidies and grants, regulation amendment, training and retraining (Chrispin, 2001; Husamin, 2004; Rungfapaisarn, 2001). The purpose of this assistance is to help SME businesses compete with large-scale retailing and survive in this rapidly changing business environment. However, not every policy and assistance is useful and effective for SMRs (R. L. Davies, 1995).

For example, in reviewing the financial support for SMEs in Thailand, it was found that SMEs in general do not benefit from the large amount of funding that is available to the more formal and medium enterprises. Therefore, the policies do not facilitate the growth and the expansion of these SMEs, nor do they provide finance for their progression to becoming larger enterprises. In summary, it can be concluded that finance is not only the main problem facing small business, and it may be seen that Government has been putting over-emphasis on credit and financial support for small enterprises (Paetkau, 1999). Experience shows that the usefulness from government supporting is not effective for small retailers.

Most small and medium businesses that successfully recovered over the past few years were in Bangkok. Those in the provinces made a slow recovery because of their small-scale operations, outdated technology and limited access to state assistance (Treerapongpichit, 2002b)

To gain better targeting, with appropriate support being made available to specified target groups based on identified needs and demonstrated market demand for government service and support, the co-operating respondents were asked to answer the open-ended questions in the survey. The open-ended section covered the following business development instruments: training; access to information; technology development and transfer; access to larger and more profitable markets; and consultancy and counseling services.

Open-ended questions tend to produce a great variability in the amount of data across respondents. Unfortunately, the open-end sections in the returned questionnaires were mostly left blank. There were only a few respondents who provided very full answers. This is possibly because open-ended questions require more effort to complete. A summary with information from the twelve in-depth interviews were added to the initial written responses.

Table 6.12 shows the results of businesses' suggestions regarding the various kinds of support SMRs needed from government. The order of the needs for government support of firm by retail sector appears to be consistent with their suggestions about solving the problems they faced in operations.

Table 6. 12 Summary of suggestions and recommendations that SMRs needed

Type of supporting	Frequency	Percent
Management training needed		
• Focusing on simple accounting especially for taxation	20	27.0
• In entrepreneurship development	12	16.2
• Store design, managing employees, retail display, promotion and advertising	12	16.2
• Practical tips on marketing, pricing	12	16.2
• Running small retail business programmed	10	13.5
• Skills and techniques for organizing and controlling the buying process	10	13.5
• In business concepts, business environment and business planning;	10	13.5
• Basic education level for managers and employees	5	6.76
Total	**91**	**100**
Information service in		
• Sources of financing, database of financial providers	22	42.3
• Short course seminars or training	20	38.5
• Access to skilled workers, skills development for workers	10	19.2
Total	**52**	**100**
Technology development and transfer in		
• Using computers to increase competitiveness	15	32.6
• Assistance in computer competencies	12	26.1
• software programs for small business owners	10	21.7
• Using computer for accounting and inventory system	9	19.6
Total	**46**	**100**
Access to larger and more profitable market		
• A step-by-step instruction on promotion plan, information on managing a sales force.	15	28.8
• consumer trends and forecasting demand; analyzing and interpreting sales records; planning and control of merchandise assortments	12	23.1
• Effective marketing, tools and tactics	10	19.2
• Access to wider markets, border trade with Loa border.	10	19.2
• Ask government to be a middle man when contacting with border trade.	5	9.62
Total	**52**	**100**
Consultancy service		
• Advisory and information service on technology management, taxes, law and regulations, market opportunities, and product development	20	27.0
• Non-collateral credit or non-loan financing scheme,	18	24.3
• Program for small businesses improvement or improvement of fixed assets, for new expanded operations.	14	18.9
• Financial management, short-term debt financing, long-term debt financing or equity financing.	12	16.2
• A coordinating referral mechanism for access to additional expertise.	10	13.5
Total	**74**	**100**

Overall, the main management training need identified from the open-ended questionnaires and interviews as presented in Table 6.12 is for accounting, especially for taxation and financial management (24.7%). Most SMRs have difficulties in taxation matters. They have to pay many types of taxation for local government, municipality, sign and cut-out advertising, possessed land and house and also risky goods (goods that can harm the environment and health such as cement, animal food, and insecticides). Furthermore, they have to pay the income tax for the Revenue Division of Central Government. Retail stores that earn less than 600,000 Baht per year have to pay 1.5% of their total revenue which is calculated by official assessment. These payments have to be paid twice a year. When the retailers can earn more than 600,000 per year, they have to pay the Value Added Tax (VAT) every month and the payment is due on the 15 of the following month. Owing to many retailers lacking the required knowledge of value added tax processes and accounting for taxation purpose, they have to hire accountants monthly from outside to manage their value added tax account. This causes inconvenience and increases their operating expenses apart from any other training needs in accounting and taxation.

For information services, SMRs mostly need information about sources of finance, an extensive data base of financial providers and diversified resources to build owners' financing knowledge (42.3%). They also need training and specific information on how to write a business plan, a directory enabling them to identify and find the resources they will need to complete their plan, and actual business plans that have been used to launch successful enterprises. Even though the Thai government claims that they had provided a large budget for supporting SMRs, it appears that small shops cannot access this type of information. This might be because the channels of information from government to small retailers are not appropriate. An informant commented, "*I haven't heard about the government support offered to SMRs nor I read about them*". Another informant added, "*I got such information from the Provincial Chamber of commerce. I am a member of the chamber*".

Using computers to increase competitiveness is the most frequent requirement in the area of technology development and transfer (32.6%). This might be the effect of multinational chain stores which have more efficient management and use higher levels of technology. The SMRs who are aware of being competitive, may see that they have to use higher technology, including using computers for accounting and an inventory system.

The need to access larger and more profitable markets requires a step-by-step instruction on putting together a promotion plan, information on managing a sales force and steps for matching the products or services with the customers who need it (28.8%). Retailers in particular have been encouraged to embrace relationship marketing (McIntosh & Love, 1997) as it is supposed to simultaneously enhance sales to current customers and reduce the probability of losing them to competitors (Berry, 1986). Sales and marketing problems have been widely stated as being the most dominant problems encountered by small business operators. Marketing has been extensively reported as one of the most important of all business activities (Mckenna, 1991) and critical for the survival and growth of small business (Romano & Ratanatunga, 1995). However, small business operators were found to have limited understanding of marketing concepts, considering marketing to be little more than advertising and public relations (Geursen, 1996) and lacking adequate marketing skills (Small Business Development Corporation, 1992). A similar study by Huang and Brown (1999), found that many small businesses have major shortcomings in the area of marketing. Clearly, there are opportunities for programs and courses for the small business sector which aim to address this issue (Huang & Brown, 1999).

In the area of consultancy services, the advisory and information service on technology management, taxes, law and regulations, market opportunities, and product development are frequently used by SMRs in this survey (27%). Some SMR owners claimed that these types of consulting should be sincere, practical and efficiently provided. According to Dillard (1986), to devise appropriate systems and training programs, consultants have a communication function in at least three areas.

One is the transfer of new business techniques to small retailers. A second is providing knowledge or organizations that allow small retailers to combine their resources in areas such as purchasing, distribution, or lobbying. The third area for consultant communications concerns government aid and related requirements. The complexity of governmental regulations makes both opportunities and problems difficult to identify. A continuing governmental commitment to small business survival promises that such communication may be the primary responsibility of consultants, especially as regards to identifying the special help that government agencies can provide to small retailers. Often, the latter do not have time to find out about the governmental programs that exist for their benefit (Dillard, 1986).

All of the SMR needs mentioned above are similar to the study by (Wasontiwongse, 1999). He stated that, in order to overcome the problems faced by SMEs, proper financial and business development services and improved access to these services should be made available to micro and small enterprises. In particular, the service needed by the SME can be summarized as

- Non-collateral credit or non-loan financing scheme, particularly for start up and for expansion;

- Marketing and networking assistance, especially for markets outside of the enterprises' immediate surrounding area;

- Training focusing on simple accounting and financial management, including budgeting;

- Advisory and information services on technology management, taxes, law and regulations, market opportunities, and product development;

- Access to skilled workers, as well as to skills development for existing workers;

- Training in business concepts, business environment and business planning;

- Training in entrepreneurship development and opportunity identification.

The 1997 survey of SMEs commissioned by the Department of Industry Promotion (DIP) drew a quite similar conclusion about the problems facing the enterprises and the support needed, including: the lack of technical and managerial capabilities; access to wider markets; access to finance; skilled workers and skilled development; access to information vital to business (Department of Industry promotion, 1997). Furthermore, a study by the International Labour Organization (Allal) that involved micro enterprises created in rural areas with an assistance program of the Ministry of Agriculture and Cooperatives had similar findings. That study showed that the needs for support services to the micro enterprises were; group formation and organization; business ideas and technology transfer; business management training and advisory services; marketing assistance; access to capital; and coordinating referral mechanisms for access to additional expertise (Allal, 1999).

However, there are some specific types of support needed for different retail segments. For example, grocery stores needed practical tips on marketing, pricing, and service, store design, managing employees, retail display, promotion and advertising, identifying consumer trends. Even though the government had provided various kinds of support, most grocery stores cannot access information provided by government. They also need help about using computers for accounting and inventory systems particularly; they want to know about Point of Sale (POS) software programs. One of the interesting requests for help is the call for government to set up campaigns to encourage customers in local communities to buy goods from local stores that can help local economic growth. Grocery retailers still need help to form strategic alliances with super stores and distributors. General stores in contact with the Lao border as another retail segment need help from the government to be an intermediary to make a trade contract with the Loa government at the border. In this way they can sell more goods to the Loa people and to make sure that they can collect money after the sale. Luxury & small items and expensive items stores ask for sources of finance that have non-collateral credit or a non-loan financing scheme, particular for start up and for expansion. Specialty stores such as computer and office equipment and pharmacies need help to coordinate referral mechanisms for access to additional expertise. Department stores need more financial support and in creating networks with suppliers.

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Thus it can be concluded from the results of this section that the needs of SMRs in Ubon Ratchathani are slightly different in each retail sector. Overall this study confirms previous studies identifying the assistance that SMRs need from government.

6.6 Finding of Follow-up Interviews

In order to investigate the reasons why the owners use particular business strategies and to explore more thoroughly the issues affecting SMRs in Ubon Ratchathani, in-depth interviews were conducted with a convenience sample of 12 retail owner-managers in six retail sectors, namely, grocery stores, general stores, luxury & small item shops, expensive items stores, specialty stores and department stores. The interviews took a semi-structured format covering key themes such as the strategies used by the owners, the scale and scope of business operation and the respondents' perception of internal and external factors affecting the performance of their businesses, using a SWOT analysis framework. SWOT analysis identifies factors that may affect desired future outcome of the organization. The SWOT model is based on identifying the organization's internal strengths and weakness, and threats and opportunities of external environment, and consequentially identifying the company's distinctive competencies and key success factors. These, along with considerations of societal and company values, lead to creation, evaluation, and choice of strategy. SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. SWOT's objective is to recommend strategies that ensure the best alignment between the external environment and internal situation (Hax & Majluf, 1996; Hill & Jones, 1992; Mintzberg, 1994).

Strengths and weakness are internal factors. For example, strength could be:

- specialist marketing expertise;
- a new, innovative product or service;
- location of the business;
- quality process and procedures; and
- any other aspect of the business that adds value to the product or service.

Weakness could be:

- lack of marketing expertise;
- undifferentiated products or services;
- location of the business;
- poor quality goods or services; and
- damaged reputation.

Opportunities and Threats are external factors. For example, opportunities could be:

- a developing market such as internet;
- mergers, joint ventures or strategic alliances;
- moving into new market segments that offer improved profits;
- a new internal market; and
- a market vacated by an ineffective competitor.

Threats could be:

- a new competitor in the home market;
- price wars with competitors;
- a competitor has a new, innovative product or service;
- competitors have superior access to channels of distribution; and
- taxation is introduced on the product or service.

Interviews were taped and transcribed and the analysis was carried out using standard theme and content analysis techniques.

6.6.1 Internal factors

Strengths

The interviewees have identified some advantages arising from their small customer base. The strength or advantages of SMRs can be explained as follows:

Fewer levels of management and fewer resources diverted to management should give small retailers an advantage over larger rivals in moving quickly to grasp new opportunities or to correct emerging difficulties. Some small shops are run by a person who devotes themselves to the family business with no salary.

Another strength is the good relationship with customers. This interaction offers psychological benefits to certain customers who like to deal with the top manager or owner of the shop. It also enables the top manager to better understand customer needs. In essence, top management becomes involved in marketing research, which enhances quick reactions and adaptability. The presence of an owner-entrepreneur is one advantage that large retailers cannot duplicate. One of the respondents claimed that

> "Quality of products is important. Price is very important. But most important of all, a Thai want to know if you are his or her "kind of person" If he or she feels comfortable with you, he might be inclined willing to buy your goods and more importantly, he may recommend your shop to others." (Interview data)

Other strengths identified included a high degree of familiarity with clients, which allows trades to provide a better service and product assortment more closely tailored to the needs and wants of their customers. One respondent mentioned the advantage of high familiarity with the small customer which helps him to know the demand of his customers and forecast turnover. This supports findings from previous studies, finding that high familiarity with the small customer base and local area benefited many retailers in terms of demand planning and the forecasting of turnover and business performance (Byrom et al., 2003).

One respondent identified the importance of the relationship with customers as his strength. He explained why he trained his employees to pay great attention to customers. In this way he can compete with large chain stores.

> "Personal attention to customers is one competitive tool for a small store. When training employees, I emphasize that everyone has to pitch in and get the job done. Customers are not interested in job descriptions they are interested in being served promptly and courteously. I also train my sales employees in how to greet customers, show merchandise, suggest other items and handle customer needs and complaints. I always make friends with my neighbors. I try to remember their information in detail such as their names, careers, members in their families, etc., I think by this way I can encourage them to come back and buy goods from my shop again." (Interview data)

This finding confirms the study of McGee and Love (1999) that management authorities generally agree that greater public relations activities and civic involvement are key sources of competitive advantage for the small retailer. Similarly, Klemz and Boshoff (1999) claimed that smaller firms are by definition more flexible and capable of adapting to changing consumer demands. Their competitive advantage is their close contact with customers, personal attention and focus on service (Scarborough & Zimmerer, 1996).

Using a sales representative is another interesting marketing strategy. One of the respondents identified that he offers a person who works in a big organization such as school, hospital, private companies, and government office, to be his sales representative.

> "We offer credit for customers through sale-representatives from many government or private office. These representatives have to make a commitment with our store and deposited some money or assets for collateral. The representatives give their colleagues a small amount of credits to buy goods from our shops (e.g. not over 3,000 Baht per month) and by the end of the month the representatives will collect money from those customers and pay to our shops. In return, we give her or him ten percent of the amount of sales. We are looking for more sale-representatives from different offices. There are still lots of demand from this group of customers. By this way, we can expand our market effectively." (Interview data)

The traditional service is the most important for the pharmacy store. One of the respondents is a pharmacist who owns a traditional independent retail pharmacy. He stated that one of his strengths is the traditional pharmacy services such as primary consultancy for people who cannot afford to see the doctor or have no time to see a doctor in the hospital; including those non prescription items which goes beyond the standard health care items. He claimed that in a small town and rural area like Ubon Ratchathani, the local pharmacy is not only a respected small businessperson, but also the primary allied health-care professional.

> "As a pharmacist, I can give them a primary consultancy and sell them some kind of medicines for the poor or the one who cannot manage the time to see a doctor. Even though, large discount chains, along with supermarkets and mass merchandising outlets with in-store pharmacies dominate the pharmacy marketplace, the local pharmacy still enjoy competitive advantage by using this distinctive marketing competencies". (Interview data)

This confirms the findings of McGee and Love (1999) that small drug stores perceive their knowledge of potential customers and their ability to effectively segment and target customers as a primary source of competitive advantage.

Another strength mentioned by the owners of a retailer that sells computer and equipment is quick response services and consulting.

> "Our shop's main purposes are selling, installing and maintaining networks. We offer quickly service for repairing or consulting on basic problems with low cost. By this way we can compete with mega discount chain stores which have not adequately provided". (Interview data)

Adding more related product lines is another way to meet customer demand for small store's products and services. In this way, small general stores can increase sales and satisfy their customers.

> "We have offered other merchandise line traditionally associated with pharmacy sales, such as cosmetics and other beauty aids, stationary, candy, greeting cards, cold drinks, and other items." (Interview data)

This finding confirms the results in a study by Maline (1997) who claimed that pharmacy stores can increase their sales by adding more related product lines.

Offering small amount of credits with no collateral for neighbours is another marketing strategy. Since small shops tend to attract people with lower incomes, the more elderly and less mobile sections of the community, their customers tend to buy lower quality products.

> "We open our stores near residential areas and give our neighbor or people who we trust personally and offer them small amount of credits. We let them pay by the end of month or when they get paid from their works." (Interview data)

The convenience of a shop's location, phone ordering and home delivery are other strategies that SMRs identified as their strengths.

> "We offer the types of consumer goods that individuals want to purchase immediately. Our customers can order heavy goods or big package such as a big bottle of pure water, a sack of rice grain including a list of other convenient goods. We can deliver them by a pick up or a pulled cart. We are accessible to this service because our shop is located in the neighborhood of our customers." (Interview data)

Weaknesses

Poor management has been a great disadvantage identified by the owners of small shops. The manager is usually insufficiently experienced or knowledgeable.

The majority of SMRs are a result either of family succession or previous unrelated employment. Some view entry to retailing as an opportunity to be independent, hence, like small shops in any developing countries small shops in Thailand are usually managed by relatively inexperienced, poorly educated and are generally ill-prepared as small retail managers. Related to poor management is the lack of training and expertise. Independent retailers tend to be inadequately prepared for the trade. One of the respondents accepted that he did not have management knowledge.

> "I don't know much about financial statement. The only financial statement that I concerned is Profit/loss statement, as it had to be prepared for income tax purposes. I had received other financial statements such as balance sheet and common size statements but I never pay attention on them because I don't understand the meaning of statement with percentages down side. So these statements were not used to make decisions. Normally, I know my balance in my check book and used the checkbook to make most of my managerial decisions. I think no one else knew my particular business well enough to consult. I always used my personal experience in my own business to be a prevailing source of information." (Interview data)

This is similar to the findings of a study by Palmer (1994) who stated that small independent retail owner-managers are struggling for survival in today's economy. They are trying to make the right decisions with the information they have gathered that they feel is important or that they know how to collect. Most of the information collected is in the mind of the owner-managers, not written down or recorded in an accounting system. They are quick to explain that writing down this information would take too much valuable time and that time is needed elsewhere in the business (Palmer, 1994).

The lack of access to finance is one of the most important weaknesses of SMRs. The owner of a small department store claimed that

> "Because of the lack of access to finance, we don't have enough money to buy many kinds of goods. Often shoppers leave without buying because the store did not have the items they wanted. If I have enough finance resources I can manage stock control, combined with suppliers whose policies on reorders are favorable to the shop, provides a way to reduce walkout." (Interview data)

This is similar to the study by Murphy (1996) who indicated that large firms mostly use their size and particularly aspects such as economies of scale as a competitive advantage (Murphy, 1996).

The lack of specialized personnel to perform different activities is other weakness identified by respondents. This causes poor access to high technology and equipment and poor access to information vital to business management.

> "Even though I can afford to by some high technology equipment but I don't have ability use it or apply for my business. I found it is too complicated and wasted time to learn. I do not trust to hire people from out side my family. I hope that when my children graduated they will come back to help family business and learn how to use high technology equipments". (Interview data)

6.6.2 External factors

Opportunities

The respondents mentioned some opportunities during the interviews as follows. Firstly, they mentioned that Thai government agencies and other involved organizations had provided various business development instruments. Access to quality business development services (BDS) for SMEs implies the existence of various business development instruments and channel through which these services can be provided.

> "In my opinion, the future of SMRs is not as dim as many people expected. I received some support from the government. I know there are various kind of support that provided by public sector. I just hope all the measures that the government providing will be fairly and transparency distribute to all SMRs". (Interview data)

One of the respondents from a general store confirmed that population and economic growth in Ubon Ratchathani is an opportunity for his business to grow. He stated that

> "Ubon Ratchathani is one of a biggest city in North East region of Thailand. Its population is almost 2 millions. There are 2 big public universities and 3 private universities including a number of vocational colleges. The younger have more chance to continue studying in Ubon Ratchathani instead of moving to Bangkok. We can open our shop near a campus or a dormitory for this group of people. There are also some lower income people who still need to buy goods from shops that located in their communities". (Interview data)

The economic growth could be confirmed by the report from The International Institute for Sustainable Development (IISD) (Nikomborirak, 2004). Thailand has initiated bilateral trade agreements with both developing countries such as Bahrain, China and India, as well as developed countries such as the United State of America, Japan and Australia. This Free Trade Agreements (FTA), in particular

with the major industrialized countries such as the USA, are likely to have major implications for the investment regime in Thailand. The investment provisions contained in FTAs include advanced commitments to open up the investment regime described in detailed legalistic texts. It is widely believed that The FTA contributes to growth for the Thai economy. For example, the Free Trade Agreement (AFT) between Australia and Thailand which came into force on 1 January 2005, would deliver significant benefits to both countries. According to a study prepared by Australian and Thai officials from department of Foreign Affairs and Trade, an FTA would increase Australian's GDP by some AUD$ 12 billion and Thailand's by AUD$ 46 billion over a 20 year period. Trade between the two countries would expand substantially in both the goods and service sector. An FTA would also lead to increase in investment flows into both countries (TAFTA, 2004).

In terms of technology, the owner of a general store claimed that he had joined a free short course seminar provided by the government agency.

> "I had joined a free-short course seminar provided by the government agency. I had learned how to use soft ware computer and learn about e-commerce. If the government keeps on helping us, I think we can have a chance to improve our businesses". (Interview data)

These external changes may offer opportunities for retailers to grow or alternatively they may provide threats to the SMEs.

Threats

Small and medium retailers (SMRs) in Ubon Ratchathani mentioned a number of the threats which they faced. The first threat is from the mega-retail discount chains because the chains have many advantages and services that are difficult for the small retailers to match with their limited capital, smaller staff numbers and other limited resources. One of the respondents from the small grocery store claimed that

> "Discount stores have pushed down sales of convenient stores by 20 to 30%, especially with grocery items. This is result from the aggressive pricing policies from the mega-discount stores that we can not compete with them". (Interview data)

> "Locally-owned retailers have had to accept that discounts and other incentives are the only way to win back a once-captive market. We need help from the government to deal with price cutting of big chain stores". (Interview data)

This confirms the findings by Shils and Taylor (1997) who reported in his study of the impact of discount chains on small enterprises that the strengths of these mega-retail discount chains may be observed by viewing the following characteristics: (Shils & Taylor, 1997, p.23)

1. Lower price, resulting in great part, from direct mass purchasing of the manufacturers' or suppliers' products.

2. Aggressive pricing policies in which small retailers lack sophistication and information. The major discounters quickly alter prices by lowering or raising them as the circumstances dictate.

3. Strong promotion and advertising budgets managed by professionals that can put the small retailers out of the game.

4. A tremendous line of products, which of course, widens consumer choices.

5. Constant investment in closing old stores, renovating and enlarging new ones and building challenging and imaginative super centers. Aggressive design, both externally and internally, creates curiosity in the mind of the shopper who appreciates "newness".

6. Use of automobile-ease of access and free parking facilities. The mega-retail discount chains choose locations which are close to major highway and generally located away from the traditional "Main Street".

7. Product lines that replicate or expand on product lines that can be found in all the traditional and specialty "Main Street" stores; i.e. men's women's, children's and infants clothing; sport wares; fishing and hunting items pet foods; groceries; meats and many others.

8. Mega-chains are generally open on a seven days longer-service hour basis. Customers can pull into their mega box parking lots, day or night at any hour.

9. Shopping, eating, buying groceries, meat, apparel, drugs, filling prescriptions all offer "One stop" shopping that is convenient.

10. Generally, the inventory policies and mass purchasing of the large chains eliminate back orders. Inventories are purchased on a mass, huge discount basis and items are generally in stock and available. The lack of capital on the

part of the small retailer often require frequent back orders and recorders, and hence delay service to the customer.

The second threat which they mentioned during the interviews was the use of government support. Many considered that the support provided by government are not effectively practiced or widely used. For example, the accessing for sources of finance is still complicated and the amount of money allocated is not enough to meet the demands of SMRs. The respondent from the luxury and small item store said that;

> "We can not meet the requirement of commercial banks or specialized financial institutions because they need high value of assets for collateral and more complicated process to obtain. Sometimes the banks offer loan much lower than we really need". (Interview data),

Finally, the deteriorating economic conditions including high tax rates, declining consumer incomes and the lowering of official economic growth projections for the year from 3.5% or below, from 4.5% (Bank of Thailand (BOT), 2004). This may be affected by the increasing price of oil. The owner of specialty store claimed that;

> "Since the oil price keeps increasing, sometimes twice a week, the cost of goods sold is going up but I have to maintain the same price. As a result, I gain very little profit or even lose. Consumers, who have fixed salary, have less value of the money. Consequently, they have to spend less than usual." (Interview data)

The information generated from the qualitative interviews supported the existing research literature as well as provided useful insights for strengthening the questionnaire beyond items grounded in theory.

6.7 Summary

This chapter presented the results from the questionnaires and follow up interviews on the small retailer perceived effects of business networks and government support for business operations. Based on the findings, two sets of conclusions can be drawn. The first is the problems faced by SMRs. and the second are government support and business networks and the types of support that SMRs need.

6.7.1 The problems faced by SMRs

SMRs believe that environmental factors will have a more serious impact than the internal factors. They are often not aware of their internal problems such as the lack of management knowledge and ability to use information and technology. Most SMRs are not engaged in businesses that require a high level of operational technology; they seem satisfied with their present technology and management. Most claim that their quality is satisfactory enough for their customers while only a few of them blamed their equipment which is often old and inadequate.

Regarding the size of firm, the results show that medium sized businesses are more seriously impacted by these three problems: high cost of goods sold, recruitment/selection of staff, and the labour shortages. On the other hand, micro and small size businesses are facing more serious problems in difficulties in obtaining finance.

Next, for the type of store, there are two problems that have a more serious effect on grocery stores than other type of stores. The first one is the problem of changing consumer behavior. Another one is price cutting by discount chain stores.

The lack of ability to use information technology seriously affects businesses that have operated for a period of 8 to 20 years. This may be because the owners are resistant to change and the limited resources in finance and human resources.

6.7.2. Government support and business networks.

The results show that less than 50% of SMRs used government support or business networks. There is a significant difference in perceived business performance between the businesses that used "networking among business peers" and networking with consultants and trainers" and the ones that did not use either.

The most useful type of support was information provided by government, followed by management training and short course seminars for finance and accounting, respectively.

Government support seems to have little effect on small and micro businesses. This may be due to the low awareness amongst small business owners of the importance of using government support. High performance businesses perceive government support as more useful than the lower performing businesses.

6.7.3 Type of support that SMRs needed

Based on the open-ended questionnaires and interview, the most frequent management training needed from government or support agencies is the training for accounting, especially for taxation and financial management. For information and service, SMRs mostly need information about sources of finance. An extensive data base of finance providers and diversified resources to build owners' financing knowledge were requested. The need for access to larger and more profitable markets could mostly be met by providing step-by-step instructions on putting together a promotion plan, information on managing a sales force and steps for matching the products or services with the customers who need it. In the area of consultancy services, the advisory and information service on technology management, taxes, law and regulations, market opportunities and product development are the services mostly required for SMRs. In addition, using computers to increase competitiveness is the main requirement in the area of needs in technology development and transfer. This might be the effect of multinational chain stores entering the Thai retail sector with more efficient management and using higher technology. Thus SMRs have to use high technology to compete with the chain stores.

6.7.4 The SWOT Analysis

The results from interviews using a SWOT analysis framework (Strengths, Weaknesses, Opportunities and Threats) can be summarized as follows:

SMRs have an advantage in the area of flexibility to change and grasp new opportunities or correct emerging difficulties. Another strength is the good relationship with customers that allow them to provide a better service and product assortment more closely tailored to the needs and wants of their customers. Using a sales representative is another interesting marketing strategy. The traditional service is the most important for pharmacy stores. Adding more related product lines is another way to meet customer demand for small stores. Offering small amount of credits with no collateral for neighbours is another marketing strategy. Finally, phone ordering and home delivery is another strategy that SMRs identified for their strength.

The weaknesses of SMRs are concerned with the problems identified in the questionnaire items. The interviews confirmed problems as the lack of business managerial skill, access to finance; access to better technology and equipment; and access to information vital to business management.

SMRs have opportunities to grow in many areas. The Thai government is developing the Control Act as a tool to monitor large retailers and promote competitiveness of the medium and small retailers. This will allow micro and small scale retailers to compete with the large ones. The economic growth is an opportunity for SMRs to continue businesses. In terms of technology, the Institute of SME development and the Department of Trade Development have provided some sources of finance and technology to improve SME performance.

The major threats to small and medium organization and performance are the impact of the mega-retail discount chains. Other threats are the deteriorating economic conditions including declining consumer income.

The next chapter provides the conclusions and recommendations based on the major findings presented in Chapter 5 and Chapter 6 , as well as the limitations of the this research and recommendations for future research.

CHAPTER 7

CONCLUSION, IMPLICATIONS AND AREAS FOR FUTURE RESEARCH

7.1 Introduction

In chapters five and six analyses have been conducted and undertaken on the questionnaire and the interview data. In this chapter the main conclusions are drawn. The first section outlines these conclusions and suggests the managerial implications for SMRs and for policy makers regarding government support. The next section examines the limitations of this study followed by suggestions for further areas of research.

The purpose of this research project was to explore business adaptation strategies used by SMRs to survive and succeed in times of rapid and significant environmental change. These changes include the changing behaviours of consumers, improvements in technology and intensifying competition from multinational hypermarket retailers. The specific research questions were:

1. How has the business environment in Ubon Ratchathani changed during the last ten years?
2. What do SMRs perceive to be the impact of the present business environment on their business?
3. What strategies have SMRs in Ubon Ratchathani adopted during recent periods of significant environmental change in business?
4. What strategies and tactics have produced success?

5. How do SMRs evaluate available agency's support programs and what types of support do SMRs see as an urgent need?

Discussion of the findings is divided into five sections, reflecting the major issues of the research study above. The first section (7.2) covers the conclusions drawn based on the analysis of the business performance. Section 7.3 summaries the findings of the functional strategies used by SMRs in Ubon Ratchathani. After this is the section focusing on the problems faced by SMRs, followed by a summary of the views on government support and business networks for SMRs. Finally, the needs in relation to government support are outlined in Section 7.6. The last two sections in this chapter describe the limitations for this research and suggest areas for future studies.

7.2 The Business Performance of Thai SMRs

This section discusses three main conclusions derived from the analysis of the business performance of SMRs in Ubon Ratchathani. The performance was measured by the 'Total Growth' which comprised five measures:

1. Total profit
2. Total sales
3. Margin on sales
4. Goods turnover
5. Number of customers

The conclusions which can be drawn are that, firstly, the overall business performance for the years 2001 and 2002 was very high and there were some trends of growth from 2001 and 2002. This is due to population growth in the community and the strength of the economy of Ubon Ratchathani. However, the margin on sales remained low and steady. This confirms the finding of the Thailand Productivity Institute (2003) which reports that small business has a net profit at the rate of 1% in

2001 and a net loss at 1% in 2000. This suggests that both the business environment and their business competencies had not been improved during that period. Generally there are fewer levels of management in small retailing and as a result, fewer resources that need to be diverted, which should give small retailers an advantage over larger rivals in moving quickly to grasp new opportunities or to correct emerging problems. Such quick reactions can contribute to short-run profits, but long-run profits will result only if small retailers are able to adapt to the new conditions as well as their larger competitors. To gain quick reactions and adaptability, small retailers must be able to:

1. identify significant changes early in their development;
2. analyze the nature of these changes so as to make possible adaptation of organizations to them; and
3. maintain organizational flexibility that allows organizational change without undue resistance.

The second conclusion which can be drawn from this research is that the type of store does not contribute to any change in the perceived business performance. This may be because most SMRs in Ubon Ratchathani are micro to small in size. Thus, no matter what type of store they are, the perceived business performance change was the same.

The third conclusion is that younger businesses are growing faster than older ones. The small younger organizations had a perception of higher performance than the older firms. Adizes (1988) suggested that younger businesses are mostly in the stage of growth and expansion therefore their business growth is relatively high. At the same time, older businesses may be in the maturity or declining stage. Thus for the larger businesses, their view was that their performance had stabilized or even decreased. However, the reality is that the management of the small younger organisations does not have the same capabilities and competencies as the older organizations in managing these businesses. The implication is that these newer businesses have to learn or have to receive more training in how to manage the

businesses and expand their organization. By providing these new businesses with support through training in management knowledge, capabilities and competencies in the early years of their business development, the business then has the ability to expand and achieve the same outcomes and expectations as more established businesses. This would still allow potential business owners the opportunity to get into a business and develop their capabilities, competencies and the ability to manage their organisation as the business grows. Such businesses are seen to be a major source of nationwide employment in the future. In light of this forecast, governments at all levels should be proactive in establishing strong support for these smaller businesses. This can be done by assisting the SMRs to establish networks perhaps by initiating professional organisations for SMRs on a regional basis, providing access and financial support to short courses at educational institutions for SMR owners, and providing subsidies for interest on business loans during the establishment period for the SMR.

The conclusion of the analysis that the young and small businesses tend to perform worse than the larger ones suggests that management for smaller businesses at the early stage has a primary focus on growth but their overall performance in these initial stages is not as good as the big businesses. The implication for a business manager is that during their growth stage they need to consider their profitability as well as undertaking the forward planning. It is possible that young SMRs in the early stages may find it difficult to accurately establish their cost base. This in turn, makes appropriate pricing difficult. In that sense, their knowledge to identify future market opportunities can be very important. SMRs have to prepare strategies and investment capital to catch up with rising competition in the long run and to diversify strategies so as to meet the demands of price-conscious consumers.

7.3 The SMR's Functional Strategies and their Impact on Business Performance

This section discusses the impact of the four main functional strategies used by SMRs in Ubon Ratchathani: marketing strategies, financial strategy, human resource strategy, and product strategy.

7.3.1 Marketing strategies and their impact on business performance

Marketing strategies have major impacts on SMR performance. The four marketing strategies that SMR's used are:

1. in-store promotion strategies;

2. convenient service strategies;

3. creating customer relationship strategies;

4. product variety and pricing strategies.

Based on the multiple regression results in Table 5.14, the most influential of the above four factors for SMRs on business performance is the in-store promotion. This factor comprised six business practices, namely:

1. advertising, cut-out signs, radio, newspaper;

2. decorative store signs;

3. attractive display arrangements;

4. polite customer service;

5. clean and neat staff uniforms; and

6. eye-catching and informative display of goods.

The results of the impact of marketing strategies on the business performance suggest that small business owners should focus more on in-store promotion strategies. Whilst this is primarily an internal matter for SMRs and they should focus their attention on internal promotional activities, the Government should also be aware of this issue and provide support to SMR owners to increase their capability in this area.

The main competitive tool that small stores have is to use a strategy of concentrating on personal attention to customers. This is emphasized in the training of staff in small stores where the focus is on everybody helping out and providing prompt and courteous attention to the customer. The customer expects a certain level of service from the sales people and this result in a heavy focus in training in the following areas:

1. how to greet customers;

2. showing merchandise to the best advantage;

3. suggesting other items that are similar or maybe in addition to the items of interest; and

4. handle customer needs and complaints.

To compete with large businesses in the area of marketing strategy, small retailers may have to concentrate on a narrow market segment and gain an intensive knowledge of those segments. Because small retail firms are tied so closely to their local communities, marketing research should concentrate on these local communities. Since the small retailer's limited resources are already tailored to local markets, the organizational changes required for continued adaptation to local market segments should be fewer than those required to handle competition for a wide spectrum of market segments that large retailers usually seek. Even though large chains can use their purchasing power to buy merchandise at lower prices than small local stores can, small retailers can overcome this cost disadvantage by providing

better customer service than a large, bureaucratic chain. This suggestion is supported by Pourpongsakorn and Siamwalla (2002), the economists with the Thailand Development Research Institute. His study reported that 43,000 small retailers and wholesalers had gone out of business in the five year period (1998-2002), as a result not only of the aggressive expansion of foreign mega-stores but also from a sluggish economy. However, those that have survived have been managing inventories better and offering improved services, such as telephone ordering for customers (Maneerungsee, 2002).

7.3.2 Financial strategies and their impact on business performance

The second functional strategy examined in this research is financial strategies. Financial strategies have been found to impact strongly on SMR performance. The three financial strategies that SMR's used are:

1. accounting and management control;

2. reducing cost of goods sold; and

3. conservative investment.

The multiple regression analysis results in Table 5.18 shows that the most powerful factor that impacts on business performance is *accounting and management control*. This factor can be subdivided into four business practices which are:

1. engaging consultants or employing accounting and management professionals;

2. recording revenue, expenses, inventory continuously;

3. checking and controlling receivable accounts; and

4. using computers for accounting.

Consequently, the small business owner should pay more attention to accounting and management control or acquire these capabilities early in the business development phase. For the solution of the management of inventory problems, SMRs should develop strategic retailing initiatives, such as quick response times and efficient consumer response, in conjunction with the increasing use of technology, including electronic data interchange and bar coding.

7.3.3 Human resource strategies and their impact on business performance

Human resource strategies as outlined in Section 5.4.3 have a major impact on SMR business performance. This strategy is composed of:

1. employing only qualified staff;

2. staff training;

3. assessing employee performance;

4. rewards/penalties for employees;

5. involving employees in decision making; and

6. owners attending short course seminars.

These are human resource measures that small business owners can use to improve their business performance. SMRs can form a strategic alliance or network to share a pool of trained human resource managers including receiving helpful assistance such as store administration and staff training by joining with other similarly constrained operations (Hardy & Magrath, 1987). Assessing employee performance and giving fair rewards or penalties including listening to employees' suggestions and complaints are practical measures that SMRs can use. The opportunity to know all employees on a personal basis should give the small retailer an advantage over larger rivals in developing employee trust and confidence in management.

7.3.4 Product strategies and their impact on business performance

As seen in Table 5.22 and also supported by other research by Stone (1993) and Barnara (1991), product strategy strongly influences SMR performance. There are two factors of product strategy that SMRs used. The first factor is "product preference" which composed of five measurements. They are:

1. finding cheaper suppliers;

2. goods with warranty and can be returned;

3. fewer products but have every size and colour;

4. reducing price to sell superfluous/obsolete stock; and

5. following up customer complaints.

The second factor, product innovation, is composed of four measurements:

1. analysing location;

2. reviewing stock control;

3. adding new goods; and

4. adding new product lines.

The multiple regression analysis results in Table 5.22 show that the most powerful factor of product strategies impacting on performance is the product innovation factor. This means that small business owners have to build up a wider network with the suppliers for the new products. Also for the new services, small businesses have to build up new and better networks with other SMRs to get new ideas about the new services and to know what kind of service that other businesses are providing. In terms of product preference, the idea of listening to the customers' complaints or suggestions is crucial because small businesses have to know and understand their customers' needs. Then the SMR knows what products or services the customers have preference for because they know and are serving the local

residents. These local residents may have different needs and income levels from region to region. The discussion in Chapter 2 highlights the major issues in this regard for Ubon Ratchathani and demonstrates the importance of SMRs having intimate knowledge of the local issues where they are located at. In addition, small stores have to adjust their merchandise mix to offer more package foods, cold drinks as well as entertainment products such as CDs, tape recordings, newspapers, books and magazines. The small retailers must create their own image and differentiate themselves as unique, rather than follow the larger ones. Creating new services and product differentiation can increase their business performance. With unique strategies and by maintaining fewer inventories, the SMR can take advantage of flexibility in rapidly changing inventories. Consequently, it is very important for SMR owners to spend more time understanding their market and to find out what source of products they need to introduce for this group of customers. In other words, SMRs have to understand the demand and the supply need in the stores as well as to help the owner-manager offer a balanced assortment and determine stock to be ordered on the basis of what is on hand, what is on order and what has been sold. The availability of a product can often be a stimulus to purchase for a customer.

In relation to the managerial implications for SMRs and for policy makers, the local independent merchant must focus on the specific niches that exist and employ differentiation strategies to succeed, rather than try to compete against mass merchandises purely on the basis of price. This is also supported by the findings of Winninger (1995).

7.4 The Difference in the Impact of Functional Strategies on Business Performance between Small and Medium-sized Thai Retailers

In terms of business size, the results in Table 5.23 show that the medium businesses conducted in-store promotion much better than the micro and small size businesses. It should be emphasized that business size impacts on its performance and functional strategies. The outcome from these results for small business owners,

is that micro businesses need to try innovative ways to promote their products and services in-store.

The data from Table 5.23 also suggests that for the micro and small businesses their functional strategies are not as good as the medium ones. The implication is that micro and small business owners need to be trained or educated in the areas of marketing, finance, human resource and product promotion. In addition, the government should tailor their training programs to target the smaller businesses. Furthermore, the government should take measures to convince SMR owners of the advantages of joining such training programs and publicize there training programs through effective advertising campaigns. It is suggested that the weak or incapable businesses should be supported at the same level or more than the capable ones. The supports should include capital, knowledge and techniques in order to assist them to be competitive. At the same time there is a need to have retail legislation to protect smaller retailers. The retail business bill should have provided opening-and closing-time controls, minimum price controls and the implementing of technology to help small retailers.

As traditional small grocery retailers have been severely affected by big discount chains, they should adjust and modernise to compete with big retailers, both in improving variety of product as well as keeping good relations with local communities. They need to find micro markets such as in small cities, as well as find their own niches to avoid direct competition against big retail players. They also have to define themselves by their business characteristics, product offerings and target customers. They can not sell a massive number of products to every customer.

7.5 The Problems Faced by SMRs

The problems faced by SMRs were investigated to provide sufficient information for decision makers to design effective policy and support programmes for SMRs. Moreover, it can help SMRs review their present situation.

A total of 14 problems were listed in the questionnaire based on the literature review and the researcher's personal experience. The most severe problems for SMRs in Ubon Ratchathani are the factors in the macro-environment, particularly the economic environment during the economic downturn in Thailand, the varying consumer behavior and the increasing overall operating expenses. At the industry level, the problems of high competition with the threat of over supply from neighboring competitors, price cutting of discount chain stores and higher cost of goods sold from suppliers have a high negative impact.

Regarding the organization's size, the results in Table 6.1 show that medium businesses are more seriously impacted by these three problems: high cost of goods sold, recruitment and selection, and the labour shortage. On the other hand, micro and small sized businesses are facing more serious problems of difficulties in obtaining finance. There are two problems that have a more serious effect on grocery stores than other type of stores. These are the problem of varying consumer behavior and the price cutting from discount chain stores. The lack of ability to use information technology has seriously affected the businesses that have operated over the last 8-20 years.

An ANOVA analysis was employed to investigate the different impacts of the problems on the business performance, based on size, type of store, age of firm and level of performance. Only a few differences are noted suggesting that the problems encountered by SMRs are very widespread across all sizes of organization and encompass age, size and level of performance. This information should be used by

Government to try to formulate some SMR assistance program to emphasize this issue. Results from this study also have implications for SMRs in all sizes, type, age, and level of performance to be aware of the important of identifying their problems. The awareness of problems could offer useful lessons they learned from experience and is also an indicator of the role of forward planning and external environmental impacts on business operations. SMRs need to create strategies that provide effective ways to compete with large chains. The small retailers cannot compete on price or on the range of goods in the store. These small retailers have to differentiate themselves from the big stores through other aspects of strategy (Klemz & Boshoff, 1999). SMR's can provide a different source of service compare to the big chains. For example, the contact person can influence customers in a wide variety of ways (Bitner et al., 1994). Surprenant and Solomon (1987) also support the idea that by personalizing the service provided, the contact person can convey responsiveness, assurance and empathy to the customer, thereby influencing their assessment of the service provided. The retailer must take the view that customer care extends beyond the actual purchase. As suggested by Klemz and Boshoff (1999, p.205), two areas of marketing communications need careful attention: public relations and direct marketing. In addition, the retailers should look at ways to add value to the in-store-service. This can help them find the effective management practices to decrease the negative impacts of the problems.

7.6 Government Support and Business Network

To assess the strategies that yield the most successful impact on SMR performance, the respondents were asked to identify business networks which they used and to evaluate the contribution of government support for SMRs.

In terms of networking among business peers, and with consultants and trainers, the results in Table 6.7 show many of the SMRs that have built a stronger network with the business peers and consultants have a better performance than those

that did not. This demonstrates the need for SMRs to establish networks with other SMRs and the implication for Government or policy makers is to help the development of this networking for SMRs. This networking would result in major improvements in the areas of product strategy, product innovation and product preference which are crucial for SMRs. This type of networking can help SMRs to understand how other SMRs are doing and could allow them with similar problems to tackle the problems collectively. This means there are cost savings for SMRs who might engage consultants collectively to overcome common problems.

The most useful type of support, as seen by SMRs, was *information provided by the government*. The next one was *management training*, followed by *short course seminars for finance and accounting* and *helping to reduce business costs*. The World Bank (1987) reported that SMEs are restricted by lack of access to capital and being forced to accept high interest rate charges. This is partly the result of their poor record keeping and accounting information, which make it difficult for financial institutions to evaluate potential risks and returns of their lending to SMEs. Lacking access to institutional credit results in them having limited financial resources or having to face high financing costs from non-financial institutions. As a result, SMEs have a high failure rate (Byron & Friedlob, 1984; Fredland & Morris, 1976; Watson & Everett, 1999). The lack of awareness of support services was an obstacle for SMEs participation in support programs (Hull, 1987; Maki & Pukkinen, 2000). In addition SMEs were unaware of specific services or how to access them (Sims et al., 2001). This study shows that micro and small businesses feel that the government support is not very useful compared to the medium enterprise's perception. The government has to focus on public relations, provides more information and find out the training needs for SMEs. SMEs need to manage their growth and their performance, particularly when the business is young. The government may focus more on the development of the network program or mentor/advisor program to help them. For instance, the government may consider providing a specialist team to do on-site consultation or training courses. Such practices help reduce the problems that owners of micro businesses to be absent from their businesses.

7.7 The Needs of Government Support

In order to explore the needs that SMRs require from government, the open-ended questions asked the respondent to give suggestions about which service or government support should be improved for their success. Questions in this part aimed to obtain the information for assistant programs that SMRs urgently need. Consequently, it can be reported to the appropriate organizations.

The results from the open-ended questions analysed in Chapter 6 shows that the SMR's greatest need for information and service is in the area of the sources of finance. It would be desirable for the Government, or possibly the network of SMRs, to offer an extensive database of finance providers and diversified resources to build owners' financing knowledge. There is an opportunity here for the Government to provide personnel to coordinate the networking amongst SMRs in regional areas and to develop resources such as a database of financial sources. These resources are perhaps best directed towards the local post-secondary educational institutions that have the local knowledge and are easily accessed by the SMRs.

The need for access to a larger and more profitable market requires the provision of step-by-step instructions on putting together a promotion plan, information on managing salesmanship and steps for matching the products or services with the customers needs. The most demanding areas of information for SMRs include consultancy service, the advisory and information service on technology management, taxes, law and regulations, market opportunities and product development. In addition, using computer technology to increase competitiveness is a major requirement in the area of technology development and transfer. This is a flow-on effect from multi-national chain stores which have more efficiency management through using higher technology. Thus SMRs that use high technology are able to compete more effectively with chain stores. The Government should carefully examine the problems and needs for SMR development and

cooperate with local retailers so as to gain insight into problems. It can also engage local educational institutions to work with local businesses for this. At the same time, small retailers should upgrade their businesses, notably products, supplement services, as well as pricing and managerial systems. Moreover, SMRs should be flexible and quickly respond to customers' demands.

Policy makers in Thai governments at all levels have an obligation to help boost Thai competitiveness through providing a knowledge base, technological support such as computerized aids, logistics systems and e-commerce as well as financial support such as low interest rates (or subsidies on interest rates) and low rates of income tax (or income tax concessions). On the other hand, they should put in place strategies creating a fair business arena so that Thai retailers remain competitive whilst sustaining fair market processes for consumers.

The recommended government policy for small businesses made by Siamwalla and Poapongsakorn (2003) was for providing sources of finance, short course seminars and effective marketing. If the government wants to protect the traditional small retailers, it should focus on policy measures that will enhance the management skill of the small retailers, particularly the software development program for the small retailers and the legislation of franchise law to protect the balanced interests of the franchise owners and the small franchisees. Moreover, because the modern retail market has rapidly become more concentrated, the government should not hesitate adopting the competition policy by seriously implementing the 1999 competition law.

SME owners can also lack an understanding of the supply chain and face difficulties in obtaining relevant information relating to production techniques and knowledge of material suppliers. A full understanding of the supply chain allows SME owners to make informed management decisions. This lack of understanding indicates inadequate promotion of information sources and suggests that minimal

effort is made to raise awareness amongst entrepreneurs about the importance of this information.

The best approach to improving management practice is to learn from others' experiences, which is yet another justification for the development of networks. This might involve the development of management policies which draw from the strengths of other companies that are performing well such as direct customer contact, flexibility and management control. This should be carried out in conjunction with attempts to neutralize known weaknesses that might be experienced by other companies such as purchasing power of large retail outlets, image, limited product range, mass media advertising, and difficulties with new technology, mismanagement, financial weakness and vulnerability to competitors.

This study supports the literature where most small business managers lack sufficient skills to be financially capable and require guidance (Paetkau, 1999; Pollan & Levine, 1992; White, 1999; Wiboonchutikula, 2002). The owner-managers of the businesses are very familiar with the mechanics of their business but often overlook the financial needs. Their accounting system is the key to this and the system must fit their specific needs and produce the information they need for decision making. Small business owners would benefit greatly from assistance in developing these systems through helping them decide what information they need and assist them to set in place an appropriate financial system.

In summary, the priority for government policy makers in assisting SMRs is to address the needs of small businesses and their managers. This is of fundamental importance. The indications of this study are that policy makers should consider the principles necessary for engaging in small business. This is supported by Pavic, et al., (1997). These principles are:

1. Defining and understanding a small business, where a small business is defined as one that has few employees, one or two key decision makers and workers often need to be multi-skilled.

2. Acknowledging and working within the small business culture, which is open-ended and flexible. The owner operator has a key role in shaping the culture. Managers are not big supporters of formal training as they and their employees generally learn from each other.

3. Understanding their unique learning needs and identifying knowledge gaps that exist between firms and support agencies.

4. Building on the immediate needs of business. Owner/operators want tangible, practical and immediate support.

5. Focusing on process rather than content.

6. Support should be needs driven. Needs are often based on crisis situations rather than an intrinsic value of training itself. Each business has different needs at different times.

7. Understanding that relationships are important. Personal face-to face contact is important and is a key link.

8. Developing the stake holders support agencies that deal with small business so as to improve their capacity to behave entrepreneurially.

9. Learning from, and using existing research frameworks as support. and

10. Aiming for sustainability. Build networks and link to existing support. As small business develops and owner/operators become life-long learners, the support agent should be less required.

It is important to note that SMRs problems and needs should be fully understood before an analysis is made of the SME policy and regulatory environment and of the interventions and programmes aimed at promoting SMRs in local areas (Tolentino, 2000).The finding in this study suggests that SMRs in local areas like Ubon Ratchathani need to be stimulated to be aware of the necessity to join business networks and to take information from government or related agencies and. It is also essential to make sure that most SMRs access those available supports. Whereas SMRs have to create strategies that can compete with big chains through other aspects such as better service and contact people. The local retailer has the

opportunity to know customers – not just name and address but likes and dislikes, preference and prejudices. As recommended by Klemz (1999), retailers should consider how they recruit and train employees so as to give the highest quality of attention and service to customers. In addition, small retailers should recruit employees who like to interact with customers and are willing to base their customer relationships on repeated interactions based on trust and commitment.

7.8 SWOT Analysis

In order to explore the issue affecting SMRs in Ubon Ratchathani more thoroughly, in-depth interviews were undertaken. A SWOT analysis format (strength, weakness, opportunities, and threats) was used. The conclusion can be drawn that, firstly, SMRs in Ubon Ratchathani identify some strength from their customer base. They are:

- fewer levels of management, which is good for flexible operations;

- good relationships with customers, which enhances quick reactions and adaptability;

- a high degree of familiarity with clients which allows provision of a better service and product assortments for customers;

- offering small amount of credits with no collateral, which attract low income people;

- Satisfying customers by phone ordering and home delivery.

Secondly, weaknesses of SMRs in this study can be summarized as:

- poor management, this includes inadequate management knowledge;

- the lack of access to finance.

Thirdly, opportunities of SMRs in Ubon Ratchathani are identified as:

- the existence of various business development instruments from government agencies and other involved organizations;

- protection and enforcement from legal and regulation;

- existing measures of support for SMRs such as the establishment of Model Retail Shops, creation of retail networks and the development of franchise businesses;

- economic growth of Ubon Ratchathani and the free trade agreement with other countries.

Finally, threats that SMRs identify are:

- invasion of Mega-Retail Discount Chains, which causes the most serious negative effect for SMRs;

- the use of government support, which are not effectively practiced;

- the increasing costs and expenses, which mainly result from the increasing oil price.

In comparison to the existing empirical evidence (e.g., Allal, 1999; Bank of Thailand (BOT), 2004; Rungfapaisarn, 2002; Siamwalla & Poapongsakorn, 2003), provincial Thai retailers are similar or different to most other small businesses in Thailand in terms of the following.

Marketing strategies

The marketing strategies of SMR's in Ubon Ratchathani lack in-store promotion which appears to be found amongst Thai SMR's in general. However SMR's in Ubon Ratchathani are too far away to be able to compete with large retailers when compared with SMR's in Bangkok. Owners of SMR's in Bangkok are generally more educated and are able to access training for young business owners as they are close to many sources of information provided by the government compared

with SMR's in Ubon Ratchathani. Consequently, SMR's in Ubon Ratchathani lack the knowledge to plan their businesses in internal promotion activities and handling customer customization.

Financial strategies

Most of the owners of SMR's in Ubon Ratchanthani are elderly people (49% more than 30 years old). Not surprisingly, the most powerful factor that impacts on their business performance is the management of inventory problems due to inadequate knowledge in accounting and management control. In comparison the owners of SMR's in Bangkok are well educated and are generally medium-sized retailers. Most of them are members of the Allied Retail Trade Co (ART) which allows its members to be able to access training and also funds.

Human resource strategies

There is no major difference between SMR's in Ubon Ratchathani and Bangkok in terms of HR strategies. Regardless of location, they are still poor in staff training and face skilled labour shortages.

Product strategies

Finally, there are significant differences in product variety and pricing strategies between the two different areas of SMR's. Those in Bangkok gain more benefit from being a member of ART which not only helps them with know how but also purchasing power on their suppliers. This is the reason why they can survive with a variety of products and lower pricing whilst SMR's in Ubon Ratchathani cannot access this power.

7.9 The Limitations of this Study

There are several limitations of this study. The first limitation is related to sampling. Approximately 10% of all small businesses in Ubon Ratchathani were surveyed. The original intention was to undertake a stratified random sample such that different types of businesses were equally represented. The data obtained from the registry of small businesses in Ubon Ratchathani was often inconclusive as to the specific type of businesses and these details are often incorrectly recorded. Consequently there is a potential bias in the sample with regard to types of businesses and some such as grocery stores are over represented when compared to the overall proportion of such stores. Whilst the findings are quite valid for a generic small business, care should be taken when applying these findings to a specific type of business.

Another limitation in this study, which is related to the first limitation, is that it only focuses on the Ubon Ratchathani province, rather than a nation-wide sampling. It may not be valid to generalize to the whole nation because of the unique nature of the region surrounding Ubon Ratchathani. However, it can be valid for generalising the findings to other provinces with similar economies to Ubon Ratchathani. In this regard, Ubon Ratchathani is quite typical of most provinces in Thailand outside the greater Bangkok region and high tourism areas in the South and East of Thailand. Whilst the sample may not well represent the whole Thai population because the percentage of the sample interviewees and the population are very small, it is highly representative of a large proportion of provinces in Thailand where the local economy is highly reliant on small businesses.

7.10 Areas for Future Research

This study had a focus on provincial Thailand and did not compare Thailand with other developing countries or developed countries. Future research can examine the impact of functional strategies on business performance in other countries and comparing them with work carried out in this study.

An example of such further studies is on the SMR performance in similar countries within the SE Asian region such as Vietnam and Malaysia and comparing these with Thailand. There is also great value, by taking an historical perspective, in undertaking similar studies in Laos, Cambodia and Myanmar where the general development is where Thailand was some 30 years ago.

There is some potential to undertake further studies of the businesses surveyed following changes in government policy and study the effects new policies have on business performance.

Future research can also undertake a comparative study of different types of business in Ubon Ratchathani whereby a number of businesses from different groups are studied in parallel and performance is compared between them and related to the management strategies used. A similar comparative study could be undertaken whereby each cohort consists of businesses with the same or similar management strategies but differ in the type of business. This could be compared with another cohort where the management strategies are different to the first cohort so as to study the effect of management styles.

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APPENDICES

APPENDIX A

Survey Instrument and Cover Letters

(Translated into English)

EDITH COWAN UNIVERSITY

BUSINESS ADAPTATION STRATEGIES USED BY SMALL AND MEDIUM RETAILERS IN AN INCREASINGLY COMPETITIVE ENVIRONMENT: A STUDY OF UBON RATCHATHANI, THAILAND

Dear Business Owner/manager,

 As a PhD researcher at Edith Cowan University, Australia, I would appreciate your support in this research project which looks at some issues concerning current profiles of small and medium retailers, key environmental factors influencing business adaptation, and the relationship with business outcomes.

The research aims to address the following questions:
- How SME retailers perceive the impact of the present environment in which they must survive and prosper?
- What are the business adaptation strategies used by SME retailers?
- What strategies yield the most successful results?

The outcomes and recommendations of this study will help entrepreneurs and governments to work together more effectively in improving the well-being of SME retailers in local areas, which is the most important part of regional economies.

Completing the attached questionnaire should not take longer than 25 minutes and you should find completing it interesting in providing a look at your own business in relation to improve your business performance.

A good response will help to gain a comprehensive picture of the issues listed above so I would appreciate your support by completing this questionnaire and returning it to me at the address below with in two weeks of receiving it. Your response will not be revealed to anyone else as only aggregate information is required. If you decide not to participate, this will not prejudice you in any way.

In case that you want to express concerns about the research or its ethical conduct, please contact
> Assistant Professor Jirawat Suthipat,
> Dean, Faculty of Management Science
> Rajabhat Ubon Ratchathani University
> Tel. 045-352000 ext. 1300

Thanking you in advance,

Kittima Cheungsuvadee

This survey is anonymous so if you are interested in participating in a case study in the future, please fill in the form separately and send to me at the address below.

Assistant Professor Kittima Cheungsuvadee

Rajabhat Ubon Ratchathani University
Faculty of Business and Management
Ratchathani Rd.
Muang District, Ubon Ratchathani, 34000

QUESTIONNAIRES

This is an anonymous questionnaire. Please ensure that you do not write your name, or any other comments that will make you identifiable, on the attached.
By completing the questionnaire you are consenting to take part in this research. As such you should first read the enclosed. Disclosure Statement carefully as it explains fully the intention of this project.

The instrument for this research project is a questionnaire. Most of the questions are based on previous research, specifically research on SME in the retail sector. The questionnaire utilises a five- point Likert type scale. It comprises four parts, each designed to elicit responses to the following:

Part I: The Profiles of SME retailers in Ubon Ratchathani Province
Part II: Business strategies used by SME retailers
Part III: Problems impacting on small retailer performance
Part IV: suggestions

Part I: The Profiles of SME retailers in Ubon Ratchathani Province.

Please place a tick in the box that suits your situation and write in your own answer in the space provided.

1) What kind of goods or products do you normally sell? (Choose only 1)

1 Grocery store	18 Animal food, agriculture….
2 Men and women's clothing	19 Alcohol and Beverage
3 Electric Equipment	20 Food products
4 Electronic	21 Gift shop
5 Gold & jewelry	22 Pictures & frames
6 Eye glasses / Clocks	23 Furniture / Appliances
7 Sport products / athletic equipment	24 Shoe & Leather
8 Tapes / CD / VDO	25 Drug store / Pharmacy
9 Buddhist accessories	26 Auto supplies / services
10 Sewing & Fabrics	27 Computers/Equipment/office products
11 Bike / motorbike & equipment	28 Films / Cameras / Photo processing
12 Communication Equipment	29 Silk, Handy craft
13 Books and stationery	30 Department stores
14 Building & accessories	31 Automobile spare parts
15 Toys / Games / Video game	32 Cosmetic & Beauty accessories
16. Plastic, utensil, kitchenware	33 Others (Please specify) …………..…
17 Agriculture machine & equipment	

2) Feature of the store

1.☐ Traditional store no air condition

2.☐ Modern style with air condition

3.☐ Others (Please specify)…………………..

3) Goods or products display

1.☐ Traditional display

2.☐ Display on shelf separate group

3.☐ Modern style and strategic display

4.☐ Others (Please specify)…………………..

4) Location

    1) On the main street

    2) Near school

    3) Near fresh market

    4) In the crowded community

    5) Near big government office

    6) Others (Please specify)…………………..

5) The size of your store is approximately equal to…

    ☐ 1 shop front of a commercial building

    ☐ 2 shop fronts of a commercial building

    ☐ 3 shop fronts of a commercial building

    ☐ 4 shop fronts of a commercial building

    ☐ more than 5 shop fronts of a commercial building

6) Number of employees/ relatives that help running business……………..people

7) What is your gender?

    ☐ Male   ☐ Female

8) What is your position in this store?

    ☐ Owner/manager   ☐ Manager

9) What is your age? ……………………………………years

10) What is your HIGHEST educational qualification or nearest equivalent?

☐ 1 Primary School	☐ 4.Diploma
☐ 2 High School	☐ 5.Bachelor degree
☐ 3 Vocational certificate	☐ 6.Higher than Master degree
	☐ Others (Please specify)……

11) How long have you owned or operated this business? ………………..years

12) How did your business results in 2002 compare with those in 1997-2000 periods?

(The period of economic crisis)

Indicators	Very much increase	Slightly increase	The same	Slightly decrease	Completely decrease
1.Total profit /year					
2.Total amount of sales / year					
3.Margin on sales (profit per unit)					
4.Goods turn over					
5.Number of customers					

13) How did your business results in 2001 compare with those in 1997-2000 periods?

(The period of economic crisis)

Indicators	Very much increase	Slightly increase	The same	Slightly decrease	Completely decrease
1.Total profit /year					
2.Total amount of sales / year					
3.Margin on sales (profit per unit)					
4.Goods turn over					
5.Number of customers					

Part II : Business strategies used by SMRs

A. Listed below are some possible business practices or strategies that may be adopted in business. Please choose the relevant frequent to show the extent to which the following practices have been used in your business. Scale; 1 = Never, 2 = Rarely (less than 50% of the time), 3 = Sometimes (about half the time), 4 = often (more than half the time but not always), and 5 = Always or continuously (all the time).

Possible business practices	Degrees of Practice				
	Always 5	Often 4	Sometimes 3	Rarely 2	Never 1
Marketing Strategies 1*Provide various types of goods					
2*Price of goods lower than competitors					
2*Giving negotiable price					
4*Extend credit to customer					
5*Deliver to home service					
6*Provide order by phone					
7*Provide self service					
8*Give full service for customers					
9*Create good relationship with customers					
10*Advertising board, Radio broadcasting, local newspaper.					
11*Decorate name of the store					
12*Rearrange display					
13*Promote discount, Bonus, Free gift					
14* Quick post sale service					
15*Find new group of customers (Present goods at home or office)					
Training staffs for 16*Politely service					
17*Clean clothes or wearing uniform					
18*Inviting, describing good detail					

Possible business practices	Degrees of Practice				
	Always 5	Often 4	Sometimes 3	Rarely 2	Never 1
Finance & accounting strategies 1* Search for cheaper sources of finance					
2* Re-invest profits earned and use own funds rather than use outside borrow funds					
3.*Maintain large cash balances					
4.*Use trade credit from suppliers					
5.* Consult/employ professions in accounting					
6.*Note / record revenue, expenses, inventory continuously					
7.*Check and control receivable account					
8.* Use new technology for accounting					
9* Others (Please specify)…………………….					
Human resource management strategies 1*Emphasis recruitment and employ only qualified staffs.					
2*Emphasis staff training (e.g. accounting, marketing training)					
3*Assess performance of employees					
4* Emphasis reward and discipline system for all employees					
5*Involve employee in decision making					
6*Owner or manager joins short course seminar or training					
7* Others (Please specify)…………………….					

Possible business practices	Degrees of Practice				
	Always 5	Often 4	Sometimes 3	Rarely 2	Never 1
Product strategies 1* Analyze location for moving or open new branch					
2* Finding cheaper suppliers					
3* Review inventory or stock control continuously					
4*Adding new goods in the same product line					
5* Adding new product line					
6* provide goods insurance or goods can be returned					
7*Provide few line of products but have every size and every colour					
8* Emphasis high turnover / reduce price to loose stock					
9* Follow up customer complaints					
10* Others (Please specify)…………………….					

Business net work

1) Have you ever join co-operative or business group?

☐ Yes ☐ No

2) Have you ever take part in activities related to trade/ industry associations?

☐ Yes ☐ No

3) Have you ever been finding new business alliance for marketing, finance, technology or goods exchanged?

☐ Yes ☐ No

Using government support

1) Have you ever used government support?

☐ Yes ☐ No

If 'yes', please answer question number 2, if 'No' skip question number 2

2. How useful have the following government services been for your business?

Type of service or support	Mostly Useful 5	Very useful 4	Useful 3	Partly useful 2	Not at all Useful 1
1*Information service about business through various media.					
Management training in these field 2* Marketing, goods display					
3* Product design, reduce cost of goods and expenses					
4* Short course seminar in finance and accounting					
5* Short course seminar to access technology for running business					
6*Providing low interest loan for SME					
7*Credit guarantee for export					
8*Providing low rate of income tax					

Part III: The Impact of the Key Factors on the Performance of Small Retailers.
How serious have you found the following problems that impact on your business

performance?

Problems	Most serious 5	Very much serious 4	Serious 3	Somewhat serious 2	Not at all serious 1
1*Economic downturn that reduce purchasing power					
2*Higher cost of goods sold that cause higher selling price					
3Multinational discount chain stores such as Big C, Makro, Lotus cause serious problems					
4*Changing consumer behaviour					
5*Over supply from neighbour competitors					
6*Competitor from vendor commercial/ moving market					
7*Difficulty in obtaining financing					
8*Increased overall operating expenses					
9*Lack of skill labour or expert in specific field such as accountant, computer staff.					
10*Lack of un-skill labor or pay higher labor cost					
11*More strictly government regulations					
12*Lack of ability to use information technology					
13*Lack of business successors or relatives to run business					
14*Interest burden of old debt which caused from Economic crisis since 1997					

PART 4 Suggestions

Please suggest how the following services and support should be improved in order to serve your needs better.

Management
training: …………………………………………………………………………………
…………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

Information service:

…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

Consultancy service:

…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…

Financial support:

…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

Other suggestions:

…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

Thank you for your kind co-operation.

Form of participating in a case study.

Would you like to participate with the in-depth interview later?

        ☐ Yes   ☐ No

If yes, Please fill in.

Name อด the business………………………………………………………..…

Address…………………………………………………………………………

Telephone……………………………………………………………………….

Thank you for your kind co-operation.

APPENDIX B

(Form of Disclosure and Informed Consent for Research Interviews)

EDITH COWAN UNIVERSITY

BUSINESS ADAPTATION STRATEGIES USED BY SMALL AND MEDIUM RETAILERS IN AN INCREASINGLY COMPETITIVE ENVIRONMENT: A STUDY OF UBON RATCHATHANI, THAILAND

The objectives of the study are: to assess how SMRs perceive the impact of present environment in which they must survive and succeed; to identify business adaptation strategies used by SMRs; and to assess what strategies yield the most successful impact.

The outcomes and recommendation of this study will help entrepreneurs and governments work together more effectively in improving the well-being of SMRs in local areas, which is the most important part of regional economies.

A series of questions will be asked and will take approximately 45 minutes. This question will gain and understanding of how you view your competitive environment, how and why you adopted particular adaptation strategies, and how did you evaluate available government support programs.

If you have any questions about the study, please ask the interviewer at any stage. You may decline to participate if you so desire. The interview will be kept confidential, and only aggregate results are sought.

In case that you want to express concerns about the research or its ethical conduct, please contact

> Assistant Professor Jirawat Suthipat,
>
> Dean, Faculty of Management Science
>
> Rajabhat Institute Ubonratchathani
>
> Tel. 045-262423 ext. 1300 Ubon 34000

I (the participant) have read the information above and any questions I have asked have been answered to my satisfaction. I agree to participate in this activity, realising that I may withdraw at any time.

I agree that the research data gathered for this study may be published provided my name is not used.

Participant or authorised representative
Date

Investigator
Date

Interview questions

Q1.Could you please explain how you view your competitive environment?
  Q1.1 From your description above, can you compare this recent situation with

   the last five years?

Q2. Can you explain how your business has been affected, or will be affected by the rapid change in the environment such as advances in technology, economic downturn, multinational discount chain stores and changing consumer behaviour?

Q3. How serious have you found these problems?
 financial, marketing, lack of management knowledge, lack of skill or unskilled workers?

Q4. Could you please explain how you have changed your business practices during a period of rapid business environmental changed?

Q5. In your opinion, how can SMRs compete with foreign investors?
  Q5.1 What are your weaknesses, Strength, Opportunities and threats.

Q6. Please explain how trade association or a chamber of commerce in Ubon Ratchathani can help SMRs to survive and succeed?

Q7. Please explain how government agencies can help SMRs to survive and succeed?

Q8. What do you think about the future for SMRs in Ubon Ratchathani is?

Q9. Can you suggest some possible government assistance that SMRs urgently need?