



A Study of Performance of SMEs in their Application of Sufficiency Economy Philosophy

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Abstract— The aims of this research were (1) to study performance of small and medium size enterprises (SMEs) in accordance with Sufficiency Economy Philosophy and (2) to study the level of application of the Sufficiency Economy SME principals in these enterprises. The data was gathered from 120 SMEs, participating in the Sufficiency Economy Practice Contest organized by The Office of the Royal Development Projects Board to celebrate the King's 80th birthday. The instrument used in this research was a questionnaire. The percentages mean and standard deviations were calculated. The survey administration took one year. The results were as follows: The SMEs studied (1) adapted to change; (2) applied wisdom in production and (3) were able to lower costs and maintain quality of goods and services.

Keywords— Sufficiency economy philosophy, small and medium size enterprises, performance do business.

1. INTRODUCTION

Thanks to the economic crisis in 1997 severely has affected the economic situation in Thailand, the Small and Medium Enterprises: SMEs were unable to adjust well in the new environment changes. It's, therefore, definitely caused the unbalance and the risk among the macroeconomic and manufacturing sectors, then followed by the economic problem and unemployment, in particular, labor. So, to develop the Small and Medium Enterprises : SMEs (production, trading (wholesaling and retailing), and hospitality), which those are key businesses effectively supporting and increasing national income, have seriously been specified to be the goal of SMEs developing plan, since the nature themselves are unable to adjust well in the new environment with flexibility.

Besides, the Small and Medium enterprises paid the capital cost lower than the bigger ones. It's rather used human than the machinery and lessen number of migrant workers in Bangkok and the environs because those workers are able to work in the factory in their hometown after farming and harvesting finished that helps expand the economic growth to the region.

Because of degree of marketing race in the globalization era was getting higher, the situation of the Small and Medium Enterprises were effected severely included manufacturing, trading investing and technology. Thus, immediate change in the critical situation was needed in order to maintain the business. The Small and Medium Enterprises in many countries confronted such similar difficulties until they go bust. From the report of the Department of Business Development (2007) there's 20,078 of the enterprises in

Thailand went down in the last six month of 2006

Therefore, the Small and Medium Enterprises at present have to go over either the strategy or the methodology used in operating business in order to measure how much it suits the current economic situation. The Small and Medium enterprises need to be enhanced their analytical and strategic skills and other concerned method, which would be leading to capability of running business effectively. Through such form, the Small and Medium Enterprises decided to change the manufacturing target to respond demand of marketing not the brand image as usual and on-going follow up marketing activity in order to be well-known, and promote goods. Meanwhile; the entrepreneurs need to study the strengths and weak points of the business; so that, they could improve the business to be better than any others or equivalent to. Flexibility and quick adjustment become distinctive characteristic that needs to build up under the proper business environment, which is beyond the supervision of these SMEs.

The Sufficiency Economy can be integrated for solving problems on inefficient business management in order to meet the demand of economic cycle in the globalization era. In cases of the foreign countries have been found that the entrepreneurs lack skills of strategic planning in term of total administration without be applied with the current situation (Vos. 2005: 124-138). Those difficulties and limitations are similar to other countries that need to be continuously supported and strengthened, particularly applying of moderation, reasonableness, and wisdom.

Not only the administration principle is important in the business but also ethics in business, in particular, the Corporate Governance: CG and the Corporate Social Responsibility : CSR because the business can't be existed individually, but it's surrounded by an individual, group of people, and other business sections both internal and external organization, for example, stake holders, staffs, customers, and distributors.

At present the Corporate Governance and the Corporate Social Responsibility are about to apply the business ethics to its operation process in accordance of

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the ethics in the Sufficiency Economy Philosophy that bestowed by His Majesty the King to his subject through royal remark on many occasions over the past three decades. All detailed information appeared in the Sufficiency Economy emphasized on the factual knowledge that was composed of “awareness” and “intelligence”. It is, therefore, if the three principles – CG, CSR and the Sufficiency Economy philosophy – were combined together, it would be complete business because the terrible marketing race would decrease and it’s more emphasized on sustainability that making profit. If it’s deeply considered, we would find that the CG and the CSR are the component of the Sufficiency Economy as said by Apichai Puntasen (2003) that the Sufficiency Economy has already covered the principles of the Corporate Governance and the Corporate Social Responsibility.

Presently, some entrepreneurs running mainstream business found that it doesn’t happen of any sustainability or long-term stableness. Moreover, they were pushed under pressure by surrounding factors such as market positioning, innovation, financial resource, and profit making capability (Peter Drucker. 1974). The sufficiency Economic would be Buddhism moral and other religious, being fine person, composed of seven key points; 1) self-reliance; 2) leading one’s life with carefulness; 3) not to cause violence to any life in the world; 4) Work for society with honesty and patience; 5) not to molest oneself and other; 6) lead one’s life without greed and; 7) be ashamed of wrong behavior. Those mentioned before are the way of Sufficiency Economic Business operation that base on Buddhist principle (Apichai Puntasen. 2004 : 679). Currently, the entrepreneurs in Thailand be aware significance of the Sufficiency Economic Business trend, which can be seen on the bill board and on other media promoting all business concerned sectors lead their life and operate the company under sufficiency way.

At present, the Sufficiency Economy Philosophy can be applied in factual world and the forthcoming future that is going to confront with unbalance of the resource and human’s greed, which do not seem to be decreased. To be utilized the Sufficiency Economy Philosophy with business operating is so flexible in the rapid changing globalization. So, the Sufficiency Economy is one of other distinctive way to develop economy by stepping ahead in this age. By the research of Apichai Puntasen 2003 showed the survival of many entrepreneurs in the age of economic crisis in 2003 whose business characteristics were in high rank regarding to Sufficiency Economy Philosophy. However, the business needs supporting from the concrete model or the organization leaders due to be practicable truly and effectively because currently only few enterprises realize the significance of Sufficiency Economy Philosophy in their business.

The researcher was interested in studying the results of the SMEs after running regarding to the Sufficiency Economy Philosophy in order to enlarge number of SMEs running their business with Sufficiency Economy Philosophy and to be the holistic knowledge for another entrepreneurs to apply in own business. Then, the SMEs

holders would be capable to operate and grow sustainably and stably as the strong economic base of the country. However, the study results would be beneficial for planning, developing, and setting policy leading to the balance and sustainability for the whole country.

2. RESEARCH OBJECTIVES

1. To study the results of the SMEs after running the business regarding to the Sufficiency Economy Philosophy
2. To study the significant volume of applying the Sufficiency Economy Philosophy in the SMEs

3. SIGNIFICANCE OF THE RESEARCH

1. To know the results of the SMEs after running the business regarding to the Sufficiency Economy Philosophy
2. To know the significant volume of applying the Sufficiency Economy Philosophy in the SMEs

4. CONCEPTUAL FRAMEWORK

The results of business regarding to Sufficiency Economy that was used in this study are:

1. Cost and Quality
2. Innovation
3. Adapt to Change

5. SCOPE OF THE STUDY

The followings are scoops of research:

1. The groups to be concerned in this research were 120 of the owners or the authorized ones of either small or medium enterprises who on behalf of office or organization submitted their masterpiece to the Office of the Royal Development Projects Board on the occasion of the 80th Anniversary of His Majesty King Bhumibhol Adulyadej on 5 December 2007. 71 of those who passed the basic screen were small enterprises and 49 were medium enterprises. (The Office of the Royal Development Projects Board. 2007: <http://www.rdpb.go.th>: 25 November 2007)
 - 1.1 The Medium Enterprises: approximately value of the property (Land excluded) is over 50 million baht but not over 200 and/ or number of staff is more 50 people but not over 200.
 - 1.2 Small Enterprises: Value of permanent property including land is not over 50 million baht and employment number is less than 50 people.
2. Type of business to be studies: the Import and the Export Business
 - 2.1 Manufacturing: Instant Food Industry, Gem and Accessories Industry, Cosmetics and Medical Supplies, Medical Appliance and

Agricultural Tools, Homemade and Ready-made Dress Products, Electronic Parts and so on.

2.2 Trading (Retailing and Wholesaling): Construction materials, Home Furniture, Instant food store, agriculture goods etc.

2.3 Hospitality: Hotels and other accommodations, Entertainment Complex, Medical Clinic, after-sell service of electric appliance etc.

3. Duration of data collecting: 6 months from 1 February 2008 to 31 August 2008 total 7 months.

6. RESEARCH METHODOLOGY

6.1. Tools used for collecting data

The tools used for collecting data were the questionnaires that accordingly set up under objectives and notion of research and separated into three parts:

Part 1: General information of the SMEs

It's 13 items with multiple choice questionnaires and was covered all detailed information of business i.e. type of business, period of operation, authorized capital, employment number, amount of temporary property, etc.

Part 2: The results of business operation regarding to the Sufficiency Economy

It's rating scale 5 with open-ended questionnaires and was covered cost and quality, innovation, and adapts to change.

Part 3: Assessment of the Sufficiency Economy principle

It's rating scale 5 questionnaires and was covered

6.2. Gathering Information

1. It is kindly requested the Office of Royal Development Projects Board to distribute the complete questionnaires which done by the entrepreneurs themselves.
2. In-depth interview the Small Enterprise Owner 9 people and the Medium Enterprise ones 9 people.
3. Non-participant observation. It happened in the example business group due to learn their livelihood while in the workplace.

6.3. Analysis Information

All information from explanatory questionnaires was analyzed intensely due to logically find out its outcome. Besides, we also had processing program of SPSS FOR WINDOWS to partially analyze population's general information as:

Part 1: Analyzing population's general information by descriptive statistics for calculating its frequency and percentage.

Part 2: Analyzing the SMEs' characteristics by descriptive statistics.

Part 3: Analyzing for its Mean and Standard Deviation and finally present in the form of table and summary description (Boonchon Sisaad. 1998: 99-100).

Value of the awareness

The most important	score	5 marks
Much important	score	4 marks
Intermediate	score	3 marks
Slight	score	2 marks
Least	score	1 mark

Then, it's figured out the standard deviation with following indicators (Boonchom Sisaas. 1998 : 99-100)

4.51-5.00	meaning	the most important
3.51-4.50	meaning	much important
2.51-3.50	meaning	intermediate
1.51-2.50	meaning	slight
1.00-1.50	meaning	least

7. RESEARCH RESULTS

1. General data of the Medium Size Enterprise that participated the contest organized by the

Office of the Royal Project Board were the domestic business 70.00% and other 30% were exporting business with the period of running business about 15-20 years. Type of the business was manufacturing and trading 66.00% and other 34.00% was service industry. Value of permanent property was 20 million Baht with the registered capital stock 5-200 million Baht and employee 100-150 people

2. The results of the SMEs after running the business regarding to the Sufficiency Economy Philosophy

2.1 The SMEs running the business regarding to the Sufficiency Economy found the characteristic of Adapt to Change at most that could be identified as follows:

Reasonableness was composed of:

- 1) Proper ratio between work and labor
- 2) Having the scale of production within managerial ability
- 3) Running the business based on ethics and moderation with own skill and technique

The Moderation was composed of:

- 1) Having scale of production under the marketing demand
- 2) Less emphasis on short term profit
- 3) Share part of personal profit to expand business
- 4) Well-budget allocation with less expenditure

A good immunity was composed of:

- 1) Risk diversification with a variety of goods

- 2) Self reliance and be interdependent with the counterpart
 - 3) Continual process of CSR
 - 4) Continual development of human resources
- 2.2 The innovation on production development of the SMEs regarding the Sufficiency Economy were
- 1) On-going follow marketing demand
 - 2) Keeps surveying customer's satisfaction and opinions
 - 3) Create own unique product by indigenous wisdom
- 2.3 The SMEs under the Sufficiency Economy Philosophy were able to operate their business with lower cost but still the quality
- 1) Greater emphasis on skillful employment generation
 - 2) Continual process of training on hospitality and manufacturing to staffs
 - 3) Continual development of staff's workmanship
 - 4) Having the local raw material for the manufacturing process
3. Through the degree of awareness of the business under the Sufficiency Economy, it's found that the honesty comes first (Mean = 4.81), secondly utilizing all resources in the most efficient way (Mean = 4.77) and thirdly having scale of production within managerial ability (Mean = 4.74).

8. SUMMARY AND DISCUSSION

The research on 'the Study of the results of the SMEs after running the business regarding to the Sufficiency Economy Philosophy' were verified as follows:

1. The SMEs have been run in Thailand (96.66%) at the utmost level because it requires the sustainability take place in either the domestic or the international markets respectively, but that will happen when they are capable and ready. 66.00% out of them have covered the manufacturing industry, since product innovation can better be created in this industry than any other business. Its operational duration approximately consumer 15-20 years which indicate the gradual growth. In addition, it is income and job center for labors, according to number of staff 100-150 people.
2. The Small and Medium Enterprises doing the business under the Sufficiency Economy Philosophy were:
 - 2.1 capable to adjust well. Since the business environment always kept changing such as the fluctuation of gas price and raw materials used in manufacturing process that beyond the control. So, the proper and quick adjustment of the enterprise is necessary in order to still the business in such hard time.
 - 2.2 able to create the distinctive innovation, particularly the research and the product development because the innovation is to value given to customers. So, product development would help respond customer's satisfaction and lead to the achievement of almost all types of the SMEs. Now, the Small and Medium Enterprises are more aware on product development because it is the way adding value to the business and indicators to measure the growth of the SMEs. Roles of Thai marketers in product development regarding to Sufficiency Economy have be aware the importance of product presenting and providing safe service to the consumer such as giving true information of the product and service, unveiling information of problem expected to be happened after use, offering goods in accordance of laws and ethics, and telling all kinds of information that would be beneficial to the consumers before making decision.
 - 2.3 able run the business with lower capital cost but still quality of goods and services. The influenced factor towards the achievement of business is controlling capital that was well-known generally. Through such concept, many cases decided to employ labor with lower wage and low quality machinery, which caused the product lower quality and lower price. Many entrepreneurs misunderstood that goods or hospitality with the lowest price would be able to preserve the most market share. But, it's possible to go bust, lower profit or lose out if the business strategy mainly focused on marketing price. The key factor of successful business at present day is the quality "a good enlargement of product needs low capital but maintain the quality" that would help exist the business as told by Prayoon Boonprasert. (1999: 51). The country with higher development level needs higher quality of goods. Later, some entrepreneurs began to understand the good characteristics of business that make them aware of utilizing cheap technology by technically sound and continual development process of their human resources at the most difficult time regarding to Sufficiency Economy Philosophy. Meanwhile, many industries are having campaign of maintaining the machinery suitably in order to gain more quality and quantity of goods, importantly lessen cost per unit. As such many companies are developing staff's skills instead of low- wage employing.
3. The honesty comes first for the Small and Medium Enterprises whose business running in accordance of the Sufficiency Economy Philosophy. The

business would sustainably exist if going along with the honesty and the sincerity and given to the customer, trading partners and stake holder because they would rely both on the goods and the hospitality that was one of the business ethics in the philosophy of Sufficiency Economy. Secondly, utilizing all resources in the most efficient way helped decrease the cost of production but maintained quality of product. In addition, they did not cause any pollutions to the environment which matching the Sufficiency Economy Philosophy, reasonableness. Thirdly, having the scale of production within managerial ability was compatible to the moderation in the Sufficiency Economy Philosophy because all business activities could be done skillfully and effectively within one's capability.

Briefly, the three outstanding results of the Small and Medium Enterprises regarding to the Sufficiency Economy Philosophy were composed of Adapt to change, the Innovation on product development by research and developing indigenous wisdom from generation to generation, and the ethics in business – honesty and ability to maintain quality of product with proper capital cost.

9. SUGGESTIONS

1. Suggestion on the research applied

1.1 In order to be the immunity of the business, the Small and Medium Enterprises should apply the Sufficiency Economy Philosophy in the business with the three keys way that are moderation, reasonableness and immunity.

1.2 The entrepreneurs should continual process of business regarding to the Sufficiency Economy Philosophy until it become organization culture; so that, the business would sustain.

2. Suggestion on the research

The comparative study between the Thai SMEs regarding to the Sufficiency Economy Philosophy and the Southeast Asia, particularly Japan and South Korea should be conducted.

ACKNOWLEDGMENT

The researcher would like to thank the Office of the Royal Development Projects Board to distribute the complete questionnaires and kindness of all entrepreneurs.

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