The Establishment of Sustainable Competitive Advantage of Rice Exporter through ASEAN’s Market: A Case Study

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Abstract— The main purpose of this study is to investigate empirically the implementation in order to conduct sustainable competitive advantage which will be focused on rice exporter in Thailand by using a case study approach. The present study has investigated the forces which enable to drive sustainable competitive advantage of rice exporter to ASEAN’s market. For external forces, the firm in this case study has to focus seriously in economics, society, environment and politics in order to sustain its business. Moreover, the internal forces which influence to sustainability and competitive advantage for the rice exporter in this case are mentioned into resource-based view namely finance, technology, knowledge management and human resource management. Interestingly, in side of marketing-based view, rice exporter in this case emphasizes on customer perception and customer relationship which are enable to drive sustainable competitive advantage. Furthermore, location and transportation are very important factors which can make competitive advantage for rice exporter. Network or related business community is required to support in both of information and cooperation together. Establishment of a group or a community of the relative business is able to increase bargaining power and open to new opportunity.

Keywords— ASEAN, competitive advantage, rice exporter, sustainable competitive advantage.

1. INTRODUCTION

According to the relevant global changes have been progressing continuously and unpredictably in economic, politics, society, culture, technology and environment, competition is also widely displayed through various of businesses [1]-[2]. Reference [3] concluded that the competition was done among companies that made most of their products or assemblies by themselves during 1960s and 1970s. Later, in 1980s and 1990s, many firms tended to make outsourcing in their materials or assemblies and became increasing enterprise. Interestingly, in 2000s, the competition moves to be increased hugely by the competitiveness is done widely through any regions in the word and for every kind of business [4]. Presently, many countries around the world are trying to merge or cooperate together in such obtaining the competitive advantage in economic, politic [5], and liberalization movements on growth, poverty and income distribution [6].

A case of cooperation among countries is as ASEAN. Since 1967, ASEAN or Association of South East Asian Nations was established with five original members. Then, Brunei Darussalam, Vietnam, Laos, Myanmar and Cambodia became members later [7]-[9]. In the present, there are totally ten member countries in ASEAN. The total population is 584 million people in 2008 (8.7 percent of the world population) in approximately and having 4.46 million sq. km. and also objected to be ASEAN Economic Community (AEC) in 2015 [10]. Importantly, this region is attractive for investment with large consumption. Moreover, free trade agreement or free trade area (FTA) is a tool that used to reduce country’s barriers focused on trading with lower taxation or non-tariff. FTA is initiated generally through economic integration of any countries around the world. The benefit from FTAs is indicated into several sides as greater ability to provide a positive signal towards driving economic and strategic cooperation. Besides, the regional security is progressed as well. As a result, ASEAN’s market is an interesting place for any investors.

Competition will be conducted between groups of interrelated firms that add and generate value through their cooperation [3]. According to [11] viewed that for any firms to survive, it is very necessary to keep ahead among their competitors by making differentiated implementation. Additionally, [12] suggested that competitive advantage can cause either from doing a value-creating strategy which not being implemented or duplicated similarly with any current competitors. Competitor analysis, in field of marketing, is an important component in developing the effective and sufficient marketing strategies and launching marketing activities [13]. Moreover, [14] pointed out that any companies are mostly achieving their competitive advantage in the different route especially in both of costs and products. There are many studies since the past until the present about the establishment of competitive advantage such as [15]-[22] etc. On the contrary, to study in how to sustain its competitive advantage is rare.

Sustainability having been put on the international stage by the WCED in 1987, this idea broadly supports by government, non-governmental organization, businesses and some specific community in order to
make both widespread economic prosperity and shared environmental concern [23]-[25]. The sustainable development has developed from the limitation of economic activity which is not balanced among businesses. Also, the inequitably distributed level of wellbeing and unequal of opportunity are focused on whether having sustainability [24].

In the literature, there are many studies about how to link between sustainability and competitive advantage in order to sustain the business and firm (e.g. [26]-[30] etc.). In fact, for methodology, various studies have examined sustainable competitive advantage by using inductive approach namely [26], [31]-[33] etc. However, for in-depth narratives of how small and medium-sized firms particularly in rice exporters in Thailand run their business and allocate their resources to provide sustainable competitive advantage in order to trade among ASEAN countries are very interested. It is therefore the purpose of this study to address such a gap. Similarly, the works of [7], [34]-[36] aim to examine the gap of international trade among cooperative groups. The present study also seeks to conduct a framework of sustainable competitive advantage which will be described fundamentally in the detail orientation.

This paper is structured into five main sections. The first part is presented the literature review of relative issues namely development of ASEAN region, sustainability, competitive advantage concept, and sustainable competitive advantage concept. The methodology section explains the data collection by using a case study. Also, with the findings is then further explained. Fourthly, it is the section of summary and conclusion. Finally, the limitation of this study is also discussed.

2. LITERATURE REVIEW

2.1 Development of the Association of South East Asian Nation (ASEAN) to ASEAN Economic Community (AEC)

Historically, on August 8, 1967, in Bangkok, ASEAN was established with five pioneer member countries namely Indonesia, Malaysia, the Philippines, Singapore and Thailand. Later, Brunei Darussalam, Vietnam, Lao PDR and Myanmar, and Cambodia had participated on January 8, 1984, July 28, 1995, July 23, 1997, and April 30, 1999 respectively [7]-[9]. ASEAN has obtained gross domestic product in totally by US$ 1,100 billion and achieved about US$1,400 billion of the total trade [7]. The purposes of ASEAN are classified into two main issues as given below [7], [37].

- ASEAN prefers to accelerate economic growth, society and cultural development among member countries.
- ASEAN intends to promote regional peace and stability through justice and law in order to make closely relationship among member countries.

According to the Treaty of Amity and Cooperation in South East Asia that formulated in 1976 in order to sustain the growth and the development of all parts in the region, all member countries have to follow these given perspectives [7, p. 164]

- Mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations.
- The right of every state to lead its national existence free from external interference, subversion, or coercion.
- Non-interference in the internal affairs of one another.
- Settlement of differences or disputes by peaceful means.
- Renunciation of the threat or use of force.
- Effective cooperation among member states.

This is because the difference in economic status and politics among countries, the three origin perspectives of ASEAN from leaders are considered in political and security cooperation, economic integration measure, and sociocultural development [7], [38]. Moreover, [10] stated that at the 9th ASEAN Summit in October 2003, ASEAN leaders agreed to establish ASEAN Economic Community (AEC) in order to complete effectively the objectives of regional cooperation by the year 2020. Reference [39, p. 924] states that the purposes of building AEC were mentioned in order to “create stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and a free flow of capital”. However, at the 12th ASEAN Summit in January 2007 in Cebu, the Philippines, the time was shortened to be 2015 [7]. Later, in November 2007, the ASEAN Economic Community (AEC) Blueprint was developed at the 13th ASEAN Summit in Singapore. The issues in the blueprint are contained of four characteristics of being AEC namely [10].

1) Single market and production base
2) Competitive economic region
3) Equitable economic development
4) Enhanced participation in global supply networks

In summary, with the cooperation among countries in ASEAN and FTA stated previously, it makes this region attractive for investors to run any businesses.

2.2 Milestones of sustainability and sustainable development

The World Commission on Environment and Development (WCED) [40, p. 43] defined sustainability as “meeting the needs of the present generation without compromising the ability of future generations to meet their own needs”. Moreover, United Nations Environment Program (UNEP) defined sustainability as “the use and/or promotion of environmentally friendly materials, energy efficiency in buildings, and management of construction and demolition waste” [41, p. 90]. Additionally, Organization for Economic Cooperation and Development (OECD) describes sustainable development as including of critical aspects such as resources consumption that contains of energy, materials, water, waste and recycling, and environmental
quality [42]-[43]. In brief, sustainability was defined as a three-dimensional model composing of environment, economics and society [44]-[46]. On the other view, [47] suggested additionally that culture should be fit in sustainability aspect as well. Another suggestion, Five Capital Model, it is a model of sustainability which contains of social capital, natural capital, manufacturing capital, human capital, and capital [47]. Moreover, [25] and [48] discussed that politics factor affects to the sustainable development. In short, for the aspect of sustainability and sustainable development which are used interchangeably [49], the sustainability is a perspective using to describe how business enables to run smoothly and compete with other competitor effectively through the future. From the definition of sustainability above, it can imply that there are four pillars (forces). These four pillars are defined as external forces in order to driving sustainability [50]-[52]. It is therefore the external forces driving sustainability combines of economics, society, environment and politics.

2.3 Competitive advantage concept

Competitive advantage, the most common use in business today, it is widely applied as a key concept in strategic management [53]. Terminologically, [15] defined competitive advantage as characteristics of product or market which provide strong position to compete with other competitors. Besides, [16] and [17] argued that competitive advantages are any activities that a firm can apply to produce individual product or market based on its skills. Importantly, [18], [54] and [55] defined competitive advantage as the organizational factors which can drive a firm to outperform among its competitors. Furthermore, [56] reviewed that the competitive advantage is closely relative with core competence and distinctive competence and has described the difference of them as given.

Core competence is a capability that is central to a firm’s value-generating activities.

Distinctive competence is a capability that is visible to the customer, superior to other firms’ competencies to which it is compared and difficult to imitate.

Competitive advantage is a capability or resource that is difficult to imitate and value in helping the firm outperform its competitors. (p. 112)

In order to conduct the competitive advantage, the resources within the organization taking main role have to be valuable, rare, inimitable and not-substitutable [27], [50], [57]-[59]. As a result of importance of resources within firm that can considered as internal forces [60]-[64] in order to drive organizational goal. Theoretically, the resource-advantage theory refers to a process theory which emphasizes on the importance of market segments and resources and how a firm should behave among its competitors [65]. Therefore, in the present study, the aspects of resource-based view and market-based approach were used to identify competitive advantage.

Resource-based view (RVB) concept

The concept of resource-based view (RVB) has been discussing widely for enhancing sustainable competitive advantage (e.g. the studies of [27], [57], [66]-[68] etc.). RVB is used to explain business practice namely strategic management, marketing, management, international business, entrepreneurship, human resource management, finance, and accounting [69]. According to [70] stated that RVB is a competitive tool of internal resources in order to create sustainable competitive advantage. Similarly, [19] and [71] identify RVB concept as a bundle of resources which enables any firms to outperform its competitors. The potential sources of sustainable competitive advantage are typical studied. From the review of many studies, it is able to categorize into four main relative sources of RVB which can move a firm forward to sustainable competitive advantage.

Firstly, financial resource that may indicate from tangible and intangible asset is a key factor of RVB in order to sustain the competitive advantage of any firms [72]-[74]. The financial conditions are mainly pushed through organization’s strategies in order to conduct sustainable competitive advantage such as low cost strategies [31], [75], [76].

Secondly, information technology and innovation are both similar sources of RVB which enable to establish sustainable competitive advantage for any firms such as the studies of [77]-[81] argue that being sustainable competitive advantage, research and development (R&D) are very necessary for improving technology and creating innovation.

Thirdly, knowledge management is one of the sources of RVB that can drive any organizations to be sustainable competitive advantage (e.g. the studies of [28], [57], [79], [82]-[84] etc.)

Fourthly, Human resources management is also a key source of RVB. There are many studies indicated that human resource is an important capital for sustainable competitive advantage such as [27], [58], [66], [85] etc.

The concept of market-based approach

Interestingly, the marketing-oriented [86], [87] or market-based approach [88] is concerned with how to satisfy customer with attractive products and services. For example, there are many studies about what effective strategies related with product that can make a firm to be sustainable competitive advantage such as quality of product [89], [90], product development [91], product design [92], [93], product branding [94], and innovative productivity [95]. Additionally, in marketing-based view, customer is the most important person who will make profit to the firm by consuming goods and services so that the customer perception, customer relationship or customer value are significant factors to make competitive advantage [30], [96]-[99].

In short, the components of resource-based view are reviewed into four main factors which enable to be sustainable competitive advantage for any firms namely financial resources, information technology and innovation, knowledge management, and human resource management [27], [57], [66], [67]. On the
contrary, there are many specific researches about what tool will be used effectively to achieve sustainable competitive advantage such as market-based approach [86]-[87].

2.4 Sustainable competitive advantage concept

There are many studies of how to make sustainable competitive advantage especially consideration in both external and internal forces [19], [71]. For external forces, there are economics, society, environment and politics. For internal forces, the concept of resource-based view [27], [66] is used widely in order to indicate the sustainable competitive advantage which contains of financial resources, information technology and innovation, knowledge management, and human resource management. Other aspects concerning with sustainable competitive advantage of any firm are identified as market-based approach [86]-[87] which related through products and services to satisfy customer effectively. So that, the aspects for understanding how to establish sustainable competitive advantage of rice exporter in the present study are addressed in external and internal forces displaying above.

3. METHODOLOGY

The selected case as Rermjaroen Puedpol Mill export rice to ASEAN’s market through middlemen. The exported rice is from both farmers and subretailed-middlemen surrounding the North-East of Thailand. From the data, it found that there are two main forces impact to establishment of sustainable competitive advantage of rice exporter in the present study. The internal forces contain of resource-based view (finance, technology, knowledge and human resource) [69]-[70] and market-based approach (customer perception and customer relationship) [96]-[99].

“…our business concerns with the potential of our resources such as cash flow and using any communication technology…My parents have been training me to know how to manage our business with their owned knowledge…Workers are important for us to operate our business smoothly.”

“For this business, the trust among each other is very important…we are continuing keeping our customers by good relationship and transparent implementation…Our suppliers are both farmers and other investors in order to buy and sell our products. The perception between us and customer is very necessary as well.”

The other factors found are location and transportation which are able to conduct sustainable competitive advantage for rice exporter [1]-[2].

“Good location and easy to deliver products make my business beneficially…as my firm is located nearby the main road, it’s very comfortable to operate our business. It’s very competitive.”

Moreover, the external forces compose of economics, society, environment and politics. These factors drive any organization faced sustainability [50]-[52].

“To sustain our business, we try to adapt and improve our implementation upon economic situation…we really care to surrounding communities and importantly, we focus on how our business wouldn’t destroy environment due to its production process…I cannot say that politics is an important factor in order to consider how we can manage our business effectively. Rice is a product that was organized by government.”

Network or related business community is required to support in both of information and cooperation together. Establishment of a group or a community of the relative business is able to increase bargaining power and open to new opportunity [1]-[2].

“We have a group to share any information together such as pricing. It makes us competitive. It’s also made us can operate this business for a long time as well. …Also, we are small firm, but sharing among friends in the same business makes us reducing pressure, having power to negotiate and let us know the new information as well.”

Therefore, the conceptual framework of the present study is shown in Figure 1.
Fig. 1 The conceptual framework of sustainable competitive advantage for rice exporters in Thailand (Author).

5. SUMMARY AND CONCLUSION

The present study has investigated the forces which enable to drive sustainable competitive advantage of rice exporter to ASEAN’s market. For external forces, the firm in this case study has to focus seriously in economics, society, environment and politic in order to sustain its business likely many studies from the past (e.g. [44]-[46], [112]-[114]). Moreover, the internal forces which influence to sustainability and competitive advantage for the rice exporter in this case are mentioned into resource-based view namely finance, technology, knowledge management and human resource management similar to many studies addressed before (e.g. the studies of [27], [57], [66]-[68], [94], [115] etc.).

Interestingly, in side of marketing-based view, rice exporter in this case emphasizes on customer perception and customer relationship which are enable to drive sustainable competitive advantage [30], [96]-[99]. Furthermore, location and transportation are very important factors which can make competitive advantage for rice exporter. This is because rice exporter needs to have wide space to dry up his product and delivery for both intake and outtake from the firm. In order to reduce and link external forces and internal forces to be sustainable competitive advantage for rice exporter, network or related business community is required to support in both of information and cooperation together. Having group of the relative business is able to increase bargaining power and open to new opportunity [1], [2], [116].

6. LIMITATION OF THE STUDY

A single case study for this study provides rich context and in-depth data [117]. However, as the suggestion of [109] and [118], the selected case is used for theoretical rather than statistical generalizability for conducting theory development. Besides, the sample was chosen by purposive sampling from information-rich cases [100], [101]. The direct export company should be studied further. Moreover, the longitudinal study and different case comparative study are suggested for future research [102]. The different business may be addressed in various perspectives in order to establish sustainable competitive advantage.

REFERENCES


