

CHAPTER 1

INTRODUCTION

1.1 Problem Statement

Since the economic crisis hit Thailand in 1997, a number of resolutions have been discussed to overcome the crisis. The issue of Small and Medium Enterprises (SMEs) promotion has been raised and received support nationwide. SMEs are considered the engine of economic growth. Their share of employment in the industrial sector is estimated at around 73 percent, 47 percent of value added, 50 percent of the value of manufactured, and 50 percent of total enterprise employment. Reinforcement of the competitiveness of SMEs is the priority task of the Ministry of Industry. It is also considered one of the effective tools to revitalize the economy in the long run (Sevilla & Soonthornthada, 2000). The policy on SMEs development is a dual track policy which focuses on two micro-engines: private SMEs and community. The dual track policy is shown in the following figure:

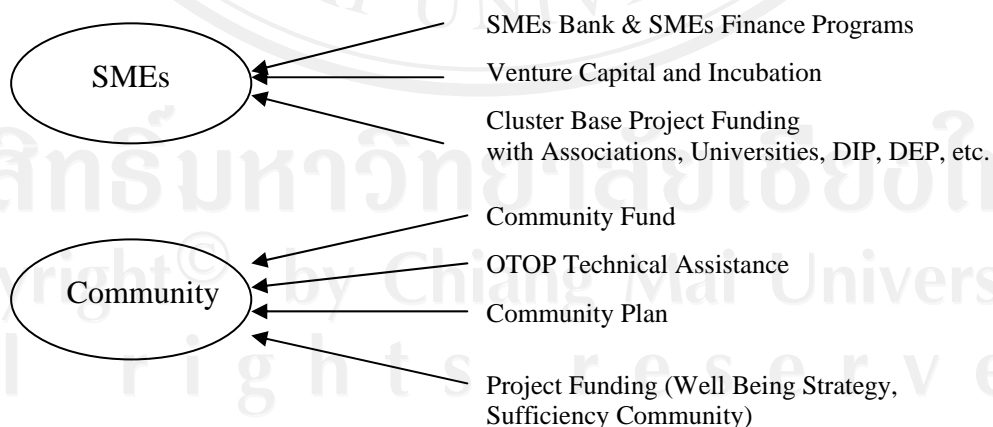


Figure 1.1 Thailand Dual Track Policy

Thailand is currently a developing country, its fundamental economic system is still predominantly driven by small and medium business units. Thus giving support and encouragement to SMEs is the most important policy in strengthening the Thai economy in order to be able to grow and develop such as United Kingdom, Germany, Finland, Australia, Japan and Malaysia (Kecharananta, 2007). From this standpoint, Thailand has recently decided to support the business section focusing on community business. The government's role are in terms of promoting the utilization of community's knowledge and local wisdom, generating income for members in community, facilitating among members, promoting management competency, developing an applicable community model, encouraging a sturdy community economics system to be competent in any business boundary, and developing community business to compete a higher level (Department of Community Development, 2006). Moreover, the important role of Thai community business is the utilization of labor in agriculture sectors after farming to provide secondary income by working in community business.

Cultivating an efficient business model into every section of the country's infrastructure plays a significant role in the accomplishment of developing Thailand's sustainable economics system. In the year 2001, Thailand's government announced a policy that promoted and developed community business named One Tambon One Product: OTOP. The policy purposed to promote the utilization of community's knowledge and local wisdom, generating income for members in community, facilitating among members, promoting management competency, developing an applicable community model, encouraging a sturdy community economics system to be competent in any business boundary, and developing community business to compete at higher level. The outcomes from implementing this policy generated jobs and incomes for members in community (Department of Community Development, 2006). Thailand has adopted the idea "One Tambon, One Product" from Oita Prefecture, Japan. Mr. Morihiko Hiramatsu, the Oita governor, was the person who initiated and executed this successful concept. Oita is a small Prefecture on Kyushu island in the southernmost part of Japan close to Taiwan and Korea, and was considered one of Japan's poorest regions, as it had only 10% of agricultural area and lacked opportunity in promoting the region to be a major industrial area compared to

other parts of Japan. This situation pressurized the most efficient labors to move to other industrial areas. Such circumstances caused Morihiko Hiramatsu to set up a scheme by emphasizing that every community should have at least one major product that was produced from its own raw materials and resources. Such a productive policy and effective implementation has allowed Oita to become recognized through out the world as the One Village One Product: OVOP concept (Yoshimura, 2004).

Since 2001 the Thai government has continuously given support to developing OTOP in Thailand. The Thai community business is classified into three categories as follows:

1. Group producer: Group producer is a group of people in community gathering to produce a product that illustrates Thai's identity or Thai's local wisdom, and has a certain kind of relation with the community. For example, using local producing factors such as labour, raw materials, or participation in management and benefits.

2. Sole owner: Sole owner is any individual in the community that produces product that illustrates Thai's identity or Thai's local wisdom, and has a certain kind of relation with the community. For example, using local producing factors such as labors, raw materials, or participation in management and benefits.

3. Small and medium entrepreneurs (SMEs): SMEs are manufacturers or middlemen in a small or medium size business in the community that is registered with the government, such as company or partnership. These business units produce a product that illustrates Thai's identity or Thai's local wisdom, and has a certain kind of relation with the community. For example, using local producing factors such as labors, raw materials, or participation in management and benefits.

In the year 2006, Thailand had 37,840 community businesses, which generated a turnover of up to 55,104 million baht. Chiang Mai, the largest province in the northern part of Thailand, had 1,302 community businesses that are registered at the Department of Community Development, Thailand, with a majority of the businesses involved in the handicraft section (Department of Community Development, 2006). Nevertheless, most of them are still unsuccessful regarding a lack of competitive advantage and exportable know-how.

Presently, Thai's community business is in the intricate state of coping with both large organizations and private SMEs businesses. The present competitive environment forced members in this business section to shift from production based to knowledge based orientation in order to pursue an intelligent organization. For this reason, the key success factors in developing the sustainable competitive advantage for exporting community business are to possess a fine quality product and designing products by reinforcing creativity instead of copying others (Chulavatnatol, 2005).

In the knowledge-based economy, knowledge is the main source of creating both innovation and sustainable competitive advantage (Johannessen, Olaisen, & Olsen, 1999). Many successful businesses arise from the ability to acquire, codify, and transfer knowledge more effectively and speedy than competitors (Myers, 1996). Today businesses are facing increased turbulence and complexity in the business environment from many challenges and threats (Choueke & Armstrong, 1998) so firms have to increase their adaptability, innovation and process speed.

Knowledge Management (KM) is an emerging concept aimed to support enterprises in the new business environment (Wiig, 1997). It is process transforming information and intellectual capital into enduring value. In addition, it is about excavating and organizing knowledge in order to develop a more efficient and profitable organization (Singh, 2007). Organizations have become increasingly aware that the world has turned on its axis, necessitating a fundamental re-assessment of objectives, operations and management orientation (Jamali, Khoury, & Sahyoun, 2006). The traditional organization has worked well when markets, products and technologies were slow to change (Turner & Keegan, 1999) but management in the twenty-first century has accordingly taken a new orientation, and is capitalizing on fundamentally different approach to managing employees than the traditional disciplinarian, command and control philosophies. People are treated as the natural resource and capital asset of the organization (Jamali, Khoury, & Sahyoun, 2006).

Building a KM organization is now commonly viewed as an essential for organizations that require knowledge-based core competence through implementing and promoting knowledge management schemes for competitive advantage. Nowadays, it is very difficult to be successful in business, particularly in the knowledge-based economy, for the organization that lacks of appropriate preparation

in facilitating and supporting KM initiative (Myers, 1996). Furthermore, Walczak (2005) states that KM is not only about managing knowledge but also related to managing and creating proper organization structure and culture too. Therefore, they should design the structure and infrastructure of organization properly, in order to manage knowledge and support their KM activities. Initially, the KM concept was implemented only in large organizations, multinational and international companies, as there were several researches that worked on such related topics (Wong, 2005) such as the study from European Knowledge Management Forum (EKMF) in 2000 that focused on KM organization among large organizations in Europe, by analyzing various types of organization forms and dimensions that are associated with knowledge-oriented organization. The result from the study has proposed several KM organization models for the new types of organizations, such as hypertext organization, spaghetti organization as well as traditional organization forms such as functional organization and bureaucracy organization. Although several scholars are currently working on methods of applying the KM concept to the small business, unfortunately the studies on the organization form and knowledge organization model, especially the development of an application model that can be practically applied to a small business (especially micro business), are still lacking.

Nunes, Annansingh, Eaglestone, & Wakefield (2006) find that KM activities within Small and Medium Enterprises (SMEs) tend to happen in an informal way, rarely supported by purposely designed ICT systems. However, SMEs still required KM activities. Since knowledge seemed to be the essential survival weapon for SMEs, there was no way that they could compete with large companies in terms of tangible resources, such as capital, labor, machine and equipment (Wong & Aspinwall, 2004). In the real world, Thai community business will have to pass the awkward period of time-consuming trial and error before enjoying the fruitfulness of success, while the others will not even achieve the target. Therefore, if there is a study on successful organizations based on the assumption that high performance organization comprises of appropriate dimensions of KM organization; the result from the study should be the KM organization model for Thai community business that illustrates dimensions of a high performance organization and associates with the formation of KM organization. This application model will be beneficial for Thai community businesses that seek

competitive advantages and to be an intelligent organization, by applying this application model to the business unit. Meanwhile this also can be a venerable roadmap for the community business supporting division in promoting Thai community business in the near future.

1.2 Objectives of the Study

The objectives of this study are:

1. To understand different aspects of Thai community business characteristics affecting the Thai community business Knowledge Management
2. To understand the patterns of Thai community business Knowledge Management
3. To develop a Knowledge Management organization model for Thai community business

1.3 Research Questions

The research questions to be addressed are:

1. What are the characteristics of high performance community business?
2. What are the characteristics of Thai community business affecting the Thai community business KM?
3. What is the organizational feature of high performance organization in terms of Structure, Culture, Systems and KM strategy?
4. What is the KM organization model of Thai community business?
5. Is Thai KM organization model similar with or different from the results of “KM organization model of European KM Forum”?
6. How to manage Thai community business by taking the approach of strategic management to gain sustainable competitive advantage?

1.4 Research Assumptions

There are four basic assumptions for this study:

1. A high performance organization should have well-performed Knowledge Management.
2. Thai Community Business has its own specific characteristics.

3. The different community business forms (group producer, sole owner, SMEs) should have different KM organization models.

4. In order to manage Thai community business, it should have its own particular strategies which are not the same as other kinds of business.

1.5 Idea and Solutions

To help Thai community business gain more competitive advantage, this study attempts to develop a KM organization model of Thai community business by investigating high performance community businesses to agree with the research assumption: a high performance organization should have well-performed Knowledge Management. In order to develop a KM organization model, this study uses KM organization framework of European Knowledge Management Forum (EKMF) as the guideline. EKMF framework is chosen for reasons: 1) This framework has been recognized and acknowledged throughout the world, as it is mutually accomplished by several famous European Institutions and Associations and 2) This study aims to align KM organization model of Thai community business with KM organization model of EKMF's result.

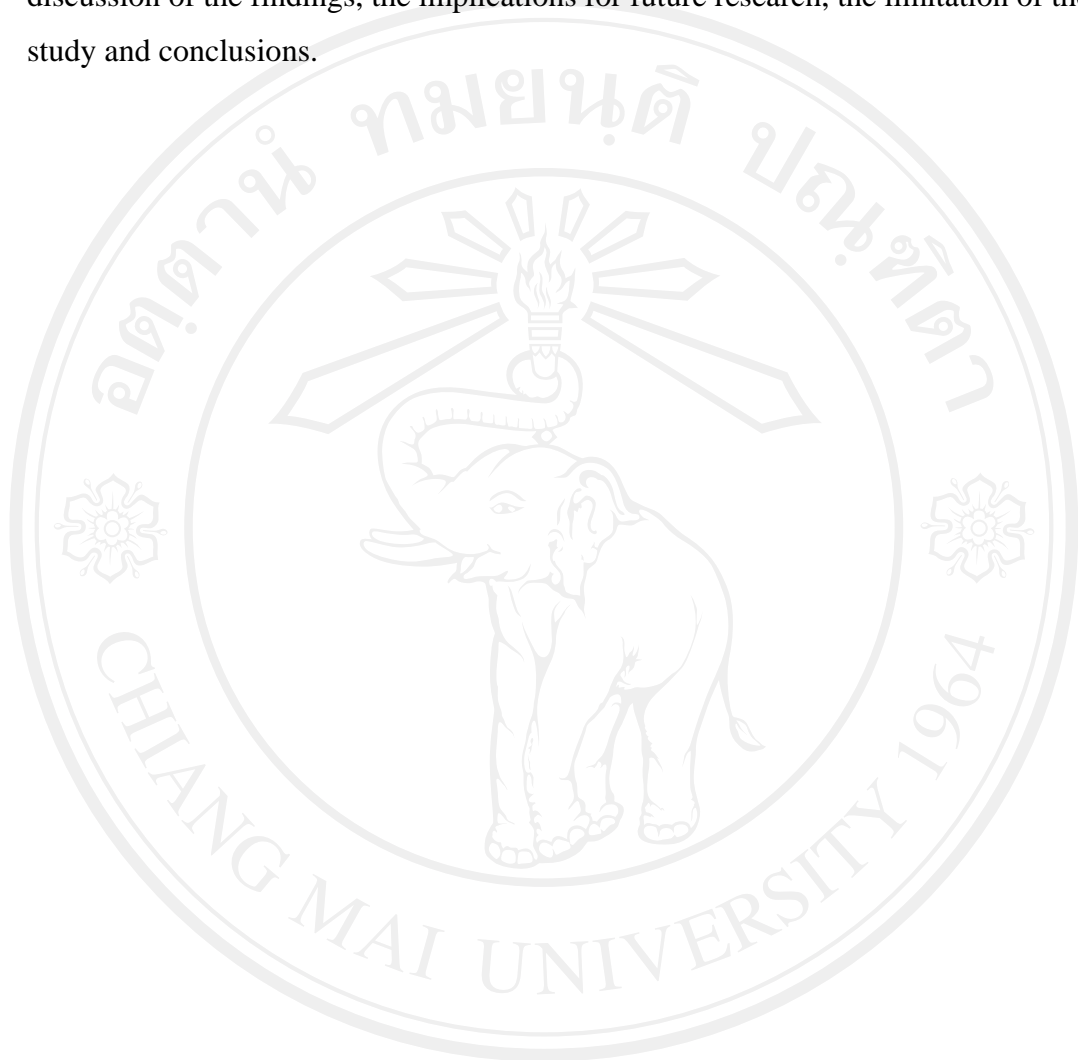
The data was collected through investigation of informal organization by in-depth interview owners or leaders, participant observation, conversation with staff, and document analysis. The reason for informal organization investigation as asserted by Nunes, Annansingh, Eaglestone, & Wakefield (2006), where they find that KM activities within SMEs tended to happen in an informal operation within organization.

Finally, this study attempts to explore Thai community business characteristics affecting the Thai community business KM and propose KM organization model of Thai community business through a resource-based view to gain sustainable competitive advantage.

1.6 Organization of the Study

This study consists of five chapters. The first chapter presents the problem statement, objectives of the study, research questions, research assumptions, and idea and solutions. The second chapter provides literature reviews. The research methodology, data collection and data analysis are presented in third chapter. The

results of the KM organization model develop for Thai community business is presented in the forth chapter. The fifth chapter presents theoretical implications, a discussion of the findings, the implications for future research, the limitation of the study and conclusions.



ลิขสิทธิ์มหาวิทยาลัยเชียงใหม่

Copyright© by Chiang Mai University

All rights reserved