

## FACTORS AFFECTING THE NEEDS FOR ORGANIZATIONAL IMPROVEMENT: A CASE STUDY OF THAI GIFT AND HOUSEWARE INDUSTRY

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### ABSTRACT

The main purpose of this study is to explore factors affecting the needs for organizational improvement in Thai gift and houseware Industry. There were a total of 1,140 small and midsize firms in the database of the Office of Small and Medium Enterprise. In the data collection, 104 out of 1,140 questionnaires were returned to the investigators resulting in the response rate about 10%.

The significant factors affecting such needs for improvement of Thai gift and houseware industry were hypothesized in 10 areas: (1) Leadership; (2) Control and Contractual Compliance; (3) Marketing and Public Relation; (4) Customer Service; (5) Financial Management; (6) Information Technology; (7) Human Resources; (8) Organizational Learning; (9) Quality Management; and (10) Change Readiness. Then the Analysis of Variance (ANOVA) and Multiple Regression were used to test the hypotheses.

It was found that assets and sales affected the needs for improvement in Control and Contractual Compliance, sales affected those in Marketing and Public Relation and Customer Service, and sales and number of employees affected those in Quality Management area.

From the factor analysis, the results showed the significant factors affecting the needs for organizational improvement in each area as follows: Leadership 4 in **Leadership** area; Marketing and Public Relation (MKT&PR) 6 and Finance 2 in **Control and Contractual Compliance**; Control 2 and MKT&PR 7 in **Marketing and Public Relation**; Learning 3, Control 1, MKT&PR 3, and Control 4 in **Customer Service**; Management 6, Information Technology (IT) 5, Leadership 1, Management 2, and IT 3 in **Financial Management**; Finance 5, Management 2, Quality 4, and Customer and Service 3 in **Information Technology**; Learning 3 and Finance 5 in **Human Resources**; Control 2, Human Resources (HR) 4, and Leadership 2 in **Organizational Learning**; Customer & Service 4 and Finance 2 in **Quality Management**; Control 2, MKT & PR 7, and Management 5 in **Change Readiness**.

Keywords : Organizational improvement, gift and houseware, small and medium enterprise.

## INTRODUCTION

Small and Medium Enterprises (SMEs) are the largest component of business sector in Thailand. They are crucial for social and economic development of the country, helping to distribute wealth to community and to use local resources more efficiently.

Recently, the Royal Thai Government has come up with many policies to help boost Thai economy, and one of such strategies was SME development. SMEs are important to Thai economy and society because they add huge value to the overall system by creating not only new jobs to local people but also new entrepreneurs to various business sectors.

The main objectives of this research are twofold consisting of : 1) to study the level of problems in various aspects in gift and houseware industry in Thailand, and 2) to study factors affecting the needs for organizational improvement of SMEs in gift and houseware industry.

### Research framework

This study primarily focuses on the gift and houseware industries in Thailand, both on firms manufacturing for local sales and those manufacturing for export. The lists and profiles of these firms were obtained from the Department of

Export Promotion. It is hypothesized that different firm's business characteristics will result in different levels of needs for organizational improvement in each area. The research framework can be illustrated as shown in Figure 1.

### An overview of SMEs in Thailand

#### Types of SMEs

The SMEs can be divided, according to their levels in the supply chain, into three main sectors as follows:

##### a) Manufacturing sector.

Manufacturing business is a business that converts raw materials into new products (Office of Small and Medium Enterprise Promotion, 2001). Small manufacturing businesses use raw materials that can be found within community. Examples for these businesses are soy sauce factory, noodle factory, and small textile factory.

##### b) Trading sector.

Trading sector can be classified into two types of business: retail and wholesale. A retail business sells its products directly to customers at the point of sale. Examples of products in this business are soap, toothpaste, detergent, and other necessary products used in everyday life, such

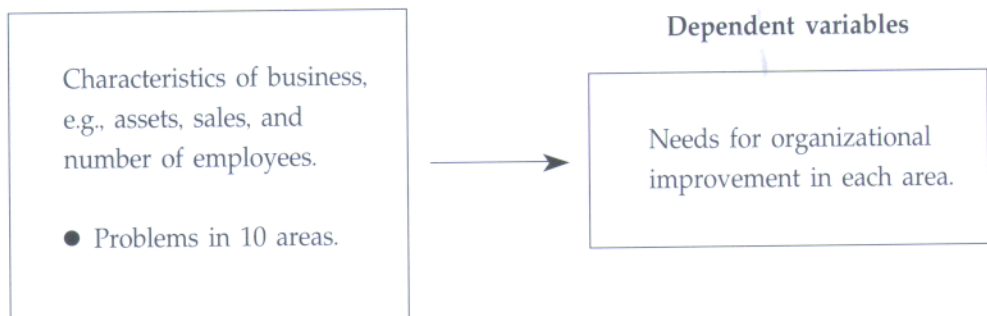
#### Independent variables

Characteristics of business,  
e.g., assets, sales, and  
number of employees.

- Problems in 10 areas.

#### Dependent variables

Needs for organizational  
improvement in each area.



**Figure 1.** The expected factors affecting the needs for organizational improvement in gift and houseware industry in Thailand.

as bread, canned food, basic medicine, toys, and stationeries.

A wholesale business, on the other hand, buys large volume of products from manufacturers and sells them to customers via retailers. Examples of products in this sector are electrical appliances, clothes, shoes, jewelry, and canned food.

### c) Service sector.

Service business sells convenience and satisfaction to customers. Since the service cannot be restored, it must be consumed immediately at the point of service, and its price is determined by the level of customers' satisfaction. Examples of service business are hair salon, bicycle repair shop, and building renovation.

### Funding SMEs

Normally, business can seek for fresh capital by issuing new shares and selling them in secondary market. But such alternatives seem to be costly for SMEs since their needs for capital are not large enough. The diseconomies of scale makes it difficult for SMEs to fund their businesses via capital market and also results in higher cost of capital and lower competitiveness than those of large business.

To resolve this problem, the secondary market for SMEs is thus developed to guarantee investors that the shares of SMEs can be easily traded after they provide capital to SMEs in primary market. These were executed through the Master Plan for Thailand's Capital Market Development and the Market for Alternative Investment (MAI). In addition, two new funds for SMEs were set up - SMEs Venture Capital Fund and Thailand Recovery Fund - to make capital more accessible to SMEs.

### Technological applications in SMEs

The technological applications in SMEs are different among the types of businesses and

their sizes. Recently, the internet has become an important channel of distribution for the SMEs in Thailand. The degree of technology utilization in each sector can be regarded as follows:

#### Manufacturing sector

A large business uses higher technology than that of medium and small businesses. After considering such factors as profit margin, quality, research and development, product design, electronic mail use, and automaton, the researcher regarded the technology utilization of SMEs in this sector as low.

#### Trading sector

An example of technological application in this sector is Cross Docking. In Cross Docking, a large number of products are pooled at the Distribution Center (DC) and then are immediately distributed to customers. This helps increase bargaining power with manufacturers, and reduces shipping and inventory costs.

Another application is Efficient Consumer Response (ECR), which uses information technology (IT) to help manage product distribution to customers more efficiently. ECR consists of: (1) Electronic Data Interchange (EDI) that connects computers of suppliers, distributors, and customers. The details of products sold can be read via bar code and recorded in order to easily manage inventory; (2) Logistical Software, which help manage the total logistics of the firms; and (3) Point of Sale (POS), which is the record of product information at the point of sale to better manage inventory system.

Currently, Thailand has its own bar code system using the International Article Numbering Association (IAN) as its standard and set up the Thai Article Numbering Council (TANC).

Other IT applications in this sector are the e-commerce and call center. Through e-commerce and call center, customers can order products via

the internet or phone, which are important channels of distribution in this era.

### Service sector

In this sector, the technology applications for SMEs include e-commerce as another channel of distribution through which SMEs can do marketing activities, sales promotion, and customer relationship management.

### An overview of Thai gift and houseware industry in Thailand

Thai gift and houseware products (Office of SME Promotion, 2001) include glassware, silverware, aluminumware, ceramic, wood picture frame, toys, etc. These products are exported with annual sales of more than 10 billion baht because of their beauty, uniqueness, and varieties. For these reasons, Thai gifts and houseware products have high potential for investment. The biggest market for the products is the United States to which Thailand exports around 40% of total value of Thai gifts and houseware products each year.

Quality of products is very important to the success of SMEs in this industry. Certain products require machines and new technology to help improve product quality while some products need to be hand made. For the latter ones, uniqueness in Thai style would help to boost their exports.

### Production

In the production process of Thai gifts and house ware, there are productions from family levels to small, medium, and large factories, as well as manufacturers receiving promotions from the Board of Investment (BOI) and joint ventures. There are a number of diverse manufacturers of gifts and houseware products in every region of Thailand, especially in the Northern part because of its proximity to raw materials. Small businesses are mostly dispersed in villages, whereas medium

businesses are in Bangkok and metropolitan areas. It is estimated that there are a total of 1,200 manufacturers, 20% of which are large ones and 80% are small and medium ones.

### Product

There are various gifts and house ware products in the market. Examples of these products are wood picture frame, inscribed picture, wood ornament, hand made leafs and trees, tiny gifts, ceramic, lamp, scent candle, metal ornament, and other handmade products.

### Strengths

The strengths of Thai gifts and houseware industry can be regarded as follows:

1. Customers perceive that products from Thailand have higher quality than those from other countries.
2. Trade liberalization has made Thai entrepreneurs enhance their competitiveness.
3. Thai labors have high skills and initiatives, thereby producing high quality products.

### Weaknesses

The weaknesses of Thai gift and houseware industry can be regarded as follows:

1. Products from China, India, Vietnam, and Indonesia have lower price than products from Thailand because of lower labor costs and abundant resources. In addition, these countries have received helps from developed countries in terms of capital and technology.
2. Thai people tend to be too polite and conservative and have relatively low language skill. These become obstacles for new market and technological development.
3. There is a lack of market interconnection

such as trade representatives since customers tend to buy products through trade representatives in their own countries to save cost and time, and also reduce trading risk.

## RESEARCH METHODOLOGY

Since the data about gift and houseware industry in Thailand was not well gathered, the samples of this research were thus obtained from limited sources, i.e., the Department of Export Promotion and the Department of Business Development. The questionnaire was used to collect data in this study. Prior to sending by direct mail to the respondents, it was pretest with a sample group of 20 people. The reliability of the questionnaire in terms of alpha value was 0.6884. A total of 1,140 questionnaires were sent out to the respondents, and 104 were received by the researcher and then analyzed in terms of descriptive statistics.

### Definition of variables

NEEDLeadership: Need for improvement in leadership.

NEEDControl: Need for improvement in control and contractual obligation.

NEEDMKT & PR: Need for improvement in marketing and public relation.

NEEDCustomer & Ser: Need for improvement in customer service.

NEEDFinance: Need for improvement in finance.

NEEDIT: Need for improvement in information technology.

NEEDHR: Need for improvement in human resource.

NEEDLearning: Need for improvement in organizational learning.

NEEDQuality: Need for improvement in quality of products and/or services.

NEEDChange: Need for improvement in change readiness.

## Multiple regression model

Type of relationship	Sample model
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Population linear  $Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \dots + \beta_kx_k + \epsilon$

Multiple linear  $y = b_0 + b_1x_1 + b_2x_2 + \dots + b_kx_k + e$

Estimation linear  $\hat{y} = b_0 + b_1x_1 + b_2x_2 + \dots + b_kx_k$

## ASSUMPTION TESTING RESULTS

The analysis of data in order to determine the needs for organizational improvement various aspects were summarized in the following tables.

Table 1. Sales and needs for control and contractual compliance improvement.

Sales (Baht)	Mean	S.D.	F	$\sigma$
Less than 50 million	10.91	2.92	4.113	0.019
50 - 100 million	10.07	4.05		
More than 100 million	13.12	4.34		

Table 2. Sales and need for marketing and public relation improvement.

Sales (Baht)	Mean	S.D.	F	$\sigma$
Less than 50 million	17.04	4.77	4.370	0.015
50 - 100 million	14.90	4.68		
More than 100 million	19.24	5.63		

Table 3 a. Sales and need for customer service improvement

Sales (Baht)	Mean	S.D.	F	$\sigma$
Less than 50 million	12.61	4.07	6.372	0.002
50 - 100 million	11.31	4.61		
More than 100 million	16.18	5.67		

**Table 3b.** Number of employees and need for customer service improvement

Number of employees	Mean	S.D.	F	$\sigma$
Less than 50	11.93	3.98	4.054	0.020
50 – 100	12.41	4.74		
More than 100	15.17	5.30		

**Table 4.** Number of employees and need for quality improvement

Number of employees	Mean	S.D.	F	$\sigma$
Less than 50	15.05	4.98	3.674	0.029
50 – 100	14.16	4.82		
More than 100	17.63	5.19		

#### Analyses of factors affecting needs for organizational improvement

**Table 5.** Leadership factor analysis.

Factor	Unstandardized coefficients		Standardized coefficients
	B	Std. error	Beta
(Constant)	1.261	0.564	
Leadership 4	0.432	0.183	0.239

$$R^2 = 0.057, F = 5.581, \text{Sig.} = 0.020$$

Unstandardized model: NEEDLeadership  
 = 1.261 + 0.432 Leadership 4

Standardized model: NEEDLeadership  
 = 0.239 Leadership 4

**Table 6.** Control and contractual compliance factors analysis

Factor	Unstandardized coefficients		Standardized coefficients
	B	Std. error	Beta
(Constant)	1.264	0.403	
MKT & PR6	- 0.503	0.151	- 0.358
Finance 2	0.336	0.133	0.274

$$R^2 = 0.119, F = 6.266, \text{Sig.} = 0.003$$

Unstandardized model: NEEDControl  
 = 1.264 - 0.503 MKT & PR6 + 0.336 Finance 2

Standardized model: NEEDControl  
 = - 0.358 MKT & PR6 + 0.274 Finance 2

**Table 7.** Marketing and public relation factors analysis.

Factor	Unstandardized coefficients		Standardized coefficients
	B	Std. error	Beta
(Constant)	1.377	0.568	
Control 2	0.572	0.200	0.323
MKT & PR7	- 0.442	0.215	- 0.232

$$R^2 = 0.087, F = 4.409, \text{Significance} = 0.015$$

Unstandardized model: NEEDMKT&PR  
 = 1.377 + 0.572 Control 2 - 0.442 MKT & PR 7

Standardized model: NEEDControl  
 = 0.323 Control 2 - 0.232 MKT & PR 7

**Table 8.** Customer service factor analysis.

Factor	Unstandardized coefficients		Standardized coefficients
	B	Std. error	Beta
(Constant)	2.549	0.552	
Learning3	- 0.330	0.170	- 0.194
Control 1	1.096	0.263	0.614
MKT&PR 3	- 0.552	0.220	- 0.319
Control4	- 0.478	0.232	- 0.294

$$R^2 = 0.234, F = 6.871, \text{Sig.} = 0.000$$

Unstandardized model: NEEDCustomer & Service  
 = 2.549 - 0.330 Learning 3 + 1.096 Control 1  
 - 0.552 MKT & PR 3 - 0.478 Control 4

Standardized model: NEEDCustomer&Service  
 = - 0.194 Learning 3 + 0.614 Control 1  
 - 0.319 MKT & PR 3 - 0.294 Control 4

**Table 9.** Financial management factor analysis.

Factor	Unstandardized coefficients		Standardized coefficients
	B	Std. error	Beta
(Constant)	0.961	0.607	
Management 6	0.552	0.153	0.376
IT 5	- 0.764	0.261	- 0.458
Leadership 1	0.383	0.148	0.260
Management 2	- 0.470	0.217	- 0.246
IT 3	0.446	0.223	0.306

$$R^2 = 0.218, F = 4.94, \text{Significance} = 0.001$$

Unstandardized model: NEEDFinance  
 = 0.961 + 0.522 Management 6 - 0.764 IT 5 +  
 0.383 Leadership 1 - 0.470 Management 2  
 + 0.466 IT 3

Standardized model: NEEDFinance

$$= 0.376 \text{ Management 6} - 0.458 \text{ IT 5} + \\ 0.260 \text{ Leadership 1} - 0.264 \text{ Management 2} \\ + 0.306 \text{ IT 3}$$

**Table 10.** Information technology factor analysis.

Factor	Unstandardized coefficients		Standardized coefficients
	B	Std. error	Beta
(Constant)	0.841	0.491	
Finance 5	0.492	0.144	0.353
Management 2	- 0.479	0.200	- 0.266
Quality 4	0.338	0.124	0.337
Customer & Service 3	- 0.392	0.155	- 0.295

$$R^2 = 0.212, F = 5.994, \text{Significance} = 0.000$$

Unstandardized model: NEEDIT

$$= 0.841 + 0.492 \text{ Finance 5} - 0.479 \text{ Manage 2} + \\ 0.338 \text{ Quality 4} - 0.392 \text{ Customer \& Service 3}$$

Standardized model: NEEDIT

$$= 0.353 \text{ Finance 5} - 0.266 \text{ Management 2} + \\ 0.337 \text{ Quality 4} - 0.295 \text{ Customer \& Service 3}$$

**Table 11.** Human resource factor analysis.

Factor	Unstandardized coefficients		Standardized coefficients
	B	Std. error	Beta
(Constant)	0.774	0.605	
Learning 3	0.468	0.173	0.264
Finance 5	- 0.422	0.163	- 0.254

$$R^2 = 0.124, F = 6.485, \text{Significance} = 0.002$$

Unstandardized model: NEEDHR

$$= 0.774 + 0.468 \text{ Learning 3} - 0.422 \text{ Finance 5}$$

Standardized model: NEEDHR  
 = 0.264Learning 3 - 0.254 Finance5

Standardized model: NEEDQuality  
 = 0.322 Customer & Service 4 - 0.283 Finance 2

**Table 12.** Organizational learning factor analysis.

Factor	Unstandardized coefficients		Standardized coefficients
	B	Std. error	Beta
(Constant)	1.653	0.530	
Control2	- 0.253	0.152	- 0.176
HR 4	0.377	0.124	0.319
Leadership 2	- 0.441	0.189	- 0.264

R<sup>2</sup> = 0.165, F = 5.786, Significance = 0.001

Unstandardized model:

NEEDLearning  
 = 1.653 - 0.253 Control2 + 0.377 HR4 -  
 0.441 Leadership 2

Standardized model: NEEDLearning

= - 0.176 Control2 + 0.319 HR4  
 - 0.264 Leadership2

**Table 13.** Quality management factor analysis.

Factor	Unstandardized Coefficients		Standardized Coefficients
	B	Std. error	Beta
(Constant)	1.599	0.564	
Customer & Service 4	0.620	0.207	0.322
Finance 2	- 0.536	0.203	- 0.283

R<sup>2</sup> = 0.112, F = 5.756, Significance = 0.004

Unstandardized model: NEEDQuality

= 1.599 + 0.620 Customer & Service 4  
 - 0.536 Finance 2

**Table 14.** Change readiness factor analysis.

Factor	Unstandardized coefficients		Standardized coefficients
	B	Std. error	Beta
(Constant)	1.632	0.528	
Control2	- 0.466	0.195	- 0.278
MKT & PR 7	0.627	0.222	0.348
Management 5	- 0.413	0.207	- 0.252

R<sup>2</sup> = 0.139, F = 4.917, Significance = 0.003

Unstandardized model: NEEDChange

= 1.632 - 0.466 Control 2 + 0.627 MKT & PR 7  
 - 0.413 Management 5

Standardized model: NEEDChange

= - 0.278 Control 2 + 0.348 MKT & PR 7  
 - 0.252 Management 5

**CONCLUSION**

The factors affecting the levels of needs for organizational improvement in different areas were tested by the analysis of variance (ANOVA). The results showed that assets and sales were statistically significant factors affecting such needs of the firms. For control and contractual compliance, and marketing and public relation areas, sales were a statistically significant factor. For customer service area, sales and number of employees were statistically significant factors. For continuous quality improvement, number of employees was statistically significant factor. Overall, independent variables such as assets, sales, and number of employees were statistically significant factors affecting the levels of needs for organizational improvement in SMEs.

From the evaluation of needs for organizational improvement of Thai gift and houseware industry in 10 areas: (1) Leadership; (2) Control and Contractual Compliance; (3) Marketing and Public Relation; (4) Customer Service; (5) Financial Management; (6) Information Technology; (7) Human Resources; (8) Organizational Learning; (9) Quality Management; and (10) Change Readiness, the Leadership of entrepreneurs in Thai gift and houseware industry must be improved immediately since the level of the problems was high in this area. The other areas that showed significantly high level of needs for improvement were Continuous Quality Improvement, Control and Contractual Compliance, and Marketing and Public Relation. In the other areas, the levels of needs for improvement were moderate.

#### **Recommendation for further study**

To enhance their competitiveness, the SMEs in Thailand should primarily be focused on human resource development. This research showed that the number of employees significantly affected the level of problems in customer service and continuous quality improvement areas. Learning the best practices from successful SMEs will also help improve the industries more rapidly. The qualitative research, in addition to this quantitative research, on the SMEs should be studied to further improve the quality and efficiency of the SMEs in Thailand.

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