

COMPETITIVE NEUTRALITY AND STATE-OWNED ENTERPRISES: CASE OF E-LOGISTICS IN THAILAND

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Introduction

Competitive neutrality is a policy describing that State-Owned Enterprises (SOEs) should not have competitive advantages in business competition over Private Enterprises (PEs). It assumes that SOEs have competitive advantages over PEs because they are market incumbents who continue to enjoy monopolies in their value chains or government subsidies, in compensation for public service obligations (Capobianco and Christiansen, 2011). Competitive neutrality policy involves activities including both ex-ante regulations and ex-post laws to ensure a level playing field for competition between SOEs and PEs (UNCTAD, 2014). This research aims to falsify the statement that SOEs have competitive advantages over PEs. It seeks the answers to the following research question (RQ): Do SOEs always have competitive advantages over PEs?

Literature review

Competitive neutrality means that SOEs and PEs compete on a level playing field. This is essential to use resources effectively within the economy and thus achieve growth and development. Therefore the principle of competitive neutrality is gaining wide support around the world. The building blocks that governments need to address in order to achieve competitive neutrality, have been identified. They include choosing the best corporate form, achieving a commercial rate of return, accounting for public service obligations, improving debt neutrality, and making public procurement open and transparent (OECD 2012).

Methodology

This research follows the holistic single-case methodology, described in the Case Study Research (Yin, 2009). It studies the case of Thailand Post Distribution (THPD) Co., Ltd., a logistics SOE in Thailand. THPD is a wholly owned subsidiary of Thailand Post (THP), a postal SOE. It offers total logistical solutions including packing, warehousing, delivery and payment services for both private companies and government organizations.

This research collects data about THPD from several sources of evidence, shown in Table 1 and investigates THPD's competitiveness using Porter's Generic Strategies (Porter, 1985) shown in Figure 1

	Data about THPD ³
1	Documentation related to THPD <ul style="list-style-type: none"> · Company information⁴ · Governing laws and regulations⁵
2	Interview with THPD's top executives <ul style="list-style-type: none"> · 21-24 July 2015
3	Observation during THPD visit <ul style="list-style-type: none"> · 21-24 July 2015

Table 1: Data collection

³ Details are unavailable for public due to non-disclosure agreement.

⁴ <http://www.thailandpostdistribution.com/>

⁵ <http://www.sepo.go.th/en/2011-09-01-16-43-12/blog.htm>

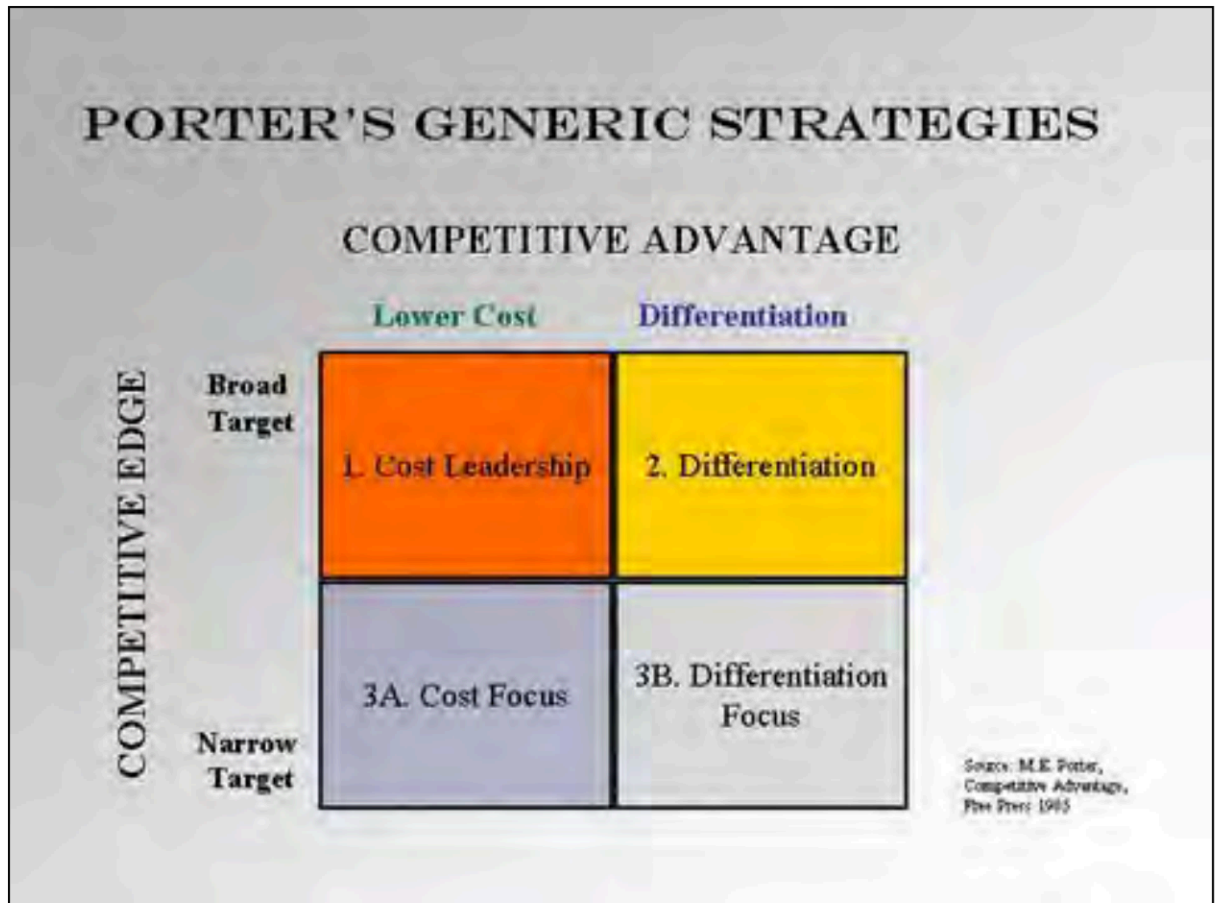


Figure 1: Porter's Generic Strategies (Porter, 1985)

Result

To falsify the statement that SOEs have competitive advantages over PEs, this research analyses data about THP and THPD with a focus on 2 issues including the monopoly power from being market incumbents and the government subsidies in compensation for public service obligations. It finds that even though THP and THPD are both SOEs, they differ in many ways.

While THP has monopoly power from being postal market incumbents and has government subsidies in compensation for public postal service obligations, THPD is not market incumbents, has no monopoly power, and has neither public service obligations nor government subsidies. The differences between THP and THPD are shown in Table 2.

		THP	THPD
1	Monopoly power from being market incumbents?	Yes. THP has monopoly power from being postal market incumbents.	No. THPD is not market incumbents and has no monopoly power.
2	Government subsidies in compensation for public service obligations?	Yes. THP has government subsidies in compensation for public postal service obligations.	No. THPD has neither public service obligations nor government subsidies.

Table 2: Differences between THP and THPD

Because THPD is classified as an SOE by law, it subjects to the same governing laws as other monopoly SOEs. The governing laws have a high level of command and control as they

are designed for monopoly SOEs. It is very difficult for THPD to run its business effectively and efficiently especially in the areas of human resource management, procurement management, financial and asset management.

This research analyses data about THPD using the framework of Porter's Generic Strategies. It finds that, compared to PEs, THPD has not only no competitive advantages (i.e., Cost Leadership, Differentiation, Cost Focus, and Differentiation Focus) but also competitive disadvantages. The competitive analysis of THPD and PEs are shown in Table 3.

Competitive advantages		THPD	PEs
1	Cost Leadership	No	Yes
2	Differentiation	No	Yes
3A	Cost Focus	No	Yes
3B	Differentiation Focus	No	Yes

Table 3: Competitive analysis of THPD and PEs

Furthermore, in the digital era, e-Logistics is expected to enhance the effectiveness and efficiency of logistics enterprises. E-Logistics, shown in Figure 2, is defined to be “the mechanism of automating logistics processes and providing an integrated, end-to-end fulfilment and supply chain management services to the players of logistic processes. Those logistic processes are automatized by e-logistics provide supply chain visibility and can be part of existing e-Commerce or Workflow systems in an enterprise” (Yadav, Zhang, and Chang, 2007).

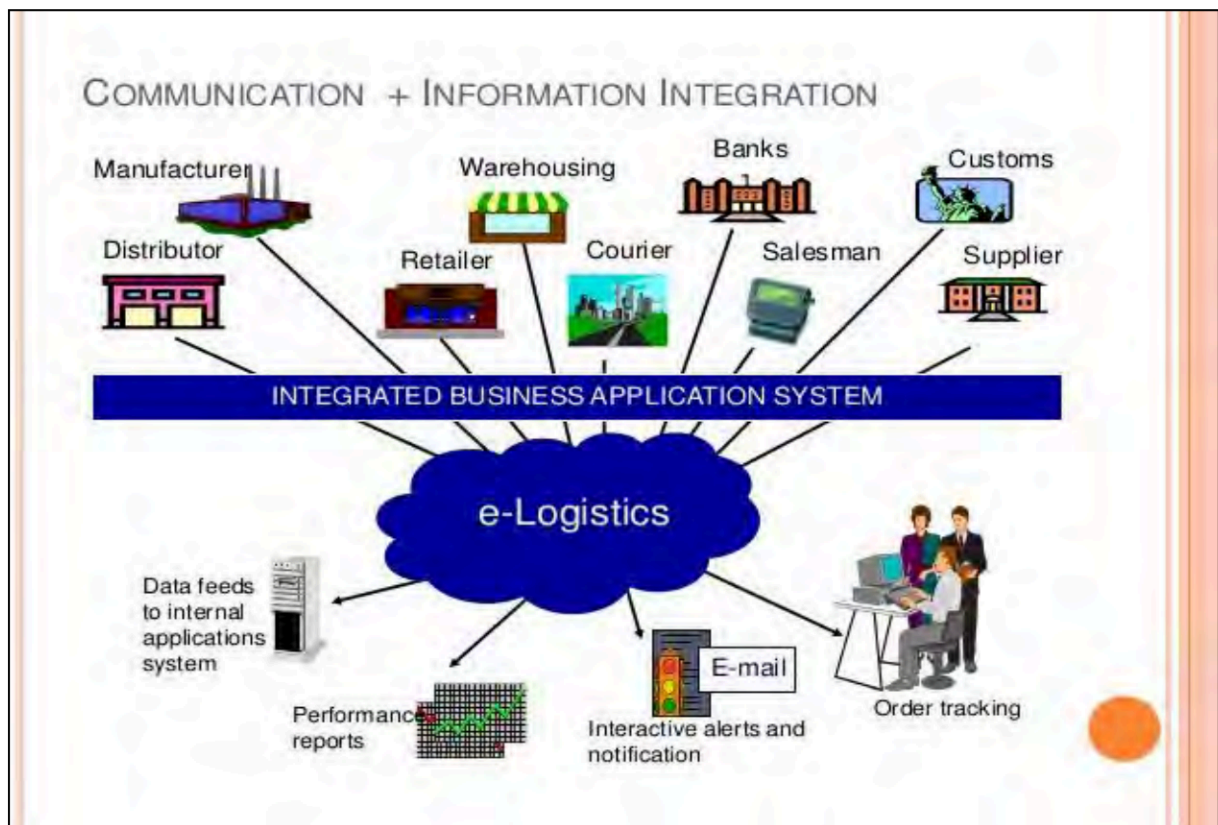


Figure 2: e-Logistics⁶

⁶<http://www.slideshare.net/amitupadhye/e-logistics-14978887>

While PEs can freely manage to become e-logistics service providers, THPD has difficulties in procuring e-Logistics solutions due to governing laws. Compared to PEs, THPD has greater competitive disadvantages in this specific situation. Therefore, governments should consider the competitive neutrality policy carefully because SOEs do not always have competitive advantages over PEs, especially in the case of subsidiary SOEs such as THPD.

Conclusion

For the first time, this research has investigated the case of THPD and falsified the existing knowledge stating that SOEs have competitive advantages over PEs. It argues that SOEs do not always have competitive advantages over PEs, especially in the case of subsidiary SOEs who are not market incumbents. Moreover, compared to PEs, SOEs may even have competitive disadvantages in some specific situations, such as e-logistics service developments. Existing knowledge and new knowledge about SOE's competitive advantages are compared in Table 4.

Existing knowledge	New knowledge
SOEs have competitive advantages over PEs.	SOEs do not always have competitive advantages over PEs, especially in the case of subsidiary SOEs.

Table 4: SOE's competitive advantages

The new knowledge has strong values and implications for government's market intervention policy in general and the competitive neutrality policy in specific, especially in the digital era.

References

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