

BUSINESS PERFORMANCE AND PROCESSED FRUIT EXPORT SUPPLY CHAIN IMPROVEMENT OF THAI SMES TO INDIA MARKET

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Introduction

Terms of SMEs or small to medium-sized enterprises has become noticeable in Thailand since 1997 after an occurring of economy crisis. The government launched many economic measures to protect the economy. One of the measures was promoting small to medium-sized business in many aspects. Motivating SMEs in proper way leads to income distribution as SMEs consist of three main sectors; manufacturing, trading, and service. Hence, such sectors can support unemployment condition and create value-added comparing to Large-sized business which rely on high technology and imported resources.

An exact meaning of small to medium-sized enterprises or SMEs relies on the country. As for Thailand, when an enterprise has less than two hundred employees and/or its fixed capital is less than around US\$5.7 million, it will be categorized as SMEs. There are nearly three million SMEs existing in Thailand, which equal to ninety-nine percent of entire Thai enterprises.

Thai Processed food industry is a high capability industry in export competition since Thailand is in the world top-ten rank of processed food export measuring by value. In 2015, the total export value of Thai processed food was 17,322.36 million USD which around 43.2 percent of such value came from an exporting of SMEs sector (Kasikorn Research Center, 2016). One of the noticeable processed food products of Thailand is processed fruits which have been also export globally in high proportion with a figure of 57 percent of total fruit exporting.

Moving to a destination market, imported quantity figure of processed fruits has rose eminently over the last ten years from 22.7 thousand tons (US\$27.3 million) in 2006, then doubled to 50.1 thousand tons (US\$81.8 million) in 2016 (Global Trade Atlas, 2017). This reflects an interest of processed fruit and potential purchasing among India market. The data conforms to a study of Kumar (2011) which indicates that Indian consumers tend to spend higher amount of money buying processed food due to their increased income. Furthermore, EXIM Bank Thailand (2012) also reveals that Indian middle-class consumers open their mind to new types of food such as instant food and ready-to-eat food more than those in the past.

To take a closer look into specific products, although India has been importing various processed fruits from Thailand, it imported just tiny amount of processed longan, tamarind, and coconut even though the products are the noticeable exporting processed fruit for Thailand. This situation is curious by the researcher, are exporting risk(s) and SMEs' business performance play an important role in this situation or not?

This paper will investigate three dimensions on key success factors and one dimension of exporting risk, along with an interest in exporting to India market to explore the business performance and readiness of processed fruit SMEs, especially processed longan, tamarind, and coconut SMEs toward India market.

Research Objectives

This research is a study of business performance to improve processed fruit export supply chain of Thai small to medium-sized enterprises (SMEs) to India Market. The research aims to find business performance and exporting risk in SMEs' perception which can specify objective as follows;

1. To study the business key success factors of processed fruit SMEs in Thailand toward India market, what factors should be promoted or enhanced by SMEs themselves?

2. To find significant exporting risk(s) among SMEs' perception, what exporting risk(s) should be concerned to bring SMEs to get to India market in terms of governmental supporting?

Conceptual Framework

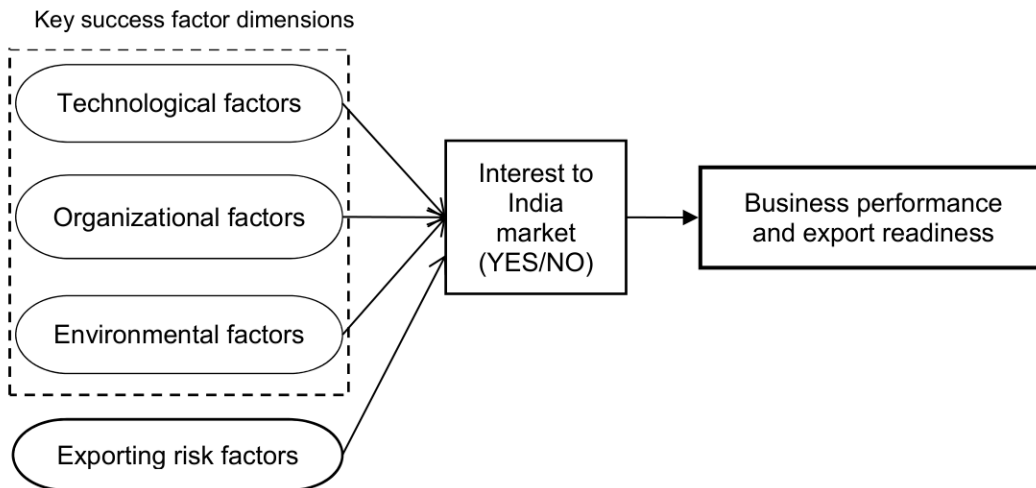


Figure 1: Conceptual Framework

Figure 1 illustrates a conceptual framework of this research. As the conceptual framework applying from TOE Framework of Tornatzky *et al.* (1990), the research aims to study three dimensions of key success factors; technology, organization, and environment, and one dimension of an exporting risk perception which were assumed to be a function of the interest in exporting to India market (Interested or not interested). Then the research can get the results of business performance and export readiness of Thai processed fruit SMEs toward India market.

Literature Review

This topic provides reviews of literature which relate to business performance and processed fruit export supply chain improvement of Thai SMEs to India market in terms of both theoretical idea and related research. The chapter was divided into two parts beginning with research's theoretical idea, the TOE framework, following by related research.

TOE Framework

The concept of TOE Framework was developed by Tornatzky *et al.* (1990) which consists three contexts; technological, organizational, and external task environmental. These three factors are linking each other and the three contexts lead to technological innovation decision making. To take a closer look among three factors, Mingmalairaks (2011) had been adjusted the TOE Framework to be suite with Thai context and business performance evaluation. First, organizational context was defined in terms of such as business size, firm culture, organizational structure, management style, innovation capability, and quality of human resource. Technological dimension concerns about both internal and external technology contexts such as machine efficiency, capacity of machine, information quality, and compatibility, while the last factor, environmental context, is a field in which an organization conducts its business with external tasks such as competitors, suppliers, customer requirement, accessing to resource, stakeholders, and government influence.

Related Research

Business performance can be measured in several ways. In traditionally, the measurement of business or company performance will focus on financial terms. However, many scholars have suggested that to comprehensively analyze business performance, the use of both financial and non-financial dimensions can measure business performance in terms of both operational and marketing performance (Hu *et al.*,

2017). To start a business, of course, business or company will face some obstacles in running a business due to financial problem or technology in production. Irjayanti and Azis (2012) studied about business performance of SMEs in Indonesia by identifying obstacle factors faced by SMEs which are competition barriers, financial access, price of energy; technology, inefficient production cost, economic factors, management skill, process, limitation of sales, and raw material.

Building identity and reputation are also noteworthy for starters like SMEs. As for small-sized business, three themes that business owners have to concern to create identity are consistency, internal training, and human capital and three themes to build reputation are credibility, transparency, and legitimacy (Huang, 2015). Other than that, the findings of Appiah and Singh (1998) present that environmental variables may influence the degree of customer orientation and then the customer orientation is significantly and positively related to business performance across a range of small and medium-sized companies.

As for small-sized business, Yusuf (1995) classified critical success factors for small business and test them with South Pacific entrepreneurs. The nine factors classified are 1) good management; 2) satisfactory government support; 3) Marketing factors; 4) overseas exposure; 5) level of education and training; 6) access to finance and level of initial investment; 7) personal qualities; 8) prior experience in business; and 9) political affiliation. The result of Yusuf indicates that good management is the most significant factor of small business success, follows by accessing to financial and level of initial investment and personal qualities, while marketing factors has the least effect on small-sized business success. The study conforms to a study of Ghosh *et al.* (2001) which strong management team and leadership and an ability to identify and focus on market are key success factors of top SMEs in Singapore.

Research Methodology

The research was designed as a quantitative research using five-point Likert-scale questionnaire to collect the data from entire 111 SMEs producing processed longan, tamarind, and coconut in Thailand (Department of Business Development, 2017). The questionnaire was designed in both paper-based format and online format.

As for questionnaire design, each questionnaire consists of four main parts. The first part is general information such as business-running age, number of employee, and type of production as questions will be asked with choice-answer type. Next part is an export experience information and interest in exporting to India market. The third part is key success factor questions which ask how respondent agree with each factor that firm has been applied in doing business (5 means strongly agree until 1 means strongly disagree). The last part is risks of exporting goods to India market in perception of a respondent.

The research aims to test a degree of relationship of key success factors and exporting risk factors if each factor relates to the interest in exporting goods to India market or not by applying Paired-Samples t-test approach and using SPSS statistical program to analyze a quantitative data.

Results and Discussion

After the questionnaires were sent to 111 SMEs, there is 76.6 percent of questionnaire's return rate (or 85 questionnaires). In general, most of respondents are small-sized enterprises. 38 percent of respondents have been running business for more than 10 years, following by 6-10 years of running business with a figure of 29 percent. Most of respondents have their own product's brand with a figure of 41 percent, while brand with OEM (Original Equipment Manufacturer) production took place at 35 percent.

As for interest of India market, there are 76 enterprises (or 89 percent) who are interested in export their products to India market by both their brand and OEM. The rest 11 percent of respondents who are not interested explains that they have faced with insufficient production and presently desire to focus just only in domestic market.

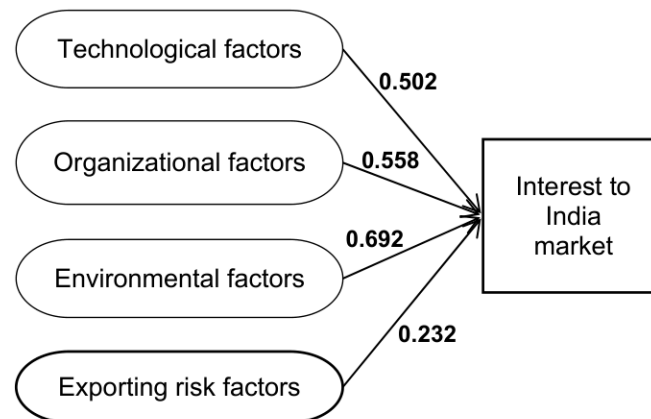


Figure 2: Interest to India market and factors' correlation

Figure 2 refers to an Interest to India market with factors' correlation; technology, organization, environment, and exporting risk factors. In overall, environmental dimension has the highest correlation with interest to India market, following by organizational factors, and technological factors, respectively. As for exporting risk factors, the correlation between such factors and interest to India market shows small figure, which means an interest to India market has low relationship with exporting risk factors. However, specific factors in each group will be discussed next.

The finding reveals that governmental assistance factor has the strongest relation among environmental factors with a correlation of 0.317, means that government support is a significant key success factor exporting products to India market in a perception of respondents. As for organizational dimension, exclusive or CEO's experience is a significant key success factor of business among organizational factors with the correlation figure of 0.205. Meanwhile, quality of products is a significant key success factor among technological factors with the correlation figure of 0.246. Lastly, even exporting risk factors have low relationship with an interest to India market, Indian consumer behavior is a remarkable exporting risk in SMEs' perspective with a figure of correlation -0.112. This correlation means that the SMEs will give low interest to India market so long as there is no information about Indian consumer behavior.

Conclusions

This paper presents important key success factors and exporting risk of processed fruit SMEs in Thailand to indicate a business performance and readiness toward an exporting processed fruit to India market. The data was analyzed through technological, organizational, and environmental contexts. All in all, from the contexts of technological, organizational, and environmental, the SMEs have business performance and readiness for exporting processed fruit (longan, tamarind, and coconut) to India market, especially a government-supporting factor which can push the SMEs toward an interest of new market. Business matching between Thai producers and Indian trader should considerably be arranged by the government to fulfill a business accomplishment.

This research is a study on only supply side, however, a demand-side study should be focused as well. A study of Indian consumer behavior towards processed fruit should be researched to comprehend the consumer behavior, such as what taste they like, which market segments should be focused, or their purchasing decisions.

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