



**A STUDY OF THE KEY SUCCESS FACTORS FOR SMALL
BUSINESSES OF THAI ENTREPRENEURS
IN THE PRODUCTION SECTOR**

BY

MISS SIRILUX LERTSIRIMONGKOLCHAI

**AN INDEPENDENT STUDY SUBMITTED IN
PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF SCIENCE PROGRAM IN MARKETING
(INTERNATIONAL PROGRAM)
FACULTY OF COMMERCE AND ACCOUNTANCY
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2015
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INDEPENDENT STUDY

BY

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ENTITLED

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was approved as partial fulfillment of the requirements for
the degree of Master of Science Program in Marketing (International Program)

on..... 6 JUN 2016

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Independent Study Title	A STUDY OF THE KEY SUCCESS FACTORS FOR SMALL BUSINESSES OF THAI ENTREPRENEURS IN THE PRODUCTION SECTOR
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Degree	Master of Science Program in Marketing (International Program)
Major Field/Faculty/University	Faculty of Commerce and Accountancy Thammasat University
Independent Study Advisor	Professor Paul G. Patterson, Ph.D.
Academic Years	2015

ABSTRACT

Small and medium sized enterprises (SMEs) make up the majority of businesses in Thailand, and hence are critical to the success of the Thai economy. The main purpose of this study is to determine the key success of successfully running SMEs for Thai entrepreneur in production sector. A qualitative methodology and secondary data sources was used to glean the key success factors. The result and recommendation in this report represent new knowledge and insightful information that will be extremely useful not only for those who are currently running a SME but also for those who plan to one day start their own business.

The result was analyzed with the hypothesized factors to show the similarities and differences between the trends behind the successful SMEs in Thailand and in the world. The significant findings that most entrepreneurs in the production sector found most important has been summarized into three factors; **financial management, vision and point of differences**. While different industries place different emphasis and have different methods to manage each of these factors, they are without a doubt the core pillars of a successful business in production sector.

Keywords: Successful entrepreneurs, Small and medium enterprises, SME, Production sector, Manufacturer

ACKNOWLEDGEMENTS

Firstly, I would like to thank my advisor, Prof. Dr. Paul G. Patterson, for his continuous support and incredibly helpful feedbacks. Throughout the entire eight-month period, Professor Patterson was extremely accessible via both E-mails and face-to-face meeting during his visits to Thailand. Without his knowledge, guidance and support, I would not have been able to complete this final report. Secondly, I would like to express my sincere appreciation for all the respondents who gave up their valuable time and effort for the in-depth interviews. Lastly, I would also like to thank my family, friends and colleagues for their countless encouragements.

As a wise man once said "A smooth sea never made a skillful sailor." Fortunately my past 2 years as a graduate student had been filled with up and down waves in the rough sea. Looking back at my experiences, I can only feel thankful for my Master Degree Program in Marketing (MIM), MIM Director, MIM Professors, MIM Coordinator and MIM28. Thank you for the invaluable life experiences that take me a big step forward.

Miss Sirilux Lertsirimongkolchai

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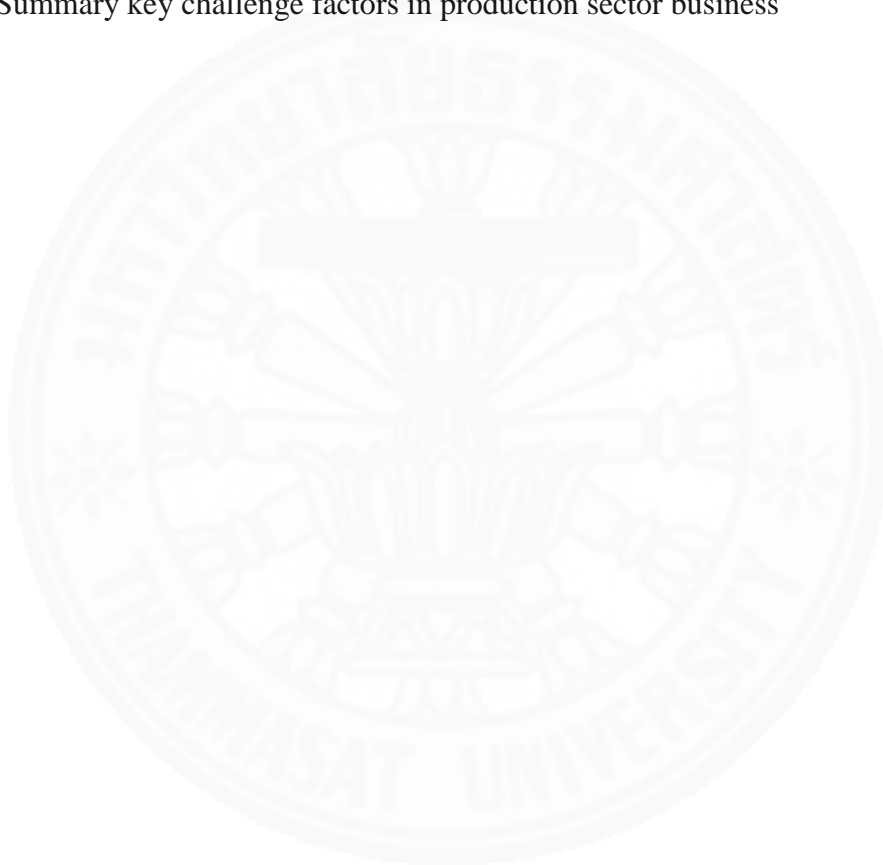
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CHAPTER 1

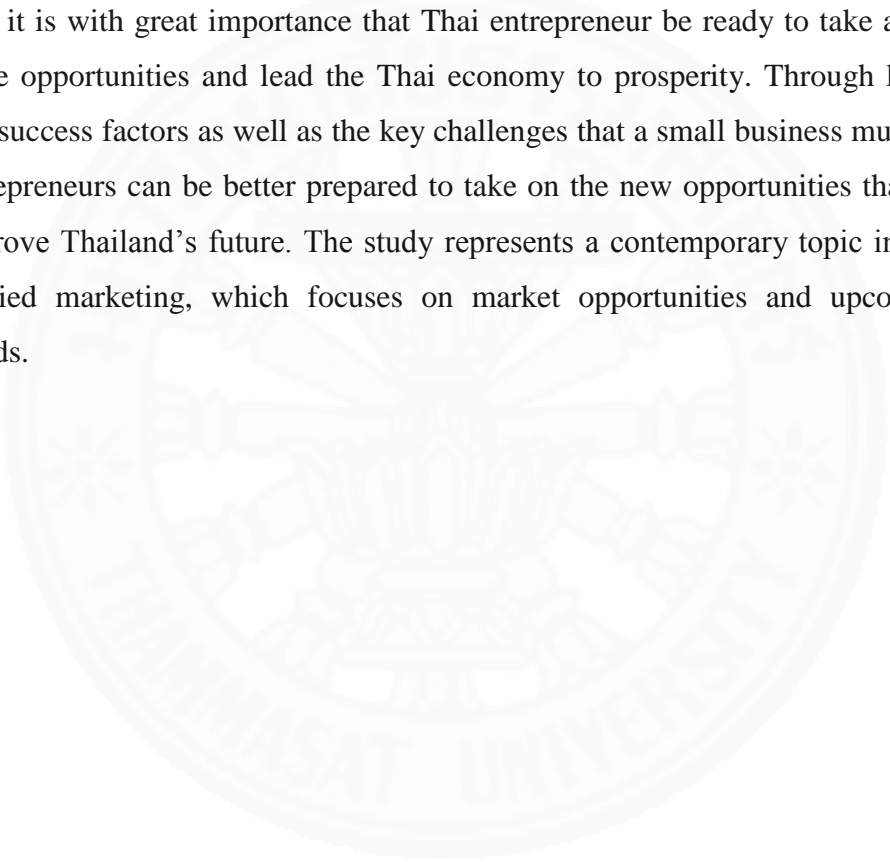
INTRODUCTION

In January 2015, the Office of Small and Medium Enterprise Promotion (OSMEP) documented a record-breaking number of 5,980 small and medium-sized enterprises (SMEs) registrations in Thailand. This makes SMEs one of the fastest growing segments in the Thai economy. The societal change that has been supporting this growth of SMEs is the profound shift in career preference of recent graduates. In recent years, the most popular career plans for recent graduates in Thailand have dramatically transformed. Currently, college graduates prefer to identify themselves as entrepreneurs instead of employees of large and well-established companies. The dramatic increase in number of startups is not only visible in Thailand but all around the world. This change can also be vividly seen in the societal role model in the current era. Today, the most influential role models are instead people like Mark Zuckerberg and Steve Jobs, who grew famous and successful over a period of a few days due to their novel innovation. Less societal value are being placed on hard work and a steady foundation decline, while more value are being placed on creativity and innovation. Some scholars have attributed this change to the innate characteristic of Generation Y, who put great emphasis on instant gratification and immediate fulfillment. But no matter the real reason behind this transformation, it is undeniable that the changes are taking place in Thailand today. Countless new business models have originated to support this idea such as co-working spaces, start-up communities and even series of workshops to encourage and guide young entrepreneurs into the right direction.

For every entrepreneur, running a new business is an enormous challenge that they must inevitably overcome. Since entrepreneurs need both professional training and real-life experiences, it is not surprising that the success rate of SMEs is incredibly low. According to a Business Insider article by Henry Blodget, the probability of success for startups is less than 1 percent. In addition to the increasingly competitive market in the globalized world, these entrepreneurs will also have to face the risks and uncertainties of their venture. Although there are many precautionary measures that could be implemented to increase the odds of success, no one ultimately knows whether or not a new idea would grow into a huge hit or a huge miss. However

even with all the uncertainties, one fact remains certain. There are only two possible outcomes: success or failure.

Owing to its novel nature that just originated in recent years and its significance to the future of the Thai economy, the study of **“The Key Success Factors for Small Businesses of Thai Entrepreneurs in Production Sector”** has been chosen as an independent study. Implications of this study could prove to be vastly beneficial for the Thai economy in the long term. As Asia grows to become the new economic center of the world, new opportunities will soon reveal themselves and thus it is with great importance that Thai entrepreneurs be ready to take advantage of these opportunities and lead the Thai economy to prosperity. Through knowing the key success factors as well as the key challenges that a small business must face, Thai entrepreneurs can be better prepared to take on the new opportunities that arise and improve Thailand's future. The study represents a contemporary topic in the area of applied marketing, which focuses on market opportunities and upcoming social trends.



CHAPTER 2

REVIEW OF LITERATURE

This section of the report contains definition of SMEs, relevant academic journals and existing research articles on the key success factors required for SMEs to succeed in the modern world.

2.1 Definition of SMEs

Owing to the popular nature of the topic, the word SMEs have been overused with countless definitions. Therefore, before proceeding onto other parts of the report, we will first define our definition of SMEs. This report will be using the definition of SMEs from The Ministry of Industry (MOI), Department of Industrial Promotion (DIP), which is as follows:

SMEs: Small and medium-sized enterprises, which can be divided into 3 major sectors:

- 1) Production Sector (agricultural processing, manufacturing and mining)
- 2) Trading Sector (wholesale and retail)
- 3) Service Sector

These 3 sectors can then be further separated into small or medium-sized enterprise through the varying requirements for each sector depending on the number of employees and the value of asset.

Table 2.1 Definition of SMEs

Type	Small		Medium	
	Number of Employee	Fixed Asset Excluding Land (THB Mil.)	Number of Employee	Fixed Asset Excluding Land (THB Mil.)
Manufacturing	50 or less	50 or less	51 - 200	50 to 200
Service	50 or less	50 or less	51 - 200	50 to 200
Wholesale	50 or less	50 or less	51 - 100	50 to 100
Retail	30 or less	30 or less	31 - 60	30 to 60

2.2 Importance of SMEs to the Thai Economy

Even during tough economic times, Thailand's SMEs managed to grow at an annual growth rate of 12.5 percent in January 2015 (OSMEP). Small and medium-sized enterprises (SMEs) can exert a strong influence on the economy, which makes them an essential source of economic growth that can have profound long term effects such as industrial development, fulfill social objectives, and attract considerable foreign investments. Since SMEs also functions differently from well-established companies, it also provide diversity in the economy, which will help the economy better deal with fluctuations in the global economy.

According to Al-Mahrouq, SMEs is predicted to generate employment for 60 percent of the total labor force in the world, which makes SMEs the backbone of the economies all over the world. (Al-Mahrouq, 2010) Furthermore, SMEs are the dominant form of business organization, representing approximately 95 – 99 percent of all companies. According to the Organization for Economic Cooperation and Development (OECD), SMEs represent more than 95 percent of modern day enterprises. While the economic crisis has profoundly affected SMEs all around the world, owing to the flexibility associated with SMEs, they have a better capacity to adapt and survive even in tough economic times. (ROBU, 2013)

2.3 SMEs Success Factors

Investigations across numerous countries suggest that before starting the business, entrepreneurs in most economies, not only Thailand, need to make sure the existence of business opportunity (Kuratko and Hodgetts, 1995). Whether the business opportunity exist or not represents the most influential factor that will determine the success of a SMEs and also the biggest uncertain that SMEs must face.

After determining that a business opportunity does exist, two sets key factors help accounts for business success. The first set of factors is business factors, and the second set of factors is the abilities of management. The elements in these two sets of factors will be described below.

2.3.1 Business factors

Due to the diverse nature of SMEs, there is no one certain recipe for success in running a business. However, a majority of successful SMEs do have a few characteristics in common. Previous study (Ha, Siriwan, Ramabut, Thitikalaya&Kiatnarong, 2014) found that most successful businesses notice the importance of business factors and concentrate much effort and time in order to make sure those factors run smoothly which can be separated into four major categories.

The first category is financial, which relates to the issue of cash flow and investments.

The second category is consumer, which has to do with how well the company knows what the consumers want and how well the company can satisfy the consumers' desire.

The third category is internal processes, which has to do with the business environment and how well the company can continually evolve to stay relevant, innovative and competitive.

The fourth category is growth, which relates to the future of the company and the direction of management.

2.3.2 Entrepreneur abilities

In addition to the business factors, there are also characteristics of management that entrepreneurs must have which are essential for a successful business. These characteristics include good planning skills, embracing failure as well as time and money management (Holt, 2009 and Graf and CrowdIt, 2013)

In tough economic times, one crucial characteristic that give SMEs a competitive edge over well-established companies is the adaptive management and the flexibility of the company. Unlike bigger companies, SMEs do not have a rigid organizational structure that will limit the flexibility of operation. While this lack of structure will often lead to a higher frequency of mistakes, it will also lead to a faster response to opportunities and threats. (Long, 2014).

This study uses the above information to form the basis of a set of hypotheses and conclusions about the key success factors to be tested in the Thai SME context. Data collected through qualitative research with in-depth interviews provided not only insightful information, but allowed the testing of these hypotheses in the Thai production sector. The following hypotheses have been developed from prior empirical studies around the world and tested via the interviews of Thai SMEs in production sector whether or not it has the significant impact on business success.

Table 2.2 Hypotheses developed

Dimension	Top priority factors	Hypotheses
1.Business Dimension	1.1) Financial Management	X1 : Adequate funding
		X2 : Good cash flow
		X3: Systematic financial management
	1.2) Operational Management	X4 : Smart supply chain management
		X5 : Appropriate technology
		X6 : Effective training for employees
1.3) Competitive Advantage	X7 : Point of differences	
	X8 : Innovation	
2.Human Dimension	2.1) Entrepreneur Characteristics	X9 : Support and commitment
		X10 : Risk taker
		X11 : Long-term vision for survival and growth
		X12 : Adaptability to change

CHAPTER 3

RESEARCH METHODOLOGY

In order to achieve all of the objectives, marketing research was conducted to collect data from secondary and primary research.

3.1 Research Objectives

This research aims to identify the crucial factors that can have a profound impact on small businesses of Thai entrepreneurs in production sector. The supporting data will help giving real-world example, new knowledge and insightful information of successful SMEs that will be extremely useful not only for those who are currently running a company but also for those who plan to one day start their own business in Thailand to make the abstract idea of running a business more tangible.

This study will specifically concentrate itself on the SMEs in the production sector (manufacturing), which is one of the challenge sector to keep the business running and is the sector that fits best with the background of the researcher and the networks available.

- 3.1.1 To identify key success factors of Thai SMEs in the production sector.
i.e. financial management, technology, employee, point of differences etc.
- 3.1.2 To understand how entrepreneur's characteristics affect the success of the business.i.e. risk taker, vision to growth, commitment, flexibility etc.

This research was conducted into two parts. Firstly, researcher conduct a comprehensive reading and analysis of many studies conducted around the world which will give a better understanding of what it takes to be an entrepreneur and help the researcher come up with predictions of traits that would increase the probability of success. Secondly, validate these predictions with qualitative interviews with successful Thai entrepreneurs in order to test whether or not the results of previous studies abroad are similar to the results obtained in Thailand. Therefore, the exploratory research method will aim to gather more insightful information with

regards to the key success factors and key challenges in running a business in production sector. However, since the research topic is incredibly specific and requires many strict criteria for the respondents to satisfy as well as the time limitation, the research was conducted only through qualitative research methods.

3.2 Exploratory research method

3.2.1 Secondary Research

Secondary data was obtained from highly credible sources and scholarly articles before the collection of primary data begin. These sources include CEO publications, credible websites, academic publications, relevant journals, newspaper, pocket books, as well as existing research articles. The secondary data obtained will help identify and understand the current situation that businesses are facing as well as the key success factors and key challenges in running a successful business. This significantly helped researcher to construct a precise idea of the success factors and key challenges an entrepreneur must face in starting a business and enabled researcher to further develop in-depth interview questions with Thai entrepreneurs.

One factor that many of the secondary data agreed upon with regards to the success of SMEs is its strong dependence on existing competitive advantage or point of difference (POD). Owing to the fact that most SMEs were recently established and thus do not have the advantage from the economy of scale, SMEs cannot compete with bigger companies in cost. Therefore, the only way for SMEs to thrive in the market is through differentiation. This can be accomplishing through uniquely positioning of the brand to target a niche market, which will create a POD that could give the company a competitive advantage.

3.2.2 Primary Research

3.2.2.1 In-Depth Interviews

The in-depth interview represents the most important part for this independent study. The in-depth interview (one-on-one discussions) will contain many open-ended questions and through applying the probing and prompting techniques, meaningful information can be obtained to help this study achieve its objective of understanding the environment surrounding a successful entrepreneur, The probing technique will help encourage the respondents to elaborate and explain more on their point of view, which will help us get to the core of the respondent's thinking. The prompting technique will help uncover specific details and will be used when the respondents failed to mention some specific or in-depth information with regards to the question.

3.3 Sampling Procedure

3.3.1 Segmentation

This study focuses in production sector which include agricultural processing, manufacturing and mining

3.3.2 Qualification of respondent for in-depth interview

Successful business owner in production sector who has been operating small and medium size business at least 5 years.

Since an individual's definition of a successful business owner is founded on largely subjective grounds, the researcher adopted the critical success factors concept (CSF) (Rockart,1979) to screen the respondents. In this model, the respondents need to satisfy every factor in order to be the optimum match between environmental conditions and business characteristics.

Key success factor vs. Key performance indicator:

- Key success factors are elements that are vital for a strategy to be successful.
- Key success factor drives the strategy forward
- The respondent need to ask themselves 'Why would customers choose us?'

The answer to this question is typically a key success factor.

For the in-depth interview, the respondents were recruited through personal connections, and the interview conducted under the conditions below;

- There are 20 respondents for in-depth interview and were digitally recorded
- Each interview took approximately 60 minutes.
- The approach of face-to-face interview and telephone interview were employed, depending on the convenience of the respondent.
- The interview was arranged in convenience locations proximal to the respondent.



CHAPTER 4

RESULTS AND DISCUSSION

Further analysis of previous studies and literature around the world revealed twelve hypothesized factors that could potentially be the key success factors for entrepreneur in Thailand. After conducting 20 qualitative interviews with Thai entrepreneurs, the result were combined and analyzed with the twelve hypothesized factors to show the similarities and differences between the trends behind the successful SMEs in Thailand and in the world. The summary of the results are presented in the table below.

Table 4.1 Key success factors analysis

Dimension	Top priority factors	Hypotheses	Level of importance in Thailand
1.Business Dimension	1.1) Financial Management	X1 : Adequate funding	Strongly Agree
		X2 : Good cash flow	Strongly Agree
		X3: Systematic financial management	Strongly Agree
	1.2) Operational Management	X4 : Smart supply chain management	Agree
		X5 : Appropriate technology	Agree
		X6 : Effective training for employees	Neutral
	1.3) Competitive Advantage	X7 : Point of differences	Strongly Agree
		X8 : Innovation	Agree
2.Human Dimension	1.4) Entrepreneur Characteristics	X9 : Support and commitment	Agree
		X10 : Risk taker	Neutral
		X11 : Long-term vision for survival and growth	Strongly Agree
		X12 : Adaptability to change	Neutral

From the twenty in-depth interviews, researcher discovered there were some significant findings that most entrepreneurs in the production sector found most important. Those finding has been summarized into three factors; **financial management, vision and point of differences**. While different industries place different emphasis on each of these factors and have different methods for managing these factors, they are without a doubt the core pillars of a successful business in production sector.

4.1 Key Success Factors

4.1.1 Financial management

While there are many methods of obtaining funding, initial analysis of the 20 in-depth interviews revealed a distinct difference between the preferred methods of each company. With regards to where these entrepreneurs prefer to get their funding, the entrepreneurs can be separated into two major groups: modern and traditional.

Although both types of entrepreneur expect the company to grow and be sustainable in the future, the main difference between these two types of entrepreneur is the expected growth rate that they hope the company to have. The more modern entrepreneurs actively seek new opportunities for investments and utilize varieties of cutting edge business tools to accelerate their company's growth and success. These tools include new accounting software, customer relationship management programs and demand prediction models. On the other hand, the more traditional entrepreneurs are more conservative in their investments and are more risk averse. They would only make investments in opportunities that they are sure to succeed. Unlike the more modern entrepreneurs, entrepreneurs with the traditional mindset prefer using the old booking system and often stay away from new business tools that they do not completely understand. A summary of the characteristics in financial knowledge and management of the traditional entrepreneurs and the modern entrepreneurs are shown below.

Table 4.2 Financial management of Modern vs. Traditional entrepreneurs

Commonalities and differences in term of financial knowledge and management	
Modern Mindset	<ul style="list-style-type: none"> • Utilize loan for business investment • Interest on personal investment • Highly focused on business efficiency • Understand time-value of money • Outsourcing • Responsibility Delegation – focus on giving strategy
Traditional Mindset	<ul style="list-style-type: none"> • Rely on personal funding, considered loan as debt • Still being influenced by first-generation owner, if any • Focus on increase sales volume • Still being influenced by first-generation owner (If any) • Business needs to be registered as company • Involve in day-to-day business operation (delivery, sales, financing)

Since the concept of modernity in business represents such an abstract concept, researchers have applied “**Six dimensions that affect the degree of modernity in business**” that could help make the idea more tangible.

**Figure 4.1 Six dimensions that affect the degree of modernity in business**

The first dimension of modernity is “**Financial knowledge,**” which is also known as financial literacy. This dimension looks at the entrepreneur's ability to understand how money works in the world and the different ways a company can finance their investment. While more traditional entrepreneurs often heavily rely on personal funds, more modern entrepreneurs figured out creative ways to gather funds and have more ways to obtain them. As one of the more modern interviewees stated

“For my business, it’s better to use overdraft to finance the investments. While the interest is higher than bank loans, in my business, I can pay back the money in less than six months. Therefore, after doing the calculations, it makes sense to use overdraft instead.”

Varis (44), Chemical industry

The second dimension of modernity is “**Financial Management,**” which looks at the efficiency and effectiveness of the entrepreneur’s management of funds to accomplish the objectives of the company. This dimension includes both the entrepreneur's management of both the company's funds as well as his/her personal funds. Although the line between the company’s funds and personal funds are often clearly visible for more modern entrepreneurs, the opposite could be said for more traditional entrepreneurs. As one of the more modern entrepreneurs claimed

“The company’s funds and my personal funds are completely separated. When I personally invested in a new garment factory to increase production, I separated the investment from my current company in order to not get them mixed up so I could clearly see the cost and benefit of the investment”

Vorapoj (35), Garment industry

The third dimension of modernity is **“Perception towards Loan.”** This dimension looks at the entrepreneur's attitude towards loan. Unlike more traditional entrepreneurs, who dislike the concept of a loan and would do anything to avoid it, more modern entrepreneurs are more comfortable with this concept and would rigorously analyze the cost and benefit that a loan can provide for their business. As two respondents once stated during the interview in opposite way.

“Loans are almost always bad news. The banks charge extremely unfair interest rates and only have the hidden intention to take over the business once we cannot pay back the loans.”

Suppachote (29), Auto parts industry.

“I can clearly see the opportunity and whether or not I can make a profit margin above the interest rate. Taking out loans is completely normal in business and it can help us reach opportunities that were once outside our reach. We could even use loans to grow really big really fast!”

Ravit (37), Medical industry

The fourth dimension of modernity is **“Business Management Approach.”** This dimension looks at the entrepreneur's ability to adopt new technologies and his/her perception of change. In the current age of globalization, this characteristic of the entrepreneur could critically determine whether a company take a completely novel path from its competitor, where the destination might be unknown, or stay on the regular path that is the same as everyone else, where the destination is clear. While more modern entrepreneurs are often very open to new technologies and embrace change, more traditional entrepreneurs dislike the idea of change and often lack behind in current technologies. As a modern entrepreneur stated during the interview,

“The barcode system completely transformed the business world forever! Not only can the barcode help provide information on the stock available and sales volume, it can also tell us the best selling skus and size of the product. This had tremendously helped me plan my production accordingly and more efficiently order raw materials in order to save cost.”

Apisada (43), Skin care industry

The fifth dimension of modernity is **“Vision of Business.”** This dimension looks at the entrepreneur's vision of the business and what he/she envision the future of the company to be. With regards to this aspect, more traditional entrepreneurs often vision the company to grow larger and retain its market share through its legacy and brand history. On the other hand, more modern entrepreneurs often vision the company to diversify and enter into new markets areas that could add value to the original product. As one of the more modern entrepreneur once said

“Yesterday, we were only the manufacturer. But today, we seek for new channels to sell our products and become a retailer.”

Sirinthip (34), Fine jewelry industry

The sixth and last dimension of modernity is **“Expectation of Growth.”** While more traditional entrepreneur would be satisfy with a growth rate that double or triple the inflation rate, a more modern entrepreneur would aim for a growth rate much higher than just doubling or tripling the inflation rate but instead aim for growing at the rate 10 times or 20 times the inflation rate. This disparity between the expectations of growth could be directly attributed to the trend of pushing business forward. As one interviewee stated,

“Either do something big or do nothing. There is no space in between.”

Dusida (45), Ship builder and repairer industry

Using the six dimensions of modernity, one can separate entrepreneurs into different categories: extremely traditional, traditional, hybrid, modern and extremely modern. These categories can then be used to predict how the entrepreneur will obtain funding and the risk associated with the company. After successfully obtaining funds from various different locations, the big question for the entrepreneur is where to invest?

From analyzing the data obtained from the in-depth interviews with primary literature, we were able to determine a key success factor in the usage of funds that is shared among successful companies in Thailand and the rest of the world. This factor is **systematic financial management**. The analysis revealed three major spending trends in financial management that can determine a company's success. Each of these three trends match specifically with the three stages of a business as shown below

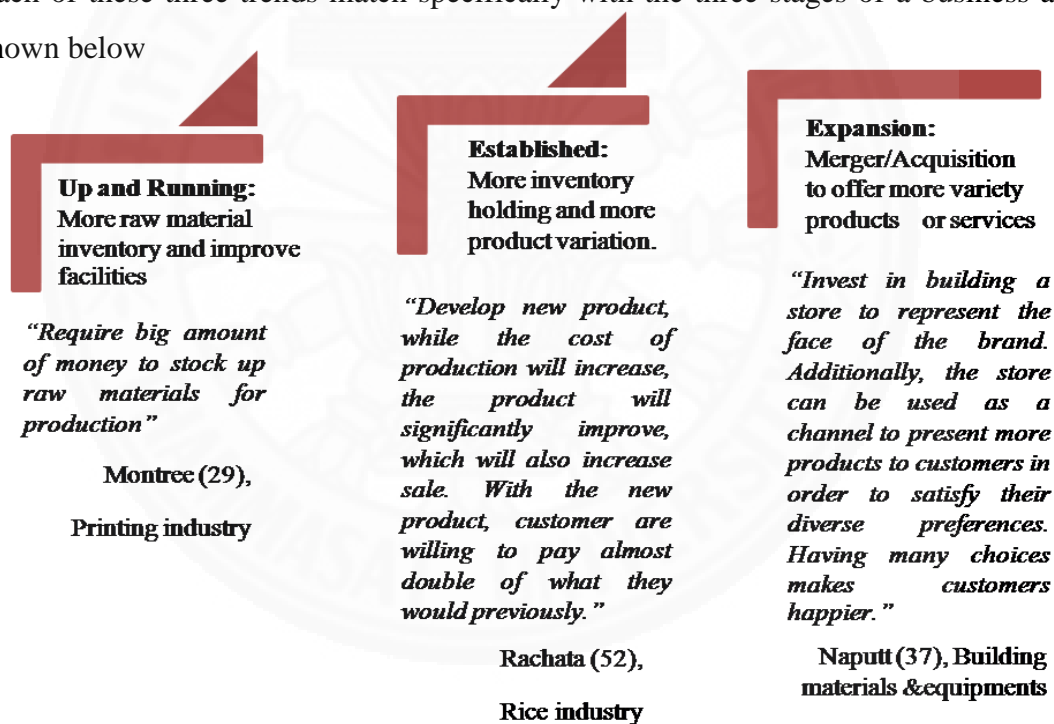


Figure 4.2: Systematic financial management at different stages of company

As shown in the figure above, depending on the stage of the company, funding should be used in different activities in order to increase revenue. Therefore, it is very important to manage cash flow and know when and where to invest depending on the stage of the company.

4.1.2 Vision

An entrepreneur's vision for survival and growth represents a mental image of what the individual wants the company to develop into in the future. This vision often strongly dictates how a business is managed and even the profit and growth expectation. While some entrepreneurs hope for moderate and steady growth, others envision an exponential growth that dramatically accelerates after the launch of the company. These differences in visions will mandate what types of investments the company will make and what kind of risk are associated with the company. Additionally, a clear vision will further help the company to avoid moving into a wrong directions and stay on the right path. However, a vision that is too clear will often overlook great opportunities that are outside the scope of the company. Entrepreneurs' visions are as diverse as they are different. There are unique advantages and disadvantages associated with each kind of vision, and depending on the current and future market conditions, one vision might thrive while another might cease to exist.

From analyzing the twenty in-depth interviews and comparing them to primary literature, it was discovered that there exist a strong correlation between an entrepreneur's success and the entrepreneur's understanding of how the organization needs to grow in the long run. Even when business is doing well, a successful entrepreneur will continue to look into the future in order to identify potential problems that the company might face and prepare the company for these challenges. Through constantly developing new groundwork and never adopting 'Business As Usual' mindset, the entrepreneurs keep the company up to pace with the rapidly changing market environment and keep the company competitive. These preparations include looking for new ways to increase profit, finding ways to add value to existing products, or searching for novel ways to reach new customers. These strategies could be most clearly structured into the different groups of the Ansoff Matrix, which can be used as the framework to help organizations map their strategic business growth.



Figure 4.3: Ansoff matrix analysis for business expansion

According to the Ansoff Matrix, there are four major strategies for growth. These four growth strategies are market penetration, market development, product development, and diversification.

The first growth strategy: **market penetration**, is a strategy in which the company attempt to grow through its existing products and services in existing markets. The goal of this growth strategy is to increase the company's market share in the current market that the company is in. One can accomplish this by either selling more of the existing products to current customers or by selling to new customers within the current market. The most common approach to increase market penetrations are aggressive promotions such as price decrease and distribution such as promotions or distribution support. Out of the four growth strategies, market penetration represents the strategy with the least risk associated with it. This is because the company will be handling products that it is experienced with and introducing them into the current market, where distribution channels are well-established and brand awareness is high.

The second growth strategy: **market development**, is a strategy in which the company attempt to grow through its existing products and services in new markets. The goal of this growth strategy is to use the company's existing product to gain market share in a novel market through increasing its distribution channels. This can be accomplished by entering into a new customer segment or exporting into new regions or countries. Market development represents a strategy with moderate risk because even though the company is entering into a new market, where they have very little knowledge of, the company is taking advantage its expertise in its current products.

"I want to add more branches and representatives at the prime location and with the opening of AEC I'm looking for a middleman who could help me sell in Laos and Myanmar. I am sure that my T-shirts can definitely sell there!"

Paveena (29) , Garment industry

The third growth strategy: **product development** is a strategy in which the company attempt to grow through creating new products and services targeted at its current markets. The goal of this growth strategy is to take advantage of the company's existing distribution channels to sell new products in order to increase sale revenue. There are many approaches to grow through product development ranging from investing more in research and development of new products or even buying completed products from other manufacturing and branding it. Similarly to market development, product development represents a growth strategy with moderate risk because although the company is introducing a completely new product that would receive unpredictable response from the consumer, it is taking advantage of its existing distribution channels.

"After launching the Happy-Go-Lucky Collection, Jubilee discovered that there is a new target segment that is not only younger but also have high purchasing power. This segment is made up of people who are innately attached to the Hello Kitty character."

Chutima (33), Diamond jewelry business

The fourth and last growth strategy: **diversification** is a strategy in which the company attempt to grow through novel products within a novel market. The goal of this growth strategy is to use a new product to gain market share in a new market. Out of the four possible growth strategies, diversification represents the strategy with the most risk associated with it. This is because the company will not only have to develop a new product, but also introduce it to a completely new market, which the company has very little expertise in. In order to diversify, the company will first have to develop a new product through approaches described in the third growth strategy, and then enter a new market through methods explained in the second growth strategy. However, unlike the second and third growth strategy, diversification fails to take advantage of the company's expertise in the current product and the already existing distribution channels, respectively.

“For Thai people, we have been using alcohol to clean any kinds of injury for our entire lives and it is considered to be standard practice. However, in other countries, it is forbidden to use alcohol to clean injuries. Therefore, we tried to develop the new medical product that could serve their needs since we have all the prompt resources available.”

Ravit (37), Medical industry

4.1.3 Point of Differences

One critical factor that most entrepreneurs agreed upon with regards to the success business is the strong competitive advantage or point of difference (POD). This can be accomplishing through positioning the company to target a niche market. On the other hand, some mass manufacturers do not have the advantage from the economy of scale. However, no matter what factor it is point of differences which can take place at any point to satisfy customers enough to make them choose to buy from you such as quality, punctuality, good service or even good relationship with sales representative can be something differentiates you from competitors in business context.

4.2 Key Challenge Factors

Besides these three-core pillars of successful business in the production sector, there also exist challenge factors that different industries need to face in different particular context, which can be categorized as follows:

4.2.1 New Technology

Since the market and customer are constantly evolving, as a manufacturer, it is extremely difficult to keep up with the pace and fully satisfy those forever changing demands. There is a limitation to flexibility in operation and investing in new technology is often extremely expensive and often very risky.

4.2.2 Lack of Knowhow and Skill

Every time there is a large shift in operation, current employees are often not able to keep up and comprehend the changes. This is often due to the lack in training programs for current employees and the management of HR. Without fully understanding the new business tool and operational changes, employees end up confuse and lost, which ultimately results in many operation's errors and inefficiencies.

“With the incorporation of new distribution channel, my staffs are at lost with taking online orders, which causes inventory to overflow.”

Thirada (32), Abrasives & accessories industry

4.2.3 Substitution Products

Substitute products that consumers perceive to be comparable with the company's offering can greatly cut down on the market share that the company can have. These products could even lower current consumer's desire for the company's product due to the lack of rarity.

"In the recent decade, wood has been facing substitution pressure from other materials like plaswood which is cheaper and look exactly like real wood."

Eittichai (59), Log and lumber industry

4.2.4 Price Fluctuation of Raw Material

While it is crucial to control cost, product margin and stock for every manufacturer, the fluctuation in price of the raw material makes it extremely difficult to keep a stable trend in these factors.

"We will stock up a very huge amount when the stainless price decrease and hold customers until the price goes up. This is how we play a little game of cost-controlling."

Chatpong (36), Stainless steel industry

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

In conclusion, from talking to 19 successful entrepreneurs and 1 entrepreneur who failed in running a business in the production sector, we have learned that one of the best way to understand the successful businesses is to look at the unsuccessful businesses. The key findings that we discovered are that most of entrepreneurs have more or less the same goal even while they have very different way to reach the goal. However, there is only one ultimate goal: to grow the business.

Successful entrepreneurs must be capable of rapidly adapting as manufacturing becomes faster, closer to customers. Therefore, an entrepreneur should make serious efforts to offer a competitive business environment and a sustainable business culture.

From analyzing previous studies around the world and 20 qualitative interviews with Thai entrepreneurs, it was shown that there are 3 core pillars of a successful business in production sector. While different industries place different emphasis on each of these factors and have different methods to achieve these goals, these factors still remain as the core-pillars of success. The summary of the results of these key success factors are presented in the figure below:

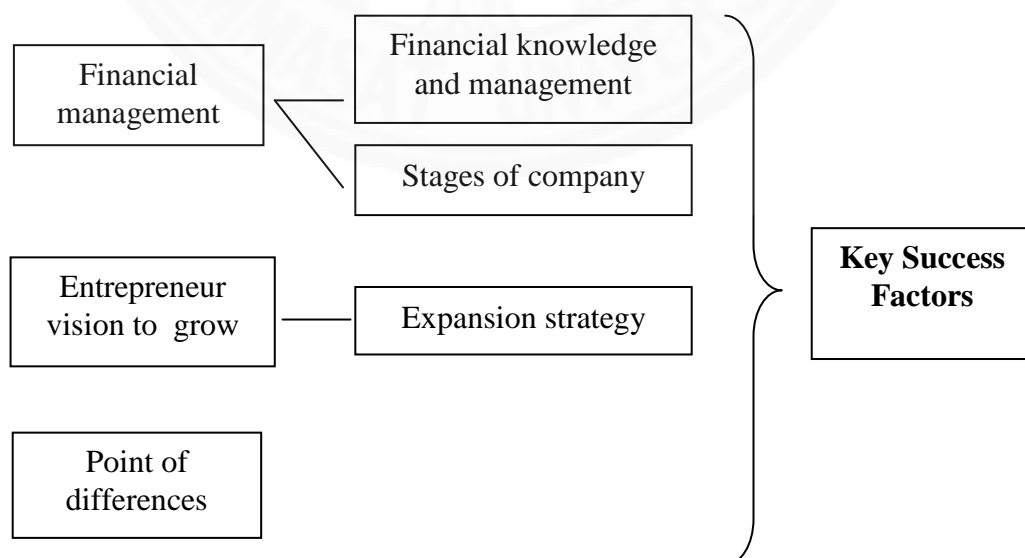


Figure 5.1: Summary Key Success Factors in Production Sector Business

Furthermore, it is undeniable that growing a business will have its range of challenges. From the 20 qualitative interviews, we found that there are different problems and challenges in different industries of the production sector. The summary of the results for the key challenge factors is presented in the figure below.

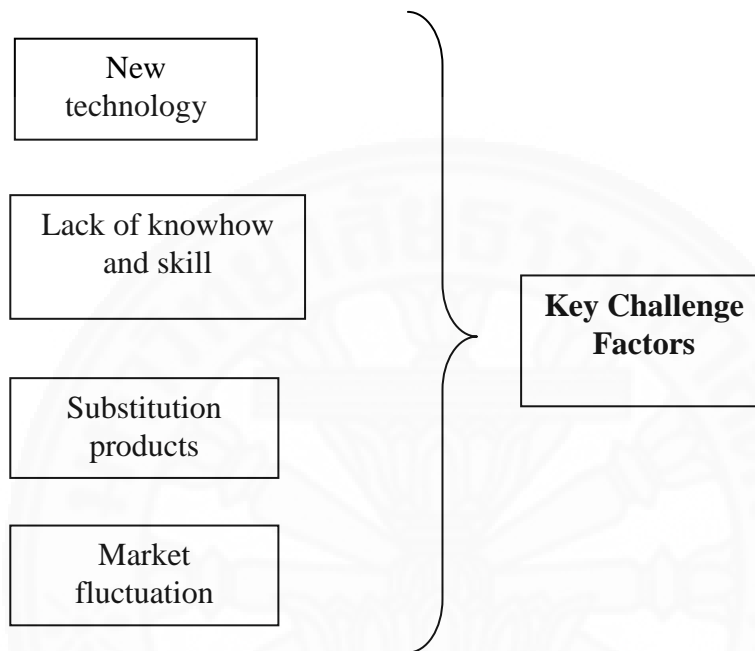


Figure 5.2: Summary Key Challenge Factors in Production Sector Business

5.1 Recommendations

From the key findings of the study, the recommendations will be summarized for those who are currently running a business and those who plan to start their own business in production sector in Thailand. The recommendation will be categorized into business dimension and human dimension as follow:

5.1.1 Business Dimension

The key factor that can determine a company's success apart from the core pillar like financial management is management's ability to correctly determine when and where to invest. However, there are a lot more implementations in the process of

running a sustainable manufacture, which will be explain based on the development stages of the company to make the idea of running a successful business in production sector more tangible. These factors will also help predict the risk associated with each circumstance.

5.1.1.1 Up and Running: During the up and running stage of the company, the entrepreneurs need to define the target product profile as it relates to the operation process in order to stock raw material inventory needed for production and improve facilities in order for operations to run smoothly. Additionally, entrepreneurs need to ask themselves “Where exactly are you in the supply chain? And can you be another function in the value chain?” From these questions, you will realize when is the right time to scale up your business is. Furthermore, you need to keep monitoring the competitors in the market, evaluate the level of competition and see if there is any variety of activities to improve your competitiveness.

5.1.1.2 Established: When the company is in its established stage, the demand is more fragmented since customers will be asking for product variation and more types of after-sales services, which will require a lot of effort in execution. To get ready for those huge changes, the entrepreneurs should come up with a pipeline of innovations to create demand and drive further productivity such as new raw materials, economy of scale, cost control strategy, supply chain management for more inventories holding, explore the right distribution channel, more facilitate services etc.

5.1.1.3 Expansion: If the company is in the expansion stages, which means that the company is already well known, and will be making a significant change with their customer groups or products to increase growth, then management will need to carefully predict the risks associated for growth and compare them with past achievements. Research and development of product must be undertaken and market research must be conducted to see the demand available while maintaining high quality of existing products. Furthermore, the company will need to come up with competitive sales and marketing strategy and tactics that will not only beat its competitors but also keep up the company’s reputation.

Lastly, there is a one key trait that every company, no matter the developmental stage, has in common. This trait is the unique mentality to see the problem as challenges that will provide them an opportunity to learn, improve and handle challenges differently in a way that makes them better off than before the problem surfaced.

5.1.2 Human Dimension

An entrepreneur's vision is the key factor that directs the company. Therefore it must be visible and seen throughout the organization in order for employees to understand the direction of the company's future growth and be inspired by the company's future direction. Management's vision can also be share through meeting, events or even displays. No matter what channel is used to spread the vision, management will also need to show the responsibility to take charge of their jobs and the company as a whole. Additionally, management will need to successfully inspire their followers. Offering career challenges and reasonable promotions will inspire skilled employees to learn new knowledge and push themselves to the limit. Furthermore, entrepreneurs need to design implementation policies to create best work environment possible for the company. With strong communication line between management and employee, there is a strong chance the entrepreneur can attract and retain good employees.

5.2 Limitations of the Study

5.2.1 Time

From the start of this report, researcher had a total time of 5 months to not only design the study but also collect primary and secondary data. This time frame represents an incredibly short time to schedule and conduct all the interviews needed in order to do a quantitative analysis of the data.

5.2.2 Specificity

In addition to the limited time frame available while the researcher needs a very strict requirement and criteria for respondents. Due to this high specificity, this makes it incredibly hard to gain a large amount of data needed.

5.2.3 Application

Since this study gather data from a very specific set of people, the results cannot justly represent the population of Thailand. Therefore, further applications of this study should only be for people who belong in the target group or are in a similar category

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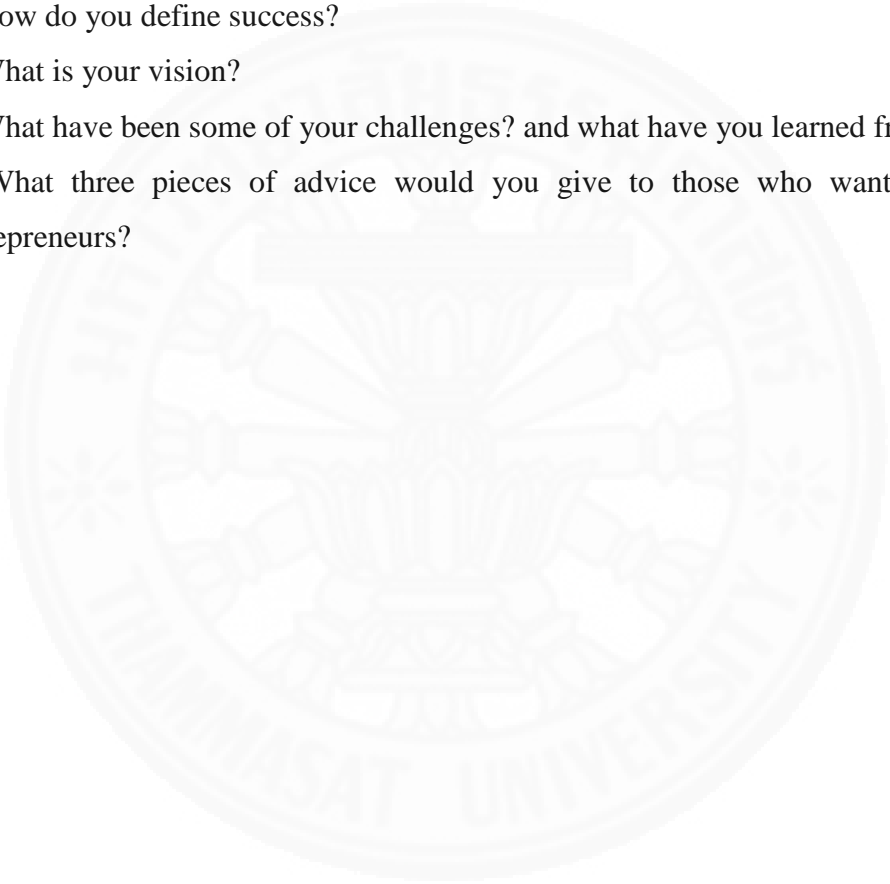
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APPENDICES



APPENDIX A

THE IN-DEPTH INTERVIEW QUESTIONS

1. What is your business area?
 2. How did the idea for your business come about?
 3. What are the key success factors for running a successful business?
 4. What are the key challenges in running business?
 5. How do you define success?
 6. What is your vision?
 7. What have been some of your challenges? and what have you learned from them?
 8. What three pieces of advice would you give to those who want to become entrepreneurs?
- 

APPENDIX B
SUMMARY OF RESPONDENTS PROFILE

No.	Name	Age	Industry
1	Vorapoj	35	Garment industry
2	Eittichai	59	Log and lumber industry
3	Suppachote	29	Auto Parts industry
4	Sirinthip	34	Fine jewelry industry
5	Ravit	37	Medical industry
6	Paveena	29	Garment industry
7	Varis	44	Chemical industry
8	Montree	29	Printing industry
9	Dusida	45	Ship builder & repairer industry
10	Chatpong	36	Stainless steel industry
11	Thirada	32	Abrasives & accessories industry
12	Pattanee	27	Food processing industry
13	Nattapon	31	Rubber industry
14	Naputt	37	Building materials & equipments
15	Apisada	43	Skin care industry
16	Chutima	33	Diamond jewelry business
17	Valaiporn	57	Leather making
18	Rachata	52	Rice industry
19	Kunyaluck	41	Plastic industry
20	Punnika	49	Pulp & Paper industry

BIOGRAPHY

Name	Miss Sirilux Lertsirimongkolchai
Date of birth	November 11, 1986
Educational attainment	Bachelor Degree of Art in Business English, Assumption University
Work Position	Marketing Manager KJMP Auto Parts Co.,Ltd
Work Experiences	Marketing Manager KJMP Auto Parts Co.,Ltd Senior Marketing Executive Jubilee Enterprise Public Company Limited Trade Marketing Beiersdorf Thailand