Information Provision for Thai Small and Medium Sized Enterprises (SMEs)

Natita Waiyahong
SICMT, Faculty of Informatics, Mahasarakham University, Thailand
natita.waiyahong@gmail.com

ABSTRACT

The purpose of this article is to provide an overview of information provision for Thai small and medium sized enterprises (SMEs), which play a vital role in the Thai economy over the three decades. There are significant challenges on providing information to Thai SMEs. This review focuses on important issues that information providers should take into consideration. The SMEs’ concerned agencies collaboration and information gap issues are considered weakness on information provision.

KEYWORDS: Business Information, SME, Information Provision, Thailand

INTRODUCTION

Small to medium sized enterprises (SMEs) in Thailand are defined as those employing less than 200 employees, having investment capital of less than 100 million baht, and fixed assets of less than 100 million baht. (OSMEP, 2005)

In the competitive business world of today, in which flexibility, speed and adaptability are essential for survival and progress, small and medium sized enterprises (SMEs) play an extremely important role in any country’s economic development. This is especially so for the 21 members of the Asia-Pacific Economic Cooperation (APEC, 1998). Thai SMEs have played a vital role in the Thai economy over the three decades since the first National Five Year Plan was instigated in 1960. And as a part of this economic development, SMEs in Thailand have been successful in many ways. Of particular note is the fact that the SME’s share of GDP in Thailand has reached 39 percent. If farm income and agricultural processing are also included, the share rises to 50 percent (OSMEP, 2003). During the same period, the SME share of exports of manufactured goods reached 38.2 percent of the total value of Thailand’s exports. When employment is taken into consideration, Thai SMEs employ about 69 percent of the nation’s workers (OSMEP, 2003). Thus, SMEs are vitally important to the Thai economy.

INFORMATION NEEDS OF THAI SMES

APEC, a major organization supporting SMEs’ activities, perceives the value of information for business and economics and has carried many studies concerning on information needs of SMEs in APEC economies. APEC (APEC1998) stated that “with regard to the content of information SMEs’ immediate needs include the following:
1. information on markets, material suppliers, technology and technical services
2. information on the sources and types of financial available
3. information on industry, national and international outlook…”

There are many studies concerning about needs and importance of information and information in SMEs. It is clear in Orna’s study (Orna, 1999) that all organisations need to know: what is happening inside, and in the 'outside world' that is significant for them; how to recognise significant change; how to make their offerings appropriate; how to communicate. The organizations need to acquire and have ready access to: Information about the companies and markets covered by its remit, internal and external databases, textual and numeric forms. When businesses are connected to each other, information becomes especially valuable (Rosenburg, 2002). In particular, SMEs require a variety of information with regard to regulations, financing, technology development, sources to obtain training, and market trends and development (APEC 1998).

In Thai SMEs, the needs of information in SMEs have been arisen while the evidence of the lack of information exists. Noppakhun’s study (Noppakhun, 2000) the use, needs, and use problems of information by entrepreneurs in Thai SMEs in Bangkok reveals the existence of inappropriate information as needed; out-of-date information to be used in the business; irrelevant information; and wasted much time for information searching. Noppakhun’s findings are relevant to Duncombe and Heeks’ study (2001) which shows a significant weakness of small enterprises in developing countries is their lack of ability to access business networks and form the necessary forward, backward and horizontal linkages that give rise to both information channels and potential long-term contractual relationships. These enterprises also suffer from weak local information support structures which results in a business environment that is information poor.

APEC’s studies also support the lack of information in SMEs of developing economies (APEC 1998). The information dissemination is very desirable but it is costly, as it entails the organizing of seminars all over the country, printing and distribution brochures. Putting in place an effective system of dissemination remains a challenge in efforts to promote the development of SMEs in most developing economies. SMEs generally lack information on the technology capabilities available. Even when they are able to access the information on technology, their capacity to apply is constrained by the lack of financial resources and the skills that go with the new technology. Jeffcoate, Chappell and Feindt (2002) agree that most SMEs had limited knowledge about how various computer technologies could contribute to an overall e-commerce strategy and were frustrated by their dependence on external service providers.

According to Peter Brimble, David Oldfield and Manusavee Monsakul (2002) in Policies for SME Recovery in Thailand, one major constraining factor is the lack of accurate and up to date information on SMEs. Considerable efforts need to be addressed to improve the SME databases and develop better understanding of the characteristics, constraints, needs and
potential of the SME sector. Thai SMEs are considered lack of access to information vital to business (Wasuntiwongse, 1999).

Many studies concerned business information needs and uses in Thailand have been conducted in metropolitan areas especially with sophisticated technology or science parks while remote areas where serious problems exist have been neglected. However, it is clear that there are concerns even in such companies with sophisticated information systems.

According to Nongyao Premkamolnetr’s study (Premkamolnetr 1998), the tenant members in Technology Park were in doubt of the quality of information from the Internet. Maitree Wasuntiwongse (Wasuntiwongse 1999) conducted a specific research on small enterprises’ needs in Thailand and the result strongly supports Premkamolnetr’s study (Premkamolnetr 1998). The equipment and technology employed by the Thai micro enterprises are typically based upon the limited exposure and past experiences of the entrepreneurs themselves, as well as on information provided by suppliers, friends and relatives. The enterprises hardly have access to any relevant agencies’ information. Thus, the enterprises had limited choices of equipment and technology, and their chances of upgrading for greater efficiency. Furthermore, the information received frequently depends on accepting a proposal from one particular supplier. And the information access problem seems to be more serious in the provincial enterprises than the enterprises in Bangkok.

INFORMATION SERVICE PROVIDERS

There has been an institutional reform in Thailand to support SMEs that include the strategic plan at the national and regional levels, the financial institutions, technical assistance, and research and development. There are many organizations that lend support to SMEs in Thailand ranging from the policy level and the operational levels. The Institute for SME Development (ISMED) has been established to provide training and services to SMEs nationwide under the Industrial Restructuring Master Plan. In addition, the SME Master Plan with seven strategies was drafted to promote SME’s competitiveness in regional and global markets. And according to the SME Promotion Act, the SME Promotion Committee chaired by the Prime Minister and the SME Promotion Executive Board was set up; thereby the SME Promotion Office has been established as a coordinating body. Major SME promotion and development agencies in Thailand include:

- The Department of Industrial Promotion (DIP) under the Ministry of Industry
- The Office of Small and Medium Enterprises Promotion (OSMEP)
- Institute for Small and Medium Enterprises Development (ISMED)

Also, the Thai government has a clear policy to create and develop new entrepreneurs. And the program is partnered with academic institutions throughout the country.

Institute of SME Development (ISMED)

The Institute, established in 1999, is the first attempt to provide specific services for SMEs. Ministry of Industry, through the Department of Industrial Promotion, Thammasat University
and seven leading Thai universities establish the Institute for SMEs Development (ISMED). It has been located on Thammasart University, Rangsit Campus, where is convenient to access for people from Bangkok and outside. There are branches in regional major public universities. As the main office has been located on Thammasart University campus, the organisation has academic environment and is rich in spaces. While ISMED is a national level organisation, it has worked along with local and community level agencies. This can be evidenced by numerous SMEs in remote areas has participated in ISMED training programmes in Bangkok. The institute has introduced business opportunities for new entrepreneurs and offer training programmes for current entrepreneurs to help them improve their business skills. (ISMED, 2012)

ISMED is the centre point assisting SMEs to determine the resources available for their business development and alliances and a service provider for SMEs on business information, professional management development, and business networking. The information services provided are training, consulting services, research and information services for both new and existing SMEs in the manufacturing, trading and service sectors. The information services are provided through various channels which include (ISMED, 2012):

1. SMEs Business Directory
2. Business Matching
3. SMEs library
5. Web service
6. Information skill training

Department of Industrial Promotion

The Department of Industrial Promotion (DIP) functions under the Ministry of Industry. It plays a key role in the promotion and development of SMEs in Thailand. It is acting as the lead agency for SME promotion and upgrading competency of local enterprises to compete in the world market. (Industrial Promotion, 2003) The department’s web content involve information on SMEs policy, related organizations, best practice for investment, department’s services for SMEs, support investment and article on SMEs.

Office of SMEs promotion

In January 2000 an SME Promotion Act was adopted in Thailand. The new legislation set up an SME Promotion Committee in order to ensure coherence and co-ordination of effort. The committee was chaired by the Prime Minister and consisting of twenty five organizational members, consisting of business associations and private-sector organizations. Moreover, the act was decided to establish a semi-autonomous Office of SME Promotion (OSMEP) and an SME Promotion Fund. OSMEP is to co-ordinate the formulation of an SME Promotion
Action Plan, manage the SME fund and prepare SME status report to the cabinet. Apart from covering the administrative costs of OSMEP, the SME Promotion Fund was to be used to fund projects under the SME Promotion Action Plan and to give financial and other assistance to SMEs. It was a key attempt to integrate all SMEs functions under one roof. Established by the Small and Medium Enterprises Promotional Act of 2000, the OSMEP is a central coordinating body for SME promotional policies and support programs among Thailand’s public and private agencies. OSMEP is the central organisation in formulating SMEs promotional policies and strategies as well as coordinating governmental and private working systems in achieving the firm and sustainable growth of SMEs (OSMEP, 2003).

As a central organisation, OSMEP and branch offices are located in business areas. The main office has leased a sophisticated business building in Bangkok. The attempt to provide comprehensive information to SMEs on the website is to compensate the inconvenient access to the office.

The website of OSMEP (http://www.sme.go.th) shows the agency as a SME central information centre that provides reliable comprehensive sophisticated services. There are various kinds of information contents available on the website such as articles, research and how to information. The website is presented in Thai and English versions. The medium of English used can identify the international standard of the website.

TERTIARY EDUCATION INSTITUTION

Public and private universities in Thailand play a vital role in providing business related education. They have been producing numerous business graduates each year. In contrary to the number of business graduates, the statistic shows that more than 2/3 of SME’s owners have only primary education background.

Not only producing numerous business graduates, Thailand has expanded enrolment in tertiary science and technology education and to compensate for its higher wages by improving the quality of such education. As mentioned before, the unskilled employee is an urgent problem for the nation. Not only providing tertiary education, but the Thai universities also provide research and academic services to communities. Universities play important roles in supporting information skill trainings and ICT application supports. However, the universities’ services are available upon request and focus on each university’s policy. Also, sophisticated business information resources or academic library services are available among university staff and students only.

CHALLENGES IN INFORMATION PROVISION

It is not difficult to observe that the institutional information supports are still imbalance as the concerns are not yet properly addressed. There is a lack of policy coordination between the various government agencies on SME issues. This can be led to problems in the implementation and monitoring of the various SME supports and programs. There is
considerable overlap, little communication, and poor coordination among major agencies concerned with SME support.

While ISMED has tried to preserve its autonomous administration, the more recent development of the Office of SME Promotion (OSMEP) has confused this issue. The OSMEP not only plays a policy maker and financial controller role but also attempts to include ISMED as a sub organisation. Though ISMED is the key agency providing the services to SMEs, There has also been other government supported services to SMEs administered by various government agencies, many of which inevitably overlapped with one another. What if there are too many initiatives? There are several initiatives aimed at improving the growth of SMEs. It has been resulting in a decline in the training programs offered and employee downsize in ISMED. That is to say not only Thai SMEs themselves need to survive in the global financial crisis, but also the agencies that provide services and supports to them (ISMED, 2012).

That is to say, OSMEP has confused the administration overlap issue. While ISMED’s pride for being the earlier established organisation has tried to preserve its autonomony, the shadow of OSMEP as a superior organisation is evidenced on the website. The ISMED training programs information was heavily presented on OSMEP’s older version website as if OSMEP was in control. Also, while the Office of SMEs Promotion and ISMED have been representing its autonomy itself, the Ministry of Industry does not share the agreement. The ministry always represents the two organizations as in control.

Although the Thai Government realizes how important SMEs are and tries very hard to set up an information infrastructure for SMEs, many studies indicate that the lack of information of Thai SMEs is the one of the major problems immediately in need to be solved.

As mentioned earlier, there are differences in information needs between SMEs in Bangkok areas and provinces. While most comprehensive information service providers locate in Bangkok and metropolitan area, large numbers of SMEs which desperately need support and assistance are in regional areas. In tightly bounded communities like Thailand, local contact and network are very important to Thai SMEs. It is known that the SME public agencies give priority to sophisticated academic institutes to play a SME support role in regional areas. However, the provincial chambers of commerce and non formal education offices are considered as a great source of information services.

**CONCLUSION AND RECOMMENDATION**

It can say the SMEs’ agencies collaboration issue is one of a weakness on information provision. Model of knowledge sharing among agencies should be developed as well as collaboration and coordinators are in need as an important mechanism.

While it is strongly believed among Bangkok SMEs that Thai SMEs should be provided opportunity to access high quality and approved information sources, more business information should be distributed through internet and keep them update all the times.
including SMEs bureau with one-stop service as consultation and all kinds of information, the majority of SMEs outside Bangkok especially the local ones prefer local contacts and business networks for the information services.

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